

# **Regulatory Gaps in Islamic Donation-Based Crowdfunding (IDCF) Platforms in Malaysia from Project Managers' Perspective**

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**Abstract**

The rise of Islamic donation-based crowdfunding (IDCF) platforms marks a modern evolution of traditional Islamic social finance practices. These platforms offer innovative channels to connect donors and beneficiaries across borders but also present unique regulatory challenges—particularly in Malaysia. Unlike equity- or lending-based crowdfunding, donation-based platforms currently fall outside the direct oversight of existing regulators, exposing them to risks such as misuse, fraud, and potential money laundering. This paper investigates the regulatory gaps affecting IDCF in Malaysia, focusing on the lived experiences of project managers who utilize these platforms for community-driven initiatives. Drawing on qualitative insights, the study reveals challenges related to trust-building, transparency, and authenticity. The findings underscore the urgent need for a tailored regulatory framework that aligns with both Islamic ethical principles and modern financial governance. The study also highlights the importance of government support, platform standardization, operational costs, and perceived control for project managers navigating this evolving landscape. These findings provide valuable insights for both platform developers and policymakers, aiming to enhance the effectiveness and sustainability of IDCF in Malaysia. Additionally, the study offers a deeper understanding of how project managers assess platform options to ensure alignment with project goals and ethical considerations.

**Keyword:** Islamic Donation-Based Crowdfunding (IDCF), Regulatory Gap, Project Manager, Crowdfunding Platform, Islamic Social Finance, Islamic Accounting

**Introduction**

Crowdfunding is a form of online participatory activity in which an individual, organization, non-profit, or business issues an open and flexible call to a diverse group of people—varying in background, number, and experience—to voluntarily undertake a task that typically involves mutual benefit (Zahari & Azmi, 2019). Compared to traditional financing methods, crowdfunding offers several advantages, including the ability to quickly reach a large number of potential donors or investors and the ease of sharing information through various creative marketing strategies. This approach has revolutionized charitable giving by allowing donors to engage more directly with the causes they support and to witness the tangible impact of their contributions in real time. Building on this, prior experiences in philanthropy and community involvement can further influence an individual's willingness to participate in donation-based crowdfunding (DCF) for charitable causes (Salido-Andres et al., 2021).

The act of giving in Islam, including donations, is deeply rooted in the Sunnah of the Prophet Muhammad (PBUH) and remains widely practiced in modern times (Kailani & Slama, 2020). At its core, donation is a simple, yet profound act driven by sincere intention to assist those in need. In recent years, the rise of crowdfunding has transformed how people give, enabling donors and recipients to connect virtually without borders (Sirisawat et al., 2022). This aligns closely with Islamic values, as charity in Islam is not just a voluntary act but a means of purifying one's wealth and strengthening communal bonds (Hamzah, 2024). Crowdfunding, with its ability to unite individuals from diverse backgrounds, mirrors the Islamic emphasis on collective responsibility and mutual benefit. Through online platforms, Muslims around the world can now contribute to causes aligned with their faith, reaching those in need regardless of geographic distance, thus making the act of giving even more accessible and impactful.

Islamic donation-based crowdfunding (IDCF) offers an innovative platform for charitable giving, aligning closely with the Islamic principle of helping others and fostering a sense of community. However, despite its noble intentions, such platforms are also vulnerable to misuse. One of the primary concerns is the risk of fraud (Abdullah & Bakri, 2020), where fraudsters exploit donors' goodwill for personal gain, thereby damaging the reputation of project managers (Yusop, 2021). Additionally, insufficient regulation (Othman et al., 2021), which fails to adequately address or penalize such fraudulent activities, leaves both donors and project managers vulnerable. Furthermore, the lack of adherence to Shariah principles can undermine trust within the Muslim community (Muhammed et al., 2023; Saiti et al., 2019), as ethical standards are central to charitable acts in Islam. These concerns highlight the need for stronger safeguards to ensure that the act of giving remains transparent, trustworthy, and aligned with Islamic values.

In Malaysia, there is currently no established legal framework for DCF, whether conventional or Islamic in nature (Radzi et al., 2024). This regulatory gap creates opportunities for unscrupulous individuals to exploit the system. For project managers operating within IDCF platforms, this poses an additional challenge. Not only must they ensure transparency and accountability, but they also bear the burden of proving the authenticity of their initiatives to a community that may be increasingly sceptical. Moreover, there are limited studies on project managers' perspectives regarding the lack of a legal framework for IDCF platforms in Malaysia.

As IDCF platforms are currently experiencing rapid growth, they signify a transformative shift in how Islamic social finance is practiced in the digital era. The mobilization of Islamic social finance funds across state jurisdictions, especially in Malaysia, has led to a regulatory grey area. This lack of regulatory oversight raises serious concerns regarding accountability, transparency, and ethical conduct, which directly impact stakeholders (Kamaruddin et al., 2025).

Therefore, this study is motivated by the need to explore these practical challenges, assess the implications of regulatory shortcomings, and contribute to the development of a more structured and ethically grounded framework. By focusing on the lived experiences of project managers who operate on IDCF platforms, the study aims to inform policymakers, regulators, and other stakeholders on how to better support the growth of IDCF while addressing regulatory concerns. Thus, this study seeks to address existing gaps by investigating the factors that can help minimize legal and regulatory shortcomings in IDCF platforms and enhance trust among project managers.

It is expected that this study will provide several important contributions to the growing body of research on IDCF, particularly within the Malaysian context. First, it addresses a critical gap in the literature by exploring regulatory challenges and offering practical insights on how to overcome them. Second, the findings from this study contribute by emphasizing the need for appropriate policy development to regulate IDCF in Malaysia. Third, the study will benefit IDCF platform providers by highlighting the importance of standardization, reduced operational complexity, and mechanisms that enhance user trust and perceived control. Lastly, the study enriches the understanding of decision-making processes among

project managers, particularly regarding how they evaluate and select platforms that align with their ethical values and project objectives.

The structure of this paper is as follows. The next section discusses the evolution of crowdfunding, especially in the Islamic context, followed by a review of the regulatory issues related to IDCF platforms in Malaysia. The methodology section then explains the approach used to gather data and conduct the analysis aimed at addressing the study's objective—investigating the regulatory gaps affecting IDCF in Malaysia, particularly from the perspective of project managers. The results section outlines the study's findings regarding these gaps, focusing on government support, perceived standardization, perceived cost, and perceived control. The final section concludes the study by highlighting its implications, contributions, limitations, and suggestions for future research.

## Literature Review

### *The Evolution of Crowdfunding in the Islamic Context*

The Muslim community, as part of Islamic civilization, has a long history of donating money for greater causes. This tradition began when the Prophet Muhammad (PBUH) preached to his *ummah* that *zakat* is one of the five pillars of Islam. After the Prophet's Hijrah in 622 C.E., a verse on *zakat* was revealed in Surah Al-Hajj during the Madinah period. The Prophet (PBUH) established the model for Muslim mandatory prayers and set the foundational rules and conventions guiding the application of *zakat* based on Surah Al-Hajj (Ganiyev & Umaraliev, 2020). Additionally, the Prophet (PBUH) spoke about *sadaqah*, which is similar in meaning to *zakat* but differs in keyways. Unlike *zakat*, *sadaqah* is not mandatory, although it is strongly recommended in the Qur'an (Abuarqub & Phillips, 2009). Beyond charitable giving, the Prophet Muhammad (PBUH) was also involved in various financial activities during his lifetime. These included *salam* (forward contracts), *sarf* (currency exchange), *ijarah* (leasing), and *shirkah* (partnerships) (Qadri & Bhatti, 2020).

After the Prophet's passing in 632 C.E., his closest companions led the *ummah* and became caliphs, marking the beginning of the caliphate era. There were four rightly guided caliphs: Abu Bakr al-Siddiq (reigned 632–634), Umar ibn al-Khattab (634–644), Uthman ibn Affan (644–656), and Ali ibn Abi Talib (656–661) (Nasr, 2013). Each caliph contributed to the protection and development of Islamic finance, building upon the foundation established by the Prophet (PBUH). Abu Bakr, the first caliph, focused on strengthening *zakat* administration (Ganiyev & Umaraliev, 2020) and played a crucial role in promoting and supporting the institution of *waqf* (Junarti et al., 2021). He led by example, donating personal property to support the welfare of the Muslim community.

Umar, the second caliph, is renowned for his significant economic reforms. He institutionalized public endowments, dedicating properties and resources to social services such as schools, hospitals, and welfare programs (Abuarqub & Phillips, 2009). He also appointed competent administrators to manage financial matters and established a central treasury (*Baitul al-Mal*) to oversee state revenues (Nor, 2015), enhancing the financial system's effectiveness and accountability. The third caliph, Uthman, continued Umar's administrative reforms. He was the first Muslim ruler to mint coins from precious metals, introducing gold and silver coinage into the Islamic financial system (Qadri & Bhatti, 2020) to facilitate trade with other regions.

Ali's caliphate was marked by political and social unrest, but he remained committed to upholding Islamic financial principles (Ganiyev & Umaraliev, 2020). He emphasized financial justice and equitable wealth distribution, issuing instructions to governors to live simply and apply strict financial management systems that encouraged savings and infrastructure investment. The contributions of these caliphs were instrumental in advancing social welfare, education, healthcare, and community development, while fostering a spirit of cooperation and compassion among early Muslims. After this period, Islamic scholars focused on developing *fiqh* (Islamic jurisprudence) and promoting economic reforms through *ijtihad* (independent reasoning).

Following the caliphate era, the medieval Islamic empires rose. The Umayyad Caliphate (661–750 CE), based in Damascus, was succeeded by the Abbasid Caliphate (750–1258 CE), based in Baghdad. The Umayyad Caliphate in Spain (756–1031 CE) and the Ottoman Empire (1350–1918 CE) followed. Under the Umayyads, the establishment of *Baitul al-Mal* transformed the financial institutional landscape. Its main functions included tax collection, *zakat* distribution, and budget management. During the Abbasid era, with the administrative center moved to Mesopotamia—a key trading hub between East and West—Islamic finance flourished. Instruments such as *musharakah*, *mudarabah*, and *murabaha* were widely used, along with tools like deposits, money transfers, cheques, and bills of exchange. The *Baitul al-Mal* remained central to managing state finances throughout the Abbasid period (Ganiyev & Umaraliev, 2020).

Following the decline of the Umayyad and Abbasid dynasties, the Ottoman Empire rose to power. It began with Uthman declaring himself Sultan in 1301. This period saw the formal use of *dinar* (gold) and *dirham* (silver) in trade. However, European banking intervention weakened the empire. Jewish bankers, invited without the caliphate's approval, introduced modern financial instruments based on *riba'* (interest), including bonds, credit, stocks, and banknotes—all dominated by non-Islamic systems (Ganiyev & Umaraliev, 2020).

With the fall of the Islamic caliphates, traditional Islamic finance practices declined. Nonetheless, the modern revival began in the 19th century. One notable milestone was MitGhamr Bank's launch in Egypt in 1963, which conducted the first experiment in Islamic banking (Mouawad, 2009). Since then, interest in Islamic financial services has grown among the world's 1.6 billion Muslims.

Globalization has accelerated this growth, creating both opportunities and challenges for Islamic financial institutions (Aisha et al., 2024). The industry is expanding into new markets, driven by increasing global demand for Shariah-compliant financial products among both Muslims and non-Muslims. In response, Islamic nations have developed and standardized the sector. A major milestone was the establishment of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in 1991, based in Bahrain. As a leading non-profit organization, AAOIFI issues standards that guide the global Islamic finance sector. Complementing its role, the Islamic Financial Services Board (IFSB) was formed in 2002 as an international standard-setting body. Together, AAOIFI and IFSB enhance the stability and ethical integrity of Islamic finance, offering regulatory guidance across banking, capital markets, and insurance. Their roles are particularly important in advancing Islamic

crowdfunding, ensuring it remains consistent with Islamic principles and adheres to best practices (Muhamed et al., 2025).

In Egypt, an Islamic crowdfunding platform named Yomken was launched in October 2012. A month later, Shekra was introduced as the first Shariah-compliant crowdfunding platform, founded and funded by its creators. Shekra aimed to promote Shariah-compliant enterprises that were ineligible for microloans or traditional financing. Although it does not market itself as strictly “Islamic,” it identifies as Shariah-compliant (Baber, 2020).

Similar Islamic crowdfunding initiatives have emerged globally, particularly in Europe and Asia, where there is a growing interest in faith-based financial models. In Malaysia, for example, Islamic crowdfunding has developed under the Securities Commission, which regulates equity-based and lending-based crowdfunding (Kamaruddin et al., 2023). However, regulatory frameworks for IDCF and rewards-based crowdfunding remain underdeveloped, indicating the need for more comprehensive governance across all crowdfunding models.

#### *Regulation Issues of IDCF Platform in Malaysia*

IDCF platforms in Malaysia exist in a legal environment that lacks consistency and clarity, leading to systemic governance and accountability issues. While these platforms have significant potential to address social welfare and community development in a Shariah-compliant manner, their effectiveness is curtailed by a fragmented and outdated regulatory framework.

The regulation of charities and benevolent institutions in Malaysia falls under the purview of the federal government, as stipulated in Article 74, Ninth Schedule, Federal List (List I), Item 15(c) of the Federal Constitution. In theory, this provides a constitutional basis for federal oversight of all public charities, including those raising funds through digital platforms, regardless of religion (Abdullah, 2016). However, in practice, the legal framework for crowdfunding is far from comprehensive. There is no specific legal instrument dedicated to DCF or community-based crowdfunding, and existing laws only apply loosely based on the classification of the organization involved (Muhamed et al., 2025).

The few regulations that exist vary depending on the type of fundraiser or institution involved. For instance, NPOs registered under the Societies Act 1966 (Act 335) are only required to submit basic financial documents such as a statement of receipts, payments, and a balance sheet. In contrast, the Inland Revenue Board of Malaysia (IRBM), under Section 44(6) of the Income Tax Act 1967, mandates audited financial statements only for organizations seeking tax-exempt status. Likewise, entities under the purview of the Legal Affairs Division (BHEUU) of the Prime Minister’s Department face similar minimal requirements (Bakar et al., 2019).

This regulatory inconsistency means there is no unified or enforceable standard for financial reporting among NPOs, nor is there a legal obligation for public disclosure of financial statements. Such regulatory gaps hinder the development of a robust accountability culture and leave crowdfunding platforms susceptible to misuse and fraud. As Bakar et al. (2019) argue, most fraud cases in Malaysia’s crowdfunding sector involve trusted insiders, board

members or employees, taking advantage of the absence of external oversight and transparency requirements.

In more advanced jurisdictions, financial disclosure is not optional but a legal necessity. Disclosure statements and reports serve as the most widely recognized tools of accountability and are often required by law to ensure transparency, particularly when public donations are involved (Bagheri et al., 2019). In contrast, the lack of legally enforced functional expense reporting and public access to financial statements in Malaysia impairs donor confidence and increases the operational risk faced by NPOs and DCF platforms alike.

Apart from disclosure issues, several other critical regulatory deficiencies persist. These include the absence of a standardized licensing process for DCF platforms, unclear criteria for platform qualification, particularly for Shariah-compliant models which lack of tax or other incentives for donors, and minimal oversight of ongoing crowdfunding campaigns. These issues have been flagged as serious obstacles not only for conventional community-based crowdfunding but also for Islamic models that require strict Shariah adherence (Abdullah, 2016; Bakar et al., 2019; Saiti et al., 2019).

The lack of proper rules for IDCF platforms shows that current policies tend to favor bigger, more established players in the industry. This makes it harder for platforms that follow Islamic principles to grow and succeed. As a result, people who want to raise funds may feel discouraged, the public loses trust, and donors may worry that their contributions are not being used properly or in line with Islamic values.

In light of these shortcomings, it is evident that Malaysia's current regulatory framework does not align with the needs of its growing crowdfunding sector. Scholars such as Abdullah (2016) and Bakar et al. (2019) argue that appropriate regulatory reform is urgently needed. This includes establishing a unified legal framework for all types of crowdfunding, particularly DCF and Islamic models which should mandates licensing, introduces performance and transparency benchmarks, and defines Shariah governance standards. These changes would provide legal certainty, protect public interest, and support the sustainable growth of IDCF as a socially impactful financing tool.

### **Research Methodology**

This study aims to explore the factors that project manager seeks in an IDCF in Malaysia. The method employed in this study adopts a qualitative research approach, focusing an in-depth understanding of the operational mechanisms of IDCF platforms. Thus, the sampling in this study is project manager who had used the IDCF platform Malaysia. The respondents selected were experience people in Malaysia who have knowledge and experience in using the IDCF platform. Moreover, the platform used by the respondent must achieve certain requirement based on prior study by Kamaruddin et al. (2023), as follow:

1. Legally registered either as a company under the Companies Commission of Malaysia (CCM) or as a non-profit organization (NPO) under the Registry of Society (ROS).
2. Located in Malaysia and operated by Muslims.
3. Adopting the DCF model for its crowdfunding activities.
4. Involve with Islamic social finance funds like *zakat*, *waqf*, *sadaqah*, *hibah* and *infaq*;

5. Projects and activities conducted are free from prohibited activities (*riba*, *maysir*, *gharar* and other *haram* activities).

For this study, a total of eight respondents were contacted through social media to participate. Appointments were set with each respondent accordingly. Each respondent was asked to sign their consent before the interview was conducted. The eight participants were interviewed face-to-face while the researcher recorded the audio of the session for gathering raw data of the research. Table 1 lists the backgrounds of the respondents.

Table 1

*List of Respondents*

Respondents	Gender	Age	Type of Crowdfunding Project	Years of Experience
Respondent 1	Male	54	Community	15
Respondent 2	Male	30	Community	8
Respondent 3	Male	50	Education	2
Respondent 4	Male	42	Orphanage	2
Respondent 5	Male	44	Books	1
Respondent 6	Male	39	Education	2
Respondent 7	Female	47	Education	2
Respondent 8	Female	29	Education	2

The selection on respondents was made based on their in-depth experience and in IDCF platforms and crowdfunding projects in Malaysia. In this case, a purposive sampling method was used by strategically selecting proficient and knowledgeable respondents concentrating on project managers in Malaysia as suggested by previous related studies (Aderemi & Ishak, 2023; Muhamed et al., 2023). In terms of the number of respondents, eight respondents involved in this study considered adequate as numerous works of literature suggest between five and 50 respondents for sample size under the interview approach. In fact, the most important key to an interview is the quality of the data, the scope of the study, the nature of the topic and the amount of useful information obtained from the interview sessions (Ishak & Mohammad Nasir, 2024).

By integrating these qualitative methods, the study aims to develop a clearer conceptual framework for IDCF, offering practical insights for improving platform implementation and fostering trust among stakeholders. This methodological approach ensures that the study provides robust and actionable findings, contributing to the growing body of knowledge on Islamic social finance and its potential for societal impact (Friesz, 2015; Muneeza et al., 2018).

For this, interview protocols were prepared prior to data collection, which took place from mid-2022 to the end of 2023. The interview protocols were developed based on related previous studies in IDCF in Malaysian context (Kamaruddin et al., 2023; Muhamed et al., 2023, 2025; Radzi et al., 2024). The data was analysed using thematic analysis to identify existing themes and new insights emerging from the data collection process. In overall, four main themes were identified which are: (i) government support, (ii) perceived platform standardization, (iii) operational costs, and (iv) control mechanisms. All findings were combined into a single case study report as suggested by Yin (2017).

### Findings and Discussions

The study highlights the factors that project managers want in an IDCF. The result of the analysis of interview transcripts identified the importance of government support, perceived platform standardization, operational costs, and control mechanisms. Each of the theme plays important role for each project manager's decision-making in selecting IDCF. Table 2 below depicted the grounded framework that project managers seek in IDCF platform.

Table 2

#### *The Grounded Framework of the Study*

Theme	Sub-Theme
Government Support	<ul style="list-style-type: none"> <li>• Legal Establishment</li> <li>• Shariah-Compliance Recognition</li> </ul>
Perceived Standardization	<ul style="list-style-type: none"> <li>• Standard Guidelines</li> <li>• Standardised Structure</li> </ul>
Perceived Cost	<ul style="list-style-type: none"> <li>• Low Cost</li> <li>• High Cost</li> <li>• Percentage-Based Cost</li> </ul>
Perceived Control	<ul style="list-style-type: none"> <li>• Efficacy</li> <li>• Engagement</li> </ul>

From the above table, the respondents view these themes as vital features in an IDCF. These themes have different opinion from each respondent as respondent's background and skill affect them. The details on each theme and its related findings and discussions are as follow.

#### *Government Support*

Respondents shared that they need more help from the government, especially in being seen as legitimate project managers instead of being mistaken for scammers. Many said that not being officially recognised makes it harder to gain trust and get support from donors. They also talked about the lack of a clear system from the government to support or regulate IDCF in Malaysia. One project manager said, *"There should be a proper structure for that... but they don't have it."* This reflects a wider concern among project managers who feel that the current regulatory environment is vague and underdeveloped, leaving them uncertain about what rules to follow or where to seek official guidance (Radzi et al., 2024).

Many respondents believe that having proper laws would help crowdfunding platforms follow the rules and build public trust. Right now, many platforms don't have licences or clear guidelines, which makes them seem less trustworthy and causes problems. Another big issue is the lack of official Shariah-compliance certificates. One respondent said, *"We do it according to Shariah, but it's not certified."* Without this official approval, both donors and project managers can't be sure the platform truly follows Islamic principles, which affects trust and credibility. This is in line with the previous study where it suggested there is a need for the structured Shariah governance and proper internal control functions including the existing of Shariah contracts, roles of parties, establishment of the Shariah committee as well as Shariah governance functions (Muhamed et al., 2023).

Similarly, one respondent said that the government should create a group to set and enforce Shariah rules for crowdfunding. Without this, platforms need to rely on their own

understanding of Shariah, which leads to different practices and confusion. Even with good intentions, the lack of formal guidance causes mixed standards and makes things less clear. Therefore, proper Shariah guidelines and framework especially for IDCF elements are critical for maintaining transparency and ensuring that the funders' intentions are met (Muhamed et al., 2025).

According to Dewi et al. (2024), DCF also struggles because of unclear legal rules and not enough oversight from the government. Many platforms don't clearly show their legal status because there are no strong rules to make them do it. This makes it easier for fake campaigns to appear. In Malaysia, since crowdfunding isn't fully covered by law yet, it depends a lot on the honesty and responsibility of project managers and platform owners. Stronger and clearer laws are needed to make platforms more transparent, protect public donations, and stop misuse fund.

Laws should also explain what each party is responsible for in online fundraising, to give legal certainty and support good management. Also, platforms should be required to get and show official licences, so only trusted and legal platforms are allowed to operate. This would protect donors and help build public confidence (Dewi et al., 2024).

In short, regulation is very important for the growth and trustworthiness of crowdfunding platforms, especially as this type of funding becomes more popular around the world (Prokofeva et al., 2020). Even though the industry is growing fast, crowdfunding rules are still a big issue. Fixing these gaps in the law is key to creating a reliable and Shariah-compliant crowdfunding system that can truly support social and charitable efforts.

#### *Perceived Standardization*

The testimonies shared emphasize the importance of standard guidelines and standardized structures in the operation of IDCF. Standard guidelines refer to formal, written procedures that ensure consistency and clarity for project managers. These guidelines should cover crucial aspects such as Q&A sessions, regulations, and ethical standards. The absence of these is evident in statements like, "*There are no guidelines, the written ones don't exist*", leaving project managers without clear instructions on how to navigate the platform. Without proper regulation and ethical guidelines, project managers may struggle with how to conduct fundraising activities in a manner that aligns with Islamic principles, creating uncertainty (Radzi et al., 2024). The lack of formal contracts, as mentioned in the testimony, "*No contract*", also highlights the absence of written agreements that would provide legal clarity and help manage expectations.

In terms of standardized structures, these are crucial for ensuring consistent operations and streamlined management. Standardized structures should define procedures and establish proper management practices that facilitate smooth communication, support, and decision-making. The testimonies suggest that the platform currently lacks such structure, particularly in communication and support systems. Project managers mention using informal channels like WhatsApp, which, while convenient, lack the formality and consistency that a standardized communication platform would provide.

Additionally, inefficient customer support based on the following statement “*there is customer support service but lacking in efficiency*” demonstrates the need for a more structured, effective support system. Moreover, the testimony, “*Before contacting the platform, we prefer to know the cost on the website*”, reflects the necessity for clear, standardized financial procedures that would prevent confusion and allow for greater transparency. This is important, as the success of IDCF projects heavily relies on strategic pricing and effective marketing, which can be achieved through standard guidelines and standardized IDCF structures (Nazarie et al., 2024).

In summary, the lack of clear guidelines such as proper regulations, ethical standards, and structured processes like Q&A sessions makes it hard for IDCF platforms to work effectively. Without standard procedures and proper management, project managers often feel confused and frustrated. Without a proper Shariah governance framework, IDCF platforms risk damaging the reputation of the broader Islamic finance industry. In cases of dispute or operational failure, it becomes unclear who holds responsibility and how issues should be addressed, especially in the absence of legal authority requiring service providers to follow specific standards (Radzi et al., 2024). To improve this, IDCF platforms need clear rules and better management systems that support transparency, efficiency, and compliance with Islamic values. This would build trust and help project managers run their campaigns more smoothly.

#### *Perceived Cost*

Based on the testimonies provided, perceived cost varies widely, with some managers experiencing minimal or no fees, while others report moderate to extremely high deductions from total funds. These perceptions are shaped not just by the percentage charged but also by the transparency, consistency, and justification of those costs.

Some project managers reported very low or negligible fees, suggesting a positive perception of affordability. For instance, one participant noted that the management fee was “*less than one percent*,” while another shared that there was “*no fee charged*” as the platform operates on a voluntary basis. Even though a 10 percent of annual fee is eventually deducted, the lack of upfront charges and the platform’s social reinvestment of part of the fee (five percent toward failed projects) helps maintain a favourable view of cost. This contributes positively to the intention to continue using such platforms, as low perceived cost reduces financial barriers and builds trust (Nazarie et al., 2024).

In contrast, other project managers reported significantly higher perceived costs. One respondent stated that a 50 percent of management fee was charged over two years, which likely generates distrust and dissatisfaction. High and unexpected charges can act as a major deterrent, potentially driving users away from the platform. Similarly, some testimonies revealed moderate, but variable, costs such as monthly fees fluctuating between five percent and 8 percent, which may cause confusion or wariness if not clearly communicated. Even when the percentages are moderate, the lack of consistency and transparency can negatively affect user trust and engagement. This is similar with previous study when they found that there are limited financial information especially on IDCFs except for crowdfunding project costs (Kamaruddin et al., 2023).

Overall, these IDCF platforms charge fees to cover costs like payment processing, maintenance, and marketing (Kamaruddin et al., 2023). However, some project managers expressed dissatisfaction with the varying fee structures across different platforms. The lack of standard pricing guidelines raises concerns about fairness and transparency, especially in a system based on trust and profit-loss sharing (Nazarie et al., 2024; Radzi et al., 2024).

### *Perceived Control*

Perceived control plays a significant role in influencing project managers' behavioural intention to use IDCF platforms. This factor can be understood through two key dimensions: (i) efficacy, the ability of project managers to manage campaigns independently, and (ii) engagement, their involvement and collaboration with the platform. Project managers differ in how much control they prefer to have, and their experience, trust in the platform, and resource availability shape these preferences.

Some project managers demonstrate high efficacy, preferring to manage their projects independently, especially when they have prior experience and established workflows. For example, one manager stated that after several rounds of using the platform, the process became routine and manageable. Others mentioned that they would rather pay their own staff than rely on the platform's team, suggesting a strong desire to retain control over campaign execution, marketing, and administrative decisions. This sense of autonomy often motivates project managers to stay involved in every aspect of the campaign, from content creation to donor engagement.

In contrast, other project managers are comfortable with the platform handling key tasks, particularly in areas like advertising and promotional content. One participant appreciated that the platform managed the advertisement process and only required them to provide materials like interviews when needed. This indicates a willingness to delegate responsibilities if the outcome, receiving funding is achieved. However, this trust in the platform can be fragile. Concerns about platform overreach, such as controlling the project name or key decisions, can create discomfort and reduce perceived control, which may discourage future engagement (Nazarie et al., 2024).

The reason different project managers prefer different levels of control is partly due to generational differences. Younger project managers, particularly Gen Z, are often described as highly creative and entrepreneurial (Schwieger & Ladwig, 2018). This drives them to prefer greater control over their campaigns, including editing their own content and creating personalized videos. In contrast, older adults may be perceived as less engaged, but this is often a misunderstanding. Their participation style differs due to unique motivations and considerations as content creators, which may not align with younger users' approaches (Waycott et al., 2013). These generational differences influence how project managers interact with and utilize IDCF platforms.

Additionally, limited digital or administrative skills can reduce a project manager's sense of control, leading to a reliance on others for technical tasks such as uploading databases or generating reports. Some also expressed frustration over system limitations or platform controversies, which disrupted their campaigns and strained relationships. Ultimately, perceived control in IDCF is a balancing act, while some project managers thrive on autonomy,

others value collaborative support. However, both groups require clear communication, transparency, and functional tools to feel confident and engaged in using the platform.

### **Conclusion**

The study highlights several key issues affecting the effectiveness of IDCF platforms in Malaysia. A major concern is the lack of government support and regulation, which makes it difficult for project managers to gain public trust and operate with legal certainty. The absence of formal recognition, licensing, and Shariah-compliance certification creates confusion and raises doubts about whether these platforms truly align with Islamic values. Without clear legal frameworks, both donors and project managers are left uncertain about their rights, responsibilities, and protections.

In addition, the findings reveal a lack of standardised guidelines and consistent platform structures. Many project managers struggle with unclear procedures, weak communication systems, and inconsistent customer support. Combined with unclear or varying fee structures, these issues lead to frustration and distrust. Some managers report very low costs, while others experience high or unexpected charges, pointing to the need for transparent pricing policies. Such inconsistencies undermine the trust necessary in a system rooted in ethics and profit-loss sharing.

To address these challenges, IDCF platforms should work with government and religious authorities to establish formal regulations, clear Shariah guidelines, and licensing processes. Platforms also need to implement standard operating procedures, transparent fee structures, and better support systems. At the same time, offering flexible tools that accommodate different levels of project manager experience and preferences, especially across generations can improve engagement and campaign outcomes. Strengthening these areas would help build public confidence and ensure that IDCF platforms are trustworthy, transparent, and aligned with Islamic principles.

This recommendation is not limited to the Malaysian context alone; similar approaches to IDCF should also be considered from a global perspective. Ensuring that crowdfunding projects are properly managed by project managers, legally recognized, and operate within a clear regulatory and framework is essential across all countries. A unified global effort can help promote greater transparency, accountability, and trust in the operations of platforms under this category.

This study lays the groundwork for several avenues of future research. Firstly, it focuses on IDCF within the crowdfunding context. Other types of crowdfunding, such as equity-based, lending-based, and reward-based crowdfunding, are also worth studying—particularly to understand and identify existing regulatory gaps in these models. Secondly, research on regulatory gaps can be extended to other religious and general non-profit organizations involved in raising funds via online platforms such as crowdfunding. Thirdly, since this study is qualitative in nature, future research could explore regulatory gaps in IDCF from the perspectives of other stakeholders, such as regulators and donors.

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