

MSMEs and Islamic Securities Crowdfunding: The Importance of Financial Literacy

Rifaldi Majid^a, Rizky Aditya Nugraha^b

^a Islamic Economics Study Program, Faculty of Economics and Business, Diponegoro University, Indonesia

^b Department of Accounting, Faculty of Economics and Business, Brawijaya University, Indonesia

Keywords

MSMEs
Islamic Securities
Crowdfunding
Fintech
Islamic Financial
Literacy
Theory of Planned
Behavior

Abstract

The development of Islamic securities crowdfunding (I-SCF) financial technology has recently become a momentum for micro, small, and medium enterprises (MSMEs) in terms of fulfilling capital by issuing shares and *sukuk* based on *syariah* principles. This research examines the role of Islamic financial literacy through the use of variables from the theory of planned behavior about the intentions of MSME actors to apply for capital through I-SCF. A total of 97 responses were collected from MSMEs owners/managers who have been in business for at least two years using an online questionnaire and then examined using structural equation modeling by SmartPLS. The results show that the variables of subjective norm, perceived behavioral control, and attitude toward behavior significantly influence the intention to obtain capital to expand one's business. The primary finding of this research is that Islamic financial literacy has been experimentally shown to improve the desire of MSME players to expand their business capacity. There is thereby a need for continuous efforts from the Indonesian Financial Service Authority to collaborate with industry players, organising associations, and *syariah* scholars to boost Islamic financial literacy through sustainable education. In addition, efforts to maintain the uniqueness of I-SCF and its *syariah* compliancy must be supported by prospective I-SCF providers, even while awaiting their operational permits.

Corresponding Author: rifaldimajid@lecturer.undip.ac.id

1. Introduction

In recent years, crowdfunding has become a worldwide phenomenon, as seen from the huge array of successfully funded projects with millions of individual backers worldwide (Hossain & Oparaocha, 2017; Troise, 2020). Crowdfunding is a become a novel method of raising funds that is both simple and proven to be accurate, working well for both commercial and social projects, including those in the education and cultural sectors (Mollick, 2014). Instead of crowd-based approaches such as crowdsourcing, open-source software development, or open-innovation movements, crowdfunding has several unique characteristics. Crowd-based approaches are community-based concepts, built on harnessing the crowd's power or wisdom. In contrast, crowdfunding is usually accompanied by efforts requiring monetary contributions from the supportive community (Hossain & Oparaocha, 2017). Scholars thereby categorize crowdfunding into four types based on the goals to be achieved based on its goals: social goals, such as projects which are 1) donation-based or 2) reward-based, and commercial goals, such as 3) lending-based and 4) equity-based (Thaker, 2018; Troise, Matricano, Candelo, & Sorrentino, 2021).

Amid advances in technology and global business, the emergence of equity crowdfunding (ECF) is a breath of fresh air for business players, especially micro, small, and medium enterprises (MSMEs), as an alternative for obtaining capital and undertaking business expansion. The crowdfunding mechanism has particularly gained significant interest among MSMEs due to issues of collateral (Hendratmi, Ryandono, & Sukmaningrum, 2020) and other administrative problems often encountered when trying to obtain financing from formal financial institutions. Crowdfunding initiatives generally involve a tripartite relationship between the crowdfunding platform (the operator), the issuer (the company that raises funds through the platform), and the investors (crowd funders). The crowdfunding operator provides and manages an online platform to facilitate the transaction process, from issuing unlisted securities by the issuer to the return disbursement based on the principle of fund investment (Lee, 2019).

In Indonesia, even though MSMEs dominate in the national economy, the development of ECF is very limited. ECF became a concern when Otoritas Jasa Keuangan (OJK, or the Financial Services Authority) first gave ECF legal status in 2018. OJK is the Indonesian financial regulator, and gave ECF legality through a regulation called POJK No.37/POJK.04/2018 regarding Crowdfunding Services Through Information Technology-based Stock Offerings (Equity

Crowdfunding) (Majid & Nugraha, 2022). Furthermore, to bring together the existing ECF members, in 2020, the Indonesian Crowdfunding Service Association (Asosiasi Layanan Urun Dana Indonesia, ALUDI) was established, aiming to become an alternative source of funding for MSMEs for business expansion (ALUDI, 2021).

In its development, in 2020, OJK issued POJK No.57/POJK.04/2020 to expand the forms of securities offered in market to include sukuk (Islamic bonds) and shares/stock. As of 3 June 2022, the total funding raised by securities crowdfunding (SCF) platforms through stocks, bonds, and sukuk has reached IDR 507.20 billion (USD 3.25 billion), an increase of 22.75% from the total funds raised by SCF throughout 2021. This increase is in line with the increasing number of SCF players who have received OJK licenses, which in 2022 was ten platforms (katadata.id, 2022). Unfortunately, from the total number of SCFs registered, only one player operates with a full syariah pledge: Shafiq.id, which received its permit from OJK on 21 August 2021. Shafiq.id has so far issued 15 sukuk with *mudharaba* (joint venture) and *musharaka* (all capital provided by investors) schemes, with a total value of IDR 22.036 billion (USD 1.41 billion) for small-scale SMEs (Shafiq.id, 2022).

I-SCF should not only provide momentum for business expansion but also for MSMEs to obtain capital and run their operations in alignment with syariah principles. From a business perspective, the number of MSMEs in Indonesia is 64 million, of which 63 million are micro-businesses (Bank Indonesia & LPPI, 2015; Kemenkopukm, 2018); this represents a huge market opportunity. Due to its unique style of operation – that is, following the syariah principles – I-SCF has several advantages in terms of the types of contracts that can be issued. These contracts differ from conventional SCF; this can be seen from the various agreements implementable under sukuk schemes, depending on the needs of the MSME in question. For example, MSMEs that require additional capital injections for the execution of ongoing projects can apply for the issuance of sukuk under a *musharaka* scheme (equity partnership) or a *mudharaba* scheme (finance trusteeship). Likewise, if MSMEs require the purchase of assets in the form of land, buildings, or machinery for production, the issuance of sukuk with a *murabaha* contract could also be an alternative. This is the primary difference between I-SCF and conventional SCF, as conventional SCF only has a debt contract basis through bonds issued, which are not in accordance with syariah principles.

Research conducted to examine the intention to adopt Islamic financial technology (fintech) services and products remains limited. What research does

exist targets fintech in general, even though fintech itself consists of a wide array of different services. Research conducted by Marzuki & Nurdin (2020), Darmansyah, Fianto, Purwantini, Athief, & Waharini (2020), Hendratmi, & Aziz (2020), and Yuspita, Pebruary, & Kamala (2019) in Indonesia, Jerene & Sharma (2020) the acceptance of financial technologies from consumers' side faces many challenges. Financial technologies include the electronic-based platforms that designed by bankers to allow their customers for accessing financial services whenever they demand it without time and distance barriers. Those technologies considered in this study includes; internet banking, mobile banking, and card banking. The aim of this study was to identify factors that determine bank customers' intention to adopt e-finance technologies in Ethiopia. It was confirmatory study to validate the integration of technology acceptance model (TAM in Ethiopia, Ali et al. (2021) in Pakistan, Chuang, Liu, & Kao (2016) in Taiwan all look at fintech as a whole and do not differentiate between certain types of fintech.

In more detail, research on the intention to use fintech-based equity/securities crowdfunding is still being carried out in relation to general users. Hendratmi, Ryandono, & Sukmaningrum (2020) propose an Islamic crowdfunding model based on a website platform for startup companies. Furthermore, Majid & Nugraha (2022) test the intensity of prospective investors to invest through I-SCF either in the form of buying sukuk or shares. Furthermore, the intention to use crowdfunding in Bangladesh has been explored by Munim, Shneor, Adewumi, & Shakil (2020); in China by Kang, Gao, Wang, & Zheng (2016) and Wang, Li, Kang, & Zheng (2019); in Malaysia by Wasiuzzaman, Chong, & Ong (2021); in Brunei Darussalam by Wasiuzzaman, Hj Pungut, & Md Don (2021); in Nigeria by Sulaiman, Muhammad, & Abdulaziz (2021); and in Italy by Troise & Tani (2020) in relation to equity crowdfunding.

This study fills the research gap by focusing on the factors that influence the intentions of MSME actors, especially in terms of Islamic financial literacy (IFL), to seek financing through I-SCF in Indonesia. This paper is divided into five sections. The introduction provides a description and explanation on the research gap, purpose, and novelty. The subsequent section provides the theoretical background and literature review. The third section presents data and research methodologies, while the fourth section give results and discussions, followed by conclusions and recommendations.

2. Literature Review

2.1. Related Previous Studies

Research on the factors influencing user intentions, especially those of MSME actors, to seek financing through I-SCF is minimal. To the best of our knowledge, there is currently no research on the preferences of MSME actors to obtain funding in the form of sukuk issuance or share sales through SCF platforms globally. Relevant existing studies instead look more at Islamic fintech products and general users, rather than business actors.

The reason of Islamic fintech companies adopt Islamic approaches in their products and services is not only due to commercial purposes but also to contribute to social goals, such as in terms of distributing zakat, infaq and alms to companies or employees, undertaking corporate social responsibility, and providing cash waqf, either through platforms or apps. For commercial purposes, in the context of Indonesia, Purwantini et al. (2020), Darmansyah et al. (2020), and Yuspita et al. (2019) adopt the theory of planned behavior (TPB), the technology acceptance model (TAM), and the unified theory of acceptance and use of technology (UTAUT) to examine the effect of the variables relating to the encouragement to use Islamic fintech products and services. Meanwhile, Marzuki & Nurdin (2020) add social environment and fiqh knowledge variables to test user intentions to adopt Islamic fintech in Palu, Indonesia. However, the research above is still targeting users in general in Indonesia, rather than business actors. Meanwhile in Malaysia, Thaker et al. (2019) also examine what factors influence Malaysian users to adopt peer-to-peer lending fintech.

More specifically, on Islamic fintech products and services, Hendratmi, Ryandono, & Sukmaningrum (2020) develop an Islamic crowdfunding model based on a startup website platform, while Majid & Nugraha (2022) assess the level of investor interest in I-SCF. In Nigeria, the intention of SMEs to implement Islamic crowdfunding is investigated by Kazaure, Abdullah, Zawawi, & Hamzah (2021). Furthermore, the intention to use crowdfunding in Bangladesh is carried out by Munim, Shneur, Adewumi, & Shakil (2020); in China by Kang, Gao, Wang, & Zheng (2016) and Wang, Li, Kang, & Zheng (2019); in Malaysia by Wasiuzzaman, Chong, & Ong (2021); in Brunei Darussalam by Wasiuzzaman, Hj Pungut, & Md Don (2021); in Nigeria by Sulaiman, Muhammad, & Abdulaziz (2021); and in Italy by Troise & Tani (2020) in relation with the equity crowdfunding.

2.2. Theory of Planned Behavior

The theory of planned behavior (TPB) identifies three factors of purpose that seem to be conceptually distinct. The first factor is the attitude toward behavioral conduct. It refers to the extent to which an individual has a positive or negative judgment of the conduct at hand. The second factor is the subjective norm, which refers to the perceived societal pressure to adopt or not adopt a behavior. The third factor is the degree of perceived behavioral control, relating to how easy or hard it seems to perform an activity, based on both past experience and expected problems (Ajzen, 1991).

2.3. Attitude Toward Behavior and Behavioral Intention

Ajzen (2005) identifies attitude as the propensity to respond either positively or negatively to an event, person, institution, or situation. Consequently, attitude is associated with the characteristics, beliefs, and desires that affect behavior (Kasri & Chaerunnisa, 2020). As with personality traits, attitude is a hypothetical concept that cannot be directly observed and must be deduced from observable reactions. Therefore, attitude towards behavior (ATB) is highly linked with the total of each belief's weighted evaluative factor (Ajzen & Fishbein, 1970). In this study, ATB refers to the attitudes and perceptions of MSME actors to obtain capital through I-SCF. The more MSME actors consider that I-SCF is a suitable capital facility, easy to use, and has many variations of contracts, the higher the intensity to seek financing through I-SCF. Previous research conducted by Majid & Mawaddah (2022) and Yuspita et al. (2019) reveal that ATB has a favorable and statistically significant relationship with behavioral intention (BI) to utilize Islamic fintech. The same is found by Kim & Park (2022), Kasri & Chaerunnisa (2020), and Aji, Albari, et al. (2020) who identify that ATB also increases user incentives to donate online or through crowdfunding platforms.

H1. ATB of MSME business owners/managers has a significant impact on the behavioral intention to seek financing via I-SCF fintech.

2.4. Perceived Behavioral Control and Behavioral Intention

Perceived behavioral control (PBC) is the perception or belief of one's self-efficacy or capacity to undertake a certain activity of interest (Ajzen, 2005). Specifically, PBC is determined by ideas about situational and internal factors that support or inhibit a person from performing a behavior (Kasri & Chaerunnisa,

2020). Basic information or knowledge also strengthens a person's enthusiasm and attitude so that, for him, the inhibiting factors become lost in his behavior. In this study, PBC represents the attitude and ability or control of MSME actors over a solid desire amid reinforcing and inhibiting factors that influence them to seek financing through I-SCF. Research conducted by Niswah, Mutmainah, & Legowati (2019) and Kasri & Chaerunnisa (2020) prove that PBC can influence BI regarding intentions to donate online through fintech platforms. In more detail, Sulaiman et al. (2021) argue that users in Nigeria have the control to accept syariah-compliant crowdfunding modes.

H2. PBC of MSME business owners/managers has a significant impact on the behavioral intention to seek financing via I-SCF fintech.

2.5. Subjective Norm and Behavioral Intention

Subjective norm (SN) refers to the perceived pressure to do an action in accordance with what influential people around the actor say or do (Ajzen & Fishbein, 1970) i.e., social normative beliefs (NBs). In this study, SN is described through the influence of business partners, vendors/suppliers, employees, and religious leaders or fiqh experts who influence MSME business owners to expand their business in line with syariah principles. In terms of the use of products and services, some researchers also argue that SN can increase the willingness to adopt syariah products in the form of syariah-compliant fintech, syariah-compliant credit cards, and donating cash for waqf, infaq, and sadaqah through online platforms, as well as performing micro-investment (Abdul Rahman, Muhammad, Ahmed, & Amin, 2016; Aji et al., 2020; Chetioui et al., 2022; Majid, 2021; Darmansyah et al., 2020; Lawal, 2019; Zabri & Mohammed, 2018; and Niswah et al., 2019). On donation-based crowdfunding, Pitchay et al. (2022) found that SN can explain an individual's BI to give a donation. Specifically, Majid & Nugraha (2022) argue that SN has positive and significant implications for prospective investors' intentions to invest through I-SCF fintech.

H3. SN of MSME business owners/managers has a significant impact on the behavioral intention to seek financing via I-SCF fintech

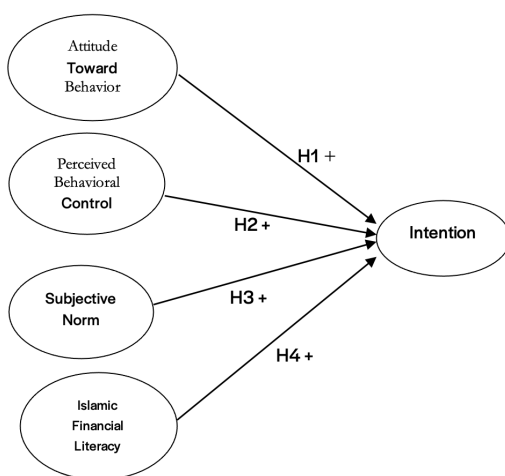
2.6. Islamic Financial Literacy and Behavioral Intention

Ajzen and Fishbein (1970) stated that a person's attitude toward any one thing may be objectively measured projected by knowing his ideas about the object

and evaluating the features they consider to be true. In more detail, concerning syariah products, the more a person is familiar with the Islamic mode of financing in order to avoid *gharar*, *riba*, and *dzalim*, the greater the intention to use the product (Majid & Nugraha, 2022). In this context, because the main contracts underlying share ownership and sukuk purchases are *musharaka*, and *mudharaba*, the broad and detailed understanding of the characteristics and consequences of these two types of investments strengthens consumer intention to choose I-SCF for capital and business expansion. Research conducted by Sardiana (2016), Marzuki & Nurdin (2020), Johan, Hussain, Mohd, & Kamaruddin (2020), Usman, Projo, Chairy, & Haque (2021), and Majid & Mawaddah (2022) has confirmed the importance role of product knowledge on the intention to adopt syariah-compliant products. Therefore, the hypothesis on the importance of Islamic financial literacy is as follows:

H4. IFL of MSME business owners/managers has a significant impact on the behavioral intention to seek financing via I-SCF fintech

Figure 1. Research Framework



Source: (Author: 2022)

3. Research Methodology

The data used in this research was gathered through online questionnaires distributed via social media and chat platforms including WhatsApp, Instagram, and Facebook. The author used these platforms because of pre-existing relationships with Muslim entrepreneurs in several WhatsApp groups. In addition, many of the respondents targeted by the author are easily contacted through these social media

platforms. The questionnaire was sent to be filled out and checked for validity and reliability. This is to make sure that all respondents have access to the right fintech products and services. For this study, the sample respondents targeted are the owners or managers of MSMEs, are Muslim, and have internet access to Islamic fintech products and services using apps and websites. Thus, this study employed a purposive sampling (judgment sampling); specifically, a sampling strategy based on the specific traits demanded by the target group and adjusted in accordance with the goals or issues of the research (Tanjung & Devi, 2013).

The questions are filled in Bahasa and use a seven-point Likert scale from strongly disagree (scale 1) to agree (scale 7) strongly. Questionnaires were examined based on the Structural Equation Method (SEM) using SmartPLS 3.0. Structural Equation Method-Partial Least Squares (SEM-PLS) is a form of variance-based structural equation method that is suitable for both predictive research and explanatory (Khan et al., 2019). The advantage of using PLS is it can also be used for abnormal data, small sample sizes, as well as formally measured constructs (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014).

4. Results and Discussion

4.1. Sample Profile

Table 1 shows that micro-enterprises dominate the respondents. There are significantly more male than female respondents, with most aged between 20 and 40 years. More than half of the respondents have bachelor's degrees. More than half of the respondents have run their businesses for between two and five years, around one in five have operated their businesses for between five and 10 years, and the remaining have run their businesses for more than 20 years.

Table 1. Respondent Demographics

Variables	Frequency (n=97)	(%)
Gender		
Male	80	82.5%
Female	17	17.5%
Age		
<20 years old	2	2.11%
21-30 years old	31	32%
31-40 years old	29	29.9%

>40 years old	35	36.1%
Education level		
Senior high school	14	14.4%
Diploma	7	7.2%
Bachelor's degree	56	57.7%
Master's degree	19	19.6%
Duration of business operations		
2-5 years	69	71.1%
5-10 years	19	19.6%
> 20 years	9	9.2%
Business type		
Micro-scale enterprise	81	83.5%
Small-scale enterprise	16	16.5%

4.2. Measurement Model Test

This study evaluates convergent validity using the indicators of loading factors (FL), average variance extracted (AVE), composite reliability (CR), and Cronbach's alpha. The FL and AVE values support convergent validity, as do the CR and Cronbach's alpha values, which also support the reliability of each question item (see table 2 and figure 2). These values also support the convergent validity of the entire test. This is evident from the higher-than-recommended values of CR (>0.70), Cronbach's alpha (> 0.70), LF (>0.50), and AVE (>0.50).

Table 2. The results of the SEM outer model

Construct	Code	Indicators	Factor Loading	Cronbach's Alpha	Composite Reliability	AVE
Subjective Norm	SN1	My family supports me to obtain additional business funding through I-SCF fintech	0.950	0.932	0.957	0.881
	SN2	My coworkers and corporate partners encourage me to obtain additional business funding through I-SCF fintech.	0.949			
	SN3	The religious figures/ulema/fiqh experts that I know encourage me to obtain additional business funding through I-SCF fintech.	0.916			

Perceived Behavioral Control	PBC1	I am fully aware of and in complete control of using I-SCF fintech in order to obtain additional business funding.	0.908			
	PBC2	The decision to use I-SCF fintech in order to obtain additional business funding depends purely on me.	0.831	0.867	0.918	0.788
	PBC3	I can use I-SCF fintech because I have the ability, experience, and expertise to do so to obtain additional business funding.	0.922			
Attitude Toward Behavior	ATB1	Using of I-SCF fintech products is a wise decision.	0.905			
	ATB2	For me, learning about I-SCF fintech products is incredibly beneficial.	0.877			
	ATB3	I-SCF fintech products are the best way to obtain funds that complies with syariah principles.	0.915	0.930	0.947	0.781
	ATB4	Compared to other Islamic funding/financing institutions, I-SCF fintech products are significantly more adaptable and promising.	0.815			
	ATB5	Islamic financing through I-SCF fintech is very profitable.	0.903			
Islamic Financial Literacy	IFL1	I am aware that there cannot be any guaranteed capital in a musharaka contract because it can be considered a riba transaction.	0.761			
	IFL2	I am conscious that under musharaka contracts, the profits are often divided proportionally to the share capital. Nevertheless, because the tasks and workloads in a shirkah are differentiated, it is possible to set a profit share that differs from the capital share.	0.868	0.869	0.876	0.905
	IFL3	I am understood that in musharaka contracts, losses must be shared proportionally to capital contributions.	0.778			
	IFL5	I am able to differentiate among both halal and haram financial transactions and product based	0.792			

		on syariah tenets.			
	IFL6	I can tell the difference between a musharaka contract and a mudharabah contract.	0.847		
Behavioral Intention	BI1	I intend to seek funding via I-SCF fintech in the close future because it is efficient, effective, and helps me in getting additional financing.	0.875	0.778	0.898
	BI4	I would recommend others to use I-SCF fintech products to obtain business funding.	0.930		0.816

As shown in Table 2, all the indicators utilized in this study have loading factors greater than 0.70, showing that they accurately reflect the construct. The table also showed that the CR and CA values of each latent variable in this study are all > 0.70. Likewise, the AVE values in this research are also > 0.50 for each latent variable. The ratio values above show that the instrument built from these latent variables and indicators is reliable and valid.

On the other hand, the Heterotrait-Monotrait (HTMT) ratio and Fornell-Lacker test are chosen to measure the discriminant validity in PLS-SEM analysis. HTMT ratio is the best proper ratio in measuring discriminant validity. Table 3 demonstrates that every value displayed is lower than 0.90, which means this research instrument is valid for measuring the model built (Henseler, Ringle, & Sinkovics, 2009). This can also be seen from the value of the Fornell-Lacker test result, which complies with the rule of thumb suggested (Hair, Sarstedt, Ringle, & Mena, 2012).

Table 3. Discriminant Validity using HTMT Ratio

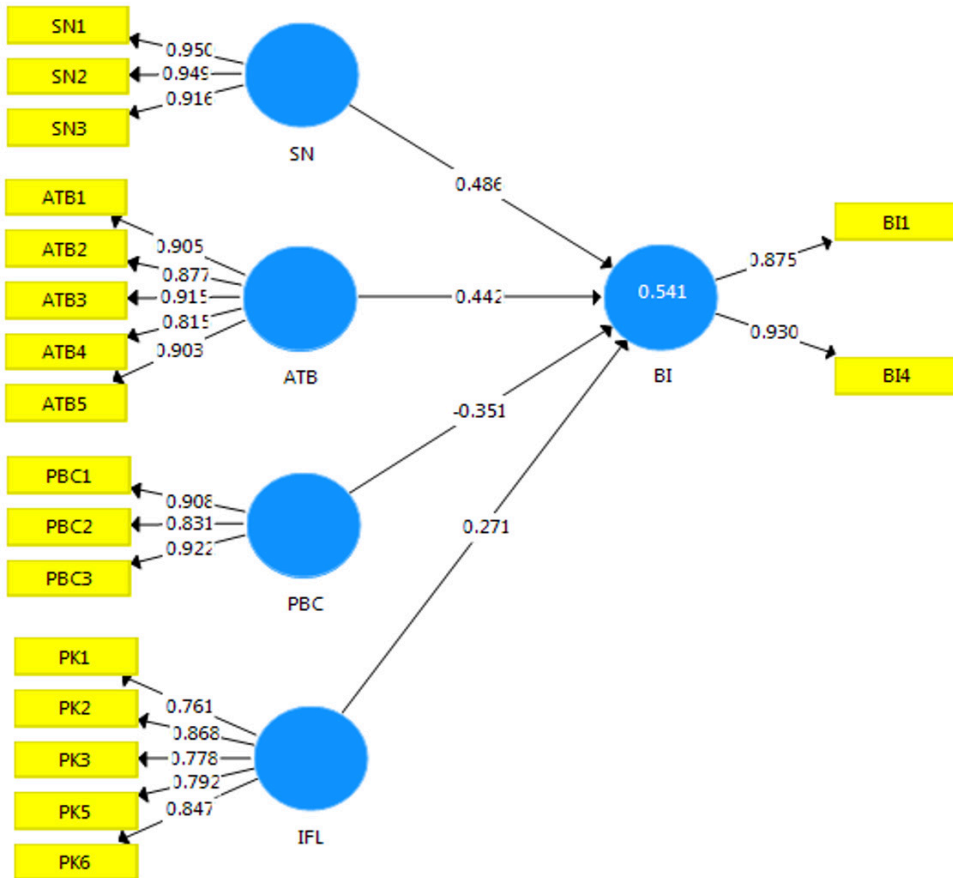
	ATB	BI	IFL	PBC	SN
ATB					
BI	0.726				
IFL	0.380	0.520			
PBC	0.851	0.565	0.445		
SN	0.838	0.742	0.350	0.872	

Table 4. Fornell-Lacker Test Result

	ATB	BI	IFL	PBC	SN
ATB	0.884				
BI	0.640	0.903			

IFL	0.342	0.442	0.810		
PBC	0.774	0.483	0.376	0.888	
SN	0.775	0.633	0.313	0.801	0.938

Figure 2. Path Diagram t-Value



4.3. Structural Model Test

R-square (R^2) is the coefficient that determines the construct of the endogenous variables, specifically BI. Table 3 indicates that BI has an R^2 value of 0.541, indicating that BI is an endogenous variable that can be explained by its exogenous variables (SN, ATB, PBC, and IFL) to the extent of 54.1%.

Table 5. R-Square (R^2) Test Results

	R-Square	R-Square Adjusted
Behavioral Intention	0.541	0.521

Based on the results of statistical testing utilizing bootstrapping, all the hypotheses are empirically proven to have significant effects with a standard error of 1%.

Table 6. Summary of Hypotheses Test

Hypothesis	Path	Original Sample (O)	T Statistic (O /STDEV)	P Values	Result
H1	ATB → BI	0.42	3.060	0.002	Supported
H2	PBC → BI	-0.351	2.726	0.007	Supported
H3	SN → BI	0.486	3.940	0.000	Supported
H4	IFL → BI	0.271	3.227	0.001	Supported

5. Discussion

From the results of hypothesis testing, it can be seen that ATB has a significant influence on BI. This implies that the perception, assessment, and information accepted by MSME actors regarding I-SCF fintech products such as sukuk and stocks result in positive engagement in seeking financing. This may be influenced by the I-SCF business model, which meets the needs of MSME actors. In addition, the various sukuk schemes appear attractive to MSME actors because not all actors need capital in the form of money. Some may instead need machines for production, land for expansion, or additional project equipment, all of which can be accommodated with the *murabaha* sukuk scheme. Likewise, some MSMEs are ready to share their business ownership by selling a portion of their shares to investors.

These results are interesting for the SCF industry as a whole, because previous studies regarding motivation to utilize Islamic fintech products and services, such as Majid (2021), Darmansyah et al. (2020), Purwantini et al. (2020), and Niswah et al. (2019), found that ATB had no significant effect on BI. In fact, Majid & Nugraha (2022) tested the intention of potential investors to invest through SCF in Indonesia and found the same result, as did Sulaiman et al. (2021) when testing the intention to employ syariah-compliant crowdfunding in Nigeria. However, the results of this study align with and support what was obtained by Aji et al. (2020) and Kasri & Chaerunnisa (2020).

Another finding in this study proves that PBC also explains the intention of business owners from SMEs to apply for sukuk issuance or shares via I-SCF platforms. This implies that MSME owners/managers are willing to use their

resources, knowledge, and capabilities to seek funding from I-SCF fintech. More specifically, this proves that MSME actors have the necessary resources, reflected in good business performance, healthy financial reports, mature business plans, and the matched stages of scheduled project implementation; these are all necessary for I-SCF fintech. Ferreira (2018) argues that entrepreneurs' network size becomes one of the critical factors for success through equity crowdfunding. Moreover, OJK Regulation No. 57/POJK.04/2020 regulates the obligations of I-SCF fintech providers, who must provide assistance and supervision to prepare prospective issuers on both the business side and syariah aspects (OJK, 2020). On this basis, business owners and boards of directors feel that the obstacles to obtaining capital can be overcome. The results of this study are in line with the intention of users in Nigeria to adopt syariah-compliant crowdfunding by Sulaiman et al. (2021), as well as users' intention to use donation crowdfunding platforms by Pitchay et al. (2022), and the intention to raise funds in the form of charity or digital endowments by Kasri & Chaerunnisa (2020) and Niswah et al. (2019).

Furthermore, SN is proven to encourage the participation of MSME actors to issue sukuk or sell shares to obtain additional capital via I-SCF fintech. This implies that the role of the surrounding environment, especially family members, business partners, employees, and also religious figures/fiqh experts who are known to influence the mindset significantly and intention to use I-SCF fintech as a means of capital compared to other financing alternatives (Majid, 2021; Majid & Nugraha, 2022). For micro business actors whose sources of capital are individuals, or families where the scale is still small, with the number of employees between five and 19 people (according to Indonesian National Statistics Agency criteria), or under 30 people (World Bank criteria), this consideration of family and the people closest to the business is essential when considering expansion. Furthermore, if business capital comes from several parties (with a *musharaka* contract), the support and views of the *shirkah* members (sharik) are also very influential in seeking additional funds through I-SCF. In addition, well-known figures who are experts in the field of syariah finance and understand syariah compliancy greatly influence the adoption of I-SCF products. This implies that encouragement from and influence of surrounding parties, especially business partners, greatly strengthens MSME actors' intention to adopt Islamic fintech products, especially in the digital era. The findings are confirmed by Jerene & Sharma (2020), Majid (2021), Majid & Nugraha (2022), and Pitchay et al. (2022).

The primary outcome of this research shows that IFL is found to have a substantial favorable impact the aim of obtaining capital and undertaking

business expansion through the issuance of sukuk or shares in I-SCF fintech. This finding implements that the more MSME actors understand the types, criteria, and consequences of partnership/equity-based financing contracts, such as *mudharaba* and *musharaka*, the more business owners wish to obtain financing using I-SCF fintech. Sardiana (2016) state that knowledge is one of the dimensions of Islamic financial literacy that significantly affects the use of Islamic financial products, and Majid & Nugraha (2022) and Majid & Mawaddah (2022) argue that the more MSME actors are educated about the types of syariah violations such as *usury*, *gharar*, *maysir*, or *dzalim* in terms of implementing financing contracts, the higher their intention to use Islamic fintech. This is also proven in their research indicating that prospective investors with basic knowledge of syariah are encouraged to invest by buying sukuk or issuing shares by MSMEs through I-SCF fintech. In other words, it can be concluded that MSME actors believe that Islamic fintech services and products comply with syariah principles as they understand them (Majid & Mawaddah, 2022).

Apart from the type of contract used, the author argues that SCF products, especially I-SCF products, have broadly shown patterns and forms that meet syariah provisions. For example, in issuing and selling new shares to investors, investors will bear the loss (if any) following the portion of their capital or ownership. Likewise, the issuance of sukuk is required to be based on an underlying project that does not violate syariah principles, which is different from the issuance of bonds that do not require an underlying project.

One potentially exciting angle for investors and business owners/managers alike is that a screening takes place of I-SCF products to ensure that shares are in line with syariah principles. The trading of shares indexed in the Jakarta Islamic Index is based on a fatwa from the national ulema council, known as DSN-MUI, which allows for total interest-bearing debt to represent no more than 45 percent of total assets and for non-halal income to represent no more than 10 percent of total income. Meanwhile, despite the fatwa from the DSN-MUI, Shafiq.id, as the first and currently only I-SCF provider, presently applies the principle of zero tolerance to interest-bearing debt and non-halal income. With this principle, for any MSME that wishes to become an issuer and be listed on Shafiq.id, they must meet the 0% criteria for both interest-bearing debt and non-halal income.

Furthermore, business owners who are concerned about the contract schemes and the potential for violations will be reassured by the principles applied by Shafiq.id, which emphasize the uniqueness of I-SCF products. These unique and significant advantages will provide a different experience in terms of experience

for MSME business owners/managers. These findings are also supported by the results conducted by Majid & Nugraha (2022), Majid & Mawaddah (2022), Marzuki & Nurdin (2020, and Usman, Projo, Chairy, & Haque (2021) knowledge of SC and confidence in SC, in addition to perceived usefulness (PU on the impact of Islamic financial literacy and fiqh knowledge on the intention to utilize Islamic fintech.

6. Conclusion

This study examines the intentions of MSME actors to use I-SCF fintech to obtain funding for business expansion, namely by issuing and selling new shares or issuing sukuk for ongoing projects. The results showed that all the variables used in the model proved to have a significant effect on the intention of business owners of MSMEs. The ATB, PBC, SN, and IFL all proved to have implications on intention. In particular, the main focus of this research – Islamic financial literacy – shows the uniqueness and advantages of I-SCF products for MSMEs, especially in comparison to other financing facilities. Therefore, a basic understanding of musharaka and mudharaba contracts and their consequences, as the contracts that underlie SCF, followed by consistency and commitment by the providers to ensure every operational aspect is in line with syariah principles, are a significant plus for this I-SCF product.

6.1. Implication and Recommendations

This research has implications for the extension of the theory of planned behavior, especially on the use of IFL variables representing knowledge about syariah compliance and products offered by I-SCF. For management purposes, the results of this study can be used as a reference for I-SCF organizers, OJK (in charge of the capital market directorate), the Indonesian Crowdfunding Service Association, DSN-MUI (as the representative of syariah scholars), and academics to collaborate in improving Islamic financial literacy, especially in terms of explaining the contracts that underlie I-SCF products and their consequences (such as losing investors). In particular, the practices of Shafiq.id, as the first I-SCF organizer in Indonesia, can be adopted by other prospective I-SCF organizers who are currently awaiting permits from OJK. The Indonesian Crowdfunding Service Association, as an umbrella that accommodates all forms of SCF, can cooperate with academics, syariah scholars, and I-SCF organizers to organize syariah business and investment classes in collaboration with the Muslim entrepreneur community to provide education and financial literacy to MSME business owners/managers. More

specifically, I-SCF providers must provide detailed product information explaining contracts and their consequences for potential investors looking to investing in shares and sukuk through I-SCF.

6.2. Limitations of Study and Suggestions for Further Research

This study has limitations in terms of the limited number of sample. Thus, future studies should either raise the sample size for each firm category (micro, small, and medium enterprises) or concentrate on one of the categories. Further research can also focus on one of the products offered by I-SCF, such as the issuance of shares or sukuk. In addition, variables such as religiosity, investment, and technology risks can be used or combined with the variables used in this study.

7. References

- Abdul Rahman, R., Muhammad, A. D., Ahmed, S., & Amin, F. (2016). Micro-entrepreneurs' intention to use Islamic micro-investment model (IMIM) in Bangladesh. *Humanomics*, 32(2), 172–188. doi:10.1108/H-02-2016-0020
- Aji, H. M., Albari, A., Muthohar, M., Sumadi, S., Sigit, M., Muslichah, I., & Hidayat, A. (2020). Investigating the determinants of online infaq intention during the COVID-19 pandemic: an insight from Indonesia. *Journal of Islamic Accounting and Business Research*, 12(1), 1–20. doi:10.1108/JIABR-05-2020-0136
- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50, 179–211.
- Ajzen, I. (2005). *Attitudes, Personality and Behavior*. Berkshire, England SL6 2QL: Open University Press.
- Ajzen, I., & Fishbein, M. (1970). The prediction of behavior from attitudinal and normative variables. *Journal of Experimental Social Psychology*, 6(4), 466–487. doi:10.1016/0022-1031(70)90057-0
- Ali, M., Raza, S. A., Khamis, B., Puah, C. H., & Amin, H. (2021). How perceived risk, benefit and trust determine user Fintech adoption: a new dimension for Islamic finance. *Foresight*, ahead-of-p(September 2020), ahead-of-print. doi:10.1108/FS-09-2020-0095
- Allah Pitchay, A., Aboue Eliz, N. M., Ganesan, Y., Mydin, A. A., Ratnasari, R. T., & Mohd Thas Thaker, M. A. (2022). Self-determination theory and individuals' intention to participate in donation crowdfunding. *International Journal of Islamic*

- and Middle Eastern Finance and Management*, 15(3), 506–526. doi:10.1108/IMEFM-08-2020-0424
- ALUDI. (2021). *Perkembangan Securities Crowdfunding di Indonesia*. Jakarta Pusat.
- Bank Indonesia, & LPPI. (2015). *Profil Bisnis Usaha Mikro, Kecil Dan Menengah (UMKM)*. Jakarta: Bank Indonesia.
- Chetioui, Y., Satt, H., Lebdaoui, H., Baijou, M., Dassouli, S., & Katona, S. (2022). Antecedents of giving charitable donations (Sadaqah) during the COVID-19 pandemic: does Islamic religiosity matter? *Journal of Islamic Marketing*, ahead-of-p(ahead-of-print). doi:10.1108/JIMA-09-2021-0296
- Chuang, L.-M., Liu, C.-C., & Kao, H.-K. (2016). The Adoption of Fintech Service: TAM perspective. *International Journal of Management and Administrative Sciences (IJMAS)*, 3(07), 1–15. Retrieved from www.ijmas.orgwww.ijmas.org
- Darmansyah, Fianto, B. A., Hendratmi, A., & Aziz, P. F. (2020). Factors determining behavioral intentions to use Islamic financial technology: Three competing models. *Journal of Islamic Marketing*, ahead-of-p(ahead-of-print). doi:10.1108/JIMA-12-2019-0252
- Ferreira, F. (2018). Equity Based Crowdfunding Campaign. 2018 IEEE International Conference on Engineering, Technology and Innovation (ICE/ITMC), 1–8.
- Hair, J. F., Sarstedt, M., Hopkins, L., & Kuppelwieser, V. G. (2014). Partial least squares structural equation modeling (PLS-SEM): An emerging tool in business research. *European Business Review*, 26(2), 106–121. doi:10.1108/EBR-10-2013-0128
- Hair, J. F., Sarstedt, M., Ringle, C. M., & Mena, J. A. (2012). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing Science*, 40(3), 414–433. doi:10.1007/s11747-011-0261-6
- Hendratmi, A., Ryandono, M. N. H., & Sukmaningrum, P. S. (2020). Developing Islamic crowdfunding website platform for startup companies in Indonesia. *Journal of Islamic Marketing*, 11(5), 1041–1053. doi:10.1108/JIMA-02-2019-0022
- Henseler, J., Ringle, C. M., & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. *Advances in International Marketing*, 20(2009), 277–319. doi:10.1108/S1474-7979(2009)0000020014

- Hossain, M., & Oparaocha, G. O. (2017). Crowdfunding: Motives, Definitions, Typology and Ethical Challenges. *Entrepreneurship Research Journal*, 7(2). doi:10.1515/erj-2015-0045
- Jerene, W., & Sharma, D. (2020). The adoption of financial technology in Ethiopia: a study of bank customers perspective. *Journal of Banking and Financial Technology*, 4(1), 53–63. doi:10.1007/s42786-020-00015-0
- Johan, Z. J., Hussain, M. Z., Mohd, R., & Kamaruddin, B. H. (2020). Muslims and non-Muslims intention to hold Shariah-compliant credit cards: a SmartPLS approach. *Journal of Islamic Marketing*, ahead-of-p(ahead-of-print). doi:10.1108/JIMA-12-2019-0270
- Kang, M., Gao, Y., Wang, T., & Zheng, H. (2016). Understanding the determinants of funders' investment intentions on crowdfunding platforms: A trust-based perspective. *Industrial Management and Data Systems*, 116(8), 1800–1819. doi:10.1108/IMDS-07-2015-0312
- Kasri, R. A., & Chaerunnisa, S. R. (2020). The role of knowledge, trust, and religiosity in explaining the online cash waqf amongst Muslim millennials. *Journal of Islamic Marketing*, ahead-of-p(ahead-of-print). doi:10.1108/JIMA-04-2020-0101
- katadata.id. (2022). *10 Penyelenggara Securities Crowdfunding Kantongi Izin OJK, Siapa Saja?* Retrieved 3 July 2022, from <https://databoks.katadata.co.id/datapublish/2022/06/09/10-penyelenggara-securities-crowdfunding-kantongi-izin-ojk-siapa-saja>
- Kazaure, M. A., Abdullah, A. R., Zawawi, D. B., & Hamzah, A. (2021). Determinants of SMEs intention to adopt Islamic crowdfunding model in Northwestern Nigeria. *Journal of Islamic Accounting and Business Research*, 12(2), 204–217. doi:10.1108/JIABR-12-2019-0234
- Kemenkopukm. (2018). *Perkembangan Data Usaha Mikro, Kecil, dan Menengah (UMKM) dan Usaha Besar (UB) Tahun 2018-2019*. Retrieved 28 April 2021, from https://www.kemenkopukm.go.id/uploads/laporan/1617162002_SAND-INGAN_DATA_UMKM_2018-2019.pdf
- Khan, G. F., Sarstedt, M., Shiau, W. L., Hair, J. F., Ringle, C. M., & Fritze, M. P. (2019). Methodological research on partial least squares structural equation modeling (PLS-SEM): An analysis based on social network approaches. *Internet Research*, 29(3), 407–429. doi:10.1108/IntR-12-2017-0509

- Kim, E., & Park, S. E. (2022). The determinants of supporting crowdfunding sites: Understanding internal and external factors from public relations' perspectives. *International Review on Public and Nonprofit Marketing*, 16 May 202(0123456789). doi:10.1007/s12208-022-00340-8
- Lawal, I. M. (2019). The Role of Cash Waqf in Achieving A Mechanized Agriculture in Nigeria. *Journal of Islamic Banking & Finance: Global Perspective on Islamic Finance*, 36(2), 68–79.
- Lee, E. (2019). Equity crowdfunding in Hong Kong: potential, challenges and investor protection. *Journal of Corporate Law Studies*, 19(2), 277–302. doi:10.1080/14735970.2017.1369235
- Majid, R. (2021). The Role of Religiosity in Explaining the Intention to use Islamic FinTech Amongst MSME Actors. *International Journal of Islamic Economics and Finance (IJIEF)*, 4(July), 207–232. doi:10.18196/ijief.v4i2.11833
- Majid, R., & Mawaddah, H. (2022). FinTech and MSMEs : The role of product knowledge. *Asian Journal of Islamic Management (AJIM)*, 4(1), 15–24. doi:https://doi.org/10.20885/AJIM.vol4.iss1.art2
- Majid, R., & Nugraha, R. A. (2022). Crowdfunding and Islamic Securities: The Role of Financial Literacy. *Journal of Islamic Monetary Economics and Finance*, 8(1), 89–112. Retrieved from <https://doi.org/10.21098/jimf.v8i1.1420>
- Marzuki, M., & Nurdin, N. (2020). The influence of halal product expectation, social environment, and fiqh knowledge on intention to use shariah financial technology products. *International Journal of Innovation, Creativity and Change*, 13(1), 171–193.
- Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 29(1), 1–16. doi:10.1016/j.jbusvent.2013.06.005
- Munim, Z. H., Shneor, R., Adewumi, O. M., & Shakil, M. H. (2020). Determinants of crowdfunding intention in a developing economy: ex-ante evidence from Bangladesh. *International Journal of Emerging Markets*, 16(6), 1105–1125. doi:10.1108/IJOEM-08-2019-0657
- Niswah, F. M., Mutmainah, L., & Legowati, D. A. (2019). Muslim Millennial's Intention of Donating for Charity Using Fintech Platform. *Journal of Islamic Monetary Economics and Finance*, 5(3), 623–644. doi:10.21098/jimf.v5i3.1080
- Otoritas Jasa Keuangan. (2020). *Peraturan Otoritas Jasa Keuangan Republik In-*

donesia Nomor 57/POJK.04/2020 tentang Penawaran Efek Melalui Layanan Urun Dana Berbasis Teknologi Informasi. Otoritas Jasa Keuangan.

Purwantini, A. H., Athief, F. H. N., & Waharini, F. M. (2020). Indonesian Consumers' Intention of Adopting Islamic Financial Technology Services. *Shirkah*, 5(2), 171–196.

Sardiana, A. (2016). The Impact of Literacy to Shariah Financial Service Preferences. *Etikonomi*, 15(1), 43–62. doi:10.15408/etk.v15i1.3115

Shafiq.id. (2022). *Daftar Investasi*. Retrieved 3 July 2022, from <https://www.shafiq.id/daftar-investasi>

Sulaiman, S. M., Muhammad, Y., & Abdulaziz, M. (2021). An Assessment of the Intention to Accept the Shariah-Compliant Crowdfunding Mode of Financing in Borno State, Nigeria. *Journal of Islamic Monetary Economics and Finance*, 7(4), 687–708.

Tanjung, H., & Devi, A. (2013). *Metodologi Penelitian Ekonomi Islam*. Bekasi: Gramata Publishing.

Thaker, M. A. B. M. T. (2018). Factors influencing the adoption of the crowdfunding-waqf model (CWM) in the waqf land development. *Journal of Islamic Marketing*, 9(3), 578–597. doi:10.1108/JIMA-05-2016-0043

Thaker, M. A. B. M. T., Thaker, H. B. M. T., Rahman, M. P. B., Amin, M. F. Bin, Pitchay, A. B. A., & Olaniyi, N. O. (2019). Factors Affecting Investors' Intention to Invest in A Peer-To-Peer Lending Platform in Malaysia: An Extended Technology Acceptance Model. Tokyo. Retrieved from available: <https://www.adb.org/publications/factors-affecting-investors-intention-invest-peer-peer-lending-platform-malaysia>

Troise, C. (2020). Discovering the underlying dynamics of crowdfunding networks: entrepreneurs' ties, crowdfunders' connections and community spin-offs. *Journal of Enterprising Communities: People and Places in the Global Economy*, 14(2), 277–298. doi:10.1108/JEC-03-2020-0018

Troise, C., Matricano, D., Candelo, E., & Sorrentino, M. (2021). Entrepreneurship and fintech development: comparing reward and equity crowdfunding. *Measuring Business Excellence*, (January). doi:10.1108/MBE-11-2020-0157

Troise, C., & Tani, M. (2020). Exploring entrepreneurial characteristics, motivations and behaviours in equity crowdfunding: some evidence from Italy. *Management*

Decision, 59(5), 995–1024. doi:10.1108/MD-10-2019-1431

- Usman, H., Projo, N. W. K., Chairy, C., & Haque, M. G. (2021). The exploration role of Sharia compliance in technology acceptance model for e-banking (case: Islamic bank in Indonesia). *Journal of Islamic Marketing*, ahead-of-p(ahead-of-print). doi:10.1108/JIMA-08-2020-0230
- Wang, T., Li, Y., Kang, M., & Zheng, H. (2019). Exploring individuals' behavioral intentions toward donation crowdfunding: evidence from China. *Industrial Management and Data Systems*, 119(7), 1515–1534. doi:10.1108/IMDS-10-2018-0451
- Wasiuzzaman, S., Chong, L. L., & Ong, H. B. (2021). Influence of perceived risks on the decision to invest in equity crowdfunding: a study of Malaysian investors. *Journal of Entrepreneurship in Emerging Economies*, ahead-of-p(ahead-of-print). doi:10.1108/jeee-11-2020-0431
- Wasiuzzaman, S., Hj Pungut, N. N., & Md Don, M. K. S. (2021). Crowdfunding green projects in Brunei: awareness and investing preferences. *Management of Environmental Quality: An International Journal*, ahead-of-p(ahead-of-print). doi:10.1108/meq-03-2021-0046
- Yuspita, R., Pebruary, S., & Kamala, A. Z. H. (2019). The society's perceptions on the use of fintech services in sharia financial institutions. *Jurnal Ekonomi & Keuangan Islam*, 5(2), 87–92. doi:10.20885/jeki.vol5.iss2.art6
- Zabri, M. Z. M., & Mohammed, M. O. (2018). Examining the behavioral intention to participate in a Cash Waqf-Financial Cooperative-Musharakah Mutanaqisah home financing model. *Managerial Finance*, 44(6), 809–829. doi:10.1108/MF-05-2017-0189

