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Developing a Shari'ah-compliant equity-based crowdfunding framework for entrepreneurship development in Malaysia (Article) [\(Open Access\)](#)

Rahman, M.P. ✉️, Mohd Thas Thaker, M.A. ✉️, Duasa, J. ✉️

Faculty of Economics and Management Sciences, International Islamic University Malaysia, Kuala Lumpur, Malaysia

Abstract

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Purpose: Crowdfunding has become one of the preferred mechanisms to raise funds by startups and small entrepreneurs. As such, this paper aims to develop an appropriate framework for Shari'ah-compliant equity-based crowdfunding (SEC) for entrepreneurship development in Malaysia. **Design/methodology/approach:** The research begins by analyzing the intention of 200 entrepreneurs in Kuala Lumpur and Selangor regarding the use of crowdfunding to raise capital. The analysis is based on the theory of reasoned action (TRA), which is also associated with the technology acceptance model (TAM) and is effected by using structural equation modeling (SEM). **Findings:** The entrepreneurs agree on the ease of use of crowdfunding in raising capital, although it appeared that they are quite reluctant to share their business ideas online. Subsequently, an SEC framework is proposed, to further enhance entrepreneurship development in Malaysia particularly in meeting the need for raising funds in line with Shari'ah (Islamic law) principles. **Practical implications:** This paper aims to contribute more to the development of a blueprint for an SEC platform for market players and regulators in Malaysia. **Social implications:** This paper also aims to highlight the growing needs of entrepreneurs, particularly in Malaysia to have a Shari'ah-compliant alternative to raise funds via crowdfunding. **Originality/value:** This paper makes two main contributions. First, it provides evidence on Malaysian entrepreneurs' intention to use crowdfunding for fundraising through TAM and SEM analysis. Second, it proposes an SEC framework for the development of entrepreneurs in Malaysia. © 2020, Maya Puspa Rahman, Mohamed Asmy Mohd Thas Thaker and Jarita Duasa.

Author keywords

- Malaysian entrepreneurship
- Shari'ah-compliant equity-based crowdfunding (SEC)
- Structural equation modeling (SEM)
- Theory of reasoned action (TRA)

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Funding text #1

Islamic finance promotes alternate financing that is supported by ethical and socially accountable standards, emphasizing the just distribution of benefits and obligations among all parties involved in the financial transactions. Generally, crowdfunding exemplifies these features as it requires all information related to the entrepreneurs (fundraisers) to be disclosed to the investors (funders) and close connections are built between them through the

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updates and project progress reports once funding has been secured. The mechanism of equity-based crowdfunding, which is similar to a partnership arrangement, is seen as a positive step forward for crowdfunding in the Muslim world.

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✎ Rahman, M.P.; Faculty of Economics and Management Sciences, International Islamic University Malaysia, Kuala Lumpur, Malaysia; email:mayapuspa@iiu.edu.my
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