

THE STRATEGY OF ISLAMIC CROWDFUNDING MODELS IN SUPPORTING SINGLE MOTHER ENTREPRENEURS IN THE EMERGING MARKET: A QUALITATIVE ANALYSIS

Nur Syahirah Mohammad Nasir^{*}, Muhammad Shahrul Ifwat Ishak^{**},
Farah Adlina Ahmad Jamaluddin^{***}

^{*} Faculty of General Studies and Advanced Education, Universiti Sultan Zainal Abidin (UniSZA), Terengganu, Malaysia

^{**} Corresponding author, Faculty of Business and Management, Universiti Sultan Zainal Abidin (UniSZA), Terengganu, Malaysia

Contact details: Faculty of Business and Management, Universiti Sultan Zainal Abidin (UniSZA), 21300 Kuala Nerus, Terengganu, Malaysia

^{***} Faculty of Business and Management, Universiti Sultan Zainal Abidin (UniSZA), Terengganu, Malaysia



Abstract

How to cite this paper: Nasir, N. S. M., Ishak, M. S. I., & Jamaluddin, F. A. A. (2023). The strategy of Islamic crowdfunding models in supporting single mother entrepreneurs in the emerging market: A qualitative analysis. *Corporate & Business Strategy Review*, 4(4), 89-97.
<https://doi.org/10.22495/cbsrv4i4art9>

Copyright © 2023 The Authors

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).
<https://creativecommons.org/licenses/by/4.0/>

ISSN Online: 2708-4965

ISSN Print: 2708-9924

Received: 21.03.2023

Accepted: 28.09.2023

JEL Classification: G3, K2, M1, M2, P4

DOI: 10.22495/cbsrv4i4art9

Nowadays, crowdfunding offers various benefits in supporting entrepreneurs to begin or expand their businesses. This unique financial concept has become a new alternative source of business funding. Crowdfunding can support certain groups of entrepreneurs, particularly single mother entrepreneurs, as they have experienced challenges accessing funds from government agencies or financial institutions. This study explores the potential of Islamic crowdfunding as an alternative source of funds for this group. The data are obtained through semi-structured interviews with eleven experts in related fields based on a qualitative research approach. This study found that single mothers can be successful entrepreneurs as far as they are provided with training, funding and monitoring. Islamic crowdfunding can be potential alternative funding to support their business through various instruments like *mudharabah*, *infaq* and *qard*, depending on business projects and the background of entrepreneurs. Although the number of respondents for this study is still limited because of the qualitative design, it has enriched the current literature on crowdfunding and proposed several Islamic crowdfunding models to support single mother entrepreneurs in Malaysia.

Keywords: Crowdfunding, Islamic Crowdfunding, Single Mother Entrepreneurs, Shariah Governance

Authors' individual contribution: Conceptualization — N.S.M.N.; Methodology — M.S.I.I.; Investigation — F.A.A.J.; Resources — N.S.M.N.; Writing — Original Draft — M.S.I.I.; Writing — Review & Editing — M.S.I.I.; Supervision — M.S.I.I.; Funding — N.S.M.N.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

Acknowledgements: The Ministry of Higher Education (MoHE) Malaysia fully funds this research under the Fundamental Research Grant Scheme (FRGS) entitled "Developing 'MomprenueurFund' Model Based on Islamic Crowdfunding to Empower Single Mother Entrepreneurs in Malaysia" (FRGS/1/2021/SS02/UNISZA/02/1).

1. INTRODUCTION

Crowdfunding has been widely recognized as alternative financing for business and community-based projects. Through financial technology (Fintech), all digital economic activities have become more efficient and inclusive for all players, particularly businessmen and investors, regardless of their geographic areas. Since the early 2000s, internet-based crowdfunding platforms have emerged, and within a decade, they have dramatically expanded. Today, many crowdfunding platforms have significantly contributed to charitable activities, education funds, and artistic works within society. On top of that, this unique financing is viewed as alternative funding for the so-called “underserved and unserved” group of entrepreneurs.

Among the group of micro-entrepreneurs that need special attention are single mothers. This group has experienced many survival challenges (Hamid & Salleh, 2013). While some become entrepreneurs to sustain their lives and families, financial support is crucial. However in some countries like Malaysia, many agencies either from the government or private sectors are continuously and actively supporting women entrepreneurs especially single mothers entrepreneurs. Nevertheless, it is argued that the fund provided is still insufficient for this group. In addition, bureaucracy and high fees have made it difficult for women entrepreneurs to access government funds (Nik Azman & Kassim, 2017). Moreover, women entrepreneurs in Asian countries have been reported to experience a lack of training, gender discrimination, and financial constraints (Panda, 2018).

In this regard, the main objective of this study is to propose several Islamic crowdfunding models as alternative funding for single mother entrepreneurs. Based on the literature, it is found that studies on Islamic crowdfunding are still limited as most of them have focussed on proposing practical models for small and medium enterprises (SMEs) (Domeher et al., 2017). Thus, this study fills the gaps by exploring the potential of crowdfunding in supporting single mother enterprises. This concept of funding can potentially support the short-term business projects run by single mother entrepreneurs, especially to extend their current business. Thus, this study would respond to the research question:

RQ: How Islamic crowdfunding can be an alternative fund to support single mother entrepreneurs in Malaysia?

To answer the research question, qualitative research through the interview method is applied. Despite its limitation due to a small number of respondents, the data is sufficient to explore and propose Islamic crowdfunding models that can empower single mother entrepreneurs in Malaysia. Several Islamic instruments like: 1) *mudharabah* (partnership), 2) *infaq* (donation), and 3) *qard* (loan) can be developed as a theoretical framework for proposing crowdfunding models for single mother entrepreneurs. As a result, this study is hoped can provide in-depth discussion both in theory and practice regarding the Islamic crowdfunding model for single mother entrepreneurs.

The structure of this paper is organized as follows. Section 2 reviews the relevant literature while Section 3 summarises the applied methodologies in this study. Meanwhile, Section 4 and Section 5 provide the finding and its discussion, respectively. Finally, the conclusion is presented in Section 6.

2. LITERATURE REVIEW

2.1. Crowdfunding and Islamic crowdfunding

Modern crowdfunding is practiced in the form of fundraising that links two groups of people: funders and project initiators. Using internet platforms, funds are channeled efficiently and managed transparently, as most platforms provide a real-time update system. In more detail, many platforms enable funders to receive the progress of a project through emails or dashboards. Thus, modern crowdfunding activities differ from traditional funding, in which the latter funders sometimes do not know whether their money is being used appropriately (Khairuddin & Ishak, 2021).

Nowadays, crowdfunding has successfully facilitated many talents to obtain funds to realize their dreams via online platforms (Wahjono et al., 2017). Thus, this unique financial concept has been widely recognized as alternative funding to mainstream financial institutions as project initiators, particularly business entities, could access their capital from the public via the internet platform (Schwienbacher & Larralde, 2012). In addition, crowdfunding is a part of digital financial technology that reduces traditional finance habits in order to make the funding more accessible, quicker and cheaper in comparison to current financial services (Mohsin et al., 2023).

Currently, there are four crowdfunding models: 1) donation-based, 2) reward-based, 3) lending-based, and 4) equity-based. The first two models: donation and reward, are known as non-financial return-based crowdfunding, while the rest is popularly known as financial return-based crowdfunding (Ishak & Kamaruddin, 2021). As proven by studies, all those crowdfunding models are workable to fund businesses or community-based projects as long as the trust is established between funders and project initiators (Moysidou & Hausberg, 2020). In contrast, without trust, it would fail to attract funders, resulting in crowdfunding campaigns ending up with unsuccessful results (Wan Mohamad Nazarie & Williams, 2021).

In terms of benefits, crowdfunding allows investors to enjoy higher returns instead of putting their money in mainstream financial institutions. This refers to financial return crowdfunding. As for project initiators, the repayment cost would be lower in comparison to borrowing money from financial institutions like banks (Bade, 2018). In other word, crowdfunding remove the layers of people that stymie the deal that can reduce the cost to capital (Wales, 2015).

In addition, it is claimed that crowdfunding could boost society's socio-economy, especially when the campaign reaches the target; it can create new jobs (Abdullah, 2016). Next, crowdfunding is believed to liberalize financial resources, enabling society to influence what types of businesses should

be supported based on their interest (Best et al., 2013). Since crowdfunding could support both business and society, it would grow many economic sectors, particularly sectors that experience challenges in accessing current financial services (Ramos & Stewart, 2014).

In terms of challenges, even though crowdfunding could realize small-scale projects with support from society, it could not support big-budget projects as their fund is relatively small (Ramos & Stewart, 2014). Furthermore, in terms of idea protection, crowdfunding activities could threaten this aspect when project initiators publish their idea on an open platform (Manchanda & Muralidharan, 2014).

In terms of the Shariah aspect, the philosophy of crowdfunding is in line with the so-called *maqasid al-Shariah* (objective of Shariah), especially in terms of wealth distribution, transparency, and socio-justice. Nevertheless, for any practice to be declared Shariah compliant, it must be in line with its objective and all its rulings. In this regard, crowdfunding must not support any project against Shariah principles, regardless of their model. For example, a campaign that raises to support non-Halal businesses.

Also, Shariah does not allow financial practices that contain the element of *riba*, *gharar*, and *maisir*. These elements could be part of certain financial instruments like interest-based financing or fixed return on investment. Alternatively, Shariah-compliant instruments can be implemented as crowdfunding instruments as the following (Table 1):

Table 1. Islamic instruments

No.	Model	Islamic instruments
1	Donation-based crowdfunding	1. <i>Infaq</i> (donation) 2. <i>Zakat</i> (religious tax) 3. <i>Waqf</i> (Islamic endowment)
2	Reward-based crowdfunding	<i>Infaq</i> and <i>hibah</i> (gift)
3	Lending-based crowdfunding	1. <i>Murabahah</i> (mark-up sale) 2. <i>Qard</i> (loan)
4	Equity-based crowdfunding	1. <i>Mudharabah</i> (silent partnership) 2. <i>Musharakah</i> (fully partnership)

In regard to Islamic charitable instruments, *infaq* can be easily adopted with the condition that both the fund and the project must be halal. Nevertheless, as for *zakat* and *waqf*, although they are part of charitable instruments, both have special technical rulings that must be considered before they can be applied as crowdfunding instruments (Ishak & Aderemi, 2022). For example, *zakat* has its fixed beneficiaries, while the application of *waqf* must ensure its original fund remains perpetual.

Based on the literature, Islamic crowdfunding is still new, in which it is struggling to survive with challenges and problems. For example, Domeher et al. (2017) claims that Islamic crowdfunding is still exploring the most suitable model that can be utilized to finance SMEs. In addition, there is no clear framework for Islamic crowdfunding for start-ups (Mishbah et al., 2018). At the same time, the lack of awareness and misunderstanding among society could affect the development of crowdfunding, particularly Islamic crowdfunding (Achsien & Purnamasari, 2016).

2.2. Single mother entrepreneurs: Challenges and opportunities

Technically speaking, the term “single mother” can be understood as “mother-only families”, in which it refers to a woman who lost her husband (Golombok et al., 2016). This term is synonymous with a hardship situation experienced by the mother as the head of the household. In this regard, some interpretations attempt to define this term broader, including divorced or widowed single mothers and never-married women with children who are the head of homes (Onileowo, 2021). In addition, others include married women who become breadwinners because of their helpless spouses due to illness or unemployment (Mulia, 2017).

Regardless of how single mothers are defined, this term manifests their difficult situation (Onileowo, 2021). In terms of financial situation, for example, it is well known that many single mothers have witnessed challenges to survive and sustain their family, particularly in rural areas where jobs are limited and a lack of education for applying for proper jobs (Onileowo, 2021). Moreover, since single mothers are the main caregivers in their families, they have fewer options in seeking jobs that fit their situation (Roddin et al., 2011; Topimin et al., 2019). At the same time, it is hard for them to balance work and family (Kariv, 2012).

Thus, being entrepreneurs could be a practical option in comparison to salaried jobs, as it allows them to be more flexible and independent (Ismail et al., 2016). Additionally, entrepreneurial endeavours are seen as a way to strengthen their economic position while caring for their families. Thus, even with the lack of expertise, there is an increasing number of small businesses run by single mothers to support their families (Ismail et al., 2016).

However, running a business is not easy, as many challenges may result in an entrepreneur failing to sustain their business (Ismail et al., 2016; Topimin et al., 2019). This is due to the lack of training and exposure to entrepreneurship skills, as well as limited financial aid and weak business networking (Roddin et al., 2011). Despite several incentives offered by the government and financial organizations, the financial situation is still considered one of the primary problems (Jamaluddin, 2010). This is due to their qualification and outstanding debts that make some single mothers blacklisted for financing.

Realizing this issue could threaten the country’s future, the government of Malaysia has provided many initiatives to support single mothers, including financial aid (“Single mother aid”, n.d.). In addition, for those who prefer to be entrepreneurs, the SME bank, which the Ministry of Finance owns, has developed various aids for single mothers like MySMELady (Basaruddin, 2018). Through this program, female entrepreneurs could receive capital for business from 500,000 Malaysian ringgit (MYR) to 3 million Malaysian ringgit (MYR) if all requirements are met (Basaruddin, 2018).

Despite many efforts carried out by various government agencies to support women entrepreneurs, it is still insufficient. In addition, women enterprises have witnessed challenges in obtaining government funds, such as: 1) bureaucracy, 2) documentation charges, and

3) high fees imposed by financial institutions (Nik Azman & Kassim, 2017). At the same time, other issues, including gender discrimination, lack of training, and financial constraints, are still among the problems this group faces (Panda, 2018). Therefore, it is timely to propose an alternative fund based on Islamic crowdfunding to support this group.

3. RESEARCH METHODOLOGY

Since this paper aims to explore the potential of crowdfunding as an alternative fund for single mother entrepreneurs, qualitative research is preferable for initial development models. In terms of data collection, the interview is one of its practical tools. This tool is still the most reasonable way to collect data, behaviours, and perspectives. At the same time, it also enables researchers to raise new issues if they may arise during an interview session (Yanow, 2000).

To be more specific, this study applies a semi-structured data collection method. The interview method enables the researchers to explore the potential of crowdfunding models in supporting single mother entrepreneurs. The semi-structured interview allows interviewees to share freely, allowing researchers to obtain important information. This study's interviewees are from the crowdfunding industry, Shariah experts, government agencies, non-governmental organizations (NGOs), and academicians. Two of the eleven respondents are from the industry, as they are part of the real practice in crowdfunding. Another respondent is a Shariah expert who engages in this study in terms of the Shariah perspective. In addition, six respondents are actively engaging with single mother entrepreneurs, including government organizations and NGOs. They are needed in this study to explore the potential of alternative financings for single mother businesses. The rest of the two are academicians, so their perspective is vital regarding the current studies on related issues.

Table 2. The list of respondents

<i>Respondents</i>	<i>Gender</i>	<i>Position</i>	<i>Institution</i>
1	Male	Head of Shariah	Ethis
2	Male	Founder	ARBA Foundation
3	Female	Shariah officer	Masryef Advisory
4	Male	Head of stakeholder management	SME Bank
5	Male	Member of the Board of Trustees	Yayasan DiRaja Sultan Mizan (YDSM)
6	Female	Director	Jabatan Pembangunan Wanita (JPW)
7	Male	Entrepreneurs development manager	Yayasan Pembangunan Usahawan Terengganu (YPU)
8	Male	Chief executive officer (CEO)	Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM)
9	Male	Head of community development	Yayasan Pembangunan Keluarga Terengganu (YPKT)
10	Male	Academia (entrepreneurship)	Universiti Sains Islam Malaysia (USIM)
11	Female	Academia (Islamic finance)	Universiti Sains Islam Malaysia (USIM)

During the interview process, permission from all interviewees is requested to record their words and the salient information cited by handwritten notes to avoid any misinterpretation. To avoid unintentional errors and ensure the validity and reliability of this study, all facts mentioned by interviewees were confirmed. Prior to the interview, to ensure that all interviewees were well-prepared, a copy of the questions was submitted a week earlier. Each question is standardized for the sake of the reliability of this study. The transcription and data gathered would be analyzed using the thematic method, allowing researchers to segment, precisely review, and restructure the data into key concepts.

While the current method enables this study to achieve its objective, another method that could be applied for this study is focus group discussions (FGDs). FGDs is a type of qualitative analytical research methods. Given that this study proposes an Islamic crowdfunding model, FGDs can be utilized to obtain data from expert in the form of discussion. Nevertheless, since FGDs involves high cost and time, a semi-structured interview would be a useful technique at this point.

4. FINDINGS

Based on the interview conducted, there are three main themes for this study as follow:

4.1. Theme 1: Single mother entrepreneurs

Single mother entrepreneurs have potential in the business field according to the majority of respondents. Respondent 9 stated that single mother entrepreneurs can succeed in business since they have dedication:

"They have a huge potential to succeed according to the data. They always repay their loan, which means that they have strong determination and high discipline" (Respondent 9, personal communication, June 19, 2022).

To sustain business, entrepreneurs including single mothers need a long hardworking period as viewed by Respondent 10:

"Every entrepreneur has the potential to succeed, and most will strive to succeed in their respective fields of entrepreneurship" (Respondent 10, personal communication, January 6, 2022).

As for single mother entrepreneurs, they need income to take care for their families. However, a few respondents believed that not all of single mother are able to conduct business as claimed by Respondent 2 as follow:

"Not all single mothers can do business because they bear many responsibilities in their families" (Respondent 2, personal communication, January 6, 2022).

Thus, it is suggested for them to become salaried employees instead of running business as argued by Respondent 3, as follows:

"We believe that they are suitable to have a job instead of conducting business because they may be difficult in managing everything" (Respondent 3, personal communication, January 5, 2022).

Nevertheless, other respondents viewed that the potential depends on individuals. For example, Respondent 4 argued as the following:

"For those who have already started business, it is a good thing (for practicing crowdfunding) because they have the potential to succeed like other entrepreneurs" (Respondent 4, personal communication, January 5, 2022).

Meanwhile, the majority of respondents believed that business could be suitable for single mothers because they need to take care of their family, especially children, at the same time to seek income. Thus, like other entrepreneurs, a special monitoring from relevant agencies is important to support them. This point is argued by Respondents 5, 7 and 9 as follows:

"Besides funding, management is vital that includes human factors, environmental, and problem mitigation. To be successful an entrepreneur needs to be monitored and thorough training to ensure their business can run efficiently" (Respondent 5, personal communication, June 9, 2022).

"Every entrepreneur needs to be monitored closely to ensure that they have been guided and to gain a better exposure" (Respondent 7, personal communication, June 14, 2022).

"Monitoring is crucial, as they have been given loan and training from our organizations. Also, a close supervision like monthly meeting will be held to ensure that entrepreneurs pay their loan as well as to identify problems experienced by them" (Respondent 9, personal communication, June 19, 2022).

Subsequently, single mother entrepreneurs need to be involved in training to develop skills in managing their income and to sustain their businesses. Respondents 10 and 11 stated as the following:

"Single mother entrepreneurs need to be trained at the initial stage. The courage of an entrepreneur usually comes from their skills and knowledge" (Respondent 10, personal communication, January 6, 2022).

"Ensuring sustainability in business is an important matter. It is proven in many studies that training and monitoring can make them more responsible" (Respondent 11, personal communication, January 6, 2022).

4.2. Theme 2: The potential of crowdfunding for single mother entrepreneurs

Based on the finding, Islamic crowdfunding can potentially become an alternative for micro entrepreneurs including single mother entrepreneurs to obtain funds from the public. Respondent 1 viewed the potential of Islamic crowdfunding as the following:

"They can raise funds easily through the platforms" (Respondent 1, personal communication, January 4, 2022).

In general, Islamic crowdfunding can expand the entrepreneurship ecosystem as it can be considered a tool to support economic growth by providing funds for micro-entrepreneurs. In this

regard, Respondent 1 and 6 argued that Islamic crowdfunding can support this group as follows:

"Islamic crowdfunding has potential for start-ups if they have a great idea and a good team" (Respondent 1, personal communication, January 4, 2022).

"In general, women can succeed in a positive environment with encouragement from their families. Hence, Islamic crowdfunding is a practical idea that can be an alternative instrument to obtain funds from the public" (Respondent 6, personal communication, June 14, 2022).

4.3. Theme 3: Islamic crowdfunding models for single mother entrepreneurs

All respondents believe that single mother entrepreneurs can utilize Islamic crowdfunding platform to run and expand their businesses like other entrepreneurs. Nevertheless, they are different in terms of applicable models for this group: 1) either financial return model or 2) non-financial return.

As for financial return, *mudharabah* is argued can be an instrument to support single mother entrepreneurs expand their businesses. *Mudharabah* is a profit-loss sharing that allows funders to enjoy a portion of the return from the agreement. The *mudharabah*-based crowdfunding can be an alternative financial instrument for entrepreneurs to obtain capital for their businesses as suggested by Respondent 2:

"For single mother entrepreneurs that have a business and want to obtain capital from investors, then *mudharabah*-based crowdfunding is applicable for them. Besides, it can support their business to develop further" (Respondent 2, personal communication, January 6, 2022).

Mudharabah-based crowdfunding has a practical instrument with high potential to support entrepreneurs obtain their business funds. It focuses on those who have developed the business and intend to obtain capital for their business. Since women entrepreneurs have been reported to consistently repay their loan, *mudharabah* can be applied as explained by Respondent 9 as follows:

"The application of the *mudharabah* concept is not an issue because our records show that they always try to repay the loans" (Respondent 9, personal communication, June 19, 2022).

While several respondents believe single mothers are responsible for the funds provided, a few believe that *mudharabah*-based crowdfunding has difficulty for them to apply in their business. *Mudharabah*-based crowdfunding is risky for single mother entrepreneurs. It is because they operate a small business that needs capital instead of investments to provide investors with a return. Thus, non-financial return model is believed to be suitable for this group as stated by Respondent 2:

"For micro-entrepreneurs such as single mothers, it is better to have a charity fund. The charity fund is most appropriate for this group. It is because the profitable contract might be challenging for single mother entrepreneurs to provide a return" (Respondent 2, personal communication, January 6, 2022).

There is another view Respondent 10 explained that *mudharabah*-based crowdfunding is not

appropriate for micro-entrepreneurs that need start-up capital. Respondent 10 stated that:

“Mudharabah-based crowdfunding is not appropriate for micro-entrepreneurs that need funds for start-up capital in a business. It is because entrepreneurs operate small businesses. The concept of mudharabah is quite challenging since investors want an expected return” (Respondent 10, personal communication, January 6, 2022).

It is less suitable to practice *mudharabah*-based crowdfunding as a financial instrument for single mother entrepreneurs due to the risk involved in the project. According to Respondent 4, building trust from the crowd is the main component of practicing *mudharabah*-based crowdfunding. It is explained as follows:

“In my view, building trust is a key component of establishing mudharabah-based crowdfunding for micro-entrepreneurs like single mothers. Investors channel funds to single mother entrepreneurs as an alternative source of funding. It is quite difficult and risky since the investors cannot wait for a relatively long time” (Respondent 4, personal communication, January 5, 2022).

It can be concluded that *mudharabah*-based crowdfunding for single mother entrepreneurs is risky. It is because micro-entrepreneurs experience difficulty managing their business. If *mudharabah*-based is being practiced, various aspects need to be considered, which is a return to the investor and risk mitigation. Thus, *mudharabah*-based crowdfunding can be practiced by applying donation-based crowdfunding to minimize the risk that might be discussed afterwards.

As mentioned earlier, *mudharabah*-based crowdfunding is risky for single mother entrepreneurs because their ventures are known as micro-entrepreneurs. They need to struggle to provide a portion of the return for investors. It is agreed that *mudharabah* has a rule in Islam, although it allows the *rab mal* (capital provider) to gain a return, and the loss must be bear by them since *mudharib* (entrepreneurs) has suffered a loss in terms of time and effort. Therefore, practicing donation-based crowdfunding before *mudharabah* can be an alternative to minimize risk.

“In the first three months, they can practice donation until their business is in the growth phase. Then, in the next three months, larger capital can be provided” (Respondent 2, personal communication, January 6, 2022).

Subsequently, it is supported by Respondent 3 that practicing donation-based before *mudharabah* needs to have a proper structure to ensure the success of entrepreneurs in their businesses. It is described below:

“It is necessary having a proper structure to ensure the success of entrepreneurs in developing their businesses. Thus, crowdfunding can consider practiced. The stages would be donation-based crowdfunding before applying to mudharabah-based crowdfunding” (Respondent 3, personal communication, January 5, 2022).

Similarly, Respondent 10 stated that donation and *mudharabah* have the potential to be practiced for single mothers. However, it must be in stages

whereas donation-based before *mudharabah* to minimize risk is stated as follows:

“Donation and mudharabah both have the potential to be practiced by single mother entrepreneurs. The first stage might be donations and setting targets for them with a high support system, especially from successful entrepreneurs. Then, the main indicators that might be useful for single mother entrepreneurs in mudharabah are one to three years with closed monitoring and training according to their business conditions” (Respondent 10, personal communication, January 6, 2022).

There is another view from Respondent 3 that describe debt-based crowdfunding as an alternative to minimize the risk:

“I believe that for a single mother who intends to start a small business, debt financing might be an appropriate way for them since equity-based financing can be challenging for this group. As a result, debt-based or donation-based financing is more practical for single mother entrepreneurs to minimize risk as well as can support expanding their business” (Respondent 3, personal communication, January 5, 2022).

Subsequently, donation-based crowdfunding can be practiced to provide seed capital support. The statement from Respondent 4:

“The probability of success is quite difficult for the contract that needs a return because single mother entrepreneurs struggle between their family and business. Therefore, the seed capital or donation must be zero rates. However, they must be paid within the agreed period to maintain the financial flow” (Respondent 4, personal communication, January 5, 2022).

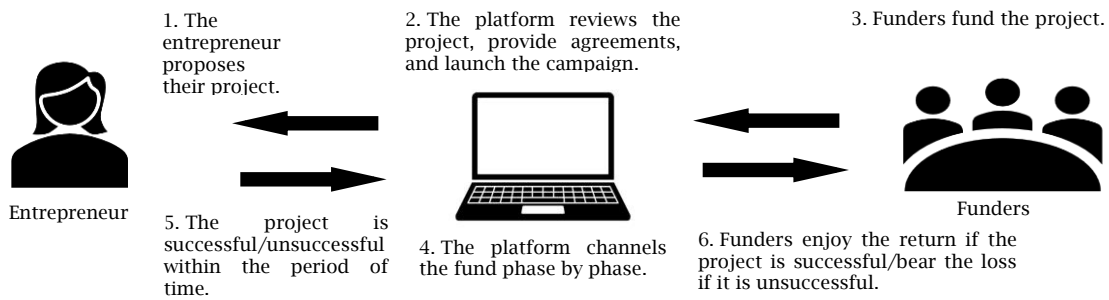
In conclusion, *mudharabah*-based crowdfunding can potentially support single mother entrepreneurs in expanding their businesses. However, donation-based crowdfunding might be an alternative way to minimize the associated risk. It is agreed that several elements of *mudharabah* must be improved before it may be applied as an Islamic crowdfunding instrument.

5. DISCUSSION

This study explores the applicability of Islamic crowdfunding as an alternative fund to support single mother entrepreneurs in Malaysia. Based on the finding, all respondents agree that crowdfunding could be an alternative financial instrument for single mother entrepreneurs, but they have different views in terms of its model.

For those who prefer financial return crowdfunding, *mudharabah* is an ideal instrument. Generally, *mudharabah* is a mutual sharing of the risk and profit, in which funders channel their capital for any business project, then entrepreneurs utilize their expertise to run the project. The profit-sharing ratio is shared according to the predetermined agreement made between funders and entrepreneurs. However, if the business experiences loss, it needs to be borne by funders whilst the entrepreneur is considered to have lost their time and effort. The model can be illustrated as follows (Figure 1):

Figure 1. Mudharabah-based crowdfunding

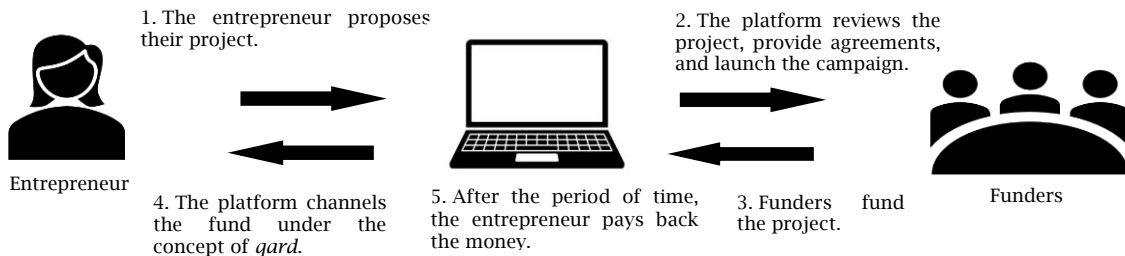


The explanation:

1. A single mother entrepreneur as a project initiator or *mudharib* (project manager) proposes her project by providing clear details, the needed amount for the project as well as profit offered. In addition, the entrepreneur must ensure her businesses project Shariah compliant.
2. The platform screens the project as a *wakil* (agent) representing the investors to ensure that its potential as well as it is compliant with Shariah.
3. Funders as *rab mal* channel their fund. They must be clear about potentials and risks of the project.
4. The platform channels the fund to the entrepreneur phase by phase.
5. If profit is earned from the project, it would be divided according to an agreement. If a loss

- happens, funders must bear the loss unless because of negligence. If the project has still not reached its goal, both parties can discuss for the next step.
- In fact, *mudharabah* is a unique contract that had been practiced before Islam. On one hand, *mudharabah* acts as an attractive investment with a partnership between those who have extra money and those who are awarded skill and knowledge with the same aim to pursue profit. On the other hand, *mudharabah* could be society-based financing which supports those who need financial aid. However, this instrument is associated with several risks including business loss. Thus, not surprisingly others suggested that a less risky instrument should be practiced first. For example, the *qard* (loan) which is a loan without interest. *Qard* can be illustrated as the following (Figure 2):

Figure 2. Qard-based crowdfunding

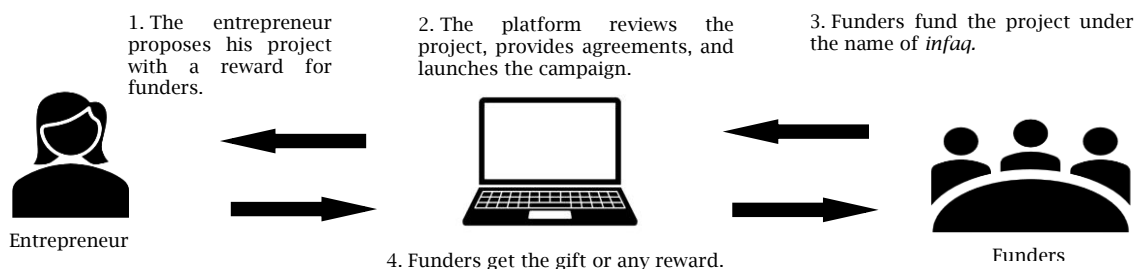


The explanation:

1. A single mother entrepreneur as a project initiator proposes her project by providing clear details and the needed amount for the project. Likewise, the entrepreneur must ensure her businesses project Shariah compliant.
2. The platform screens the project as a *wakil* representing the lenders to ensure that its potential as well as it is compliant with Shariah.
3. Funders as lenders channel their fund as they are clear about the default risk of their money.

4. The platform channels the fund to the entrepreneur phase by phase.
5. After the period of time, the entrepreneur pays back the money.
- Despite *qard* does not require additional fund, it is still associated with risks particularly default risk (Aderemi & Ishak, 2023). Thus, donation-based crowdfunding has been suggested by several respondents, considering the situation of single mother entrepreneurs. In this regard, *infaq*-based model can be illustrated as follows:

Figure 3. Infaq-based crowdfunding



The explanation:

1. A single mother entrepreneur as a project initiator proposes her project by providing clear details and the needed amount for the project. Likewise, the entrepreneur must ensure her businesses project Shariah compliant.

2. The platform screens the project as a *wakil*, representing the funders to ensure that its potential as well as it is compliant with Shariah.

3. Funders channel their fund in the form of *infaq*.

4. The platform channels the fund to the entrepreneur phase by phase.

5. After the period of time, the entrepreneur may repay the kindness of their funders with gift of reward.

Based on the discussion, all above models have potential to be applied as Islamic crowdfunding depending on business projects as well as single mother capability. Therefore, it is essential for a crowdfunding platform to conduct so-called "due diligence" in selecting entrepreneurs. To provide a large funding like *mudharabah*, single mother entrepreneurs must be qualified, and their current or proposed business activities must be able to generate a return. Otherwise, *qard* and *infaq*-based instruments can be applied first to assess their capability.

6. CONCLUSION

It is undeniable that crowdfunding is widely recognised as an alternative form of funding for both businesses and non-profit projects. Among

the group that can significantly benefit from this unique financial concept is single mother entrepreneurs. Therefore, this study aims to propose several potential models of Islamic crowdfunding specifically to financially support this group. Hence, the qualitative approach is utilized through semi-structured interviews with experts in crowdfunding, entrepreneurship, and Islamic finance in order to fulfill the objective of this study. The findings reveal that single mothers can succeed as business owners if they are given a sufficient training, resources, and close monitoring by related agencies. In this regard, Islamic crowdfunding could be a viable alternative source of funding for their business. Several Islamic instruments like *mudharabah*, *infaq*, and *qard*, can be used as a financing model, depending on the business endeavours and their entrepreneurial background.

Since this research is qualitative exploratory study, its findings may not represent the whole country due to limited respondents. In this regard, the future study should involve single mother micro-entrepreneurs as the interview subject to improve the current model. However, it provides in-depth discussion both in theory and practice regarding Islamic crowdfunding model for single mother entrepreneurs. While research on Islamic crowdfunding is not a new topic, field studies are still limited, including qualitative research. Furthermore, this study analyses potential models so that they can be adopted into Islamic crowdfunding platforms to support micro-entrepreneurs in Malaysia.

REFERENCES

1. Abdullah, A. (2016). Crowdfunding as an emerging fundraising tool: With special reference to the Malaysian regulatory framework. *Islam and Civilisational Renewal*, 7(1), 98-119. <https://doi.org/10.12816/0027170>
2. Aderemi, A. M. R., & Ishak, M. S. I. (2023). Qard Hasan as a feasible Islamic financial instrument for crowdfunding: Its potential and possible application for financing micro-enterprises in Malaysia. *Qualitative Research in Financial Markets*, 15(1), 58-76. <https://doi.org/10.1108/QRFM-08-2021-0145>
3. Ahmad Jamaluddin, F. A., Mohammad Nasir, N. S., & Ishak, M. S. I. (2022). Mudharabah based crowdfunding model as an alternative fund for empowering single mother entrepreneurs. *Al-Qanatr: International Journal of Islamic Studies*, 25(2), 102-112. <https://al-qanatr.com/aq/article/view/415/249>
4. Achsien, I. H., & Purnamasari, D. L. (2016). Islamic crowd-funding as the next financial innovation in Islamic finance: Potential and anticipated regulation in Indonesia. *European Journal of Islamic Finance*, 5, 1-11. <https://doi.org/10.13135/2421-2172/1771>
5. Bade, M. (2018). Bargaining over crowdfunding benefits. *Journal of Entrepreneurship and Public Policy*, 7(2), 166-177. <https://doi.org/10.1108/JEPP-D-18-00009>
6. Basaruddin, N. (2018, October 8). Dana sasar 30% wanita. *HMetro*. <https://www.hmetro.com.my/bisnes/2018/10/384723/dana-sasar-30-wanita>
7. Domeher, D., Musah, G., & Hassan, N. (2017). Inter-sectoral differences in the SME financing gap: Evidence from selected sectors in Ghana. *Journal of African Business*, 18(2), 194-220. <https://doi.org/10.1080/15228916.2017.1265056>
8. Golombok, S., Zadeh, S., Imrie, S., Smith, V., & Freeman, T. (2016). Single mothers by choice: Mother-child relationships and children's psychological adjustment. *Journal of Family Psychology*, 30(4), 409-418. <https://doi.org/10.1037/fam0000188>
9. Hamid, S. R. A., & Salleh, S. (2013). Exploring single parenting process in Malaysia: Issues and coping strategies. *Procedia — Social and Behavioral Sciences*, 84, 1154-1159. <https://doi.org/10.1016/j.sbspro.2013.06.718>
10. Mishbah, H., Shafii, Z., & Muda, M. (2018). Islamic crowdfunding: Concepts, issues and opportunities. In M. D. Bakar, A. Shahrudin, & N. A. M. Anwar (Eds.), *Extending the boundaries of Islamic finance* (Vol. 4, pp. 159-177). USIM Press.
11. Best, J., Lambkin, A., Neiss, S., Raymond, S., & Swart, R. (2013). *Crowdfunding's potential for the developing world* (Working Paper No. 84000). InfoDev/The World Bank. <http://surl.li/jokym>
12. Ishak, M. S. I., & Aderemi, A. M. R. (2022). Waqf-based crowdfunding model for Islamic heritage conservation in Malaysia. *Jurnal Hadhari*, 14(1), 101-118. <http://surl.li/jolah>
13. Ishak, M. S. I., & Rahman, M. H. (2021). Equity-based Islamic crowdfunding in Malaysia: A potential application for mudharabah. *Qualitative Research in Financial Markets*, 13(2), 183-198. <https://doi.org/10.1108/QRFM-03-2020-0024>

14. Ishak, M. S. I., & Kamaruddin, M. H. (2021). Heritage conservation through public donation in Malaysia: A potential for Islamic crowdfunding. *The Journal of Management Theory and Practice (JMTP)*, 3(3), 10-16. <https://doi.org/10.37231/jmtp.2020.2.3.170>
15. Ismail, I., Husin, N., Rahim, N. A., Kamal, M. H. M., & Mat, R. C. (2016). Entrepreneurial success among single mothers: The role of motivation and passion. *Procedia Economics and Finance*, 37, 121-128. [https://doi.org/10.1016/s2212-5671\(16\)30102-2](https://doi.org/10.1016/s2212-5671(16)30102-2)
16. Jamaluddin, J. (2010). Kajian penerokaan usahawan ibu tunggal di Negeri Perlis [An exploratory study of single mother entrepreneurs in the State of Perlis] [Master's thesis, Universiti Utara Malaysia]. Universiti Utara Malaysia (UUM). https://etd.uum.edu.my/2281/1/Jamsari_Jamaluddin.pdf
17. Kariv, D. (2012). *Female entrepreneurship and the new venture creation: An international overview* (1st ed.). Routledge. <https://doi.org/10.4324/9780203140987>
18. Khairuddin, N. K., & Ishak, M. S. I. (2021). Waqf based crowdfunding for university students: A Maqasidic perspective. *AL-MAQASID: International Journal of Maqāṣid Studies and Advanced Islamic Research*, 2(2), 1-11. <http://surl.li/jomsu>
19. Manchanda, K., & Muralidharan, P. (2014). Crowdfunding: A new paradigm in start-up financing. *Global Conference on Business and Finance Proceedings*, 9(1), 369-374. <http://surl.li/jomvt>
20. Mohsin, H. J., Hani, L. Y. B., Bani Atta, A. A., Al Alawneh, N. A. K., Ahmad, A. B., & Samara, H. H. (2023). The impact of digital financial technologies on the development of entrepreneurship: Evidence from commercial banks in the emerging markets [Special issue]. *Corporate & Business Strategy Review*, 4(2), 304-312. <https://doi.org/10.22495/cbsrv4i2siart10>
21. Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 29(1), 1-16. <https://doi.org/10.1016/j.jbusvent.2013.06.005>
22. Moysidou, K., & Hausberg, J. P. (2020). In crowdfunding we trust: A trust-building model in lending crowdfunding. *Journal of Small Business Management*, 58(3), 511-543. <https://doi.org/10.1080/00472778.2019.1661682>
23. Mulia, D. S. (2017). Survival strategies of single mothers among indigenous ethnics in rural areas: Case study in Kota Belud, Sabah. *Jurnal Kinabalu*, 23, 43-63. <https://jurcon.ums.edu.my/ojums/index.php/ejk/article/view/1123/741>
24. Myers, M. D. (2009). *Qualitative research in business & management*. SAGE.
25. *Single mother aid* (n.d.). MyGovernment. <https://www.malaysia.gov.my/portal/subcategory/174?language=my>
26. Nik Azman, N. H., & Kassim, S. (2017). Ar-rahnu as a source of financial sustainability for women micro-entrepreneurs in Malaysia. *Journal of Islamic Monetary Economics and Finance*, 2(2), 221-250. <https://doi.org/10.21098/jimf.v2i2.654>
27. Onileowo, T. T. (2021). Single mother entrepreneurs: Issues and challenges. *Iconic Research And Engineering Journals*, 4(9), 89-97. <http://surl.li/jonpa>
28. Panda, S. (2018). Constraints faced by women entrepreneurs in developing countries: Review and ranking. *Gender in Management*, 33(4), 315-331. <https://doi.org/10.1108/GM-01-2017-0003>
29. Ramos, J., & Stewart, J. (2014). *Crowdfunding and the role of managers in ensuring the sustainability of crowdfunding platforms* (Report No. EUR 26596). Publications Office of the European Union. <https://doi.org/10.2791/76003>
30. Roddin, R., Sidi, N. S. S., Yusof, Y., Mohamed, M., & Razzaq, A. R. A. (2011). Poverty alleviation among single mother in Malaysia: Building entrepreneurship capacity. *International Journal of Business and Social Science*, 2(17), 92-99. http://ijbssnet.com/view.php?u=http://ijbssnet.com/journals/Vol_2_No_17/13.pdf
31. Schwiendbacher, A., & Larralde, B. (2012). Crowdfunding of small entrepreneurial ventures. In D. Cumming (Ed.), *The Oxford handbook of entrepreneurial finance* (1-23). Oxford University Press.
32. Topimin, S., Fabeil, N. F., & Abdullah, A. S. (2019). Women's business survival: Challenges and strategies for single mother entrepreneurs. *Academic Journal of Business and Social Sciences*, 3(2), 1-10. <https://myjms.mohe.gov.my/index.php/AJoBSS/article/view/11663/5620>
33. Wahjono, S. I., Marina, A., & Widayat. (2017). Islamic crowdfunding: Alternative funding solution. In *Proceedings of the 1st World Islamic Social Science Congress (WISSC 2015)*. Universiti Sultan Zainal Abidin. <http://surl.li/joozi>
34. Wales, K. (2015). Internet finance: Digital currencies and alternative finance liberating the capital markets. *Journal of Governance and Regulation*, 4(4-1), 190-201. https://doi.org/10.22495/jgr_v4_i4_c1_p6
35. Wan Mohamad Nazarie, W. N. F., & Williams, R. (2021). Linguistic style and gender match in funding intention towards crowdfunding project. *Review of International Business and Strategy*, 31(3), 438-461. <https://doi.org/10.1108/RIBS-09-2020-0111>
36. Yanow, D. (2000). *Conducting interpretive policy analysis*. SAGE. <https://doi.org/10.4135/9781412983747>