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ANALYSIS OF SHARIA FINANCING STRATEGY BASED ON CROWDFUNDING IN SMES

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Abstract

Research aims: The purpose of this study is to analyze strategies for developing sharia-based crowdfunding to support halal MSMEs. It aims to highlight key aspects such as education, regulation, technological innovation, institutional collaboration, and the provision of sharia-compliant investments that contribute to the growth and sustainability of the halal business ecosystem.
Design/Methodology/Approach: This study employs a descriptive qualitative method with interview techniques.
Research findings: The findings indicate that strategies for developing sharia-based crowdfunding for MSMEs include enhancing education, establishing regulations, creating technology-based products, collaborating with other institutions, and providing investments that comply with sharia principles.
Theoretical Contribution/Originality: This study provides a new perspective on the role of sharia-based crowdfunding in supporting the growth of the halal MSME sector. It contributes to the academic discourse by expanding the existing literature on the integration between the halal economy and Islamic fintech, emphasizing how innovative financial mechanisms aligned with sharia principles can enhance access to funding and promote sustainable development within the halal industry.
Practitioners/Policy Implications: Highlights the importance of synergy among education, regulation, and technological innovation in strengthening the sharia-compliant financing ecosystem for MSMEs.
Research Limitations/Implications: The study remains descriptive and limited to interview findings, suggesting the need for further research using quantitative or comparative approaches to test the effectiveness of the proposed strategies.
Keyword: Crowdfunding, MSMEs, Sharia Financing, Technology-Based Sharia Financing

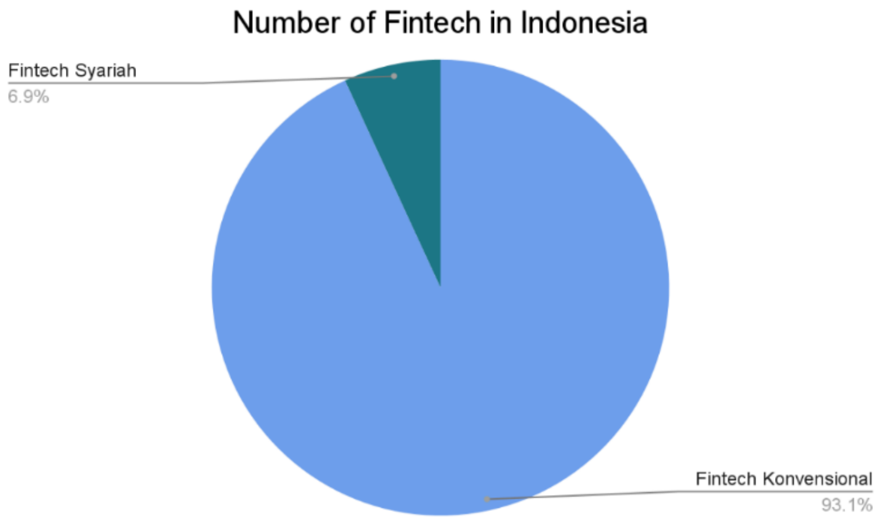
Introduction

The rapid growth of the global economy has driven the expansion of the halal industry sector in various countries, including Indonesia. Along with the increasing public awareness of the halal lifestyle, the demand for products and services that comply with sharia principles continues to rise. This trend is reflected in the growing consumer expenditure within the halal industry sector. In 2021, it was recorded that 1.9 billion Muslims worldwide spent approximately USD 2 trillion on halal products, representing an almost 9% increase compared to 2020. By the end of 2022, global Muslim spending in the Islamic economy sector (excluding Islamic finance) was projected to grow by 9.1% (Dinar Standard, 2022).

This growth is expected to continue, with projections indicating that by 2025, spending in the halal industry will grow by 7.8%, reaching around USD 3 trillion. Furthermore, the global halal economy is estimated to reach USD 4.96 trillion by 2030 (Kementerian Keuangan RI, 2023). This condition presents vast opportunities for business actors, particularly Micro, Small, and Medium Enterprises (MSMEs), to develop competitive halal products. However, one of the main challenges faced by MSMEs in Indonesia is the limited access to financing sources that are both compliant with sharia principles and easily accessible.

The development of financial technology (FinTech) in recent years has brought significant transformation to the national financial system. FinTech offers convenience in obtaining access to funding in a faster, more efficient, and inclusive manner. One rapidly growing innovation is Securities Crowdfunding (SCF). In Indonesia, the portion of sharia-based FinTech, including sharia SCF, remains relatively limited compared to conventional FinTech. Sharia-based FinTech began to emerge around 2018, with Paytren being one of the early examples (Indriana et al., 2022; Sauzan Hasanah et al., 2025). As of 2022, the number of registered FinTech institutions in Indonesia had reached 102 entities, of which 95 were conventional FinTechs and only 7 were sharia-based FinTech institutions.

Figure 1
Statistics On The Number Of FinTech Companies In Indonesia



Source: Direktorat Statistik Keuangan, Teknologi Informasi (2022)

Meanwhile, the total assets owned by FinTech institutions reached Rp4.52 trillion as of March 2022, with conventional FinTechs dominating at Rp4.43 trillion, while sharia-based FinTechs accounted for only Rp91 billion (Sari, 2023). This condition indicates that the potential for developing sharia-based financing through SCF platforms has not yet been fully optimized. In fact, Indonesia has tremendous potential to expand its sharia-compliant financing system, given that it has the largest Muslim population in the world. According to data from The Royal Islamic Strategic Studies Center (RISSC), the Muslim population in Indonesia reached 231.06 million people, or about 86.7% of the national population, contributing 11.99% to the global Muslim population (Lamya Al-Khraisha et al., 2021).

Furthermore, data from the Coordinating Ministry for Economic Affairs (2022) show that around 46.6 million out of 64 million MSMEs in Indonesia still lack access to financing from banks or non-bank financial institutions. The low level of capital access is caused by several factors, including limited collateral, complex administrative processes, and low Islamic financial literacy among MSME actors. This situation reinforces the need for alternative financing models that are inclusive, efficient, and compliant with sharia principles.

In this context, crowdfunding-based FinTech can serve as an alternative financing model for communities to meet MSME business capital needs. Through sharia-compliant crowdfunding platforms, halal industry players particularly MSMEs can obtain funding that adheres to Islamic principles. This improved access to capital enables MSMEs to develop their businesses and enhance their competitiveness in the global economy.

Based on research conducted by DailySocial titled *"Evolving Landscape of FinTech Lending in Indonesia"*, released in November 2020, the majority of sharia FinTech customers are directed toward productive sectors, particularly MSMEs operating both offline and online. Within the productive cluster, 43% consists of offline MSMEs, while 70% of total sharia FinTech financing is allocated to online MSMEs, and 64.1% of the consumer FinTech cluster comprises offline MSMEs (DSResearch, 2020; Pratiwi et al., 2025).

These findings are consistent with research conducted by the Indonesian Joint Funding FinTech Association (*Asosiasi FinTech Pendanaan Bersama Indonesia* or AFPI), which shows that the majority of borrowers in sharia FinTech come from the MSME sector. Therefore, this serves as an important starting point for creating synergy between sharia FinTech institutions and the national halal industry.

The strong support of sharia FinTech for the MSME sector is a positive aspect that must continue to be strengthened. The Head of the National Committee for Islamic Economy and Finance (KNEKS), in an article titled *"FinTech Syariah Siap Dukung Pengembangan Industri Halal"* published by *Republika* on December 15, 2020, stated that sharia FinTech can synergize in developing the Islamic economic and financial ecosystem, including the halal industry (Puspaningtyas, 2020)

The crowdfunding financing model holds highly promising prospects for the future. The global crowdfunding market value is projected to reach USD 1.2 billion by 2024. This transaction value is expected to grow at a Compound Annual Growth Rate (CAGR) of 1.43% during 2024–2028, reaching an estimated total of USD 1.27 billion by 2028 (*Crowdfunding Worldwide*, 2023).

Crowdfunding, also known as collective financing, is becoming increasingly popular and rapidly developing in both developed and developing countries. The crowdfunding mechanism combines the concept of *collective effort* with advances in modern technology (Wilantini & Fadllan, 2021). In Indonesia, FinTech crowdfunding platforms began to emerge around 2015, initially focusing on philanthropic activities for social and charitable purposes. However, over time, these platforms evolved to give rise to various types of FinTech crowdfunding with distinct characteristics.

For example, an increasing number of MSME actors are utilizing crowdfunding to obtain funding. One indicator of this is the total funds raised through *securities crowdfunding* (SCF), which reached Rp507.20 billion an increase of 22.75% compared to the end of 2021 (year-on-year). The number of issuers, namely MSME actors who utilize SCF, also increased by 89.6% from the previous year to 237 issuers, with a total of 111,351 investors (Jatmiko, 2022).

Sharia crowdfunding is considered to have highly promising potential due to the strong demand for financing within a relatively small market. In 2015, the total value of sharia crowdfunding was recorded at USD 30 million, compared to the total global crowdfunding market of USD 25 billion (Nelly et al., 2022).

According to a presentation by Akhmad Affandi Mahfudz during a Focus Group Discussion (FGD) on the development of the Sharia Securities Crowdfunding (SCF) ecosystem in September 2021, the crowdfunding market size is projected to grow to USD 25.8 billion by 2027, with a growth rate of 11.2% during the 2021–2027 period. This growth is dominated by three major regions: China (37%), the United States (32%), and Europe (17%). Meanwhile, the market share of equity crowdfunding alone is expected to reach 35.7% by 2027.

The development of sharia-based crowdfunding financial models holds great potential to strengthen the business ecosystem of the halal industry, foster innovation, create job opportunities, and generate positive social and economic impacts. However, the implementation of sharia-compliant financing in the halal industry also faces several challenges. These include the need for a deeper understanding of sharia principles, effective risk management, and the development of business models capable of bridging the needs of investors and business actors.

Previous studies have largely discussed the general aspects of Islamic fintech and sharia crowdfunding; however, few have specifically analyzed the *Sharia Securities Crowdfunding* (sharia SCF) model as an alternative financing mechanism for MSMEs in Indonesia, particularly within the context of halal ecosystem development. The study conducted by (Khairunnisa Harahap & Siregar, 2023; Aulia et al., 2025) examined sharia SCF as an alternative source of MSME funding from the perspective of *maqāṣid shariah* in general but did not incorporate operational development strategy variables. Meanwhile, research by (Hadi et al., 2025) focused primarily on factors such as financial literacy, regulation, and technological adoption, yet did not sufficiently explore concrete strategies required to optimize sharia SCF, especially for halal MSMEs.

Therefore, this study focuses on strategies for developing sharia-based crowdfunding in the MSME sector, given the limited number of studies that specifically analyze strategies for developing sharia crowdfunding to support halal MSMEs in Indonesia, despite the vast market potential and significant need for capital access. Furthermore, this study provides a comprehensive analysis of sharia crowdfunding strategies for halal MSMEs using a qualitative approach, emphasizing the integration of technological innovation and sharia principles, as well as their contribution to strengthening the national halal ecosystem.

Literature Review

Sharia Financing

Sharia financing refers to financing or funding practices that comply with the principles of sharia in Islam. The sharia financial system is based on Islamic law, which involves ethical and moral principles. Some of the main principles in sharia financing include the prohibition of *riba* (interest), fairness in the distribution of risk and profit, and the prohibition of investment in businesses that are considered unethical or *haram* (forbidden) in Islam. Several forms of sharia financing involve specific contracts that comply with sharia principles, such as *murabahah, mudharabah, musyarakah*, and *ijarah*. Below are some of the contracts commonly used in sharia financing practices:

a. *Murabahah* is a form of buy-sell transaction in sharia financing where the seller informs the buyer of the cost of production or purchase price of the goods and adds an agreed-upon profit margin. In this context, the seller must clearly and separately state the costs and profits involved in the transaction.

b. *Mudharabah* is a partnership between the party that provides the capital (*shahibul maal*) and the party that manages the capital (*mudharib*). The profit is shared according to the agreement, while the main risk is borne by the party providing the capital.
c. *Musyarakah* is a form of partnership or cooperation between two or more parties. The profit and risk are shared according to the agreement, and all parties are involved in the management of the business.
d. *Ijarah* is leasing or renting, where the asset owner grants the right to use the asset to another party in exchange for rental payments.

According to Law No. 21 of 2008 on Sharia Banking, Article Paragraph 12, it states that sharia principles are Islamic law principles in banking activities based on fatwas issued by the authority responsible for issuing fatwas in the field of sharia (Nurnasrina, et al., 2018, 2). Unlike conventional financing, in sharia financing, every business activity must adhere to the contracts (*akad*) that have been issued with a fatwa by the National Sharia Council of the Indonesian Ulema Council (DSN MUI) or obtain a Sharia Compliance Statement from DSN MUI. Furthermore, all business activities must be based on Sharia contracts, whether they are singular or combined. Like other financial service industries, sharia financing institutions are required to report all their business activities and obtain permits from the Financial Services Authority (OJK) (Financial Services Authority (OJK), 2020; Putri & Amri, 2025).

Omarini (2018) states that FinTech companies need to innovate their business models in order to continue developing, especially in maintaining the quality of financing to customers. Based on this, sharia FinTech must mitigate the substantial financing risks, both through improving financing analysis and the appropriate financing model for potential customers to be financed. Hashfi and Zusryn (2019) explain that sharia FinTech financing practices use several contract schemes, including buy-and-sell contracts such as *murabahah, salam,* and *istishna* in purchasing inventory.

Another contract scheme used includes services such as *hawalah, kafalah, wakalah, ijarah*, and *ijarah muntahiyah bittamlik*. The business capital-based financing model uses contracts like *mudharabah, musyarakah*, and *musyarakah mutanaqishah*.

The variety of contracts held by sharia FinTech institutions actually becomes a competitive advantage for these institutions to offer a wider range of products and services. In practice, most of the sharia FinTech financing today uses service-based contracts rather than buy-and-sell or business capital-based contracts.

Based on this, it is necessary for sharia FinTech institutions to identify and innovate financing models using the available sharia contracts. This is not only to enhance the role of these institutions but also to encourage the growth of more inclusive sharia finance for society.

Technology-Based Sharia Financing

Sharia fintech is a financial service based on information technology that employs sharia contracts, such as *wakalah bil ujrah*, *musyarakah*, and *murabahah*. Although operated digitally, sharia fintech must still comply with Islamic law, one example being the requirement of *ijab-qabul* (offer and acceptance) (Basrowi & Julianas, 2020). In addition to adhering to sharia, sharia fintech is also a digital financial instrument that promotes efficiency, transparency, and social justice, while at the same time expanding financial inclusion (Wahyuni et al., 2024). Sharia fintech also serves as a digital fundraising instrument that connects investors and MSMEs using sharia contracts, particularly in the form of crowdfunding. It is recognized as an innovation in sharia financing that is inclusive, as it can provide broader, safer, and sharia-compliant financial access (Nur Hida et al., 2023). Based on these various definitions, it can be concluded that technology-based sharia financing, or sharia fintech, is a digital financial service that applies sharia contracts including those issued by the Sharia Supervisory Board to implement Islamic legal principles. This service functions as an inclusive, effective, transparent financing option that is free from *riba*, *gharar*, and exploitative practices.

In terms of the criteria for the functions and roles of financial technology, some of the functions of sharia fintech include:

a. Online financial transactions in accordance with sharia principles
b. Sharia-compliant electronic money
c. Sharia virtual accounts
d. Sharia aggregators
e. Financing/loans based on sharia contracts
f. Sharia-based funding, and
g. Sharia-compliant personal financial planning.

Crowdfunding

Crowdfunding is a financing model that involves a small number of individuals or organizations contributing financially to support a specific project or initiative. This concept has grown rapidly with the advancement of technology and wider access to online platforms. Essentially, the crowdfunding system operates by mobilizing funds from the masses, usually through online platforms. Crowd Funding is a start-up company which has a fundraising system, so the funds then will be distributed to people who needs help due to the war, natural disasters, to fund the creation of works, and other needs of funding. Some examples of the platforms are Kita Bisa, Ayo Peduli, and many other platforms that provide crowdfunding system nowadays (Nisaa et al., 2024).

According to the Ministry of Finance, crowdfunding is a fundraising method for initiatives or businesses that involves the wider community. The idea of crowdfunding was first introduced with the launch of the Artistshare platform in the United States in 2003. This platform was used to try to raise money from audiences or local communities to create an artwork. This marked the beginning of the rise of other crowdfunding platforms, such as Kickstarter, which funded the creative industry in 2009, and GoFundMe, which funded various events and businesses in 2010.

There are four main types of crowdfunding models. First, equity-based crowdfunding. In this model, contributors receive shares or ownership in the company in exchange for their investment. Second, reward-based crowdfunding. In this system, contributors receive rewards in the form of products or services from the funded project. Third, debt-based crowdfunding, also known as peer-to-peer financing. Here, borrowers lend funds and repay them with interest. Lastly, donation-based crowdfunding. Funds are raised without any direct financial compensation; this is typically used for social or charitable purposes.

Crowdfunding provides access to capital for projects that may have difficulty obtaining support from traditional financial institutions. Its mechanism works by attracting or promoting public participation and direct involvement in the projects or ideas they support. Crowdfunding can also be used as a tool to test market interest and validate ideas before a full launch. However, not all crowdfunding campaigns succeed, and many projects fail to reach their target goals. The challenges lie in the potential risks of fraud or misuse of funds if not properly monitored. If this occurs, with the increasing number of crowdfunding projects, competition for attention and support becomes high.

From all the opinions of the four Ulama of Fiqh, differences were found based on the reasons from each of them. The law on buying and selling in cash, all of them said it is permissible. But, imam Hambali stated that online buying and selling is Haram. Since Fintech is intended for electronic money, four of the ulama allowed it. But for transactions based in MLM system and lending-borrowing money, all ulama said it is haram. However, fintech is basically allowed as long as the transactions are far away from any form of gharar and riba (Al-Mu'min, 2024).

Crowdfunding has become a part of the collaborative economy, where individuals can directly contribute to valuable projects and initiatives. By supporting innovation and giving opportunities to projects that may be considered too risky by traditional investors, crowdfunding has emerged as a significant force in financing creative projects and initiatives. Despite its challenges and risks, the potential to mobilize funds, support innovation, and foster community engagement makes crowdfunding a phenomenon worth studying in the context of modern economics and society.

MSMEs

MSMEs (Micro, Small, and Medium Enterprises) are businesses owned by individuals and business entities that are not subsidiaries of other companies with the criteria of having business capital that has predetermined benchmarks (Hidayat et al., 2022). Based on Law Number 11 of 2020 about Micro, Small, and Medium Enterprises, Article 3 states that Micro, Small, and Medium Enterprises have the aim of growing and developing their businesses in order to build a national economy based on its economic democracy (Windusancono, 2021). Therefore, MSMEs aim to grow and develop in order to support a fair and sustainable national economy. This is in line with the spirit of economic democracy which is being the basis.

There are differences in each definition that explains the classification of Micro, Small, and Medium Enterprises, which are generally based on various criteria such as total assets, annual turnover, and others in accordance with the provisions regulated by each regulation or reference source. However, the criteria commonly used in classifying MSMEs are the definitions stated in Article 6, Law Number 20 of 2008 about MSMEs. The classification of each type according to this law can be described as follows (Hidayat et al., 2022):

a. Micro enterprise: an enterprise unit that has maximum assets about IDR 50 million and does not include land and buildings where the business is located with annual sales proceeds of IDR 300 million in maximum.
b. Small enterprise: an enterprise unit that has an asset value in between IDR 50 million until IDR 500 million excluding land and buildings, also has an annual sale proceeds in between IDR 300 million until IDR 2.5 billion.

c. Medium enterprise: a company which the net worth is more than IDR 500 million and reaches a maximum of IDR 10 billion and the annual sales could be in between IDR 2.5 billion until IDR 50 billion.

MSMEs themselves generally have several characteristics. First, the type of commodity sold may not be fixed and change at any time. Second, the place of doing business can change. In general, MSME actors have not implemented administrative activities in running their business. The human resources in it do not yet have a capable entrepreneurial spirit and usually the level of education is still low. MSME actors usually do not have banking networks, but some already have networks with non-bank financial institutions. MSMEs generally do not have proof of legality or a business permit, such as a Taxpayer Identification Number and other legal documents (Al Farisi et al., 2022).

Based on the definition above, it can be explained that MSMEs are a type of individual business which is classified into Micro, Small, and Medium Enterprises. The three classification groups have their own characteristics which can generally be assessed through net assets, annual income, and other criteria. This research will focus on the SME (Small and Medium Enterprises) scale, where this is adjusted to the scope of financing from financial institutions which the author uses as the research object.

Research Methodology

In this study, the researcher employed a descriptive qualitative method, which uses a naturalistic paradigm to examine social issues holistically from the perspective of the studied objects (Abdussamad, 2021). This approach was chosen to provide a clear and systematic description of the phenomenon without manipulating existing variables. Research data consisted of primary sources obtained through semi-structured interviews, observations, and questionnaires, while secondary data were sourced from relevant websites, portals, or related articles. The key informant was Mr. Agung Wibowo, Founder and CEO of FundEx. Data collection techniques included interviews, observations, documentation, and questionnaires distribution. Interviews served as the main technique used in the descriptive qualitative approach. The interviews were conducted in a semi-structured manner, meaning that the researcher prepared a set of guiding questions while still allowing the informant to elaborate on their answers (Moleong, 2018). Data were then analyzed through reduction, presentation, and conclusion drawing.

Results and Discussions

Sharia Financing Mechanism Based on Crowdfunding

Islamic microfinance has played a significant role due to improving halal industries in D-8 countries. It is part of a strategy to broaden the halal ecosystem (Abd et al., 2024). The process of issuing securities using an information technology-based crowdfunding service is known as Securities Crowdfunding (SCF). Through a system supplied by the platform operator, issuers companies in need of funding have the chance to sell securities to investors directly on the SCF platform. The SCF platform offers a variety of assets, including debt securities, sukuk, and equity securities (shares). One of the SCF platforms that supports the achievement of financial inclusion is FundEx, which gives business players additional access to capital. FundEx also provides the public with cutting-edge investment options. Three parties are engaged in the implementation of sharia-based crowdfunding financing: issuers, investors, and FundEx, which serves as a middleman between the two. The FundEx's sharia-based crowdsourced financing technique is described below.

Figure 2
Sharia-Based Crowdfunding Financing Mechanism on the FundEx Platform

Source: FundEx (2024)

The following is an explanation of the sharia-based crowdfunding financing mechanism on the FundEx platform:

a. Investors begin the process by registering on the FundEx platform, selecting either personal or institutional investment options on the registration page. Once registered, investors can search for and analyze business opportunities based on information provided by FundEx, such as prospectuses, company profiles, and financial data.
b. FundEx then validates the data through electronic documents uploaded by investors. Once investors pass the e-KYC process, FundEx will

create an SID (if not already available) and an SRE at the custodian bank for transaction purposes. FundEx also provides regular reports to investors regarding project progress and potential challenges, either quarterly or through incidental reports.

c. On the other hand, issuers start by registering on the FundEx platform through the “obtain funding” option on the registration page. After passing the due diligence process, issuers can offer securities to investors during an offering period of up to 45 days. When the funding target is achieved, issuers are required to register the securities with the Indonesian Central Securities Depository (KSEI) through FundEx. During project implementation, issuers must provide written reports to investors via the FundEx platform. Before the maturity period, issuers are obligated to return the investors' funds in the form of the loan principal along with the agreed-upon margin, as outlined in the agreement with FundEx.

The research findings indicate that the sharia-based financing mechanism through the Securities Crowdfunding (SCF) platform *FundEx* reflects the application of sale-based contracts (*murabahah*) and partnership contracts (*musyarakah* and *mudharabah*) in a modern context. This is consistent with the theory proposed by Hashfi and Zusryn (2019), which explains that Islamic FinTech financing practices employ several contract schemes, including sale-based contracts such as *murabahah*, *salam*, and *istishna* in inventory purchasing. These findings also support Omarini’s (2018) view that FinTech companies must continuously innovate their business models to maintain financing quality. FundEx has successfully achieved this by utilizing various forms of sharia contracts that are flexible and adaptable to the financing needs of MSMEs, while still adhering to sharia principles.

Development Strategies for Sharia Financing Based on Crowdfunding for SMEs

The strategy for developing Islamic financing based on crowdfunding for SMEs can be carried out in several ways, including by enhancing education, establishing regulations, creating products that utilize technology, collaborating with other institutions, and providing investments that align with Islamic principles.

1. Education

Education is a learning process undertaken by individuals or groups with the aim of improving the quality of thought patterns, expanding knowledge, and developing each individual’s potential. FundEx not only serves as a provider of securities crowdfunding (SCF) services but also acts as an agent of sharia financial literacy. Education is carried out by explaining the contracts used in sharia FinTech, such as *mudhārabah*, *musyārakah*, and *murābaḥah*, to prospective issuers and investors. This socialization is important to ensure that all parties understand the contractual consequences in accordance with sharia. In addition, education is directed toward SMEs in the halal sector, such as businesses in food, Muslim fashion, and sharia-based services. In this way, literacy not only enhances understanding of financial products but also fosters the development of a broader halal business ecosystem.

2. Regulations

Securities Crowdfunding (SCF) in Indonesia is currently regulated by the Financial Services Authority Regulation (POJK) Number 57 of 2020 concerning Securities Offerings through Information Technology-Based Crowdfunding Services. POJK 57 serves as both an improvement and a replacement for the previous regulation, POJK Number 37, which governed Equity Crowdfunding (ECF), also known as Information Technology-Based Share Offering Services (FundEx, 2020). From the sharia perspective, FundEx is supervised by the Sharia Supervisory Board (DPS), which is directly connected to the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). The DPS ensures that every product remains free from elements of *riba*, *gharar*, and *maysir*. Unlike conventional banking, which heavily relies on collateral, FinTech offers a more flexible process while still prioritizing risk mitigation through technologies such as ID scoring. This ID scoring is based on data and track records of behavior, facilities, and financial conditions, serving as one of the risk mitigation measures applied by the FinTech platform. This aligns with sharia principles of justice and accessibility, as SMEs that were previously unbankable can now access funding. However, requirements such as business legality, financial reconciliation, and administrative compliance are still enforced to prevent moral hazard risks.

3. Creating Products that Utilize Technology

According to the OJK (Financial Services Authority), FinTech is an innovation in the financial services industry that leverages the use of technology. FinTech products typically take the form of systems built to carry out specific financial transaction mechanisms, including payments, funding such as lending and borrowing, banking (digital banking), capital markets, insurance (insurtech), supporting services (supporting FinTech), and other digital financial innovations.

FundEx is a SCF platform that incorporates technology to maximize the use of SCF for the benefit of SMEs in the halal industry. There are two main values in the use of FinTech, namely speed and security. Speed means that the process of opening accounts and signing contracts can now be done online with electronic signatures. This makes it easier for SMEs in regions such as Sulawesi or Papua to access services without having to visit the head office. Security refers to the use of end-to-end encryption and

ISO 27001 standards to ensure data protection, in line with the sharia principle of safeguarding trust (*hifz al-amwāl*). Through this technological utilization, FundEx not only expands access to capital but also fosters investor confidence that their investments are protected both technically and in accordance with sharia principles.

4. Collaborating with Other Institutions

In addition to leveraging technology, FundEx collaborates with various institutions, particularly Islamic institutions, to develop Sharia-based crowdfunding financing for SMEs. However, partnerships with large institutions such as banks sometimes face challenges. For instance, efforts to connect with banks to support sukuk products are often hindered by internal banking regulations and the cautious approach banks take toward FinTech as a new industry still under observation. As an alternative, collaborations are more frequently established with smaller banks, such as Rural Banks (BPR), which are becoming increasingly familiar with the FinTech ecosystem to expand the reach of funding. In addition, FinTech also collaborates with cooperatives that require a platform for the productive distribution of funds. In the sharia context, collaboration is also carried out with *nazhir waqf*, particularly productive *nazhir waqf*, with the aim of optimizing waqf funds so they can be channeled into the real sector through crowdfunding mechanisms. This collaboration reflects the value of *ta'awun* (mutual assistance) in Islam, where various institutions work together to support the empowerment of SMEs.

5. Providing Investments in Line with Sharia Principles

Islamic investment is an investment based on Sharia principles, encompassing both real-sector and financial-sector investments. Consequently, investments cannot be separated from Sharia principles, ensuring compliance with these guidelines (Nurlita, 2015). One of the strategies implemented by FundEx to develop Sharia-based crowdfunding financing is by providing investment options that adhere to Sharia principles. FundEx explains that its processes include standardization and Sharia compliance, which must be met by issuers, including a commitment to using Sharia-based instruments. This process involves education, case studies, and the preparation of proposals related to Sharia-compliant contracts (akad). Once the process is complete, profit-sharing is monitored to ensure it remains in line with Sharia principles. Furthermore, FundEx involves the Sharia Supervisory Board (DPS), which operates under the direct supervision of the National Sharia Council of the Indonesian Ulema Council (MUI), to oversee the implementation of crowdfunding-based financing in accordance with Sharia principles. Since issuers have committed to adhering to Sharia principles, Sharia guidelines are created to serve as a reference. If violations occur in the future, such as the use of non-Sharia-compliant instruments for any reason, penalties will be imposed. However, such penalties cannot be added to investors' income because the funds are not Sharia-compliant. As an alternative, these penalties can be allocated to support social activities. This practice is in line with the principle of *al-*

tazkiyah (purification of wealth), which is one of the objectives of *maqāṣid al-sharīʻah*.

Advantages and Challenges of Sharia Financing Based on Crowdfunding

Crowdfunding is a method of raising funds for initiatives or businesses that involve the wider community (Kamsidah, 2022). If we talk in the context of sharia-based crowdfunding, there is a financing model called Securities Crowdfunding (SCF) which is often used. SCF can also be said to be a safe financing model. The basis of SCF is in principle similar to the capital market. Investment in SCF uses instruments in the form of securities, so the investment is legal and recognized by the regulator. The instruments used include sukuk, shares and bonds. This is considered an advantage, considering that SCF provides an instrument-based financing model, so it is safe to use as an alternative capital.

Another advantage of SCF lies in terms of returns. This was also explained by the resource person through a scheme that allows investors to continuously invest their capital through this instrument. The author received an explanation from the source that the returns offered were quite attractive when compared to banks. This is caused by differences in fund management. In the SCF financing scheme, the institution does not manage funds directly, but functions as an intermediary that brings together interesting and closely monitored projects with investors. Funds from investors are placed directly into the project concerned, so that potential profits can be maximized. The returns offered range from 15-18% per year with monthly installment payments.

The existence of excellence is of course accompanied by challenges that need to be faced. Based on the results of the author's interviews with sources, the main challenges in implementing this financing lie in literacy and education. Public awareness regarding investment has begun to increase. However, educational efforts are still needed so that people who are starting to become aware of the importance of investment are only interested in big profits, but forget the importance of prioritizing security in choosing investments. This is the duty of the SCF platform which has official permission from the OJK to continue to provide education and maintain the legitimacy of its platform in order to increase public trust.

If we talk about educational challenges, then we return to what educational strategies can be used to answer these challenges. FundEx admits that they also have a duty in terms of education, so they need to implement appropriate educational strategies for the community. The approach used in education must be relevant to current trends, such as through digital marketing, personal branding and other strategies. Educational challenges are long-term and require consistency in delivering messages.

FundEx sees huge opportunities in SCF's future growth. In the next 2-3 years, they predict the main focus will be on the community education and literacy process. FundEx takes a balanced position, not too conservative but not too liberal either. The educational efforts carried out aim to encourage people who were initially very cautious to start switching to SCF through diversification. On the other hand, they also want to attract the attention of retail investors to invest in the projects offered. With this approach, FundEx seeks to optimize the potential of both groups.

Another opportunity can be seen in terms of FundEx's target market, namely SMEs (Small and Medium Enterprises). Small Business is a type of business that has an asset value of IDR 50 million to a maximum of IDR 500 million and annual sales of around IDR 300 million to IDR 2.5 billion, while Medium Business is a company whose net worth is IDR 500 million to IDR 10 billion and annual sales reach IDR 2.5 billion to IDR 50 billion (Hidayat et al., 2022).

FundEx sees SCF growth opportunities through SMEs as their target market. Currently, SMEs contribute 64% to GDP, which is considered quite large. This is in line with the statement in Article 3 of Law Number 11 of 2020 concerning MSMEs, where MSMEs have the aim of growing and developing businesses in order to build a national economy based on just economic democracy (Windusancono, 2021). This means that this business scale is one of the pillars that is relied upon in developing the country's economy. FundEx hopes that SME growth will continue in the future, with SCF acting as a catalyst that not only drives accelerated growth, but also helps SMEs to move up in class, from micro to small level, and beyond. In the next five years, this potential is considered very interesting to develop.

The Impact of Sharia Financing Based on Crowdfunding on SME Actors

1. SMEs will become familiar with the use of technology

In general, MSME actors have not implemented administrative activities in running their business (Al Farisi et al, 2022). This explanation indicates that business actors on this scale do not yet have neat administrative records. The presence of crowdfunding-based sharia financing has had a significant positive impact on SMEs, especially in encouraging technology adoption. By utilizing crowdfunding platforms, SMEs not only gain wider access to funding sources, but are also indirectly trained to become accustomed to using digital technology in managing their business.

FundEx admits that whether the documents are neat or not is one of the assessments for SMEs who wish to apply for SCF financing. The urgency of document neatness is based on the need for transparency in SCF financing contracts. According to sources, it is important to ensure that not only the business itself runs well, but also that the documentation is well managed. This includes showing things that need to be shown professionally. Often, business people are too busy taking care of operations so that aspects such as financial reports and pitch decks receive less attention.

One form of transparency that SMEs need to carry out is the obligation to provide quarterly reports. The report serves as material for FundEx to carry out regular coaching and monitoring, so they know whether their business is running well or whether there is something that can be improved. With this habit, SMEs will be increasingly trained in using technology to create neat reporting documents to maintain transparency. Good transparency will certainly increase trust between investors and financing institutions towards SMEs. This built trust not only helps SMEs maintain their reputation, but also opens up opportunities to get smoother access to capital. So, SMEs can continue to develop sustainably while maintaining integrity and professionalism in business management.

2. SMEs will have financing that complies with sharia principles

Crowdfunding-based sharia financing offers innovative solutions for SMEs who need funding in accordance with sharia principles. The interviewee explained that this had a positive impact on SMEs, because they got additional alternatives. With other facilities available to reach SMEs, business actors only need to choose the option that suits their conditions and abilities.

In the collaboration process for the SCF scheme, FundEx applies standardization or sharia compliance that must be met by financing applicants. This includes a co mmitment to use sharia instruments. The process starts from education, case studies, providing contract proposals, to monitoring profit sharing which must remain in accordance with sharia principles. This sharia compliance is not carried out alone, but FundEx itself is in one organ with the Sharia Supervisory Board (DPS) which is under the direct supervision of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI).

This explanation indicates that there is a guarantee in terms of sharia compliance, starting from the implementation of standards and mechanisms which are closely monitored by DPS and DSN-MUI, to the entire financing process. This indicates that this scheme can be chosen as a trusted alternative for SMEs who want to obtain financing based on Islamic value.

Conclusion

The implementation of sharia-based crowdfunding financing on the FundEx platform involves three parties: investors, issuers, and FundEx as the intermediary between investors and issuers. The FundEx platform facilitates investors in analyzing and investing, while also assisting issuers in obtaining funding through procedures that include document validation, periodic reporting, and fund repayment according to agreements. Various strategies can be implemented to develop sharia-based crowdfunding financing for SMEs, such as enhancing education, establishing regulations, creating technology-based products, collaborating with other institutions, and providing investments aligned with sharia principles.

Sharia-based crowdfunding financing has advantages, such as offering an instrument-based financing model, making it a safe alternative for capital funding. Additionally, the returns are relatively high, reaching 15–18% annually with monthly installments. However, it also faces challenges, particularly in literacy and education. This financing model impacts SMEs by encouraging them to adopt technology and providing financing that adheres to sharia principles.

This study remains descriptive and limited to interview findings; therefore, it is recommended that future research expand the scope of analysis on the implementation of sharia-based crowdfunding financing using a more comprehensive approach, covering institutional, regulatory, and user behavior aspects. Future studies should further explore the effectiveness of various sharia contract models used on digital platforms such as FundEx to determine which types of contracts are most suitable for the characteristics of micro, small, and medium enterprises (MSMEs). In addition, subsequent research could focus on empirical analyses of the economic and social impacts of sharia SCF financing, particularly in improving the financial performance, production capacity, and financial inclusion of halal MSME actors in Indonesia.

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