

## FUND PROTECTION IN EQUITY CROWDFUNDING BASED ON MAQASID VALUES IN MALAYSIA

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### ABSTRACT

Crowdfunding, particularly equity-based, has widely been recognized as an alternative funding method for business projects and companies. This new trend has been strongly linked to the rapid development of Financial Technology (FinTech). From *Shariah's* perspective, crowdfunding is in line with its objective in terms of wealth circulation. In addition, it enlarges the segment of the Islamic finance industry since its instruments can be modified to be *Shariah*-compliant. As a result, crowdfunding provides alternative financing to mainstream Islamic financial institutions. However, since this industry is still new, several issues are linked to modern crowdfunding, mainly regarding fund protection. Issues like lack of due diligence performed by platforms, incompetent projects and inadequate *Shariah* monitoring could threaten investor funds seeking profit and *Shariah*-compliant investment. Thus, this paper analyzes how far *maqasid al-Shariah* can strengthen crowdfunding activities, particularly the fund management aspect in Malaysia. Through the library research approach, it is discovered that three values associated with *maqasid al-Shariah* can be developed as a framework of application: promoting transparency, upholding justice and conducting *Shariah*-compliant oversight. While this conceptual study may be limited in data, it provides insights into how *maqasid al-Shariah* can be a direction in crowdfunding activities. Thus, the findings can benefit many stakeholders involved, including platform operators, funders, and project owners.

**KEYWORDS:** EQUITY CROWDFUNDING, CROWDFUNDING, MAQASID AL-SHARIAH, ISLAMIC FINANCE, VALUE-BASED MAQASID

### ABSTRAK

Pendanaan awam, terutamanya yang berasaskan ekuiti, telah diiktiraf secara meluas sebagai kaedah pembiayaan alternatif untuk projek dan syarikat. Trend baharu ini telah dikaitkan dengan perkembangan pesat Teknologi Kewangan (FinTech). Dari perspektif Syariah, pendanaan awam selari dengan objektifnya dari sudut mempromosikan peredaran kekayaan. Di samping itu, ia meluaskan segmen industri kewangan Islam kerana instrumen pendanaan boleh diubah suai agar patuh Syariah. Hasilnya, pendanaan awam menyediakan pembiayaan alternatif kepada institusi kewangan Islam semasa. Walau bagaimanapun, memandangkan industri ini masih baharu, terdapat beberapa isu dikaitkan dengan pendanaan awam moden, terutamanya mengenai perlindungan dana. Isu seperti kurang pantauan oleh platform, projek yang tidak efisien dan pemantauan Syariah yang tidak menyeluruh boleh mengancam dana para pelabur yang mencari keuntungan dan pelaburan patuh Syariah. Justeru, artikel ini menganalisis sejauh manakah *maqasid Syariah* boleh

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menguatkan aktiviti pendanaan awam, khususnya aspek pengurusan dana di Malaysia. Melalui pendekatan penyelidikan kepustakaan, didapati bahawa tiga nilai yang dikaitkan *maqasid Syariah* boleh dibangunkan sebagai kerangka kerja: menggalakkan ketelusan, menegakkan keadilan dan menjalankan pengawasan patuh Syariah. Walaupun kajian yang bersifat konseptual ini terhad dalam data, ia memberikan gambaran bagaimana *maqasid Syariah* boleh menjadi hala tuju untuk aktiviti pendanaan awam. Oleh itu, dapatan ini memberi manfaat kepada ramai pihak berkepentingan yang terlibat, termasuk pengendali platform, pembiaya dan pemilik projek.

**KATA KUNCI:** PENDANAAN AWAM BERASASKAN EKUITI, PENDANAAN AWAM, MAQASID SYARIAH, NILAI BERASASKAN MAQASID

## 1. INTRODUCTION

In Malaysia, equity-based crowdfunding has reportedly raised RM140.38 million through 65 issuers (CMM, 2023). In general, equity-based crowdfunding could potentially support any commercial project as long as the project manager creatively promotes his idea through an online campaign. Recently, equity-based crowdfunding has been considered among the most popular crowdfunding models (Bürger *et al.*, 2017). Like other models, this crowdfunding operates through a digital platform where funders receive financial returns through profit-sharing or equity-based income as promised by fundraisers or project managers (Collins & Pierrakis, 2012). Compared with other models, equity-based crowdfunding platforms are required to comply with specific laws and regulations. For example, equity-based crowdfunding operators in Malaysia must register with the Securities Commission (SC) of Malaysia (SCM, 2023a).

Nevertheless, as a young industry, equity crowdfunding activities have experienced critiques and issues, particularly regarding fund protection. For example, it is claimed that crowdfunding activities could lead to inherent hazards due to fraud or incompetent campaigns. These happen when crowdfunding platforms do not conduct a serious due diligence process on a project application (Cumming *et al.*, 2019). It is not a new issue, as scammed projects also appear on well-known crowdfunding sites (Saiti *et al.*, 2018). While investors in equity-based crowdfunding anticipate a profit return, some start-ups are unable to make a profit, which could result in a significant loss on their investment (Haniff *et al.*, 2019).

Another concern that may pose a risk to the fund is the lack of *Shariah* monitoring aspects, as most Muslim investors are seeking alternative *Shariah* investments (Ramli *et al.*, 2023). Like other Islamic financial institutions, equity crowdfunding platforms need to ensure their operation is end-to-end *Shariah*-compliant to attract Muslim investors (Ishak & Rahman, 2021). Unlike Islamic banking institutions, in which the Central Bank of Malaysia strictly monitors this aspect, *Shariah* oversees equity crowdfunding, which is still lenient. For instance, the current regulation did not strongly stress the role of *Shariah* advisors in equity crowdfunding, making their functions less significant regarding *Shariah* monitoring (Haniff *et al.*, 2019). At the same time, some crowdfunding platforms choose not to register as *Shariah*-compliant platforms formally. Instead, they prefer to call themselves a Muslim business platform (Ramli *et al.*, 2023).

These issues indicate that equity-based crowdfunding needs guidelines in terms of values, along with rulings that may take time to be established and implemented. In Malaysia, the Islamic finance industry is shifting direction to satisfy certain values set by related regulators. For example, the Central Bank of Malaysia has introduced Value-Based Intermediaries (VBI) and Value-Based Intermediaries Takaful (VBIT) for Islamic banking institutions and *takaful* operators, respectively. Thus, it is worth exploring *maqasid al-Shariah* values that can benefit equity crowdfunding practices in Malaysia as some of them are registered *Shariah* compliance. *Maqasid al-Shariah* reflects the values of *Shariah* beyond its technical rulings. Despite relying on literature and crowdfunding websites rather than empirical analysis, this study provides insights into how *maqasid al-Shariah* can be developed as a framework to guide crowdfunding activities in Malaysia. Thus, this paper

intends to analyze how far *maqasid al-Shariah* can strengthen crowdfunding activities, particularly the fund management aspect in Malaysia.

## 2. LITERATURE REVIEW

### *Crowdfunding: An Overview*

Crowdfunding is a fundraising concept that connects two parties: individuals with extra money and those with ideas that require funding to make them a reality. Crowdfunding has recently drawn a lot of talented people to use online platforms to get their funds (Wahjono *et al.*, 2015). In general, since funders have different motivations, various crowdfunding models have been created, such as equity-based, reward-based, donation-based, and lending-based models. These models could support any project that needs funding as long as a project manager creatively promotes their campaign. Every model has different funders, and any project should utilize a proper model based on the type of project. For example, rewards and donations are more suitable for charity and non-profit projects, while platforms utilize equity and lending to attract investors. In other words, some funders join crowdfunding expecting monetary gains from the funding campaign, while others are motivated by a sense of social responsibility or self-gratification (Flórez-Parra *et al.*, 2020).

Through crowdfunding platforms, business owners can raise money using this unique technique of fundraising (Mollick, 2014). Consequently, crowdfunding has gained widespread recognition as a substitute for middlemen that allows companies to raise funds from the general public via an online platform. Usually, crowdfunding platforms provide real-time updates for campaigns launched on their website to enhance transparency (Khairuddin & Ishak, 2021). Every crowdfunding model could potentially support project managers in realizing their business idea as long as they can obtain the trust of funders (Wan Mohamad Nazarie & Williams, 2021). Numerous research studies have indicated that trust is the main reason for crowdfunding projects to be successful (Moysidou & Hausberg, 2020). In contrast, however, the lack of trust may lead to lower numbers of funders, and as a result, crowdfunding would become ineffective as a financing platform (Wan Mohamad Nazarie & Williams, 2021).

Among all crowdfunding models, equity-based is a digital platform in which funders obtain financial returns from fundraiser's equity-based revenue or profit-share arrangements (Collins & Pierrakis, 2012). When project managers launch a campaign on how much cash they need in exchange for a percentage of profit. Every funder receives a pro-rate share (usually ordinary shares) depending on the amount they commit (Wilson & Testoni, 2014). This platform may serve as an intermediary between start-up companies and investors as it is used to raise funds by advertising the business (Mohd Thas Thaker *et al.*, 2018). Meanwhile, Wilson and Testoni (2014) viewed the equity crowdfunding rate as the most complex crowdfunding model; if a funder buys a share in the company, then the value of return needs to be estimated. Equity-based crowdfunding is the fastest-growing model of crowdfunding as it has received more popularity across the world in comparison with other models. This is because young start-up businesses may face limited access to financial aid due to track records and the lack of assets that mainstream financial institutions require (Bernardino & Santos, 2020).

Equity crowdfunding is believed to benefit many parties. For investors, it serves as an ideal investment as they enjoy high returns rather than investing in traditional financial institutions (Nasir *et al.*, 2023). Meanwhile, for project managers, the benefit of raising funds through crowdfunding enables them to cut the cost of repayment instead of borrowing from mainstream financial institutions (Bade, 2018). As for society, it is undeniable that crowdfunding indirectly contributes to socio-economic development through job creation (Abdullah, 2016). On top of that, crowdfunding liberalizes financial resources, allowing the public to influence what kinds of businesses have an impact on society (InfoDev, 2013). Nevertheless, it is learned that crowdfunding has drawbacks. Even though crowdfunding has the power to gather funds from the public to finance small-scale projects, it may experience challenges in supporting big-scale projects. Even though crowdfunding

can attract many investors, their fund contribution is not significant since their contribution is small (Ramos & Stewart, 2014).

To attract Muslim investors, equity-based crowdfunding platforms must ensure their operation is end-to-end *Shariah*-compliant. In this regard, interest-based investment must be replaced with *Shariah*-compliant instruments like *murabahah* (mark-up sale), *salam* (forward sale) and *istisna'* (manufacturing contract) (Hendratmi *et al.*, 2019). Since equity-based crowdfunding is based on sharing and partnership, the platform can utilize contracts like *musharakah* (full partnership) and *mudharabah* (a partnership between capital provider and manager) to create a partnership between project managers and funders (Muneeza *et al.*, 2018).

In Malaysia, equity crowdfunding platforms have witnessed dramatic growth since 2016. This aligns with the government's aspiration to encourage financial service providers to embrace technology and be more inclusive, innovative, and efficient capital markets. Even though equity crowdfunding had skidded during the initial stages of movement restrictions in 2020 amid the economic slowdown, it eventually bounced back following subsequent years of relaxations. Since its first emergence, the equity crowdfunding industry has raised RM 560.4 million for 305 issuers through 330 campaigns at the end of 2022. In terms of legal aspects, the SC, as the regulator for equity crowdfunding in Malaysia, has issued the Guideline on Recognized Markets (GRM), which represents a regulatory framework that enables equity crowdfunding to operate (SCM, 2023a). GRM requires *Shariah* compliance if a platform prefers to declare Islamic equity crowdfunding in this country.

#### *Maqasid al-Shariah: Realizing Maslahah in Human Life*

*Maqasid al-Shariah* is one of the essential disciplines in *Shariah*. Technically speaking, this term can be understood as the wisdom that God considers through his rulings (Al-Yubi, 1998). In this regard, rulings in *Shariah* are established for a specific wisdom that must be emphasized for application. Since God declares Himself as al-Hakim (the all-wise), all rulings revealed for humankind reflect His omniscience (Hamidan, 2004).

Thus, *maqasid al-Shariah* brings values and wisdom known as *maslahah* (public interest) of rulings. The terms *maslahah* in which the origin of *maqasid al-Shariah* was first referred to by al-Ghazali as protecting five components of life: *din* (religion), *nafs* (soul), *aql* (intellect), *nasb* (progeny) and *mal* (property) (Al-Ghazali, 1992). Al-Shatibi, a scholar known as the father of *maqasid*, has come up with the concept of *maslahah*, which represents the essential of human life in realizing their livelihood and enjoying the quality of emotion as well as intellect that requires them to be in an absolute sense (Al-Shatibi, 2004). Meanwhile, Ibnu Ashur, a modern scholar, explains *maslahah* as an attribute of an action that realizes goodness, which always or usually benefits the public or individuals. In contrast, *mafsadah* is an attribute of an action that always or usually leads to corruption or harm towards the public or individual (Al-Ashur, 2001).

Exploring the Qur'an and the Hadith, achieving *maslahah* is deemed the aim of applying rulings. For instance, removing difficulties and promoting mercy are the two greatest *maslahah* in Islam. At the same, some rulings are designed to achieve specific *maslahah*. For example, the ruling of *qisos* (law of equality), the protection of life (Qur'an: 179:2) and the equal wealth distribution by implementing *fai'* (spoil of war) (Qur'an: 59:7).

Scholars have presented *maqasid al-Shariah* in the form of promoting the well-being of human life through *Shariah* rulings (Shinkafi & Ali, 2017). In this regard, *maqasid al-Shariah* plays a significant role in harmonizing between revealed rulings and reality. In more detail, *maqasid al-Shariah* provides a guideline to integrate *Shariah* principles and rulings and the current situation regarding the change in human needs and customs (Zahraa, 2003). Nevertheless, it is crucial to stress that considering *maqasid* must not lead to amended *Shariah* rulings due to the reality, particularly mandatory rulings like the prohibition of *riba*. *Maqasid* aims to avoid literal understanding of *Shariah* rulings as well as ignoring the *Shariah* spirit to bring kindness to human beings (Al-Qardawi, 2005).

Over the period, many studies have been conducted to link *maqasid al-Shariah* and the economy, banking, finance, and financing products. It is discovered that *maqasid al-Shariah* promotes proper wealth management, socio-economic security, an entrepreneurial mindset, and equality and social economics principles (Shinkafi & Ali, 2017). At the same time, its values guide several aspects of profitability, efficiency, and risk management. Since crowdfunding is a new industry, studies to link the two subjects are still limited.

### 3. METHODOLOGY

This study is conceptual research that relies on literature to reach its objectives. At the same time, it also refers to the current crowdfunding platform, especially in Malaysia. This method encompasses a systematic procedure for collecting and presenting data in academic papers (Saunders *et al.*, 2019). A literature review may need to be revised to provide research due to its status as a secondary source, which contains incomplete, outdated, and biased elements since it is collected for different objectives. At the same time, secondary data may be challenging to interpret. Nevertheless, using literature or secondary data undeniably did not involve high cost compared with empirical data (Hox & Boeijs, 2005). Since this study is at the initial stage of proposing a special model of *maqasid*-based values for fund protection, relying on the literature is sufficient for this objective.

### 4. FINDINGS AND DISCUSSION

Based on *maqasid al-Shariah*, wealth (*mal*) must be protected as it is one of the five fundamentals in human life alongside *din*, *nafs*, *'aql* and *nasb*. Wealth in the form of property, house, land, and money represents individual necessity. The Prophet (SAW) has mentioned that "All things of a Muslim are inviolable for his brother in faith: his blood, his wealth and his honour" (Muslim 2012, 4: 2564). It is learned that *Shariah* placed the position of wealth alongside life and dignity, as both are necessary for people to be alive as humans, and wealth joins them.

In this regard, the *Shariah* principle in transferring the ownership of the wealth is evident, as mentioned in the Qur'an: O you who have believed, do not consume one another's wealth unjustly but only business by mutual consent (al-Nisa': 29). A Muslim is forbidden from taking other wealth through illegal way like obtain it without a fair exchange that required by the original owner. In addition, financial activities that are strongly condemned by *Shariah* as *riba* are part of taking other wealth unjustly, even though all contracting parties agree on it (Al-Zuhaili, 2007). Since wealth is attractive, its owner is vulnerable. Not surprisingly, many rulings are established to protect wealth. These include imposing strict punishment for theft and robbery, and even the owner is prohibited from dealing with his wealth if he is not qualified. All of these rulings aim to preserve individual wealth from damage, violation and misuse.

In this regard, five values are identified as the following:

#### *Promoting Transparency*

To protect the wealth, *Shariah* requires transparency in all business activities (Al-Ashur, 2001). All deals and transactions should be conducted transparently, as all contracting parties must be clear about them. This includes all essential facts of a transaction, particularly the items that can potentially lead to a dispute. Thus, *gharar* is forbidden as it leads to uncertain results that could cause dissatisfaction and conflict among contracting parties. Even though rewards in investments and business require risk-taking, they must be carefully mitigated. In other words, both parties should be more responsible and accountable in dealing with business and financial activities (Iqbal & Mirakhor, 2007). To ensure transparency, writing an agreement in matters relating to the debt is encouraged in *Shariah*, as mentioned in the longest verse of the *Qur'an*. Involving in long-term financial commitment is essential with a written agreement and witnesses (Ibn Kathir, 2000). These approaches aim to avoid disputes among parties since financial agreements involve many people's rights. In contrast, financial agreements could negatively impact certain people if they are not

adequately managed.

Regarding equity-based crowdfunding, protecting the funds of investors is crucial since it is part of an individual's wealth. Therefore, crowdfunding platforms must conduct due diligence on every project application to avoid the funds being channelled wrongly. In addition, since crowdfunding is conducted through public fundraising, all projects must increase transparency as well as minimise asymmetric information. In addition, business owners are encouraged to disclose certain information like resources, company costs and operating expenses, as all of them can attract investors. At the same time, the documentation process between funders and project managers. The document provides security and protection for contracting parties, such as their rights, obligations and responsibilities, clearly spelt out as the terms of any agreement. Legal documentation enables parties, customers and Islamic financial institutions, to seek legal protection in case the outcome of the contract is not realized as agreed (Lee, 2014).

#### *Upholding Justice*

In general, justice must be applied through financial deals between contracting parties (Laldin & Furqani, 2013). Financial transactions encompass rights and opportunities from contracting parties, as they bear risks and liabilities. Through the principle of justice, *maisir* is strongly prohibited by *Shariah*. Even though risk-taking is necessary for a business to justify profit like risk in selling, it must be fair for all involved parties. Either the risk would bring benefits for both parties, or its loss is borne by them. Nevertheless, risk in *maisir* is unavoidable as only one party cruelly gains the benefit by causing the other to lose everything.

Concerning equity crowdfunding, applying *Shariah* contracts as the instrument of investment and financing must consider the element of justice for all parties. For example, *mudharabah* represents two parties: *rab al-Mal* as investor and *mudharib* as project manager. All requirements of *mudharabah* must be fulfilled by all parties. In more detail, the capital must be provided before the project begins. At the same time, the amount of the campaign must achieve the target set by a project manager. Otherwise, it would be unfair for the manager to commit to the proposed return. As for the profit, for the sake of justice, it must be decided based on ratio, not in the form of a fixed amount (Al-Zuhaili, 2006). If the project successfully creates a return, it should be distributed based on a pre-agreed ratio. In contrast, if a loss occurs, even though in *mudharabah*, the loss must be borne by the *rab al-Mal*, by applying the principle of justice, an investigation must be conducted to ensure that the loss is not the result of breaching the conditions, misconduct or negligence by the *mudharib* (BNM, 2012).

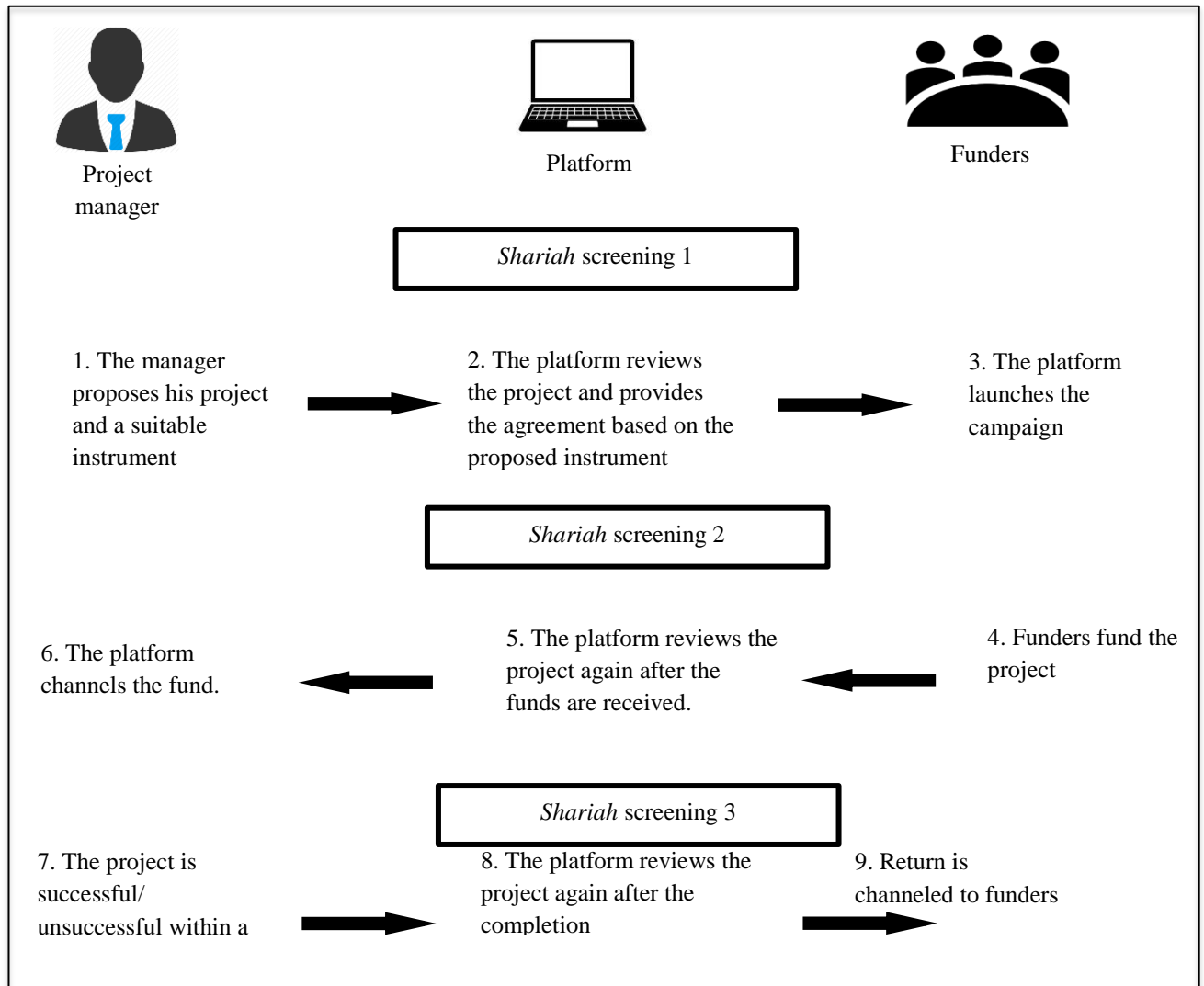
#### *Conducting Shariah-Compliant Oversight*

The areas of commerce, finance, and economy are flexible for Muslims as *Shariah* allows them to initiate those activities creatively, as long as those practices do not contradict *Shariah* principles and rulings. It is well-known that the general principle in these areas is: 'the original rulings of contracts and *muamalat* are permitted unless it is mentioned by *Shariah* of its prohibition' (Al-Shatibi 2004). Therefore, any contract and condition in financial practices is allowed without special evidence of permissibility from the *Qur'an* and the *Sunnah*. Both sources usually come up in the form of general principles or general rulings instead of providing details in this area (Shibayr, 2007). Thus, it can be understood that Islam strongly encourages creativity and innovation in the economy to fulfil people's needs.

Unlike others, most Muslims are very concerned about *halal* dan *Shariah*-compliant practices in their life, including matters related to business, finance and economic activities. Thus, when Islamic financial institutions declare themselves as an alternative to conventional institutions for Muslims, they must carefully carry the name of Islam, as any non-*Shariah*-compliant actions could erode public trust and, ultimately, their ability to do business. This may be seen in 2008 when the sale of *sukuk* dropped by 50%, and its price declined by 1.51% on average. It is believed that the view of Muhammad Taqi Usmani, a well-known scholar in Islamic finance, who claimed that 85% of *sukuk* in the Gulf are not compliant with *Shariah* had affected Muslim investors (ISRA, 2023). Thus, not

surprisingly, the regulator strictly monitors Islamic banking institutions in Malaysia, especially in aspects that comply with *Shariah*.

Concerning equity-based crowdfunding, it is learned that the current regulation on *Shariah* aspects is more lenient. This may happen since this industry is still new and needs the flexibility to grow. Nevertheless, since the platforms utilize the name of Islam, *Shariah* oversight should not be compromised. Thus, it is suggested that Islamic crowdfunding apply the *Shariah* screening process into three stages as the Figure 1:



**FIGURE 1: SHARIAH SCREENING MODEL**

**Source: Figure of Author**

As for the first stage, the platform needs to review whether the project initiated by the applicant is *Shariah*-compliant or not. At the same time, the investment instrument that may proposed by the project manager needs to be reviewed. For example, using *mudharabah* as an instrument must comply with its *Shariah* rulings. Once approved, the campaign can be launched in public.

In the second stage, another *Shariah* screening is conducted. This process may not be as strict as the first one as it aims to ensure that if there is an amendment due to the final amount of funds, it may need *Shariah* consideration. For example, if the amount does not reach the target, the project manager may need to adjust the return or any related condition. As for the last stage, once the

project has successfully yielded the return, *Shariah* screening should be applied again to ensure that the project runs based on *Shariah* compliance as agreed before.

To ensure end-to-end *Shariah*-compliant aspects in Islamic financial operations, it is crucial to establish a body called *Shariah* governance. It is defined as a set of institutional and organizational arrangements through which Islamic financial institutions ensure effective independent oversight of *Shariah* compliance over the issuance of relevant *Shariah* pronouncements, dissemination of information, and an internal *Shariah* compliance review.

Based on this definition set by IFSB, three components are vital. Firstly, *Shariah* governance should be institutional with *Shariah* Committees along with all internal *Shariah* functions: *Shariah* Risk, *Shariah* Review and *Shariah* Audit. Secondly, the board and management must ensure that all *Shariah*-relevant parties can exercise their duties independently, and their decisions must be free from any influences. Thirdly, the internal arrangement process that covers the pre-transaction review and post-transaction review is needed to ensure the *Shariah* compliance framework (ISRA, 2023).

Based on the current situation, the equity-crowdfunding industry is still new, and its platform may not be capable of establishing systematic *Shariah* governance like Islamic banking institutions. In general, non-banking Islamic institutions enjoy some flexibility in *Shariah*-compliant aspects due to the different sizes of their institutions and the complexity of their products. Even though this flexibility may become an advantage for non-banking institutions, a comprehensive *Shariah* oversight is essential, particularly from the check and balance perspective. Thus, equity-based crowdfunding should not ignore this element since, for pious Muslims, revenue from haram means nothing to them.

## 5. IMPLICATIONS AND CONTRIBUTIONS

This paper can be considered among initial efforts to integrate *maqasid al-Shariah* and crowdfunding activities, especially for the equity-crowdfunding sector. Nowadays, *maqasid al-Shariah* has been promoted as a key reform for the Islamic finance industry, particularly to ensure its outcome contributes to human well-being. Many *maqasid*-based values have been introduced, mainly Value Based Intermediation (VBI) for the Islamic banking industry and Value-Based Intermediation for Takaful (VBIT) by the Central Bank of Malaysia (BNM 2018; MTA 2023). In addition, the Securities Commission Malaysia has launched its *Maqasid al-Shariah* Guideline, which aims to promote the creation of economic values and progressive development of the sustainability agenda, while cultivating ethical conduct in Islamic capital market activities (SCM, 2023b). Thus, empowering crowdfunding with *maqasid al-Shariah* aligns with the current direction of the Islamic finance sector in Malaysia. Crowdfunding has emerged to promote financial inclusion and sustainable impact towards the economy, community, and environment. This paper also supports government policies in strengthening entrepreneurs particularly it is in line with the National Entrepreneurship Policy (NEP), in terms of optimizing access to funding for entrepreneurs through alternative financing of crowdfunding (MEDAC, 2020).

## 6. CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

This study examines the issue of fund protection for equity-based crowdfunding in Malaysia. Crowdfunding has become an alternative financing method for business projects and companies either to start their business or to expand it. From *Shariah*'s perspective, crowdfunding enlarges the segment of Islamic finance since its practice encourages wealth circulation. Nevertheless, since this industry is still new, several issues are linked to its operation, mainly concerning fund protection. This includes inadequate *Shariah* monitoring aspects, lack of due diligence performed by platforms, and insufficient protection of the fund from a legal aspect. This study discovered that several values of *maqasid al-Shariah* can strengthen the protection of funds in crowdfunding activities in Malaysia. Through the library research approach, it is discovered that three values associated with *maqasid al-Shariah* can be developed as a framework of guidelines: promoting transparency, upholding justice



and conducting *Shariah*-compliant oversight. This framework initially provides insights into how *maqasid al-Shariah* can be a direction for crowdfunding activities. Thus, the findings can benefit many stakeholders involved, including platform operators, funders, and project owners. Since this paper relies on literature, it can be considered as a conceptual idea that may be limited in terms of its practicality. Therefore, future studies can expand on the empirical sides, like obtaining expert panels' opinions on the proposed *maqasid* framework.

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