



Regulatory Framework, Contractual Structures, and Legal Challenges of Conventional and Sharia Equity Crowdfunding (ECS) for MSME Financing in Indonesia: Comparative Analysis with Malaysia

Mohd Zakhiri MD NOR¹, Nadiya Salsabila Noor², Irma Rachmawati Maruf³

¹ Universiti Utara Malaysia, Malaysia

² University of Nottingham Malaysia, Malaysia

³ Universitas Pasundan, Indonesia

¹ zakhiri@uum.edu.my, ² sdynn1@nottingham.edu.my, ³ irma.rachmawati@unpas.ac.id

Article Info

Article history:

Received 270126

Revised 280126

Accepted 090226

Keyword:

Equity Crowdfunding;
Sharia Crowdfunding;
MSME Financing;
Islamic Finance
Regulation;
Musharakah;
Mudharabah;
Sharia Supervisory
Board.

ABSTRACT

This study examines the regulatory framework, contractual structures, and legal challenges of conventional and Sharia equity crowdfunding as alternative financing mechanisms for Micro, Small, and Medium Enterprises in Indonesia, with comparative insights from Malaysia. The research employs a normative legal methodology, analysing primary legal instruments, including the Indonesian Finance Authority Regulation and related regulations, as well as empirical literature on crowdfunding implementation in both jurisdictions. The findings reveal that Indonesia operates a dual regulatory framework combining securities regulations with Islamic jurisprudential guidance. At the same time, Malaysia pioneered ECS licensing in 2015, with ongoing debates over the depth of Sharia governance. Conventional equity crowdfunding employs standard share subscription agreements under corporate law. In contrast, sharia equity crowdfunding utilizes Islamic contracts, including *musharakah*, *mudharabah*, *qardh hasan*, and *ijarah*, to ensure compliance with prohibitions *against riba*, *gharar*, and *maysir*. The study identifies three significant legal issues: regulatory gaps, particularly regarding Sharia share offering provisions and Sharia Supervisory Board responsibilities; cybercrime vulnerabilities affecting unregistered platforms, which comprise approximately 90% of Sharia operators; and money laundering risks through electronic payment mechanisms. The research further demonstrates that religious investors significantly influence crowdfunding success, with Islamic campaigns attracting 37.1 per cent more funding, based on empirical evidence from comparable markets. The study concludes that effective Sharia crowdfunding development requires statutory-level legislation, enhanced supervision by the Indonesian Financial Authority of unregistered platforms, mandatory cybersecurity standards, comprehensive Sharia governance frameworks with separate review, audit, and risk functions, and targeted financial literacy programs. These recommendations aim to bridge the gap between sharia principles and positive law while expanding MSME access to equity-based financing aligned with the objectives of *maqasid al-Shariah*.



©2025 Authors. Published by Notariat UNPAS. This work is licensed under a Creative Commons Attribution-NonCommercial 4.0 International License. (<https://creativecommons.org/licenses/by-nc/4.0/>)

INTRODUCTION

Micro, Small, and Medium Enterprises constitute the backbone of economic development in Indonesia and Malaysia, yet these enterprises consistently face significant barriers to accessing formal financing from conventional banks (Sudaryanto et al., 2013). Traditional banks require comprehensive documentation, formal financial records, and collateral assets that most MSMEs cannot provide, creating a persistent funding gap that constrains business growth and economic participation (Kusmiadi et al., 2025). The COVID-19 pandemic exacerbated this financing challenge significantly, with data from the Katadata Insight Centre (2020) indicating that good business conditions among Indonesian MSMEs declined from 92.7 per cent before the pandemic to 14.1 per cent during the pandemic. This financing crisis necessitates alternative funding mechanisms that can accommodate the unique characteristics and limitations of small-scale enterprises.

Equity crowdfunding emerges as a promising alternative financing channel that connects MSMEs directly with investors through internet-based platforms without requiring traditional banking prerequisites (Belleflamme et al., 2014). This financing model enables entrepreneurs to raise capital from numerous small investors who receive equity stakes in funded ventures, thereby distributing investment risks while expanding capital access for underserved business segments (Beaulieu et al., 2015). Freedman and Nutting (2015) observe that crowdfunding has evolved significantly since its emergence, encompassing various models including rewards, donations, debt, and equity-based mechanisms that serve different financing objectives. The equity-based model is particularly relevant for MSME financing because it provides long-term capital without fixed repayment obligations that burden cash-constrained enterprises.

Indonesia and Malaysia represent the two largest Muslim-majority economies in Southeast Asia, and both countries have developed regulatory frameworks governing equity crowdfunding to facilitate MSME financing while protecting investor interests (Abdullah & Oseni, 2017). Malaysia pioneered equity crowdfunding regulation in the ASEAN region when the Securities Commission issued licensing guidelines in June 2015, establishing the legal foundation for platform operations and investor participation (Tripalupi, 2019). Indonesia followed with the Indonesian Financial Services Authority (OJK) Regulation Number 14/POJK.04/2021 concerning Equity Crowdfunding Services Through Information Technology-Based Share Offerings, which establishes requirements for platform operators, issuers, and investors participating in crowdfunding transactions (Ramadhani, 2019). These regulatory developments reflect governmental recognition of crowdfunding's potential to address MSME financing gaps while acknowledging the need for appropriate oversight mechanisms.

The emergence of sharia equity crowdfunding adds another dimension to the financing landscape in both countries, responding to demand from Muslim entrepreneurs and investors seeking halal financing aligned with Islamic principles (Marzban et al., 2014). Sharia equity crowdfunding structures investor-issuer relationships under Islamic jurisprudential guidance, favouring risk-sharing contracts and prohibiting *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (speculation) in financial transactions (Aldinda, 2022). Indonesia operates a dual regulatory framework combining OJK regulations with the **National Sharia Board - Indonesian Ulema Council (NSB-MUI)** Fatwa Number 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles, which mandates that sharia platforms establish Sharia Supervisory Boards to ensure compliance with Islamic requirements (Novitarani & Setyowati, 2018). Malaysia's Securities Commission guidelines allow sharia-compliant platforms, yet scholars have questioned whether Sharia-Compliance monitoring requirements align with the governance standards applied to Islamic financial institutions (Ramli et al., 2023).

The contractual structures employed in conventional and Sharia equity crowdfunding differ fundamentally, reflecting their distinct operational philosophies and legal foundations. Conventional equity crowdfunding utilises standard share subscription agreements governed by corporate law, where investors acquire ownership stakes and receive returns based on company performance through dividends and capital appreciation (Belleflamme et al., 2014). Sharia equity crowdfunding employs Islamic contracts, including *musharakah* for partnership arrangements with profit-and-loss sharing according to predetermined ratios, *mudharabah* for capital provision and management relationships, *qardh hasan* for benevolent loans in philanthropic projects, and *ijarah* for lease-based arrangements (Sa'diyah & Aziroh, 2014). These contractual variations create different risk distributions, return mechanisms, and compliance requirements that affect platform operations and participant protections across jurisdictions.

Despite the growing importance of equity crowdfunding for MSME financing, significant knowledge gaps exist regarding the comparative regulatory approaches and implementation practices between Indonesia and Malaysia. Scholars have examined individual country frameworks extensively, yet comprehensive comparative analyses that investigate regulatory differences, contractual variations, and implementation challenges across both jurisdictions remain limited (Mahfudz et al., 2023). Noor (2022) emphasises that Indonesian sharia crowdfunding requires greater statutory clarity and clear Sharia Supervisory Board roles, while Ramli et al. (2023) propose comprehensive Sharia governance

frameworks for Malaysian platforms that currently lack institutional rigour. These parallel scholarly concerns suggest that both countries face distinct yet related challenges in developing effective equity crowdfunding ecosystems for MSME financing.

This research addresses two primary objectives that guide the investigation and analysis. First, the study examines differences in equity crowdfunding between Indonesia and Malaysia, focusing on the regulatory frameworks and contractual structures in both countries. This comparative examination encompasses securities regulations, Sharia governance requirements, platform licensing procedures, investor protection mechanisms, and the various conventional and Islamic contracts that govern crowdfunding transactions. Second, the study analyses how conventional and Sharia equity crowdfunding compare in facilitating MSME financing in both jurisdictions. This analysis examines market development, platform operations, success factors, adoption barriers, and the practical challenges that affect crowdfunding's effectiveness as an alternative financing channel for small and medium enterprises in Indonesia and Malaysia.

RESEARCH METHODS

This study employs a legal research methodology, combined with comparative legal analysis, to examine the regulatory frameworks, contractual structures, and legal challenges of conventional and Sharia equity crowdfunding in Indonesia and Malaysia. The research utilizes primary legal materials, including OJK Regulation Number 14/POJK.04/2021 concerning Equity Crowdfunding Services, **NSB-MUI** Fatwa Number 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles, Bank Indonesia Regulation Number 19/12/PBI/2017 concerning Financial Technology Implementation, and Malaysian Securities Commission guidelines on equity crowdfunding licensing. Secondary legal materials comprise scholarly articles, empirical studies, and policy documents addressing crowdfunding implementation in both jurisdictions, retrieved through a systematic literature review from academic databases. The comparative analysis examines regulatory timing, Sharia governance mechanisms, contractual preferences, and market footprints between Indonesian and Malaysian equity crowdfunding ecosystems to identify best practices and regulatory gaps. Data analysis applies statutory interpretation, conceptual analysis of Islamic contract principles (*musharakah*, *mudharabah*, *qardh hasan*, and *ijarah*), and synthesis of empirical findings regarding MSME financing barriers, religious investor behaviour, and platform operational challenges. The research scope encompasses conventional and Sharia equity crowdfunding platforms operating under formal regulatory supervision, with particular attention to the responsibilities of Sharia Supervisory Boards, investor protection mechanisms, and compliance with the *maqasid al-Shariah* objectives in Islamic social finance contexts.

RESULTS AND DISCUSSION

A. Regulatory Framework and Contractual Structures of Equity Crowdfunding in Indonesia and Malaysia

Indonesia and Malaysia have developed distinct regulatory approaches to govern equity crowdfunding activities within their respective jurisdictions. Malaysia established its regulatory framework earlier than Indonesia when the Securities Commission issued equity crowdfunding licensing guidelines in June 2015, positioning the country as a pioneer in ASEAN for this alternative financing mechanism (Tripalupi, 2019). The Malaysian Securities Commission exercises comprehensive authority over equity crowdfunding operations, establishing requirements for platform registration, issuer eligibility, investor protection, and disclosure standards that govern market participants (Abdullah & Oseni, 2017). This early regulatory initiative enabled Malaysia to accumulate operational experience and refine its supervisory approaches over nearly a decade of implementation.

Indonesia's regulatory framework emerged later through the Indonesian Finance Authority (OJK) Regulation Number 14/POJK.04/2021 concerning Equity Crowdfunding Services Through Information Technology-Based Share Offerings, which constitutes the primary legal instrument

governing crowdfunding operations in the country (Ramadhani, 2019). This regulation mandates that platform operators obtain operational licenses from OJK and register as electronic system operators with the Ministry of Communication and Information Technology. The capital requirements demonstrate regulatory emphasis on financial stability, requiring platform operators to maintain minimum paid-up capital and equity of IDR 2.5 billion at the time of license application (Novitarani & Setyowati, 2018). Platform operators must also employ human resources with information technology educational backgrounds to conduct reviews of issuers seeking funding through the platform.

The Sharia equity crowdfunding regulatory landscape reveals more pronounced differences between the two countries. Indonesia operates a dual regulatory framework that combines OJK regulations with Islamic jurisprudential guidance from **NSB-MUI** (Novitarani & Setyowati, 2018). Article 35 of POJK Number 14/2021 explicitly recognises sharia-compliant equity crowdfunding and mandates additional requirements for platforms that offer Islamic financial products. **NSB-MUI** Fatwa Number 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles provides comprehensive guidance requiring that sharia fintech operations remain free from *riba*, *gharar*, *maysir*, *tadlis*, *dharar*, *zhulm*, and *haram* elements (Novitarani & Setyowati, 2018). This fatwa mandates that all parties involved in Sharia fintech transactions comply with Islamic principles throughout the financing process.

The establishment of Sharia Supervisory Boards is a mandatory requirement that distinguishes Indonesian sharia platforms from their conventional counterparts. Sukardi (2012) emphasises that sharia compliance constitutes the core element of Islamic financial institutions, making DPS oversight essential for maintaining institutional legitimacy. The DPS conducts ongoing monitoring to verify that platform operations, funded businesses, and financial products conform to Sharia requirements. Indonesian scholars such as Marwa et al. (2024) argue that the industry requires stronger law-level regulation beyond OJK rules to maximise legal certainty, with explicit provisions that address SSB's legal responsibilities and qualifications.

Malaysia's regulatory approach to sharia crowdfunding differs in terms of its depth of governance and institutional requirements. The Securities Commission guidelines enable sharia-compliant platforms to operate, yet Shariah monitoring requirements have been characterised as comparatively lenient compared with those applied to Islamic financial institutions (Ramli et al., 2023). Researchers have proposed comprehensive Shariah governance models incorporating separate review, audit, and risk functions to strengthen oversight mechanisms and maintain investor confidence (Equity-Crowdfunding in Malaysia, 2022). This scholarly consensus suggests that Malaysian sharia crowdfunding regulation needs to be enhanced to match the institutional rigour expected in Islamic finance operations.

The contractual structures employed in conventional equity crowdfunding demonstrate similarities across both jurisdictions, reflecting shared corporate law foundations. Conventional platforms use standard share subscription agreements, in which investors acquire equity stakes in issuer companies and receive returns based on company performance through dividends and capital appreciation (Belleflamme et al., 2014). The tripartite relationship involving issuers, platform operators, and investors follows established corporate governance frameworks applicable to private company shareholding in both Indonesia and Malaysia (Beaulieu et al., 2015). Platform operators function as intermediaries, connecting investors with issuers, charging fees as a percentage of funds successfully raised, and allocating due diligence and disclosure compliance responsibilities among the parties.

Sharia equity crowdfunding employs distinct Islamic contract types that ensure compliance with jurisprudential requirements. *The musharakah* contract constitutes a cooperation agreement where investors become co-owners who share profits according to predetermined ratios and bear losses proportional to their capital contributions (Sa'diyah & Aziroh, 2014). This arrangement reflects the Islamic principle of profit-and-loss sharing, which distinguishes sharia financing from interest-based conventional models (Marzban et al., 2014). **NSB-MUI** Fatwa Number 117/2018 specifies that Indonesian sharia fintech may utilise *musharakah* and *mudharabah* contracts for financing business operators, ensuring that returns are derived from actual business performance rather than predetermined interest rates (Novitarani & Setyowati, 2018).

The mudharabah contract involves capital provision by one party (*shahib al-mal*) and business management by another (*mudharib*), with profits shared according to agreed ratios. At the same time, losses fall exclusively on the capital provider unless caused by *the mudharib's* negligence. Research by Ishak and Rahman (2021) examines the potential application of *mudharabah* in Malaysian Islamic crowdfunding. It reveals that although this contract type could operate efficiently through fintech platforms, it presents challenges, including high risk, exposure to fraudulent projects, and difficulties with investor protection. These risks require mitigation through enhanced regulatory provisions, fintech monitoring capabilities, and improved contract documentation standards.

Indonesian sharia crowdfunding practice demonstrates the operational implementation of *musharakah* structures, with documented cases such as PT Shafiq Digital Indonesia, which utilises *musyarakah musahamah* and sukuk-type instruments for UMKM financing (Mahfudz et al., 2023). One empirical audit of Indonesian ECF listings identified 154 SMEs on platforms when assessing Shariah compliance, signalling early adoption among issuers in the Indonesian market (Rahman et al., 2020). Malaysian practice shows more limited development, with studies reporting very few Islamic-registered ECF platforms despite the availability of entrepreneur-ready sharia-compliant financing options (Ishak & Rahman, 2021). This implementation gap between the two countries suggests that Indonesia has progressed further in translating regulatory frameworks into operational Sharia crowdfunding platforms.

The philanthropic dimensions of Sharia crowdfunding also differ in contractual application between jurisdictions. Sharia platforms support charitable objectives through *qardh hasan* (benevolent loan) and hibah (gift) contracts, which cover projects such as school construction, orphanage renovation, disaster relief, zakat payments, and waqf contributions (Wahjono, 2015). The *qardh hasan* contract provides interest-free loans that borrowers repay without additional charges, while the hibah contract transfers ownership without a reciprocal obligation (Mohd Zakhiri et al., 2019). These mechanisms align crowdfunding with Islamic social finance traditions, emphasising community welfare and the circulation of wealth among society's members.

B. Comparative Implementation of Conventional and Sharia Equity Crowdfunding for MSME Financing in Indonesia and Malaysia

The implementation of equity crowdfunding for MSME financing demonstrates varying levels of market development and operational maturity between Indonesia and Malaysia. Both countries recognise crowdfunding as a promising alternative financing channel that addresses the persistent barriers MSMEs face in accessing formal banking credit, including documentation requirements, collateral demands, and financial recordkeeping requirements (Noor, M et al., 2025). The COVID-19 pandemic intensified the urgency for alternative financing mechanisms, with Indonesian MSME conditions deteriorating from 92.7 per cent reporting good business conditions before the pandemic to merely 14.1 per cent during the crisis period (Pratiwi, 2004). This financing gap creates substantial demand for crowdfunding services that can accommodate the unique characteristics of small-scale enterprises.

Indonesian equity crowdfunding has achieved measurable market presence, with empirical studies documenting dozens to low hundreds of issuer SMEs listed on platforms (Rahman et al., 2020). The regulatory framework supporting this development combines OJK supervision with NSB-MUI guidance for sharia-compliant operations, creating a structured environment for platform activities. (Kusmiadi, 2025). However, significant challenges persist, as data from Zaki (2019) reveal that only 13 of 144 registered fintech lending companies had obtained official OJK registration by October 2019. Rasyid and Setyowati (2017) note that many sharia crowdfunding platforms operating as cooperatives hold only Ministry of Cooperatives licenses without OJK registration, which prevents bank partnerships and exposes participants to inadequate regulatory oversight.

Malaysian equity crowdfunding implementation benefits from earlier regulatory establishment but faces different developmental challenges. Entrepreneur receptivity studies demonstrate positive behavioural intentions toward sharia-compliant crowdfunding, with Rahman et al. (2019) finding that perceived usefulness and ease of use positively influence Malaysian Muslim entrepreneurs' intention to adopt such platforms in a 411-respondent study. However, the number of fully Islamic-labelled ECF

operators remains limited compared to conventional platforms, creating a supply-demand mismatch for Muslim entrepreneurs seeking halal financing (Ishak & Rahman, 2021). This situation reflects the relatively lenient Shariah governance requirements that may reduce investor confidence in platform compliance.

The factors influencing MSME decisions to seek crowdfunding differ between conventional and Sharia contexts. Herlita et al. (2023) examine funding decisions of Indonesian halal food SMEs via Islamic ECFs, finding that subjective norms, perceived behavioural control, product knowledge, and religiosity significantly influence adoption intentions in a 200-participant study. These findings indicate that Sharia crowdfunding success depends not merely on regulatory frameworks but also on educational outreach that enhances understanding of Islamic contracts and platform operations. Majid and Nugraha (2022) confirm that Islamic financial literacy significantly affects investors' intention to adopt Islamic securities crowdfunding platforms, highlighting capacity building as a critical success factor.

Religious investor behaviour is a distinctive element in the implementation of Sharia crowdfunding that conventional platforms do not encounter. Empirical research by Yaş (2026) examining 95 crowdfunding campaigns in Türkiye between 2021 and 2024 reveals that Islamic equity crowdfunding campaigns attract 37.1 per cent higher funding and 11.7 per cent more investors than their conventional counterparts. Explicit signals of sharia compliance through platform messaging enhance crowdfunding performance, with confirmation that ventures comply with Islamic principles positively influencing campaign success, funding volume, and investor participation. These findings suggest that Indonesian and Malaysian sharia platforms can enhance effectiveness by combining regulatory compliance with strategic communication that emphasises Islamic principles.

The legal issues confronting equity crowdfunding implementation pose challenges for both countries, affecting MSME access to financing. Regulatory weaknesses and gaps constitute primary concerns, particularly the absence of specific provisions addressing sharia share offerings and eligibility criteria for companies seeking listing on sharia platforms (Novitarani & Setyowati, 2018). Nurhisam (2016) observes that the progression of sharia compliance often exceeds the pace of positive law development, creating disparities between religious requirements and legal frameworks that obstruct product development and supervision. This gap between syar'i and qanunan standards requires legislative attention to provide adequate legal certainty for stakeholders.

Cybercrime vulnerabilities affect both Indonesian and Malaysian crowdfunding ecosystems due to the internet-based nature of platform operations. Whetzel (2016) observes that cybercrimes using crowdfunding are easy to commit, given the user-friendly operational schemes these platforms employ. Criminal exploitation opportunities arise from mechanisms enabling profile creation to collect funds for stated causes that may appear legitimate while serving as fronts for fraud or illicit financing (Robock, 2014). The minimal oversight of unregistered platforms exacerbates security concerns, particularly in Indonesia, where approximately 90% of Sharia crowdfunding operators lack OJK licenses (Rasyid & Setyowati, 2017).

Money laundering risks represent additional legal challenges that require mitigation through enhanced regulatory measures. Robock (2014) identifies scenarios in which issuers can collude with investors to exchange money for securities issued by companies engaged in financial crimes under legitimate business facades. Crowdfunding mechanisms can channel funds abroad for terrorist financing through fictitious companies purportedly involved in charitable work overseas. Wati and Winarno (2018) recommend establishing maximum limits on collectable funds within specified timeframes and minimum intervals between collection and utilisation to enable investigation, alongside robust Know Your Customer and Customer Due Diligence requirements.

The comparative advantages of sharia equity crowdfunding for MSME financing extend beyond religious compliance to encompass social finance objectives. Aldinda (2022) positions sharia crowdfunding as Islamic social finance that supports economic recovery and halal industry competitiveness while avoiding interest-based debt burdens. The *maqasid al-Shariah* objectives of protecting life and property through asset mobilisation from wealthy to less fortunate individuals align with crowdfunding mechanisms that circulate capital among community members (Mohd Zakhiri et al.,

2019). These social dimensions attract religious investors who derive nonfinancial utility from investments aligned with faith-based principles, potentially expanding the investor pool beyond conventional financial motivations (Yaş et al., 2022).

Technology adoption offers opportunities to strengthen both conventional and Sharia crowdfunding implementation for MSME financing. Indriana et al. (2022) propose blockchain applications to improve fund protection, traceability, and inclusion across crowdfunding operations. Fintech monitoring capabilities can address *mudharabah* contract risks by enabling transparent tracking of fund utilisation and project progress (Ishak & Rahman, 2021). These technological enhancements can address regulatory gaps while building trust among investors and issuers who require assurance about platform integrity and transaction security.

Sectoral targeting represents another implementation strategy that both countries can pursue to enhance crowdfunding effectiveness. Rafia et al. (2019) surveyed 260 Malaysian respondents regarding a sharia-compliant equity crowd model for household solar adoption, finding that 47 per cent indicated willingness to accept such financing for renewable energy projects. Halal food SMEs and low-carbon initiatives emerge as a natural fit for crowdfunding to mobilise community capital while delivering *maqasid* objectives (Aldinda, 2022). These targeted approaches can demonstrate operational viability and build track records that attract broader market participation.

The comparative analysis reveals that Indonesia has achieved greater Sharia crowdfunding platform development despite a later regulatory framework, while Malaysia demonstrates stronger entrepreneurial readiness but faces platform supply constraints. Both countries require enhanced regulatory frameworks that address the depth of Shariah governance, cybercrime protections, and investor safeguards to realise crowdfunding's potential as an MSME financing channel. The integration of religious investor motivations with appropriate regulatory structures and technological capabilities creates pathways for sustainable market development that serves both conventional and faith-based financing preferences across the Indonesian and Malaysian MSME ecosystems.

CONCLUSION

This study examines the regulatory framework, contractual structures, and implementation of conventional and Sharia equity crowdfunding for MSME financing in Indonesia and Malaysia. Based on the analysis and discussion presented, the following conclusions address the two research objectives.

First, the regulatory frameworks governing equity crowdfunding in Indonesia and Malaysia demonstrate distinct developmental trajectories and governance emphases. Malaysia pioneered equity crowdfunding regulation in ASEAN when the Securities Commission issued licensing guidelines in June 2015, establishing comprehensive requirements for platform registration, issuer eligibility, and investor protection. Indonesia followed with OJK Regulation Number 14/POJK.04/2021, which mandates platform operators to obtain OJK licenses, maintain a minimum paid-up capital of IDR 2.5 billion, and employ qualified human resources for issuer review processes. The Sharia crowdfunding regulatory landscape reveals more pronounced differences, with Indonesia operating a dual framework combining OJK regulations with NSB-MUI Fatwa Number 117/2018, which mandates the establishment of a Sharia Supervisory Board and compliance with prohibitions against *riba*, *gharar*, and *maysir*. Malaysian sharia crowdfunding operates under Securities Commission guidelines that scholars characterise as comparatively lenient regarding Shariah monitoring requirements compared with Islamic financial institution standards. The contractual structures also differ fundamentally, with conventional platforms utilising standard share subscription agreements governed by corporate law. In contrast, sharia platforms employ Islamic contracts, including *musharakah* for profit-and-loss-sharing partnerships, *mudharabah* for capital provision and management relationships, *qardh hasan* for benevolent loans, and *ijarah* for lease-based arrangements. Indonesian practice demonstrates operational implementation of these contracts through platforms such as PT Shafiq Digital Indonesia, whereas Malaysian sharia crowdfunding faces limited platform availability despite regulatory enablement.

Second, the comparative implementation of conventional and Sharia equity crowdfunding for MSME financing reveals that Indonesia has achieved greater market presence with documented SME

listings on platforms. At the same time, Malaysia demonstrates stronger entrepreneur readiness but faces platform supply limitations. Both countries confront significant legal challenges, including regulatory gaps regarding Sharia share offering provisions and SSB responsibilities, cybercrime vulnerabilities affecting unregistered platforms that comprise approximately 90% of Indonesian Sharia operators, and money laundering risks through electronic payment mechanisms. The factors influencing MSME adoption differ between conventional and Sharia contexts, with religiosity, product knowledge, and subjective norms significantly affecting Islamic crowdfunding decisions among Indonesian halal food SMEs. Religious investor behaviour constitutes a distinctive advantage for sharia platforms, with empirical evidence indicating that Islamic campaigns attract 37.1 per cent higher funding than conventional counterparts when platforms employ explicit compliance messaging. The social finance dimensions of sharia crowdfunding align with maqasid al-Shariah objectives of wealth circulation and community welfare, attracting investors who derive nonfinancial utility from faith-aligned investments. Technology adoption through blockchain and fintech monitoring capabilities offers opportunities to address regulatory gaps and mudharabah contract risks while building stakeholder trust. Sectoral targeting toward halal industries and renewable energy projects demonstrates measurable demand that both countries can leverage for sustainable market development.

The study recommends that Indonesian regulators enact statutory-level legislation specifically governing crowdfunding with clear SSB legal responsibilities and Sharia share offering provisions. Malaysian authorities should enhance Shariah governance requirements to align with institutional Islamic finance standards by implementing comprehensive frameworks that separate review, audit, and risk functions. Both countries require strengthened cybersecurity standards, anti-money laundering protocols, and investor protection mechanisms for all crowdfunding platforms. Educational initiatives addressing Islamic financial literacy and contract understanding can enhance adoption among MSMEs and investors seeking sharia-compliant financing alternatives. The integration of regulatory frameworks with strategic religious-compliance communication and technological safeguards creates pathways to realise equity crowdfunding's potential as an inclusive MSME financing channel across both jurisdictions.

REFERENCES

Book :

- Abdullah, S., & Oseni, U. A. (2017). Towards a Shari'ah-compliant equity-based crowdfunding for the halal industry in Malaysia. *International Journal of Business and Society*, 18(S1), 223-240.
- Beaulieu, T., Sarker, S., & Sarker, S. (2015). A conceptual framework for understanding crowdfunding. *Communications of the Association for Information Systems*, 37(1), 1-31.
- Belleflamme, P., Lambert, T., & Schwienbacher, A. (2014). Crowdfunding: Tapping the right crowd. *Journal of Business Venturing*, 29(5), 585-609.
- Forbes, H., & Schaefer, D. (2017). Guidelines for successful crowdfunding. *Procedia CIRP*, 60, 398-403.
- Freedman, D. M., & Nutting, M. R. (2015). A brief history of crowdfunding, including rewards, donations, debt, and equity platforms in the USA. *Working Paper*.
- Gelfond, S., & Foti, A. (2012). US\$500 and a click: Investing the "crowdfunding" way. *Journal of Investment Compliance*, 13(4), 9-13.
- Kusmiadi, K., Maruf, I. R., Ruslina, E., & Noor, Z. M. (2025). Maqashid Syariah as a Foundation Social-Based Crowdfunding (Comparison of Indonesian and Malaysian Sharia Economic Law). *LEGAL BRIEF*, 14(1), 83-89.

- Marzban, S., Asutay, M., & Boseli, A. (2014). Shariah-compliant crowdfunding: An efficient framework for entrepreneurship development in Islamic countries. *Proceedings of the Harvard Islamic Finance Forum*. Harvard University.
- Mohd Zakhiri, M. N., Azhar, A., & Mohamad, A. M. (2019). Legal impact on waqf for property development and commercialisation: Court judgment analysis. *Journal of Islamic, Social, Economics and Development*, 4(24), 1-12.
- Nor, M. Z. M., Saad, M. S., Mohamad, A. M., & Maruf, I. R. (2025). Zakat and Digitalisation: A Bibliometric Analysis. *Journal of Cultural Analysis and Social Change*, 3247-3260.
- Novitarani, A., & Setyowati, R. (2018). Analisis crowdfunding syariah berdasarkan prinsip syariah compliance serta implementasinya dalam produk perbankan Indonesia. *Diponegoro Law Journal*, 7(2), 221-237.
- Nurhisam, L. (2016). Kepatuhan syariah (sharia compliance) dalam industri keuangan syariah. *Jurnal Hukum IUS QUIA IUSTUM*, 23(1), 77-96.
- Rafia, A., Tudin, R., Morshed, N., & Duasa, J. (2019). Developing a shariah-compliant equity-based crowdfunding model towards a Malaysian low-carbon consumer society. *Proceedings of the International Conference on Islamic Finance and Business*.
- Rahman, M. P., Thaker, M. A. M. T., & Duasa, J. (2019). Would Muslim entrepreneurs use a shariah-compliant equity-based crowdfunding model for financial sustainability? A case study on Malaysia. *Proceedings of the International Conference on Islamic Economics and Finance*.
- Ramadhani, I. (2019). *Equity crowdfunding sebagai alternatif pembiayaan UMKM di Indonesia*. Universitas Pasundan.
- Sudaryanto, Ragimun, & Wijayanti, R. R. (2013). *Strategi pemberdayaan UMKM menghadapi pasar bebas ASEAN*. Pusat Kebijakan Ekonomi Makro, Badan Kebijakan Fiskal, Kementerian Keuangan RI.
- Sukardi, B. (2012). Kepatuhan syariah (syariah compliance) dan inovasi produk bank syariah di Indonesia. *Akademika: Jurnal Pemikiran Islam*, 17(2), 1-14.
- Tektona, R. I. (2022). Tanggung jawab hukum dewan pengawas syariah terhadap securities crowdfunding syariah di Indonesia. *Journal Justiciabelen*, 2(2), 139-150. <https://doi.org/10.35194/jj.v2i2.2066>
- The examination of Shariah compliance of equity crowdfunding companies in Indonesia. (2023). In *Sustainable Finance* (pp. 237-259). Springer. https://doi.org/10.1007/978-3-031-29031-2_10
- Tripalupi, R. I. (2019). Equity crowdfunding syari'ah dan potensinya sebagai instrumen keuangan syari'ah di Indonesia. *Adliya: Jurnal Hukum dan Kemanusiaan*, 13(2), 229-246. <https://doi.org/10.15575/ADLIYA.V13I2.6440>
- Wahjono, S. I. (2015). Islamic crowdfunding: Alternative funding solution. *Proceedings of the 1st World Islamic Social Science Congress*. Universiti Sains Islam Malaysia.

- Wati, C. R., & Winarno, A. (2018). The performance of the crowdfunding model as an alternative funding source for micro, small, and medium-scale businesses in various countries. *KnE Social Sciences*, 3(3), 163-176.
- Whetzel, J. (2016). Crowdfunding and cybercrime: How susceptible is the crowdfunding model to fraud and other cybercrimes? *Review of Banking and Financial Law*, 35, 366-380.
- Yaş, M. (2026). The influence of Islamic religiosity on equity crowdfunding success. *Journal of Islamic Finance and Economics*, forthcoming.

Journal :

- Aldinda, F. (2022). Equity crowdfunding sharia as Islamic social finance in recovering the economy amid the COVID-19 pandemic crisis in Indonesia. *NUsantara Islamic Economic Journal*, 1(2), 155-166. <https://doi.org/10.34001/nuiej.v1i2.153>
- Equity-crowdfunding in Malaysia: The needs for a comprehensive Shariah governance. (2022). *The Journal of Management Theory and Practice*, 3(1), 48-55. <https://doi.org/10.37231/jmtp.2022.3.1.204>
- Firdaus, M. I., Aziz, M. A., Sukoco, D., & Alafianta, N. F. (2021). Investment cooperation agreement on equity crowdfunding platform from the perspective of sharia economic law. *Al-Iktisab*, 5(1), 65-81. <https://doi.org/10.21111/AL-IKTISAB.V5I1.5626>
- Herlita, H., Huda, N., Prijadi, R., Sobari, N., & Fatwa, N. (2023). The SMEs funding decisions through the Islamic equity crowdfunding platform. *Jurnal Pendidikan Ekonomi & Bisnis*, 11(1), 26-41. <https://doi.org/10.21009/jpeb.011.1.3>
- Indriana, I., Satila, H. T., Alwi, B. D., & Fikri, M. A. A. (2022). Fintech equity crowdfunding syariah sebagai solusi akses permodalan UMKM. *Bisnis: Jurnal Bisnis dan Manajemen Islam*, 10(1), 1-20. <https://doi.org/10.21043/bisnis.v10i1.13142>
- Ishak, M. S. I., & Rahman, M. H. (2021). Equity-based Islamic crowdfunding in Malaysia: A potential application for mudharabah. *Qualitative Research in Financial Markets*, 13(2), 183-198. <https://doi.org/10.1108/QRFM-03-2020-0024>
- Mahfudz, A. A., Ahsanti, A. R., & Ahmad, H. F. (2023). Shariah securities crowdfunding platform in Indonesia: An appraisal based on regulatory framework and Shariah perspectives. *Advances in Economics, Business and Management Research*, 75-79. https://doi.org/10.2991/978-94-6463-346-7_15
- Majid, R., & Nugraha, R. A. (2022). The crowdfunding and Islamic securities: The role of financial literacy. *Journal of Islamic Monetary Economics and Finance*, 8(1), 1-24. <https://doi.org/10.21098/jimf.v8i1.1420>
- Marwa, M. H. M., Al-Fatih, S., Hussain, M. A., & Haris, H. (2024). The position and role of the Sharia Supervisory Board in ensuring Sharia compliance equity crowdfunding in Indonesia. *Jurnal Hukum*, 39(2), 1-20. <https://doi.org/10.26532/jh.v39i2.33330>

- Noor, A. M. (2022). The legal regulatory framework of Sharia securities crowdfunding in Indonesia. *Masalah-Masalah Hukum*, 51(4), 433-444. <https://doi.org/10.14710/mmh.51.4.2022.433-444>
- Pratiwi, E., Maruf, I. R., & Fatimah, U. D. (2024, February). Conceptualisation of Notary Authority in Certifying Transactions Conducted Electronically in the Framework of Increasing Legal Awareness of the Border Region in the Post Covid-19 Era. In *International Seminar on Border Region (INTSOB 2023)* (pp. 62-72). Atlantis Press.
- Rahman, M. P., Thaker, M. A. M. T., & Duasa, J. (2020). Developing a Shari'ah-compliant equity-based crowdfunding framework for entrepreneurship development in Malaysia. *ISRA International Journal of Islamic Finance*, 12(2), 239-252. <https://doi.org/10.1108/IJIF-07-2018-0085>
- Ramli, H. S., Ishak, M. S. I., & Nasir, N. S. M. (2023). A comprehensive Shariah governance framework for Islamic equity crowdfunding: A qualitative analysis. *Journal of Governance and Regulation*, 12(4), 1-15. <https://doi.org/10.22495/jgrv12i4siart13>
- Ramos, J., & Stewart, M. (2014). Crowdfunding and the role of managers in ensuring the sustainability of crowdfunding platforms. *JRC Scientific and Policy Reports*. European Commission.
- Rasyid, M. A., & Setyowati, R. (2017). Crowdfunding syariah untuk pengembangan produk perbankan syariah dari perspektif syariah compliance. *Diponegoro Law Journal*, 6(4), 1-16.
- Robock, S. (2014). Crowdfunding and money laundering: The dark side of crowdfunding. *Stanford Law Review Online*, 67, 38-45.
- Rusydiana, A. S. (2018). Bagaimana mengembangkan industri fintech syariah di Indonesia? Pendekatan interpretive structural model (ISM). *Al-Muzara'ah*, 6(2), 117-128.
- Sa'diyah, M., & Aziroh, N. (2014). Musyarakah dalam fiqh dan perbankan syariah. *Equilibrium: Jurnal Ekonomi Syariah*, 2(1), 1-20.
- Yaş, M., Asutay, M., & Hassan, M. K. (2022). Religious utility maximization in Islamic finance: A two-dimensional approach. *International Journal of Islamic and Middle Eastern Finance and Management*, 15(4), 712-730.
- Zaki, M. (2019). *Perkembangan fintech syariah di Indonesia*. Asosiasi Fintech Syariah Indonesia.

Regulations and Legal Instruments

Bank Indonesia Regulation Number 19/12/PBI/2017 concerning Financial Technology Implementation.

DSN-MUI Fatwa Number 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles.

Government Regulation Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises.

Law Number 8 of 2010 concerning Prevention and Eradication of Money Laundering.

OJK Regulation Number 24 of 2015 concerning Products and Activities of Sharia Commercial Banks and Sharia Business Units.

OJK Regulation Number 14/POJK.04/2021 concerning Equity Crowdfunding Services Through Information Technology-Based Share Offerings.