



THE POTENTIAL OF ISLAMIC CROWDFUNDING TO FINANCE SMALL CONSTRUCTION PROJECTS IN MALAYSIA

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ABSTRACT

In an era marked by a multitude of global challenges, such as geopolitical tensions like the Russia-Ukraine conflict, regional lockdowns affecting key Chinese provinces, and the strict enforcement of monetary policies, all exacerbated by the ongoing COVID-19 pandemic, which has further intensified funding challenges for infrastructure projects, this study delves into the potential of Islamic crowdfunding as a means to finance small-scale construction projects in Malaysia. Utilizing qualitative research and content analysis, this investigation explores the applicability of crowdfunding within Malaysia's construction sector. Data collection involves a comprehensive review of pertinent literature and documents, with thematic analysis revealing crucial insights. The paper introduces a framework that harmonizes crowdfunding principles with Islamic ethical values, aiming to foster inclusive economic growth. This research advocates for collaboration among various stakeholders, including Islamic crowdfunding platforms, construction companies, investors, and regulatory authorities, to harness the potential of Islamic crowdfunding. By doing so, they can contribute to Malaysia's economic growth, social development, and the expansion of ethical finance within the construction industry.

Keywords: Islamic Finance, Crowdfunding, Construction, Small Projects, Malaysia

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INTRODUCTION

In an increasingly complex global landscape characterized by geopolitical tensions such as the Russia-Ukraine conflict, regional lockdowns in key Chinese provinces, and the implementation of stringent monetary policies, the world grapples with the far-reaching consequences of these multifaceted challenges (Kilpatrick, 2022). This intricate web of dynamics compounds the enduring difficulties brought about by the relentless COVID-19 pandemic (Kilpatrick, 2022).





These challenges cast a long shadow over infrastructure investments, threatening factors ranging from exchange rates to external elements that wield significant influence over public funding and the broader economic well-being (Henderson, 2002).

The Movement Control Order (MCO) signifies a major step taken by the Malaysian Government, which has demanded the closure of all business premises, significantly impeding business operations (Tang, 2022). Construction activities, except those classified as critical and essential services, came to an abrupt halt during this period. Notably, small-scale projects, characterized by their modest scope, inherently carry lower risks and are associated with fewer injuries (Lingard & Warmerdam, 2017). The cost dynamics of these projects intertwine with market conditions, logistical intricacies, design considerations, the financial standing of clients, and the strategic importance of securing specific endeavours (Lingard & Warmerdam, 2017). In times of heightened uncertainty, medium and small contractors place a premium on their experience and capacity to deliver (Lingard & Warmerdam, 2017).

Further complicating the financial landscape, banks have implemented transformative measures, including reductions in credit limits and the imposition of stringent credit score requirements (Cox, 2020). Consequently, small-scale projects falling within this category grapple with challenges in securing reputable credit facilities and alternative forms of financing, particularly in the post-COVID-19 era.

Within the realm of construction, project duration stands as a pivotal factor, subject to various considerations, such as contract size, tender type, project complexity, contractor experience, and regional location (Ahmad et al., 2006). On a local scale, Malaysia faced the devastating consequences of severe floods in December, resulting in numerous casualties, the displacement of hundreds of thousands, and staggering estimated losses totalling 6 billion ringgit (Aziz, 2022). These calamities have further hindered Malaysia's post-pandemic recovery, underscoring the urgent need to fortify the resilience of its physical infrastructure.

While Malaysia's economy exhibited signs of recovery, with a notable GDP growth rate of 8.9% recorded in the second quarter of 2022, surpassing the 5% registered in the first quarter (Q1 2022), a sense of caution still permeates the economic landscape (Aziz, 2022). Lingering risks prompted the International Monetary Fund (IMF) to revise its global growth forecast for 2022 from 3.6% to 3.2%. Against this backdrop, Malaysia grapples with a statutory debt that looms at 60.4% of its GDP, necessitating fiscal enhancements through subsidy rationalization and the diversification of revenue streams (Aziz, 2022). Embracing financial stimulus measures and innovative instruments assumes paramount importance in shaping the nation's future.

In the midst of this challenging landscape, crowdfunding emerges as a potent alternative for mobilizing funds from a diverse multitude. It furnishes an effective avenue for investment, empowering individuals to contribute modest sums to companies, projects, and businesses (Padney, 2022). The introduction of Equity Crowdfunding (ECF) by the Securities Commission (SC) in 2015, with an initial threshold ranging from RM 5,000 to RM 3 million, marked a significant leap forward. Furthermore, the approval of Value Management (VM) by the Malaysian Government through the Economic Planning Unit (EPU) in 2009, as underscored in Circular 3/2009, underscores the nation's commitment to enhancing project competitiveness and augmenting value (Elsonoki, 2020). VM presents a systematic approach to enhancing project value, with a mandate for projects exceeding RM 50 million to incorporate VM practices. This demarcation serves to classify endeavours falling below this threshold as small-scale projects within the Malaysian Construction Industry (MCI).

With this intricate backdrop in mind, the objective of this paper is to delve into the potential of Islamic crowdfunding as a mechanism for financing small-scale construction projects within Malaysia's dynamic construction industry. This paper unfolds in five distinct sections. Following this introduction, section two delves into the relevant literature, while





section three elucidates the research methodology employed. Section four is dedicated to presenting the key findings of this paper, culminating in the final section, which is the conclusion.

LITERATURE REVIEW

This section discusses the potential of Islamic crowdfunding in Malaysia's small project construction industry, focusing on its definition, literature review, and theory. Scholarly and peer-reviewed journal articles and papers, with a total of almost 40, are the premier research sources, providing a credible foundation for this credible study. A thematic approach is used for the case study, based on the top 10 previous research studies, indicating relevance and worth investigation descending by year.

Crowdfunding is a new method for funding ventures from individuals, typically in small amounts, without traditional channels like banks and venture capitalists. It is an effective funding passage for small-to-medium-sized investment crowds. Islamic crowdfunding, a shariah-conform Muslim crowdlending, includes Islamic Peer-to-Peer Crowdfunding (IP2PC), donation-based crowdfunding, charity crowdfunding, reward-based crowdfunding, and debt-securities crowdfunding. This research aims to identify the potential of Islamic crowdfunding in the construction industry.

According to Cox (2020) and Bousquin (2021), unprecedented volatility and COVID-19-related deaths have contributed to the construction industry's funding challenges. The pandemic has led to a rollercoaster ride for businesses, with many relying on crowdfunding for survival. Khan (2019) supports Islamic Crowdfunding, finding a gap between legal and timeline frameworks in various crowdfunding practices.

The Potential of Islamic Crowdfunding

This section delves into the potential of Islamic crowdfunding within Malaysia's small-scale construction industry, encompassing its definition, an overview of existing literature, and the underlying theoretical framework. A comprehensive corpus of nearly 40 scholarly and peer-reviewed journal articles and papers serves as the primary source of research material, establishing a robust and credible foundation for this study. The literature review adopts a thematic approach, drawing from the top 10 prior research studies identified by their year of publication to ensure relevance and justification for further exploration.

Crowdfunding, a contemporary fundraising method, involves sourcing financial contributions from individuals, often in small denominations, circumventing traditional financing channels like banks and venture capitalists. It represents an efficient avenue for securing funds, particularly within the context of small to medium-sized investment groups Mollick (2014). Notably, certain concerns linger regarding whether supporting crowdfunding projects might catalyze the revival of the construction industry, as scrutinized by some funders. Islamic crowdfunding, adhering to Sharia principles, encompasses various modes, including Islamic Peer-to-Peer Crowdfunding (IP2PC), donation-based crowdfunding, charity crowdfunding, reward-based crowdfunding, and debt-securities crowdfunding. This research seeks to unveil the latent potential of Islamic crowdfunding within the construction sector.

According to the research of Cox (2020) and Bousquin (2021), the construction industry has grappled with unprecedented volatility and financial challenges exacerbated by the COVID-19 pandemic. The pandemic has ushered in a tumultuous period for businesses, compelling many to turn to crowdfunding as a means of survival. Meanwhile, Khan (2019) lends support to the concept of Islamic Crowdfunding, pinpointing discrepancies in the legal and temporal frameworks governing various crowdfunding practices.





The Potential of Islamic Crowdfunding

Crowdfunding, an innovative approach to financing a diverse array of ventures by sourcing contributions, predominantly in small increments from individuals, offers an alternative to conventional funding avenues like banks and venture capitalists, as highlighted by Pandey (2002). This financing instrument proves to be particularly efficient for mobilizing resources among small to medium-sized investor groups (Liu, 2016). The adoption of crowdfunding within the construction industry has raised questions about whether it can play a role in revitalizing the sector.

Islamic crowdfunding, in essence, adheres to the principles of Sharia law and encompasses diverse forms, including Islamic Peer to Peer Crowdfunding (IP2PC), donation-based crowdfunding, charity crowdfunding, reward-based crowdfunding, and debt-securities crowdfunding, as articulated by the European Commission (2015). This research endeavours to elucidate the untapped potential of Islamic crowdfunding within the construction industry. Recent studies by Cox (2020) and Bousquin (2021) have shed light on the financing challenges that have beset the construction industry, spanning both small and large-scale projects. Contractors have navigated through an unprecedentedly turbulent year, exemplified by instances such as the issuance of stop-work orders for most construction projects in Boston, a major U.S. city. The aftermath of the COVID-19 pandemic witnessed the United States grappling with 534,000 COVID-19 related deaths and 29.5 million cases, according to Bousquin (2021). Across the spectrum, businesses, including construction firms, have struggled to stay afloat, as the pandemic triggered an economic rollercoaster ride that shows no sign of abating (Moritz & Block, 2016). Remarkably, crowdfunding in the construction industry has not garnered substantial attention in prior research. Khan (2019) supports the notion of Islamic Crowdfunding, providing insights derived from various crowdfunding practices. This study postulates that crowdfunding may bridge the gap between legal frameworks and timelines, as observed across various sources.

An update from crowdfunding platform Ata Plus highlights a substantial achievement. Originating in Malaysia, this platform has successfully raised more than RM 83,803,537 through over 60 campaigns, attracting more than 10,000 potential investors. This equates to an approximate sum of RM 1.4 million per campaign. A case in point is FAR Capital Sdn Bhd, a property development consulting firm, which managed to raise RM 18.9 million for a project aimed at addressing the property supply and demand gap in Malaysia. Remarkably, the crowdfunding campaign exceeded its initial target of RM 5 million, which had a maximum cap of RM 20 million. The fundraising campaign lasted merely 90 days, equivalent to three months. This crowdfunding model particularly focuses on Equity Crowdfunding (ECF), involving the conversion of preferential shares in alignment with the maximum fundraising capitalization target.

As Aladejebi (2020) observes, crowdfunding has emerged as a novel and versatile method for procuring capital across diverse business domains, warranting comprehensive exploration. This study underscores the significance of crowdfunding as an alternative funding source, asserting its potential as a powerful tool within the financial landscape.

Given the dominance of private firms in Malaysia's construction industry, access to their financial data remains challenging. Financial statistics pertaining to construction firms are generally limited to revenue figures and total assets. Additionally, annual reports are only available from publicly listed companies. Consequently, conducting archival research encounters constraints, mainly associated with selective deposits, that may introduce biases into the analysis.





The Small Projects in the Construction Industry of Malaysia

In the context of financing small projects within Malaysia's construction industry, Mollick (2014) posits that crowdfunding serves as a potent instrument, particularly for projects that necessitate relatively modest funding. The statistics (2022) paint a stark picture, revealing numerous construction projects that faced interruptions due to the disruptive influence of the COVID-19 pandemic. Many of these projects ultimately ground to a halt, primarily due to the absence of available funds. A significant lacuna in prior research was the dearth of clarity regarding how funding could be effectively secured to ensure project success. While the potential of Islamic crowdfunding remained largely unexplored in these studies, the focus predominantly centred on the mechanics and transactions facilitated by crowdfunding tools. This paper seeks to address this gap by shedding light on the considerable potential of Islamic crowdfunding as a viable financing solution for small construction projects in Malaysia.

The Movement Control Order (MCO), necessitated by the pandemic, has raised pressing issues concerning project delays, extensions of time ("EOT") for project completion, and the settlement of losses and expenses ("L&E"). These concerns are pertinent across the spectrum of construction projects, ranging from small to large contracts, and they are elucidated within the scope defined above. The Contractor Services Centre ("CSC") or Perakuan Pendaftaran Kontraktor ("PKK") has provided a classification system that categorizes contractors based on their capabilities and tendering capacities, as illustrated in Table 3 below:

Table 3: Classification Grades and Tender Capacity in Malaysia

Grade	Tendering Capacity
A	More than RM 10,000,000
B	RM 5,000,001 – RM 10,000,000
C	RM 2,000,001 – RM 5,000,000
D	RM 500,001 – RM 2,000,000
E	RM 200,001 – RM 500,00
F	Maximum of RM 200,00

Table 3 provides a structured overview of the classification grades within the Malaysian construction industry, with each category aligned with project valuations. Consequently, the table simplifies the perspective, highlighting that small-scale project typically fall within Grade B and below.

For any construction company to engage in and successfully complete a project in Malaysia, a mandatory requirement entails the registration of their company grade, specialization, contractor's category, and classification status. Contractors are assigned a specific grade based on their capacity to meet the criteria associated with that grade. This grade, in turn, determines a contractor's eligibility to participate in tenders. Within the classification status, there are three distinct groups: construction of buildings ("B"), Civil Engineering construction ("CE"), and Mechanical and Electrical ("M&E"). Contractors have the flexibility to apply for any category within these groups, provided they possess the requisite technical expertise stemming from the corresponding academic background and years of experience. Moreover, financial feasibility is a prerequisite, necessitating applicants to maintain sufficient financial capacity throughout the registration period.





RESEARCH METHODOLOGY

This study employs qualitative research using content analysis to explore the potential of crowdfunding in the construction industry in Malaysia. Qualitative research is well-suited for this investigation as it allows for an in-depth exploration of the subject matter, providing rich insights and understanding of the research questions. The primary method of data collection in this study is a comprehensive desk review of existing literature, documents, reports, and academic publications related to crowdfunding, construction industry practices, and regulations in Malaysia. The desk review serves as the foundation for gathering historical, contextual, and theoretical insights into the research topic. Thematic analysis is employed to identify and extract key themes, patterns, and insights from the collected data. The data collected through the desk review and document analysis is systematically reviewed and categorized to identify recurring themes and trends related to crowdfunding in the Malaysian construction industry.

FINDINGS AND DISCUSSIONS

Crowdfunding Business Models used in the Construction Industry

For infrastructure projects, conventional crowdfunding is used in different parts of the world. Pranata et al. (2020) have highlighted these models comprehensively, summarised below.

- **Blended Finance:** This model adopts a structure akin to Convergence, concentrating on funding infrastructure projects in Asian nations. It entails public investors, philanthropic organizations, and private institutions blending various capital types to lower investment risks and enhance financial returns. The concessional capital functions as a catalyst and risk safeguard, supporting project initiation and development.
- **Cross-border Citizen Funding:** This model places importance on raising funds from citizens residing across Asian countries to back infrastructure projects within the continent. It promotes the notion of "From Asia for Asia" and encourages diverse investment forms, including debt, equity, cooperatives, donations, and rewards. To make this model viable, Asian nations should collaborate to establish a unified cross-border crowdfunding regulatory framework.
- **Within-Country Crowdfunding:** This model gives priority to domestic funding for local infrastructure projects, especially those with social and environmental impacts. It fosters partnerships with financial institutions, sustainability-focused organizations, and consultants. Multiple investment instruments, such as debt, bonds, equity, cooperatives, donations, and rewards, are made accessible to attract a wide spectrum of investors.
- **Commercial Infrastructure Financing:** This model revolves around commercially viable infrastructure projects and promotes public-private partnerships through financial technology. It enables individuals and institutions to directly invest in various infrastructure sectors, encompassing energy, transportation, water, and communications. This model differentiates itself by its commercial orientation and extensive project scope.

Challenges of Implementing Islamic Crowdfunding for small projects in the Construction Industry

The key challenges of implementing Islamic crowdfunding for small projects in the construction industry are listed below.





- **Lack of Awareness and Knowledge:** Many potential project owners and investors may not fully comprehend the concept of crowdfunding and its Islamic finance principles. This lack of awareness can lead to scepticism and reluctance to embrace this alternative financing method. Educating the public about the benefits and processes involved in Islamic crowdfunding is essential. Workshops, seminars, and educational campaigns can help bridge this knowledge gap.
- **Regulatory Complexity:** Ensuring crowdfunding platforms adhere to Sharia-compliant financial regulations can be challenging. These regulations are not uniform and may vary by jurisdiction. Platform operators need to navigate this complexity while also maintaining transparency and compliance. Collaborative efforts between regulators and industry stakeholders can streamline these processes and provide clearer guidelines.
- **Limited Participation:** Convincing construction project owners to consider crowdfunding can be a challenge. Many are accustomed to traditional financing channels, such as bank loans, and may be hesitant to explore alternative options. To address this challenge, industry associations and crowdfunding platforms can provide case studies and success stories to demonstrate the viability of Islamic crowdfunding in the construction sector.
- **Entrepreneurial Resilience:** Crowdfunding campaigns require active engagement and resilience from project owners. Maintaining momentum throughout a campaign and responding to investor inquiries can be demanding. Project owners should be prepared for the dynamic nature of crowdfunding and develop strategies to keep investors engaged and informed.
- **Variable Success Rates:** Crowdfunding success can be unpredictable, with some projects attracting significant funding while others struggle. This variability can pose planning challenges for project owners who rely on crowdfunding as a financing source. Robust marketing, effective communication, and a compelling value proposition are crucial to improving success rates.
- **Risk Mitigation:** Construction projects inherently involve risks such as delays, cost overruns, and unforeseen challenges. Investors participating in crowdfunding campaigns seek assurance that project owners have comprehensive risk mitigation strategies in place. Clear project plans, transparent reporting, and contingency plans can help instil confidence in investors.
- **Cultural and Religious Sensitivities:** Ensuring that construction projects funded through Islamic crowdfunding align with cultural and religious sensitivities is paramount. Careful project selection and adherence to Islamic finance principles are crucial to avoiding such issues.
- **Financial Inclusion:** While crowdfunding has the potential to democratize finance, ensuring that marginalized communities have access to these platforms is essential. Efforts should be made to provide financial literacy programs and support to underserved populations, ensuring they can fully participate in crowdfunding initiatives.
- **Market Education:** Educating the market about the advantages and benefits of Islamic crowdfunding is an ongoing challenge. Both project owners and potential investors need to understand how crowdfunding platforms work and how they can engage effectively. Marketing campaigns, online resources, and collaboration with Islamic financial institutions can aid market education.

Addressing these challenges requires a multifaceted approach involving regulatory bodies, crowdfunding platforms, industry associations, and educational institutions. By raising awareness, simplifying regulatory processes, fostering financial literacy, and promoting the





benefits of Islamic crowdfunding, Malaysia's construction industry can tap into this innovative financing method to support small projects in a Sharia-compliant manner.

Framework for Islamic Crowdfunding for Small Construction Projects in Malaysia

Islamic crowdfunding for small construction projects in Malaysia is underpinned by a solid theoretical framework that combines Islamic finance principles, crowdfunding theory, ethical finance, and considerations for societal impact. This comprehensive framework is designed to ensure the compatibility of crowdfunding initiatives with Islamic ethics and values while fostering financial inclusivity and community development.

At its core, this model adheres to Sharia compliance, ensuring that all financial transactions and contracts are in line with Islamic jurisprudence. Key financial instruments such as Mudarabah (profit-sharing) and Musharakah (equity partnership) are employed to facilitate investment in construction projects while maintaining Sharia-compliant profit-sharing and risk-sharing mechanisms. Furthermore, the model aligns with the Maqasid al-Shari'ah, the objectives of Islamic law, by emphasizing social justice, economic well-being, and the preservation of public interests, particularly in projects that directly benefit local communities.

Drawing from crowdfunding theory, the model leverages online crowdfunding platforms as a means to connect project owners with a diverse pool of investors. This aligns with the principles of participation and collective support, allowing a multitude of individuals and institutions to fund construction projects collectively. By embracing crowdsourcing of capital, the model enhances financial inclusivity and empowers a broader range of stakeholders to engage in ethical investments.

Ethical finance and impact investing are fundamental aspects of this framework. The model offers investors an opportunity to participate in socially responsible investments that not only generate financial returns but also contribute positively to community development. This approach resonates with Islamic finance's values of social welfare and justice, encouraging investors to seek both profit and societal impact.

The regulatory framework within which this model operates is governed by the Securities Commission Malaysia (SC). Compliance with regulatory requirements ensures investor protection and legal adherence while creating a supportive environment for Islamic crowdfunding activities.

A critical element of this framework is the emphasis on risk-sharing and profit-and-loss sharing. By embracing risk-sharing, investors and project owners jointly assume the risks and rewards associated with construction projects. This practice aligns with Islamic finance principles of fairness and shared responsibility. The profit-and-loss sharing mechanisms embedded in the model facilitate equitable distribution of gains and losses among stakeholders, enhancing transparency and promoting ethical financial practices.

Community development and social welfare are at the forefront of this framework. The model adopts a community-centric approach by prioritizing small construction projects that directly benefit local communities. This commitment aligns seamlessly with the Islamic finance objective of enhancing the welfare of society. Additionally, the model incorporates social impact assessment tools to evaluate the broader societal benefits of funded projects, ensuring that investments contribute to social justice and economic well-being.

Financial inclusion is a core principle of this framework. It democratizes access to ethical investments by welcoming a wide range of investors, including individuals and institutions, to participate in funding small construction projects. This inclusivity empowers local communities to engage in projects that directly affect their neighbourhoods and fosters a sense of ownership and participation.





In short, the proposed theoretical framework for Islamic crowdfunding of small construction projects in Malaysia integrates principles from Islamic finance, crowdfunding theory, ethical finance, and societal impact considerations. This holistic approach not only ensures adherence to Islamic ethics and values but also promotes financial inclusivity, ethical investments, and community-centric development. It represents a comprehensive framework that fosters economic growth, social justice, and ethical financial practices within the Malaysian construction industry. Table 1 summarizes the key aspects of the theoretical framework for Islamic crowdfunding of small construction projects in Malaysia.

Table 1: Key Aspects of the Theoretical Framework for Islamic Crowdfunding of Small Construction Projects in Malaysia

Aspect	Key Points
Core Principles	<ul style="list-style-type: none"> • Sharia compliance in financial transactions and contracts. • Application of Mudarabah and Musharakah for profit and risk-sharing. • Alignment with Maqasid al-Shari'ah to prioritize social justice and community welfare.
Crowdfunding Theory	<ul style="list-style-type: none"> • Utilization of online crowdfunding platforms for connecting investors with project owners. • Emphasis on participation and collective support for diverse stakeholders.
Ethical Finance	<ul style="list-style-type: none"> • Integration of ethical finance principles in investment opportunities. • Socially responsible investments with financial returns and societal impact.
Regulatory Compliance	<ul style="list-style-type: none"> • Governance under the Securities Commission Malaysia (SC) regulations. • Ensuring investor protection and legal adherence.
Risk and Profit Sharing	<ul style="list-style-type: none"> • Adoption of risk-sharing mechanisms among investors and project owners. • Equitable distribution of gains and losses promoting transparency.
Community Development	<ul style="list-style-type: none"> • Focus on small construction projects benefiting local communities. • Incorporation of social impact assessments for evaluating societal benefits.
Financial Inclusion	<ul style="list-style-type: none"> • Democratization of ethical investments by welcoming a diverse range of investors. • Empowerment of local communities for participation in neighbourhood projects.

To successfully implement this framework, it is essential to collaborate with existing Islamic crowdfunding operators in Malaysia. Conduct a comprehensive market assessment to identify potential partners who are committed to Sharia compliance and ethical finance. Engage these operators through workshops, seminars, and networking events aimed at fostering collaboration and partnerships within the Islamic crowdfunding ecosystem. Establish a rigorous due diligence process to select crowdfunding operators, ensuring they meet regulatory





and Sharia compliance standards. This step will help ensure the framework's integrity and ethical foundations.

CONCLUSION

In conclusion, this research paper has explored the promising potential of Islamic crowdfunding as a means to finance small construction projects in Malaysia. Islamic crowdfunding, rooted in ethical finance and Sharia compliance, offers a unique avenue for both investors and construction companies to benefit from its financial and ethical dimensions. Through the proposed framework, which combines crowdfunding principles with the principles of Maqasid al-Shari'ah, Malaysia's construction industry can tap into new sources of financing while adhering to Islamic ethical standards.

The research highlighted the growing acceptance and influence of Islamic finance in Malaysia, emphasizing the need to align crowdfunding practices with the ethical objectives of Maqasid al-Shari'ah. Leveraging collaboration with existing Islamic crowdfunding operators and construction companies, this framework has the potential to facilitate access to funds for small construction projects and promote inclusive economic growth.

Furthermore, the paper explored key elements of the proposed model, including risk-sharing mechanisms, societal impact assessments, community engagement, financial inclusion, enhanced reporting, regulatory compliance, marketing strategies, and the integration of innovative technologies. These components collectively contribute to the effectiveness and appeal of Islamic crowdfunding for construction projects.

By embracing this framework, Malaysia can foster economic development, create job opportunities, and encourage ethical investments within the construction sector. It also aligns with the broader global trend of sustainable and responsible finance. However, successful implementation relies on robust regulatory oversight, transparent reporting, and a commitment to Sharia principles.

The potential of Islamic crowdfunding to finance small construction projects in Malaysia holds great promise. This research paper encourages stakeholders, including Islamic crowdfunding platforms, construction companies, investors, and regulatory bodies, to collaborate and embrace this innovative financing approach, thereby contributing to the nation's economic growth, social development, and the ethical expansion of Islamic finance within the construction industry.

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