



Sharia Fintech: Crowdfunding as MSMEs Financing

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Abstract

Fintech equity crowdfunding is now available in Indonesia, providing an alternative option for MSMEs to raise capital. As the majority of Indonesia's population is Muslim, sharia-based fintech equity crowdfunding is a more suitable option for those seeking funding according to Islamic principles. This system has the potential to be a capital solution for MSMEs more simply and ethically. This research aims to explore the potential of Sharia crowdfunding as an effective means for MSMEs to expand their business operations, ultimately contributing to broader economic sector improvements in Indonesia. Additionally, it assesses the conformity of this practice with OJK regulations and Fatwa DSN-MUI, as well as its compliance with Sharia principles. The descriptive-analytical method is employed, analyzing various documents and texts from various sources. The results indicate that Sharia-based fintech, particularly in the form of crowdfunding, can be an effective means for MSMEs to obtain capital through online platforms. Crowdfunding also presents opportunities for investors who wish to contribute to the funding of MSMEs in a manner that aligns with Sharia principles.

Kata Kunci:

Urun Dana;
Ekonomi;
UMKM

Abstrak

Fintech equity crowdfunding telah tersedia di Indonesia, memberikan pilihan alternatif bagi UMKM untuk mengumpulkan modal. Dengan mayoritas penduduk Indonesia yang beragama Islam, *fintech equity crowdfunding* berbasis syariah merupakan pilihan yang lebih cocok untuk mencari pendanaan sesuai dengan prinsip-prinsip Islam. Sistem ini berpotensi menjadi solusi permodalan bagi UMKM secara lebih sederhana dan etis. Penelitian ini bertujuan untuk mengeksplorasi potensi urun dana syariah sebagai sarana yang efektif bagi UMKM untuk memperluas operasi bisnis yang pada akhirnya berkontribusi pada peningkatan sektor ekonomi yang lebih luas di Indonesia. Selain itu, penelitian ini juga menilai kesesuaian praktik ini dengan peraturan OJK dan Fatwa DSN-MUI, serta kepatuhannya terhadap prinsip-prinsip Syariah. Metode deskriptif-analitis digunakan untuk menganalisis berbagai dokumen dan teks dari berbagai sumber. Hasil penelitian menunjukkan bahwa fintech berbasis syariah, khususnya dalam bentuk urun dana (crowdfunding), dapat menjadi sarana yang efektif bagi UMKM untuk mendapatkan modal melalui platform online. Crowdfunding juga memberikan peluang bagi investor yang ingin berkontribusi dalam pendanaan UMKM dengan cara yang sesuai dengan prinsip-prinsip Syariah.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in Indonesia's economy due to their significant presence compared to larger industries.¹ One of the key advantages of MSMEs is their capacity to employ more workers, thereby contributing to economic equality and regional development. Over the past five years, the GDP contribution of the MSMEs sector has risen from 57.84% to 60.34%. In addition to the growth in GDP, the MSME sector has also experienced an increase in employment rates, rising from 96.99% to 97.22% over the same period.²

In Indonesia, the legal framework governing micro, small, and medium enterprises (MSMEs) is outlined in Law Number 20 of 2008. Article 1, paragraph 11 of this law defines financing as the provision of funds by the government, regional governments, the business sector, and the community through banks, cooperatives, and non-bank financial institutions to develop and strengthen capital for MSMEs.³ This stipulation indicates that the business sector plays a pivotal role in providing capital to MSMEs, with crowdfunding representing one of the avenues for doing so. In addition to business sector financing, the government has also implemented a financial institution expansion scheme for distributing funds, known as People's Business Credit (Kredit Usaha Rakyat, or KUR), to facilitate MSMEs' access to capital.

However, according to 2018 KUR distribution data, less than 50% of KUR funds were absorbed by the productive sector. This is partly because banks are cautious due to the risk of high default rates among MSMEs.⁴ This cautious approach often leaves new business owners or start-ups with limited access to capital, especially those located outside the capital city. According to research by Irma⁵, one of the key challenges facing MSMEs is obtaining sufficient funding. Banks are often reluctant to grant substantial amounts of capital to MSMEs due to a lack of sufficient assets for collateral. Furthermore, the cash flow of new businesses or start-ups may not align with the banks' payment timelines, leading to shorter profit-sharing arrangements. This environment presents obstacles for MSMEs, especially new entrants, in their efforts to secure the financing they require to grow and succeed. To address these challenges, it is necessary to develop innovative solutions that reduce risk for financial institutions while providing MSMEs with the resources necessary to thrive.

In the context of intensifying globalization and mounting competition, the empowerment of MSMEs must be elevated. To achieve this, MSMEs must prioritize enhancing their services, innovating their products, and leveraging technology to improve operations and reach new markets. Additionally, MSMEs should invest in developing their

¹ Yuli Rahmini et al., "Perkembangan UMKM (Usaha Mikro, Kecil Dan Menengah) Di Indonesia," *Jurnal Ilmiah Cano Ekonomos* 6, no. 1 (2017): 51–58, <https://doi.org/10.30606/cano.v6i1.627>.

² Kadin Indonesia, "UMKM Indonesia," *KADIN Indonesia* (blog), accessed January 28, 2024, <https://kadin.id/data-dan-statistik/umkm-indonesia/>.

³ Muhammad Labib Syauqi and Sofi Faiqotul Hikmah, "Optimalisasi Peran Crowdfunding Syariah Pada Lembaga Filantropi Untuk Kemajuan UMKM Di Indonesia," *Jurnal Ekonomi Syariah Darussalam* 4, no. 2 (2023): 150–69, <https://doi.org/10.30739/jesdar.v4i2.2504>.

⁴ "KUR • Penyaluran Kur Tahun 2018 Naik, Sektor Produksi Jadi Prioritas," KUR, February 6, 2018, <https://kur.ekon.go.id/penyaluran-kur-tahun-2018-naik-sektor-produksi-jadi-prioritas>.

⁵ Irma Muzdalifa et al., "Peran Fintech Dalam Meningkatkan Keuangan Inklusif Pada UMKM Di Indonesia (Pendekatan Keuangan Syaria'ah)," *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah* 3, no. 1 (2018): 1–24, <https://doi.org/10.30651/jms.v3i1.1618>.

human resources to enhance their capacity for expansion and increase the value of their offerings. This strategy not only enhances the competitiveness of MSMEs but also enables them to withstand the influx of foreign products into Indonesia's manufacturing and industrial sectors. Given that MSMEs represent the largest source of employment in Indonesia's economy, fostering their empowerment is crucial to ensure they can compete effectively in both domestic and international markets.⁶

Crowdfunding offers significant benefits to MSMEs, including rapid business exposure, attracting potential investors, flexibility in choosing a crowdfunding model, reduced competitive pressures, and the building of a customer base. These advantages make crowdfunding an appealing option for MSMEs seeking to grow and expand their reach.⁷

Despite its benefits, crowdfunding also poses some risks. These risks include the possibility of failing to meet funding targets, the exposure of business ideas to theft, and the presence of security vulnerabilities within the crowdfunding platform. To mitigate these risks, it is advisable for MSMEs to carefully plan their crowdfunding campaigns, protect intellectual property, and choose reputable platforms with robust security measures. This approach helps MSMEs to harness the power of crowdfunding while minimizing potential downsides.

Enhancing the competitiveness of Indonesian products is crucial for driving economic growth. According to the Organization for Economic Co-operation and Development (OECD), competitiveness refers to the ability of an industry, company, country, or region to achieve sustainable and relatively high levels of income and employment while facing international competition. This definition emphasizes not only the capacity to compete in the global market but also the sustainability and resilience of economic growth. By focusing on competitiveness, Indonesia can bolster its industries, create more jobs, and ensure steady economic progress amid global competition.⁸

In the contemporary era, technology has become a valuable resource for entrepreneurs, particularly those who are just beginning their entrepreneurial journey. It enables them to create new revenue streams by leveraging online business opportunities, such as e-commerce and social media-based sales. These platforms facilitate buying and selling activities, offering entrepreneurs easy access to large customer bases and simplified processes for conducting transactions.

The advent of technology-driven business models has enabled entrepreneurs to tap into alternative capital sources and streamline investment processes, leading to the rapid growth of financial technology (fintech). Fintech encompasses various financial services, often facilitated by intermediaries like crowdsourcing platforms, that streamline funding and investment processes.

Given that a significant portion of business actors in Indonesia are involved in MSMEs,

⁶ Sudaryanto, "The Need for ICT- Education for Managers or Agribusinessman to Increasing Farm Income: Study of Factor Influences On Computer Adoption in East Java On-Farm," *International Journal of Education and Development Using Information and Communication Technology (IJEDICT)* 7, no. 1 (2011): 57–67.

⁷ "Securities Crowdfunding Sebagai Alternatif Pendanaan UMKM :: SIKAPI ::," Sikapiuangmu OJK, accessed January 28, 2024, <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/30676>.

⁸ Organisation for Economic Co-operation and Development, *Toolkit Penilaian Persaingan Usaha - Jilid 1: Prinsip-prinsip* (Paris: Organisation for Economic Co-operation and Development, 2011).

the proliferation of fintech creates new avenues for these businesses to access capital and participate in innovative financial ecosystems. By embracing digital technology and fintech, MSMEs can overcome traditional barriers to growth and expand their market reach with relative ease.

The United Arab Emirates (UAE) was the first country to introduce Sharia-compliant fintech in 2014 through the Beehive company,⁹ paving the way for Sharia fintech to spread to Asian regions like Malaysia and Singapore. In Indonesia, Sharia fintech has also begun to gain traction, with platforms like Paytren emerging in 2018. Sharia fintech is grounded in regulatory frameworks that adhere to Islamic law.¹⁰

Although both Sharia and conventional fintech aim to provide financial services, they differ primarily in the contracts used. Sharia fintech requires compliance with Islamic principles, which means that financial transactions must avoid interest (riba), uncertainty (gharar), and gambling (maysir).¹¹ Instead, Sharia fintech relies on contracts that align with these principles, emphasizing ethical and transparent financial dealings. This distinction serves to differentiate Sharia fintech from other financial services, offering financial products and services that align with Islamic law while maintaining the functionality and benefits of modern fintech.

In Indonesia, the Muslim market is expanding each year, reflecting the country's status as a Muslim-majority nation. As a result, there is a growing societal demand for Sharia-based economic activities. Given this trend, Sharia-compliant products have gained popularity among both Muslims and non-Muslims. Key elements in the ecosystem that contribute to the development of Sharia fintech in Indonesia include regulators or government bodies, banks and other financial institutions, and educational institutions, such as universities.¹²

The integration of Sharia fintech into society provides a broader range of products and financial services that comply with Islamic principles, emphasizing ethical business practices and avoiding usury. This adherence to Sharia principles enhances trust among consumers and encourages the adoption of Sharia-based financial solutions across diverse demographics.

Crowdfunding draws its origins from the concepts of crowdsourcing and open-sourcing. The key distinction between open source and crowdsourcing is that in open source, the entire project is made available to the public for collaborative development, while in crowdsourcing, specific tasks are outsourced through an open call to a large group of people. Another distinction between crowdsourcing and open source is that in crowdsourcing, the results typically belong to the company or individual who initiated the project, whereas in open source, the final product is shared with everyone who contributed

⁹ Dewi Sartika Nasution and Muhammad Muhajir Aminy, *Fintech Syariah: Teori dan Praktik di Indonesia* (Mataram: UIN Mataram Press, 2020), 28.

¹⁰ Sekar Ayu Sridanti, "Pemikiran Murniati Mukhlisin tentang Fintech Syariah di Indonesia" (skripsi, Medan, Universitas Islam Negeri Sumatera Utara, 2021), <http://repository.uinsu.ac.id/14614/>.

¹¹ CIMB Niaga, "Memahami Lebih Dalam Apa Itu Fintech Syariah," CIMB Niaga, accessed January 28, 2024, <https://www.cimbniaga.co.id/id/inspirasi/perencanaan/memahami-lebih-dalam-apa-itu-fintech-syariah>.

¹² Aam Slamet Rusydiana, "Bagaimana Mengembangkan Industri Fintech Syariah Di Indonesia? Pendekatan Model Struktural Interpretatif (ISM).," *Al-Muzara'ah* 6, no. 2 (2018): 117–28, <https://doi.org/10.29244/jam.6.2.117-128>.

to its development. Despite these differences, the underlying principles that drive crowdfunding are similar to those of crowdsourcing and open-sourcing.

However, crowdfunding's primary focus is on raising funds from a large number of individuals to support a project, new business venture, or other initiatives. Project initiators utilize crowdfunding platforms to present their ideas and solicit financial support from a broad audience. The success of a project is contingent upon the public's interest and willingness to contribute financially. Consequently, crowdfunding transforms the traditional funding model by democratizing investment and engaging a broader community in the funding process.¹³

However, there is an emerging trend of fundraising from the public, known as crowdfunding. Financial technology (fintech) crowdfunding involves a project initiated by an individual or group aiming to raise funds or income through the Internet, with contributions from various individuals.¹⁴ Crowdfunding platforms in Indonesia began to appear in 2015, primarily focused on philanthropic, social, and charitable activities. Over time, debt-based crowdfunding emerged, allowing funds to be collected from the public and then lent to businesses. The Financial Services Authority (OJK) regulation No. 77/POJK.01/2016 outlines the legal framework for crowdfunding in Indonesia, which governs Information Technology-Based Money Lending and Borrowing Services.

Since the implementation of this regulation, financial technology has seen rapid growth in Indonesia. As of May 31, 2019, there were six Sharia-based fintech providers registered with the OJK, including PT Ammana Fintek Syariah, PT Dana Syariah Indonesia, PT Danakoo Mitra Artha, PT Alami Fintek Sharia, PT Syarfi Teknologi Finansial, and PT Duha Madani Syariah. These Sharia-compliant fintech platforms offer a range of financial services that align with Islamic principles, reflecting the growing interest in ethical and Sharia-based financing solutions within Indonesia's fintech ecosystem.¹⁵

Bank Indonesia has identified four primary categories of financial technology (fintech). The first category involves mass funding and peer-to-peer lending, where an online marketplace connects borrowers and lenders, allowing individuals to apply for loans and others to provide them. This model has transformed traditional lending by enabling peer-to-peer lending through organized platforms. The second category encompasses clearing, which covers payment and settlement systems managed by Bank Indonesia and the banking sector. These include the BI Scripless Security Settlement System (BI-SSSS) and the Bank Indonesia Real Time Gross Settlement (BI-RTGS), which simplify transactions for online retailers and financial institutions.¹⁶

The third category, market aggregator, serves as a hub for collecting information about various financial services. This facilitates users' comparisons and selections of products such

¹³ Abidullah Khan, Muahmmad Hakimi Mohd Shafiai, and Shabeer Khan, "The Rise and Fall of Cash Waqf Crowdfunding: Exploring the Short Comings," *International Journal of Innovation, Creativity and Change* 8, no. 9 (2019): 57–77.

¹⁴ Devashis Mitra, "The Role Of Crowdfunding In Entrepreneurial Finance," *Delhi Business Review* 13, no. 2 (2012): 67–71.

¹⁵ OJK, "Perusahaan Fintech Lending Berizin Dan Terdaftar Di OJK," Per 31 Mei, 2019.

¹⁶ Mohamad Kharis Umardani, "Analisis Kesesuaian Akad Crowdfunding/P2P Lending (Penggalangan Dana) Syariah Berdasarkan Kepatuhan Syariah Pada AMMANA," *ADIL: Jurnal Hukum* 12, no. 1 (2018): 69–86, <https://doi.org/10.33476/ajl.v12i1.1918>.

as credit cards, investment options, and insurance. These platforms facilitate consumer navigation of the complex financial landscape. The fourth and final category pertains to risk and investment management, offering digital tools for financial planning and risk assessment. This type of fintech simplifies financial terminology and allows individuals to create and manage financial plans efficiently, thereby contributing to more effective risk management and investment strategies. Collectively, these four categories represent the breadth of fintech's impact on modern financial systems, streamlining processes and enhancing user experiences.¹⁷

Research on Sharia crowdfunding for MSMEs is not entirely novel, as business capital systems through fintech channels are increasingly sought after by MSMEs, enhancing the functionality of banking institutions and driving the stock market growth.¹⁸ This shift has facilitated the rise of intermediaries and crowdfunding service providers specializing in Islamic financial technology equity crowdfunding, offering MSMEs an avenue to participate in alternative Islamic finance. This aligns with research by Irma, which identifies Islamic crowdfunding as a solution for alternative Islamic finance.

Previous research by Irma¹⁹ explored the role of financial technology in enhancing financial inclusion for MSMEs in Indonesia. Similarly, Hana's study on Fintech Crowdfunding Syariah presents it as a capital solution for MSMEs, while Shela's²⁰ work focuses on optimizing inclusive finance for MSMEs through crowdfunding applications.²¹ Ramadhani's²² study discusses Sharia equity crowdfunding and its potential as a Sharia-compliant financial instrument, emphasizing its role in the development of crowdfunding in Indonesia.²³ However, the current research distinguishes itself from these previous studies by focusing on the importance of the Sharia crowdfunding system for MSMEs in promoting economic growth.²⁴ This research aims to explore the potential of Sharia crowdfunding as an effective means for MSMEs to expand their business operations, ultimately contributing to broader economic sector improvements in Indonesia. By emphasizing the potential benefits of Sharia crowdfunding, this study contributes to a deeper understanding of how Islamic finance can be leveraged to boost the MSME sector and foster economic development.

¹⁷ Umardani.

¹⁸ Anisah Novitarani and Ro'fah Setyowati, "Analisis Crowdfunding Syariah Berdasarkan Prinsip Syariah Compliance Serta Implementasinya Dalam Produk Perbankan Syariah," *Al-Manabij: Jurnal Kajian Hukum Islam* 12, no. 2 (2018): 247–62, <https://doi.org/10.24090/mnh.v12i2.1759>.

¹⁹ Muzdalifa et al., "Peran Fintech Dalam Meningkatkan Keuangan Inklusif Pada UMKM Di Indonesia (Pendekatan Keuangan Syari'ah)."

²⁰ Shela Nur Afinka, Istifaiyatul Awaliyah, and Adelia Putri Ifsioni, "Optimalisasi Penyaluran Dan Pengawasan Dana Lembaga Pengelola Dana Bergulir Kepada Usaha Mikro Kecil Dan Menengah Melalui Aplikasi Securities Crowdfunding," *JIOSE: Journal of Indonesian Sharia Economics* 1, no. 2 (2022): 189–200, <https://doi.org/10.35878/jiose.v1i2.488>.

²¹ Indriana et al., "Fintech Equity Crowdfunding Syariah Sebagai Solusi Akses Permodalan UMKM," *BISNIS: Jurnal Bisnis Dan Manajemen Islam* 10, no. 1 (2022): 1–32, <https://doi.org/10.21043/bisnis.v10i1.13142>.

²² Ramadhani Irma Tripalupi, "Equity Crowdfunding Syari'ah Dan Potensinya Sebagai Instrumen Keuangan Syari'ah Di Indonesia," *ADLIYA: Jurnal Hukum Dan Kemanusiaan* 13, no. 2 (2019): 230–46, <https://doi.org/10.15575/adliya.v13i2.6440>.

²³ Roos Nelly et al., "Studi Empiris Perkembangan Crowdfunding Syariah Di Indonesia," *El-Mujtama: Jurnal Pengabdian Masyarakat* 2, no. 2 (2022): 221–31, <https://doi.org/10.47467/elmujtama.v2i2.1283>.

²⁴ Rizka Dwi Maharani et al., "Pengembangan Model Crowdfunding Syariah Untuk Pembiayaan UMKM (Studi Pada Platform Fintech Ethis)," *Social Science Academic* 1, no. 2 (2023): 673–80, <https://doi.org/10.37680/ssa.v1i2.4280>.

RESEARCH METHODS

The research methodology employed in this study is descriptive analysis. According to Sumadi Suryabrata, as referenced by Soejono and Abdurrahman, descriptive research is intended to create a detailed depiction of a given situation or event.²⁵ In contrast, the analytical component focuses on exploring laws, regulations, and legal theories related to the subject of the research.²⁶ The data for this study were sourced from published journals, books, and official websites, ensuring that the methods used were appropriate for the type of research conducted. This approach involves a comprehensive review of existing literature, such as books, encyclopedias, magazines, dictionaries, and other related documents. By relying on these resources, the research obtains a robust set of secondary data, which includes official documents, reports, and prior research findings. This methodology allows the author to synthesize a wide array of information and draw insights that are relevant to the research questions posed. The use of secondary data is particularly beneficial when the information needed to complete the research can be found in pre-existing sources. By analyzing this data, the author can derive meaningful conclusions about the subject matter, contributing to the broader academic discourse on the topic.

RESULTS AND DISCUSSION

Sharia Crowdfunding

Fintech crowdfunding is a system designed to facilitate connections between entrepreneurs and investors to secure capital through online platforms managed by intermediaries. Typically, crowdfunding involves three key stakeholders: investors, brokers, and entrepreneurs (who can be individual business owners or companies). Crowdfunding platforms provide open access to a diverse pool of investors from various countries, which raises the need for governments to establish regulations to ensure legality and protect investors.²⁷

In Indonesia, the Financial Services Authority (OJK) introduced equity crowdfunding regulation No. 37/POJK.04/2018 to address the growing demand for crowdfunding services and ensure investor protection in the context of IT-based share issuance. This regulation provides a legal framework for crowdfunding activities, allowing for the issuance of shares while setting guidelines to safeguard investors' interests.

The implementation of these regulations is intended to create a secure environment for crowdfunding, promoting transparency, compliance with legal standards, and fair practices. This approach encourages the growth of fintech crowdfunding as a reliable and legitimate means for entrepreneurs to raise capital and for investors to explore diverse business opportunities.

In equity crowdfunding, startups secure funding from capital markets, enabling entrepreneurs to grow their businesses. This financial system provides a way for

²⁵ Soejono and Abdurrahman, *Metode Penelitian Hukum* (Jakarta: PT Rineka Cipta, 1997).

²⁶ Zainuddin Ali, *Metode Penelitian Hukum*, Cetakan ke (Jakarta: Sinar Grafika, 2009).

²⁷ Indriana Indriana et al., "Fintech Equity Crowdfunding Syariah sebagai Solusi Akses Permodalan UMKM," *BISNIS: Jurnal Bisnis dan Manajemen Islam* 10, no. 1 (June 3, 2022): 1–32, <https://doi.org/10.21043/bisnis.v10i1.13142>.

entrepreneurs and startup founders to raise capital without a strict obligation to repay it in the traditional sense. Instead, these startups offer a portion of their company's shares in exchange for investor capital, allowing investors to gain partial ownership of the business. This ownership stake entitles investors to a share of the company's profits, proportionate to the number of shares they hold.²⁸

This equity-based structure enables startups to access the necessary funding to fuel their growth, while investors have the potential for financial returns as the business succeeds. This model fosters a mutually beneficial relationship between startups seeking capital and investors looking for new opportunities to diversify their investment portfolios.²⁹

The growing acceptance of Sharia principles in Indonesia has created an environment conducive to the growth of Sharia-based equity crowdfunding. For businesses to operate by Sharia, they must adhere to Islamic laws regarding the concept of halal, as noted by Biancone and Kamal.³⁰ This concept dictates that all aspects of a business, from product sourcing to capital, should align with halal principles. Any activity involving alcohol, pornography, pork, or other haram substances is strictly prohibited, as are operations involving usury and gambling.

The National Sharia Council – Indonesian Ulema Council (DSN-MUI) Fatwa No. 40 of 2003 concerning Capital Markets emphasizes the need for Sharia compliance in all capital market operations. It guides capital market participants to ensure their practices align with Sharia principles. This includes avoiding gambling, as it involves uncertainty and interests that conflict with Islamic rules. Even if the products or services in question do not contain any prohibited substances, such as pork, companies engaging in Sharia equity crowdfunding must adhere to the rules outlined in DSN-MUI's fatwa. Furthermore, Indonesia's Financial Services Authority (OJK) has issued regulations to support Sharia-compliant practices. These include OJK Order Letter No. 17/POJK.04/2015, which addresses Sharia securities and requirements for Sharia-compliant public companies, and OJK Order Letter No. 35/POJK.04/2017, which defines the criteria for Sharia securities. These regulations ensure that Sharia equity crowdfunding remains consistent with Islamic principles, thereby offering investors a reliable framework to support Sharia-compliant businesses and investment opportunities.

Islamic equity crowdfunding employs several contractual mechanisms designed to comply with Sharia principles. One such mechanism is the musharaka contract, which is a common approach whereby a group of individuals, whether legal entities or individuals, jointly provide funding for a company in exchange for a share of the profits. This structure affords each party equal rights and responsibilities in managing the business. However, musharaka contracts are better suited for specific projects than for general company capital,

²⁸ Cici' Wilantini and Fadllan Fadllan, "Equity Crowdfunding Dan Usaha Mikro Kecil Menengah: Kajian Equity Crowdfunding Sebagai Instrumen Pendanaan UMKM Syariah," *El-Qist: Journal of Islamic Economics and Business (JIEB)* 11, no. 1 (April 30, 2021): 82–97, <https://doi.org/10.15642/elqist.2021.11.1.82-97>.

²⁹ Wilantini and Fadllan.

³⁰ Paolo Pietro Biancone, Silvana Secinaro, and Mohamad Kamal, "Crowdfunding and Fintech: Business Model Sharia Compliant," *European Journal of Islamic Finance* No 12 (April 26, 2019): 2019, <https://doi.org/10.13135/2421-2172/3260>.

as they may pose certain risks to investors.³¹

Other contracts frequently utilized in Islamic equity crowdfunding include those delineated in the LK and BAPEPAM No. IX.A.14 regulation for sharia securities in the capital market. The ijara contract permits the proprietor of goods or services to lease them to a renter for a specified fee, thereby conferring upon the renter the right to utilize the goods or services without transferring ownership. The kafala contract involves a guarantor who ensures that the original debtor fulfills obligations to another party. The qirad contract is an agreement between two parties whereby one provides capital to the other for business purposes, with profits distributed according to a pre-agreed ratio. The wakalah contract allows a person to appoint a representative to act on their behalf in carrying out specific tasks.

The regulations established by the OJK define the roles and responsibilities of three key parties involved in equity crowdfunding in Indonesia: share issuers (also known as underwriters), Crowdfunding Services (referred to as LUD), and investors (Finenders). These regulations address both administrative and technical aspects to ensure a structured and compliant crowdfunding process.

On the administrative side, the OJK regulations stipulate the necessary procedures and requirements for all parties involved. Crowdfunding service providers, investors, and issuers are required to adhere to specific protocols to maintain compliance. These protocols include due diligence, financial disclosures, and other administrative tasks that are crucial to ensure transparency and accountability within the equity crowdfunding ecosystem.

Technically, the process of equity crowdfunding involves the execution of various contracts that set out the terms and conditions for the parties involved. A primary contract is established between the platform operator (organizer) and the share issuer, typically in the form of a notarial deed. This contract delineates the rights and obligations of each party, thereby providing a legal basis for the crowdfunding arrangement. Additionally, electronic licenses may be employed to formalize agreements between organizers and investors, thereby simplifying the process of buying and selling shares.

The issuance of shares within equity crowdfunding is subject to specific timelines and conditions. Shares are generally available for purchase for 60 days during the fundraising period, with a validity period of 12 months. The share issuance process includes an escrow account system, wherein investors deposit funds, which are then transferred to the issuer's account within 21 days after the conclusion of the fundraising period. The issuer is then required to distribute shares to investors within five business days after receipt of the investment funds.

Bank Indonesia Regulation No. 19/12/PBI/2017 outlines a sandbox system for financial technology, providing a controlled environment in which services, products, technologies, and business models can be tested. The regulation sets a framework for supervising and regulating financial technology legal sandboxes, supported by BI Regulation No.

³¹ Biancone et al., "Crowdfunding And Fintech: Business Model Sharia Compliant," *European Journal Of Islamic Finance (EJIF)* 1, no. 12 (2019): 1–9, <https://doi.org/10.13135/2421-2172/3260>.

19/14/PADG/2017. The sandbox allows for innovation within regulatory boundaries, ensuring compliance while fostering creativity.

The regulatory sandbox testing process is guided by several key principles. The criteria-based process involves selecting participants based on characteristics determined by Bank Indonesia, ensuring that only eligible financial technology managers and products are included. Transparency is maintained through regular publication of testing results, allowing stakeholders to understand the outcomes and implications of the trials. The principle of proportionality entails consideration of the nature, scope, technology, services, product risks, and proven business models. This ensures that the regulation is proportionate to the risks and opportunities posed by the fintech products or services. The principle of fairness guarantees that all fintech providers are treated equally if they meet the established criteria. This promotes a level playing field in the regulatory sandbox. Finally, equity ensures that the sandbox is inclusive of all financial technology providers, with a future-oriented approach to consider the broader benefits for society and the economy.

These principles aim to create a balanced regulatory environment, allowing financial technology innovation while safeguarding consumer interests and maintaining financial sector stability. The sandbox mechanism serves as a platform for FinTech managers to test and refine their offerings before launching them into the broader market, contributing to the sustainable growth of Indonesia's financial technology ecosystem.

The Financial Services Authority of Indonesia (OJK) oversees the financial technology (fintech) sector through its regulation POJK No. 77/POJK.01/2016, which pertains to Information Technology-Based Credit Services. This regulation meticulously outlines the protocols for lending policies, management structures, enforcement techniques, and user protections in Indonesia's fintech landscape. The regulation establishes the framework for safe and compliant fintech operations, ensuring that both fintech companies and their users are adequately protected. Additionally, the National Sharia Council – Indonesian Ulema Council (DSN-MUI) plays a pivotal role in supervising Sharia fintech. The DSN-MUI Fatwa No. 117/DSN-MUI/II/2018, which concerns Information Technology-Based Financial Services Based on Sharia Principles, has been issued. This fatwa provides comprehensive guidelines for Sharia fintech, including dispute resolution mechanisms and contracts based on the Quran and As-Sunnah/Hadith. The fatwa establishes specific and general principles that all Sharia-compliant fintech services must adhere to, thereby ensuring the alignment of financial technology with Islamic law.

The advent of Sharia crowdfunding has had a profound impact on the business world, offering a distinctive avenue for the mobilization of capital and the advancement of economic growth. It provides an alternative source of funding for entrepreneurs who frequently encounter traditional barriers, including low creditworthiness, the risk of bankruptcy, and insufficient collateral when seeking capital from banks. Through Sharia crowdfunding, entrepreneurs can access capital with lower costs than bank loans, presenting an opportunity to enhance their business capital. This method attracts investors with higher returns on investment compared to bank deposits, leading to broader participation from

various stakeholders.³²

One of the key benefits of sharia crowdfunding is its role in improving the welfare of business owners. According to Bank Indonesia and the Education Fund Management Institute (LPPI), micro, small, and medium enterprises (MSMEs) constitute 99.99% of all business entities in Indonesia, amounting to approximately 56.54 million units. The utilization of Sharia crowdfunding platforms enables micro, small, and medium enterprises (MSMEs) to enhance their business value by securing supplementary capital. This influx of capital can result in a considerable enhancement in the prosperity of MSME entrepreneurs, providing them with opportunities to expand and develop their businesses.

Sharia crowdfunding also plays a crucial role in fostering economic growth. The World Economic Forum has highlighted that business resources contribute significantly to economic development. The capital raised through Sharia crowdfunding can help businesses grow, increase production, and create job opportunities. This can create a positive ripple effect across the economy, ultimately enhancing the overall welfare of business units. Moreover, Sharia crowdfunding can generate public interest in entrepreneurship by offering easier access to funding and reducing traditional financial barriers.³³

Another crucial aspect of sharia crowdfunding is the provision of support to MSMEs. This financing method is of particular importance for MSMEs that have difficulty securing capital from traditional financial institutions. The advent of fintech and crowdfunding has created a platform for entrepreneurs to find investors through online media,³⁴ thereby facilitating financial inclusion and enabling MSMEs to secure the funds they need to grow.³⁵ Companies such as PT Digital Semantika Indonesia have successfully leveraged crowdfunding, raising substantial funds in a short period, thereby demonstrating the potential of this financing approach.³⁶

In addition to its impact on business growth, Sharia crowdfunding contributes to the increased use of technology in Indonesia and can create new employment opportunities. To attract investors, MSME entrepreneurs must focus on innovation and product differentiation, ensuring their products stand out in the market. Successful crowdfunding campaigns can also lead to the hiring of a larger workforce, opening up significant employment opportunities for those who need them.

In conclusion, sharia crowdfunding represents a flexible and inclusive method for raising capital, contributing to the growth of the Indonesian economy, promoting financial inclusion, and supporting the development of MSMEs. It represents a modern approach to financing that aligns with Islamic principles, benefiting entrepreneurs, investors, and the

³² Ali Rama, "Shariah Crowdfunding: Concept and Empirical Studies," *JIsEB* 2, no. 1 (2023): 43–61.

³³ Maryam Sakinah et al., "The Relevance of Conventional and Islamic Crowdfunding as Financing Instruments for SMEs," *Journal of Islamic Finance* 10, no. 1 (2021): 59–64, <https://doi.org/10.31436/jif.v10i1.562>.

³⁴ Muhammad Rusydi Kadir, "Shariah Compliance Pada Investasi Sukuk Dalam Securities Crowdfunding Di Indonesia," *Jurnal Ilmu Perbankan Dan Keuangan Syariah* 3, no. 1 (2021): 16–29, <https://doi.org/10.24239/jipsya.v3i1.36.15-29>.

³⁵ Ratnawaty Marginingsih, "Analisis SWOT Technology Financial (FinTech) Terhadap Industri Perbankan," *Cakrawala: Jurnal Humaniora Bina Sarana Informatika* 19, no. 1 (2019): 55–59, <https://doi.org/10.31294/jc.v19i1.4893>.

³⁶ Rahmad Fauzan, "Pendanaan Startup Crowdfunding Jadi Alternatif," *Bisnis ID*, 2020, https://koran.bisnis.com/read/20200207/435/1198369/pendanaan-startup-crowdfunding-jadi-alternatif?utm_source=desktop&utm_medium=search.

broader economy.

The Study of Fintech Law in Indonesia

Indonesia has witnessed a surge in the number of websites offering various financial services, which have been developed in response to the growing needs of the community. Platforms such as Gandengtangan.co.id,³⁷ Crowdtivate, and others provide a range of financial solutions, creating a more convenient experience for users. However, this rapid expansion has led to several challenges, particularly in terms of ensuring safety and understanding the regulatory frameworks that apply to online financial services.³⁸

In response to these concerns, the Indonesian government, through the Financial Services Authority (OJK), has established regulations to safeguard users in the online financial services domain. OJK Regulation No. 77/POJK.01/2016 governs IT-based lending services, outlining the rules for safe and compliant online lending. Additionally, OJK Regulation No. 13/POJK.02/2018, concerning Digital Financial Innovation in the Financial Services Industry, sets guidelines for digital financial practices, covering all participants in the financial services ecosystem.³⁹

The objective of these regulations is to protect users by ensuring that financial service providers operate within a legal framework that emphasizes safety, transparency, and compliance. As the financial technology sector continues to grow, these regulations play a critical role in maintaining public trust and supporting the responsible use of digital financial services.

The Concept of Islamic Crowdfunding from a Sharia Compliance Perspective

The concept of Sharia crowdfunding is consistent with the teachings of the Quran and Sunnah, adhering to Sharia principles. To operate within Islamic law, certain criteria must be met, including the conduct of economic activities that align with Islamic economic practices and involve genuine transactions not forbidden by Sharia. Compliance with Sharia in the context of crowdfunding is viewed from a Sharia-compliant perspective. Projects in Sharia crowdfunding adhere to the tenets of the Quran and Hadith, eschewing elements such as *gharar* (excessive uncertainty), *riba* (usury or interest), *maysir* (gambling), and injustice.⁴⁰

³⁷ GandengTangan, "Pendanaan P2P Online Aman - Tentang Kami | GandengTangan," [gandengtangan.co.id](https://www.gandengtangan.co.id/tentang-kami), accessed April 28, 2024, <https://www.gandengtangan.co.id/tentang-kami>.

³⁸ Otoritas Jasa Keuangan, "Financial Technology," ojk.go.id, 2023, <https://ojk.go.id/id/kanal/iknb/financial-technology/default.aspx>.

³⁹ Siti Fatmawati Said, "Equity Crowdfunding Sebagai Upaya Pembiayaan UMKM Perspektif Kompilasi Hukum Ekonomi Syariah KHES: Studi Di Jali Merah Koffie Malang" (Universitas Islam Negeri Maulana Malik Ibrahim Malang, 2021).

⁴⁰ Muhammad Khozin Ahyar, "Analisis Pengaruh Inklusi Perbankan Syariah Terhadap Pembiayaan UMKM Sektor Halal Di Indonesia," *Al-Tijary* 5, no. 1 (2019): 19–36, <https://doi.org/10.21093/at.v5i1.1716>.

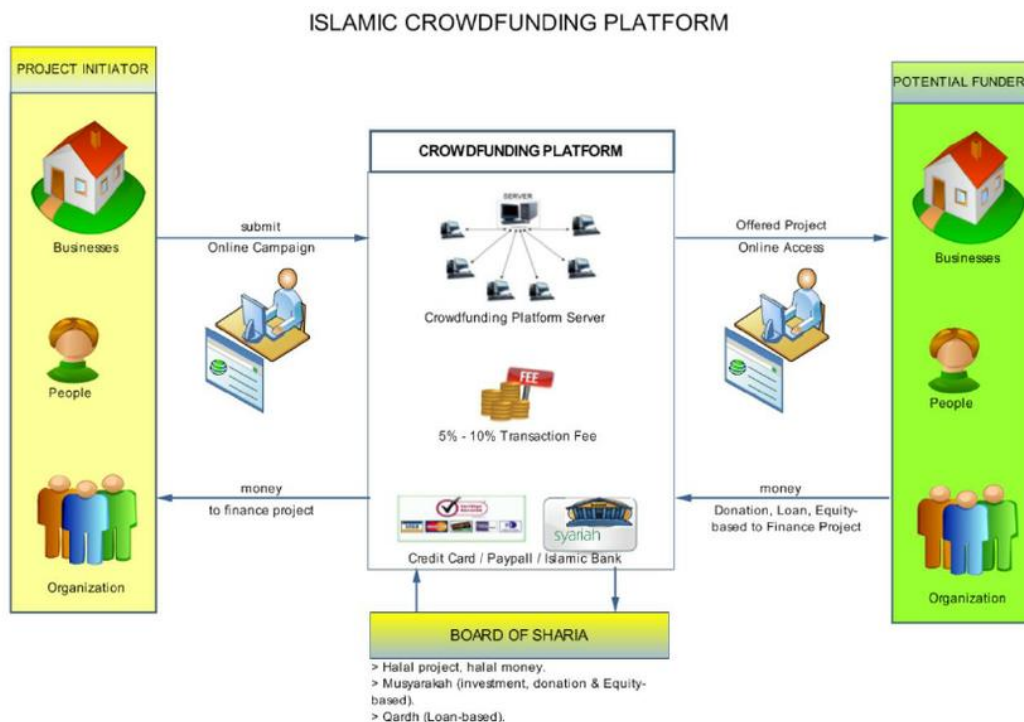


Figure 1 Scheme Islamic Crowdfunding Platform

Source: Sentot Imam Wahjono, Anna Mariana, and Widayat, *Islamic Crowdfunding: Alternative Funding Solution*, ed. Kamarul Shukri Mat Teh et al. (Malaysia: Universiti Sultan Zaiinal Abidin, 2015).

Figure 1 delineates the four primary actors in Sharia crowdfunding. The first is the project initiator or representative, who may be an individual, an organization, or a company. The second group comprises potential investors, who may be individuals or groups within the broader community. The third category includes crowdfunding operators, also known as platform organizers, who facilitate the crowdfunding process. Finally, the fourth actor is the Sharia Council, specifically the Indonesian Sharia Council (DSN-MUI) and Board of Sharia, which is responsible for ensuring that all crowdfunding activities comply with Sharia principles.

In the context of Islamic jurisprudence (fiqh), the Musharaka-Mudaraba system is depicted as a tiered structure. While every Mudaraba is a type of Shirkah, not all Shirkah arrangements are Mudaraba. Shirkah refers to any partnership where two or more individuals engage in business for mutual benefit. In this context, Mudaraba represents a specific form of Shirkah, where one party provides the capital, known as the passive partner or "shohibul mal," while the other party, the "mudarib," manages the business without contributing capital.⁴¹

Mudaraba is a well-defined concept in Islamic accounting and auditing. In accordance with Article 2 of the Association of Islamic Financial Institutions, Mudaraba is defined as a profit-sharing partnership in which one party, designated as the "Rab al-Mal," provides the

⁴¹ Rahman Ambo Masse, "Konsep Mudharabah Antara Kajian Fiqh Dan Penerapan Perbankan," *DIKTUM: Jurnal Syariah Dan Hukum* 8, no. 1 (January 9, 2010): 77–85, <https://doi.org/10.35905/diktum.v8i1.300>.

capital, while the other party, the "Mudarib", is responsible for managing the business operations. The profits from this arrangement are distributed according to an agreed-upon ratio, whereas any losses are borne solely by the capital provider, unless they are the result of mismanagement or negligence on the part of the managing partner. This system facilitates a distinctive collaboration between investors and business managers, ensuring a balanced relationship between capital provision and active business management.⁴²

Sharia stock crowdfunding can be a viable solution for Muslims, especially since conventional capital markets often deviate from Sharia principles, allowing exceptions for certain activities that contradict Islamic teachings. The 45% tolerance for some non-compliant activities in the traditional capital market is an example of such exceptions. In contrast, Sharia stock crowdfunding operates under a stricter framework, adhering more closely to Sharia principles and offering a cleaner and more ethically compliant approach.⁴³

Moreover, Sharia crowdfunding is not exclusive to Muslims. It is designed to include people from all walks of life, promoting a broader reach. Islamic crowdfunding platforms demonstrate that Sharia-based financial models can be effective and inclusive. While conventional equity crowdfunding may be acceptable in some respects, it may still contain elements that are not explicitly addressed by Sharia rules. Sharia equity crowdfunding offers a comprehensive and clear framework, ensuring adherence to Islamic principles even among stakeholders who may not follow Islam.

The Sharia equity crowdfunding structure has significant benefits. It provides clear rules and principles that guide investors and entrepreneurs following Islamic teachings, offering an ethical alternative to traditional financial models. This arrangement has several advantages, providing a reliable and faith-based approach to crowdfunding without presenting any obvious disadvantages.

The Position of MSMEs Towards Shariah Crowdfunding

The Indonesian government has established a legal framework, embodied in Law No. 20/2008, which defines several criteria for categorizing micro, small, and medium enterprises (MSMEs). Micro businesses are defined based on their net worth, which should not exceed IDR 50 million, excluding buildings and land used for commercial purposes. In addition, the annual revenue generated by each micro business must be below IDR 300 million. Small businesses are defined as those with a net worth between 50 million and 500 million rupiah, with annual sales ranging from 300 million to 2.5 billion rupiah. Medium-sized businesses are categorized as those with a net worth of more than 500 million rupiah but less than 10 billion rupiah, excluding commercial properties and buildings, with annual sales revenue ranging from 2.5 billion to 50 billion rupiah.⁴⁴

⁴² Fahmi Makraja, "Analisis Crowdfunding Syariah Berdasarkan Prinsip Sharia Compliance Pada Produk Perbankan Syariah," *Tawazun: Journal of Sharia Economic Law* 6, no. 2 (2023): 189–200, <https://doi.org/10.21043/tawazun.v4i1>.

⁴³ Wardah Yuspin et al., "The Sharia Compliance of Securities Crowdfunding: A Case Study on SME," *Diponegoro Law Review* 8, no. 2 (October 31, 2023): 226–42, <https://doi.org/10.14710/dilrev.8.2.2023.226-242>.

⁴⁴ "Undang-Undang No.20 Tahun 2008 Tentang Usaha Mikro, Kecil, Dan Menengah," Pub. L. No. 20 (2008).

Rahmana notes that several agencies and institutions offer various definitions and notions of micro, small, and medium enterprises (MSMEs), including the Ministry of Cooperatives and Small and Medium Enterprises and Minister of Finance Decree No. 1.316/KMK.016/1994, dated June 27, 1994. These sources describe MSMEs with different criteria. The Ministry of Cooperatives and Small and Medium Enterprises defines micro and small enterprises as legal entities with a net worth of up to two hundred million rupiah, excluding buildings and land used for business purposes, and an annual sales revenue of up to one billion rupiah. Medium-sized businesses, on the other hand, are companies owned by Indonesian citizens with a net worth ranging from two hundred million rupiah to ten billion rupiah, excluding buildings and land used for business purposes.⁴⁵

The Decree of the Minister of Finance Number 316/KMK.016/1994 defines a small business as an individual or company engaged in activities or business with an annual turnover or income not exceeding 600 million rupiah. This definition also applies to businesses with assets totaling no more than six hundred million rupiah, excluding buildings and land owned by business entities such as CVs, Companies, PTs, and Cooperatives. The decree also encompasses individual entrepreneurs, including farmers, fishermen, home-based industries or craftsmen, traders of goods and services, and other service-oriented ventures. This broad definition encompasses a wide range of business structures and provides a comprehensive framework for what qualifies as a small business in Indonesia.⁴⁶

To foster the success and growth of micro, small, and medium enterprises (MSMEs), five key factors must be prioritized such as education, capital, technology, information, and other vital resources.⁴⁷

Education is of particular importance for MSMEs, both for entrepreneurs and employees. It provides the necessary knowledge and skills to manage businesses effectively, enhances productivity, and helps overcome challenges in a competitive business environment. Proper education leads to a better understanding of business operations and equips MSMEs with the tools to innovate and stay relevant.

Capital, or finance, is another critical element for MSMEs. Access to adequate funding allows entrepreneurs to support daily operations, invest in product development, conduct marketing, and pursue other business activities. MSMEs require diverse sources of funding, including financial institutions, investment, or crowdfunding, to ensure they have the financial backing needed for growth and stability.

Technology plays a significant role in giving MSMEs a competitive edge. The appropriate application of technology can facilitate improvements in product quality, operational efficiency, market reach, and competitiveness in the digital age. Technology also

⁴⁵ Syifa Mariyatus Shofa, Ima Amaliah, and Dewi Rahmi, "Preferensi UMKM Terhadap Pembiayaan Crowdfunding Syariah Dan Konvensional Di Pulau Jawa," *Prosiding Ilmu Ekonomi* 6, no. 2 (2020): 177–84, <https://doi.org/10.29313/.v6i2.24502>.

⁴⁶ Kementerian Keuangan, "Pedoman Pembinaan Usaha Kecil Dan Koperasi Melalui Pemanfaatan An Dana Dari Bagian Laba Badan Usaha Milik Negara," Pub. L. No. 316 (1994).

⁴⁷ Mega Mirasa Cahyanti and Widiya Dewi Anjaningrum, "Faktor-Faktor Yang Mempengaruhi Perkembangan Usaha Kecil Sektor Industri Pengolahan Di Kota Malang," *Jurnal Ilmiah Bisnis Dan Ekonomi Asia* 11, no. 2 (2017): 73–79; BEM FISH- UNESA, "Pengaruh Modal, Pendidikan dan Teknologi pada Pendapatan Usaha Mikro Kecil dan Menengah (UMKM)," BEM FISH - UNESA, accessed January 28, 2024, <https://bem.fish.unesa.ac.id/post/pengaruh-modal-pendidikan-dan-teknologi-pada-pendapatan-usaha-mikro-kecil-dan-menengah-umkm>.

enables MSMEs to engage with customers in more effective ways and to adopt new business models.

Information access is a crucial aspect of the operations of MSMEs, as it encompasses market insights, industry trends, government policies, technological advancements, and other business opportunities. The availability of accurate and timely information enables MSMEs to make informed decisions, adapt to market changes, and identify new avenues for growth.

Other essential inputs complement education, capital, technology, and information. These include government support, adequate infrastructure, market access, business networks, training and coaching, collaboration with other businesses, and a conducive business environment. These resources provide a foundation for MSMEs to thrive, create partnerships, and expand their reach.

When these five factors are optimized, MSMEs are better equipped to manage their businesses effectively, boost productivity, and achieve sustainable growth.⁴⁸ This alignment enables MSMEs to not only compete on a national scale but also to contend with global economic challenges, thereby positioning them as significant contributors to the broader economy.⁴⁹

The integration of MSMEs with information technology (IT) frequently commences with their adoption of e-commerce, a transition that is supported by the Ministry of Cooperatives and Small and Medium Enterprises through the Go Online program. This program encourages MSMEs to leverage electronic platforms to enhance their business operations and expand their market reach. Since 2016, MSMEs have had access to debt-based crowdfunding within the fintech financing system, providing them with new avenues to raise capital.⁵⁰ This presents an opportunity for Islamic fintech equity crowdfunding to gain traction among MSMEs. However, despite this growing interest, there are currently no specific regulations to support Sharia-compliant equity crowdfunding in the fintech sector.⁵¹

In accordance with the Financial Services Authority (OJK) regulations, issuers intending to offer and distribute shares through a fintech equity crowdfunding mechanism are required to meet specific criteria. Based on Law No. 40 of 2007 concerning Limited Liability Companies, a business entity may transition into a limited liability company if its paid-up capital exceeds 50 million rupiahs. This regulation permits business entities to utilize equity crowdfunding by the stipulations outlined in Law Number 20 of 2008, which is focused on small and medium businesses.

Small and medium enterprises (SMEs) that wish to engage with the Sharia Capital Market Business Unit, they are required to comply with the fatwa issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) and OJK's regulatory decisions.

⁴⁸ Y. Sri Susilo, "Strategi Meningkatkan Daya Saing Umkm Dalam Menghadapi Implementasi Cafta Dan Mea," *Buletin Ekonomi* 8, no. 2 (2012): 70–170.

⁴⁹ Tulus Tambunan, "Masalah Pengembangan UMKMDi Indonesia: Sebuah Upaya Mencari Jalan Alternatif," *Documents*, 2008.

⁵⁰ Gio Alpri Naldi and Sri Muljaningsih, "Pengaruh Motivasi, Persepsi Risiko, Pengetahuan Terhadap Investasi Pada UMKM Melalui Platform Securities Crowdfunding," *Islamic Economic and Finance in Focus* 1, no. 1 (2022): 50–60.

⁵¹ Rahma Nurzianti, "Revolusi Lembaga Keuangan Syariah Dalam Teknologi Dan Kolaborasi Fintech," *Jurnal Inovasi Penelitian* 2, no. 1 (2021): 37–46, <https://doi.org/10.47492/jip.v2i1.600>.

Specifically, OJK Decisions No. 17/POJK.04/2015 and No. 35/POJK.04/2017 delineate the prerequisites and directives established by the DSN-MUI for Sharia compliance, including regulations pertaining to Sharia securities and the criteria for publishing a list of Sharia securities. These guidelines ensure that small and medium-sized enterprises (SMEs) operating in the Sharia Capital Market adhere to Islamic principles while complying with the regulatory framework for equity crowdfunding established by the OJK.⁵²

Optimizing the Supervision and Distribution of Funds to Fund Management Institutions for MSMEs using Sharia Securities Crowdfunding

In order to optimize the oversight and distribution of funds to management institutions for micro, small, and medium enterprises (MSMEs) through Sharia Securities Crowdfunding, several factors must be taken into consideration. Firstly, *Ta'awun*, a financing service, is designed to support MSMEs by verifying their eligibility for funding from the Revolving Fund Management Institution (LPDB) through the Sharia People's Financing Bank (BPRS). This process assists MSMEs in applying for LPDB funds by meeting the requisite criteria.⁵³

Second, the MSMEs' functions involve providing comprehensive information about their stakeholders, including company background and profile, obtained from the Ministry of Cooperatives and SMEs. This data serves as a valuable resource for MSMEs to enhance performance and foster partnerships. The valid documents from this feature can also be used by MSMEs when applying for LPDB funding.

Third, certification services provide MSMEs with a means of obtaining certificates that validate their business activities. These certificates include MSMEs certificates and halal certificates, which serve as strong evidence of business compliance. This service not only assists MSMEs with the halal certification process but also enhances the overall quality of their services.

Furthermore, this service includes a list of partners registered with the Financial Services Authority (OJK) across Indonesia, with a particular focus on BPRS partners who act as fund distributors from LPDB. The list can be utilized as a reference for MSMEs seeking financing from LPDB, thereby assisting them in identifying reliable funding sources.⁵⁴

Pros and Cons of Crowdfunding for MSMEs

The launch of a project or business through an online platform can be an effective marketing strategy, attracting media attention and engaging micro, small, and medium-sized enterprises (MSMEs). It also provides entrepreneurs with an opportunity to receive expert feedback and guidance. Crowdfunding is an excellent way to gauge public interest in a product or idea, as it allows for the assessment of market potential. If people are willing to

⁵² Dwi Anggraini and Zhafira Salsabila, "Ektor UMKM Di Indonesia: Profil, Masalah, Peran Penting, Dan Strategi Pengembangan UMKM," *Jurnal Ilmu Komputer, Ekonomi Dan Manajemen (JIKEM)* 3, no. 2 (2023): 5967–75.

⁵³ Raka Ryaudi Nalda.D et al., "Peran Crowdfunding dalam Mendukung Pertumbuhan Usaha Kecil dan Menengah (UKM)," *INTECH (Informatika dan Teknologi)* 4, no. 2 (November 29, 2023): 41–45, <https://doi.org/10.54895/intech.v4i2.1974>.

⁵⁴ Fahmi Makraja and Abdul Mujib, "Analisis Crowdfunding Syariah Berdasarkan Prinsip Syariah Compliance Serta Penerapannya Pada Produk Perbankan Syariah," *Muamalat: Jurnal Kajian Hukum Ekonomi Syariah* 15, no. 2 (2023): 87–98, <https://doi.org/10.20414/mu.v13i2.7266>.

invest, it suggests that the concept has market potential. Additionally, investors can follow the progress of the business through crowdfunding, which helps to promote the business or product through their networks. This can be especially valuable for ideas that may not initially attract conventional investors. Crowdfunding can also foster a base of loyal customers, offering an alternative funding option for those struggling to secure bank loans or traditional financing.⁵⁵

However, alongside these benefits, there are inherent risks for MSME business actors. Crowdfunding can be as complex, if not more so, than traditional fundraising methods. In the event that a business actor fails to meet their funding targets, the money pledged is typically returned to investors, leaving the business actor with no compensation. A failed crowdfunding campaign can damage a business's reputation, eroding trust among those who initially supported it. Additionally, without proper intellectual property protection through patents or copyrights, there is a risk of idea theft from a crowdfunding platform.

Another potential risk is the offering of rewards or profit-sharing that could be perceived as overly generous, leading to excessive ownership or profit concessions to investors. Furthermore, crowd funders frequently require some form of personal guarantee from business owners, which can expose them to significant financial risks if the project fails or does not meet investor expectations.

In conclusion, while crowdfunding can be a valuable tool for MSMEs, it necessitates careful planning and risk management. It is imperative that business actors set realistic funding goals, protect their intellectual property, avoid offering overly generous incentives, and be prepared for personal financial obligations in case of failure. By understanding and mitigating these risks, entrepreneurs can leverage crowdfunding to its fullest potential without jeopardizing their business or personal finances.

CONCLUSION

The evolution of Sharia crowdfunding regulations in Indonesia has been the result of the combined efforts of three key institutions: Bank Indonesia (BI), the Financial Services Authority (OJK), and the National Sharia Council (DSN-MUI). Bank Indonesia is responsible for macro-level regulation of monetary and payment systems, while OJK oversees financial institutions on a micro-level. In 2018, DSN-MUI issued a fatwa titled "Information Technology-Based Financial Services Based on Sharia Principles." This fatwa offers guidance on applying sharia principles to fintech services. Despite the significant potential of sharia crowdfunding in Indonesia, it faces several challenges. These include public trust, contract innovation, quality and understanding, partnerships with banks, integration with public financial institutions, and the ability to support high-risk businesses.

To foster economic growth and support MSMEs, the increased availability of capital is crucial. Crowdfunding, which connects investors with micro, small, and medium-sized enterprise (MSME) entrepreneurs, can provide the necessary funds for these businesses to

⁵⁵ Dina Dwi Setiani et al., "Fintech Syariah: Manfaat dan Problematika Penerapan pada UMKM," *Jurnal Masharif Al-Syariah: Jurnal Ekonomi dan Perbankan Syariah* 5, no. 1 (July 1, 2020), <https://doi.org/10.30651/jms.v5i1.4718>.

expand their marketing reach and contribute to the economic sector. This financial assistance enables MSMEs to compete on both national and global stages. Furthermore, the adoption of digital platforms in crowdfunding can accelerate the improvement of information technology (IT) infrastructure, thereby further enhancing economic development.

Sharia crowdfunding represents a valuable option for Muslim entrepreneurs, addressing concerns about non-sharia-compliant elements in the conventional capital market. Sharia equity crowdfunding is designed to be free from prohibited practices such as *gharar* (uncertainty) and *tadlis* (misleading information), providing a framework that aligns with Islamic principles. The scope of sharia crowdfunding is not limited to Muslim stakeholders; rather, it extends its benefits to all sectors involved in the sharia crowdfunding ecosystem. These include regulators, crowdfunding platforms, sharia banks, investors, start-ups, and internet providers. The National Sharia Council plays a pivotal role in ensuring that Sharia principles are upheld across these sectors, contributing to the platform's development and success.

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