ISBN: 978-967-17692-2-5

"Bank-Based" Equity Crowdfunding Model: Theoretical Perspective

Hanisah Mohd Sobre
Mariani Abdul Majid
Shifa Mohd Nor
University Kebangsaan Malaysia

Khairul Akmaliah Adham
Universiti Sains Islam Malaysia

Abstract

Small and Medium Enterprises (SMEs) is having problems getting financing from traditional financial. With the development of financial technology (FinTech), alternative funding platform which is "bank-based" equity crowdfunding model has been introduced and regulated by Bank Negara Malaysia (BNM). Therefore, this paper aims to explain the current practice of "bank-based" equity crowdfunding model from a theoretical perspective. We use qualitative methodology as the main method through interviews with experts and market-participants. Our study shows that there are three actors involved in investment account platform (IAP) which is i) investors (individual or corporate or institutional investors); ii) platform via sponsoring banks; and iii) venture and this IAP is more trustee as it is regulated by a central bank. Hence this article provides insight to the industry by extends the knowledge on understanding the current practices with a particular theory. This research will encourage "bank-based" equity crowdfunding model approaches as a way to improve sustainability outcomes aligning with sustainable development goals.

Keywords: Crowdfunding, Islamic Banks, Investment Account Platform, equity crowdfunding model, **theoretical**

1.0 Introduction

As increases the engagement of new venture and Small and Medium Enterprises (SMEs) in industry, they are facing some problems which difficult to acquire funds from traditional financial for early-stage of start-ups financing. The International Finance Corporation (IFC) estimates that 40% of formal micro, small and medium enterprises (MSMEs) in developing countries have unmet financing. East Asia and Pacific is the largest share (46%) of the total global finance gap and is followed by Latin America and the Caribbean (23%) and Europe and Central Asia (15%). About half of formal SMEs don't have access to formal credit (World Bank Report, 2019). Therefore, entrepreneurs acquire a source of funds through an alternative funding platform by using online crowdfunding or known as financial cyber mediation. Crowdfunding marks a new trend for small and micro businesses, and individual entrepreneurs to find financial resources in an internet-dominated era (Zhao, 2017) because some firms promote sustainable innovation in their processes, products, services and business models (Schiederig, Tietze, & Herstatt, 2012).

Contemporary crowdfunding using digital technology has come to Malaysia in 2012 which is limited to reward-based crowdfunding for the first three years, however, it is unregulated. Since July 2012 until now, the awareness of crowdfunding has increased with the rising number of Google searches on 'crowdfunding' in Malaysia which 10% on July 2012 raise to 80% on Dec 2016 (Asian Institute of Finance, 2017). The Malaysian government and market players have welcomed it as an important new

ISBN: 978-967-17692-2-5

means to promote SMEs which significantly enhance job creation, having strong social as well as economic implications (Asian Institute of Finance, 2017).

According to World Bank (2013), developing countries that manage crowdfunding process successfully may be able to leapfrog the developed world, in both a regulatory and economic sense, by creating frameworks for early-stage finance that facilitate entrepreneurship, the fostering of innovative technology enterprises and the emergence of new competitive industries. Therefore, a new market mechanism is developed known as Investment Account Platform (IAP) which operates as same as crowdfunding and it is guided by Bank Negara Malaysia. This is to fulfill the requirement of IFSA 2013, which investment account at Islamic banks need to be distinguished from Islamic deposit with non-principal guarantee feature align with the purpose of investment (Bank Negara Malaysia, 2014).

1.1 *Investment Account Platform (IAP) background*

IAP is backed by Islamic banking institutions via Investment Account (IA) that is offering to the investors. This platform will provide investors with an option to access shariah investment as to funding the venture. IAP involves three parties that is investors, venture and platform which intermediaries by seven Islamic banks that is Bank Islam Malaysia Berhad (BIMB); Bank Muamalat Malaysia Berhad (BMMB); Maybank Islamic; Bank Kerjasama Rakyat Malaysia Berhad; Bank Simpanan Nasional (BSN); Affin-Islamic Bank Berhad; and RHB Islamic (Investment Account Platform, 2017). Thus, Islamic banks as trustee entity play a central role for platform owner (Kim, Ferrin, & Rao, 2008). Islamic banking institutions will facilitate the matching of investments with the identified projects that require funding.

This new platform for crowdfunding then is interpreted by authors as "bank-based" equity crowdfunding model due to the role of Islamic banks as a fund manager and intermediary between investors and venture. Even the concept of crowdfunding is expanding at a rapid pace, still, the equity crowdfunding literature in the term of "bank-based" equity crowdfunding has not been defined in academic literature to date. Therefore, this research aims to fill the gap to explain the current practice of "bank-based" equity crowdfunding model from a theoretical perspective.

Significantly, Bank Negara Malaysia (BNM) believes the current SME financing gap of RM25 billion can be met by alternative financing (e.g through Investment Account Platform) with an estimated potential of RM70 billion (Asian Institute of Finance, 2017). Thus, the importance of the studies is to enhance the role of "bank-based" equity crowdfunding as an alternative investment vehicle in Malaysia since the banking system is not well-equipped to support new SME ventures. More importantly, equity crowdfunding in Islamic finance may become an opportunity to achieve goals of Malaysia Halal Economy through digital Islamic economy.

To the best of our knowledge, this is one of an early study investigating this issue. Therefore, it seems appropriate to use a qualitative research method by interviewing expertise and reviewing existing literature to capture a wide range of information and create broad insight. This innovative scheme that emphasis equity crowdfunding in Malaysia is guided by the following research question:
RQ1: What is the current practice for "bank-based" equity crowdfunding model.

This paper is organized as follows. The next section presents the existing literature on crowdfunding and underpinning theories. The third section describes the research methodology and data collection. An analysis of results follows in the fourth section. The section also provides a "bank-based" equity crowdfunding model. The fifth section provides a discussion of the findings, and the last section comes with a conclusion, contribution and implications of this study.

2.0 Literature Review

The concept of "bank-based" equity crowdfunding through IAP is very similar to crowdfunding where it is defined as an internet-enabled way for businesses to raise money in the form of investments/donation from multiple individuals (World Bank, 2013). Crowdfunding is becoming an imperative source of financing and is receiving extended attention from the economics and finance research community.

ISBN: 978-967-17692-2-5

2.1 Underpinning Theories on Crowdfunding

Based on existing research on equity crowdfunding, some theories can explain the behaviours of investors to invest in crowdfunding, the behaviour of the entrepreneur to conduct the project and the roles played by the platform as intermediaries.

Ricardo Rodriguez-Ricardo, Sicilia, & López, (2018) explained the motivation of investors to invest in encouraging when they feel belonging to the community and will support the venture that is needed in funding. This is aligning with social identity theory introduced by Tajfel, (1979) which use to explain person's sense of who they are based on their group membership that is a sense of belonging to the social world. This theory support investors' motivation with non-financial investment reward. Investor intention to participate in crowdfunding is derived by attitudes toward helping others and interpersonal connectivity indirectly affect as an investment vehicle through social identification with the crowdfunding community (Rodriguez-Ricardo et al., 2018). Indeed, Shahab, Ye, Rias, & Ntim (2018) depict that financial investor's inclination and decision to invest in the reward-based crowdfunding projects is dependent on the feedback of others, quality of the project and social capital. Overall, this shows the human relation approach which explains the important relationship between investors and entrepreneurs that considered on reward return with a productivity of venture.

Entrepreneurs' decision making to voluntary information disclosure on the crowdfunding platform influenced by risk perception theory written in 1969 by Chauncey Starr (Solvic, 1987). This theory explains the behaviour of entrepreneurs in their risk appetite whether they are risk-averse or risk-taker. Wang, Liu, Kang, & Zheng (2018) stated that plagiarism risk harms entrepreneur voluntary information disclosure, while financing risk has a positive effect. This is because when an entrepreneur discloses their project's information, illegal use or plagiarism on core information may cause serious loses. However, in contrast with financing risk, if entrepreneurs fail to attract investors' intention, they may disclose more information about their project

Signallling theory is suitable to describe the idea of one party credibly conveys some information about itself to another party. The signall theory introduced by Spence means communication between individuals and others by conveying information which usefully increases the confidence of the receiver. Based on the signall theory, entrepreneurs signall investors via the descriptions of the projects listed on platforms. Additionally, it also can reduce asymmetry information between investors and entrepreneurs through project quality (Ahlers, Cumming, Günther, & Schweizer, 2015; Connelly, Certo, Ireland, & Reutzel, 2010). This element can be presented in many ways such as video, image, positive comments which give a positive effect on the success of crowdfunding (Zhang, Li, Wu, & Long, 2018). Hence, project information will disclose at the platform for investor assessment as transparency.

2.2 Implementation of Crowdfunding

Most of the numerous authors explain crowdfunding as an interconnection between investors and entrepreneurs in the online platform. These actors contribute in different ways that are either providing money or conduct the business idea. Estrin, Gozman, Khavul (2018) defined crowdfunding as alternative funding in the early stage entrepreneurial finance space, which uses the power of social media to provide a new channel linking investors with entrepreneurs. This supported by Bender, Gal-or, & Geylani, (2019), which explain it commonly used by entrepreneurs to finance new ideas of their product because traditional financial intermediaries such as banks find their ideas to be too risky to give financing as completely it is a new project from which currently exists. Moreover, enterprises have little or no collateral to offer and traditional financial intermediaries are not ready to participate at the early-stages start-ups of their development, although it is such an innovation towards economic growth and have a positive impact (Sudolska, 2014).

Borello, Crescenzo, and Pichler, (2015) categorized crowdfunding into community crowdfunding and financial crowdfunding. Under community crowdfunding, there is lending/donation crowdfunding and reward crowdfunding while under financial crowdfunding is p2p lending and equity crowdfunding. But most existing literature classified crowdfunding into four that is equity-based, lending-based, donation-based and reward-based crowdfunding (Abdullah, & Oseni, 2017; Kraus, Richter, Brem, Cheng, Chang, 2016).

Lending based crowdfunding is a form of financing that enables loans between individuals without intervention from financial intermediaries. The risk is greater than other transactions and the return is also higher. Next, for reward-based crowdfunding, investors will receive a token, gift, service, or product as in exchange for their pledge to the project, and for sure their motivation to invest depends on the reward gained. In contrast, donation-based crowdfunding aims to raise funds to contribute to social causes than focusing on economics return. Instead, investors offer financial support for this project or cause purely in the spirit of goodwill and seek a social reward by contributing to sustainable development. However, in exchange for their investment, investors will receive shares in the business project they have pledged on equity-based crowdfunding (The World Bank, 2013).

Indeed, crowdfunding uses the power of social media to provide a new channel link between investors and entrepreneurs (Estrin, Gozman, Khavul, 2018). In crowdfunding practice, three players are involved in the process. The investors or backers aiming to choose a promising project to invest in and finally earning profit by investment withdrawal. Hopp, Kaminski, & Piller, (2018) stated that potential consumers will make decisions based on their perception of product benefits and utility based on text, speech or video content on campaign websites. The backers or investors will evaluate and decide on the project whether to be a partner or not after obtaining information from the platform (Bender et al., 2019; Hopp, Kaminski, & Piller, 2018; Kraus, Richter, Brem, Cheng, & Chang, 2016). In advance, syndicate involve lead investors bringing deals to a crowd of backers which conduct due diligence and monitor progress on behalf of other investors. Lead investors have the ability and incentives to leverage the collected information through their relationship and significantly reduce the asymmetry information problem. Thus, syndicate offer leads investors the opportunity to leverage their relationships, capabilities, reputation and effort to increase their returns and influence (Agrawal & Catalini, 2015).

Next is the entrepreneur or fundraiser which aiming to obtain financing and other resources with the help of crowdfunding. Entrepreneurs or fundraiser prepare project applications with detailed information about their projects start-ups and then submit to platforms. If the applications pass the risk-control process of platforms, the project is launched on the platforms (Chen, Chen, & Qian, 2018; Zhang, Li, Wu, & Long, 2018).

Last, is the platform, which plays the role of intermediaries that bring together groups of users in two-sided networks. Platforms have the responsibility of investigating the project applications submitted by entrepreneurs or fundraiser and serving the two-sided market during the funding process (Gal-Or, Gal-Or, Penmetsa, 2019). Through this platform, entrepreneurs or fundraiser need to provide all related information such as project framework, project logos, pictures and video or web as an evidence that reinforces the journey of the project to be carried out (Chen et al., 2018; Lacan, & Desmet, 2017; Usman et al., 2019). Then after due diligence on the project, the platform will launch the project. In exchange, a platform charges a commission on the amounts of money collected if and when the campaign is successful (Lacan, & Desmet, 2017).

There are two types of a model using by crowdfunding platform that is 'All or Nothing' (AoN) and 'Keep it All' (KiA). 'All or Nothing' is a credible signall to the crowd that the entrepreneur commits not to undertake the project if not enough fund is raised. When the funds collected do not achieve the campaign's initial target within the stipulated time, the funds should be returned to the contributor or investors (Chen et al., 2018; Huang et al., 2018). While 'Keep it All' is a model that entrepreneurs will use the collected funds either campaign goal is successful or not. There is no refund towards contributor or investors but the entrepreneurial firm can keep the entire pledged amount (Chen et al., 2018; Huang et al., 2018). Usually, investors or fundraiser will use AoN model as an implementation of crowdfunding.

3.0 Methodology

To explain the current practice of the "bank-based" equity crowdfunding model which is a collaborative element of IAP and equity crowdfunding, this study is using a qualitative approach inductively since this method is an appropriate approach to gauge the understanding of a specific situation (Merriam, 2009). Our study is based on existing data which seek to test in current practice (Silverman, 2017).

3.1 *Data collection and sample*

First, this article is drafted based on existing literature on equity crowdfunding and transformed into "bank-based" equity crowdfunding model. Then, the conceptual framework is drawing based on existing literature by reviewing articles that discuss on equity crowdfunding practice. To elaborate on the implementation process of crowdfunding in details, we find a suitable theory on previous studies.

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Second, based on Merriam (2009), we use pilot strategy to select participants which can give accurate information in line with the research objective. In doing so, we gathered data through interviews with market participants that is ventures and third parties (bankers) that have a strong passion towards Islamic banking on investment, thereby providing deep-insights into this current research. To develop our interview guidelines, we highlight on existing literature in equity crowdfunding. The number of the interviewee is increasing until we reach a saturated point (Meriam, 2009; Silverman, 2017). Hence, we conducted seven semi-structured interviews on the managerial level of the IAP as a platform provider, ICT Venture as an entrepreneur, and the senior managers from five participating banks [Bank Islam Malaysia Berhad; Bank Muamalat Malaysia Berhad; Affin Bank Islamic; Maybank Islamic; Bank Kerjasama Rakyat Malaysia Berhad]. These interviews are conducted during the period of May-August 2018.

3.2 *Data Analysis*

The data were analyzed by using themes coding which assigns with the research question (Meriam, 2009). Based on interviewing transcription, thematic analysis is formed. Themes are classified into current practices of "bank-based" equity crowdfunding model. Accordingly, we use secondary data by viewing content analysis from Investment Account Platform report and notes, Malaysian Crowdfunding report, Islamic banks report and online data as supplementary to our data. Based on finding the result, we compared it with existing literature and considered a particular theory from prior studies as evidence for details explanation. It comes out with Islamic perspective as a main fundamental and which drive the implementation of current practice in line with the Islamic perspective. Table 1 presents the background of the interview participants. To ensure that the participants remain anonymous we use codes to differ each participant as below.

Instituitions	**Respondent**	**Status**
Bank 1	Yusuf	Participating bank without project
Bank 2	Nabihah	Participating bank with project
Bank 3	Adam	participating bank with project
Bank 4	Ali	Participating bank without project
Bank 5	Umar	Participating bank with project
Firm A	Cheng	Participating in venture
Platform	Khalid	Platform owner/Authority

Table 1: Profile Analysis

4.0 Finding

This research is to explain the current practice of "bank-based" equity crowdfunding model from a theoretical perspective. This finding outcome is from the interview's data transcription and supported with content analysis from IAP report and notes.

4.1 *The current practice of "bank-based" equity crowdfunding*

This model used to illustrate equity crowdfunding through Investment Account Platform (IAP) with articulated of investment account and central role play by banks as intermediaries. Thus, this section will provide explanations on the current practice of "bank-based" equity crowdfunding.

IAP was an initiative of BNM which is established after the implementation of IA guidelines in IFSA. IAP is launched to Islamic banks mainly to fulfil the objective of an innovative medium for Shariah-compliant investments for investment account as stated in IFSA 2013 and fundraising initiatives for SMEs and other venture. This is asserted by bank 4:

> *"The idea for IAP is derived from IFSA 2013 and of course Bank Negara Malaysia as regulator and it's been developed for new categorization that is investment account" – Ali*

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The operation of IAP is somewhat similar to equity based crowdfunding. The crowd investors need to place funds in Investment Account (IA) at any seven Islamic banks that subsidiaries in IAP. This is explained by the platform owner. Besides, the flow for investment must follow guideline as stated in IFSA 2013 which the capital is not guaranteed and the return is not promised.

> *"The start or beginning of IAP now I think some bank such as Bank Islam or Maybank Islam offer IA product…the bank identified the business that need the fund first and offer it to the investor using IA products" - Khalid*

Then investors should register online to involve as a funder for venture project, and undertake Suitability Assessment (SA) to choose venture in line with their risk appetite; financial capabilities; investment needs and appetite; and investment knowledge and experience. After the submission, Islamic banks as third parties will help investors and conduct the selection of venture through suitability assessment as asserted by bank 2. This is to assess eligibility and risk appetite of individual investors so that it will match with project risk.

> *"if individual customer, we need to assess his capability, means the look at their payslip and their commitment" - Nabihah*

The venture is opened for Small and Medium Entrepreneurs (SMEs) or any venture (programmable logic controller (PLCs); multinational corporations (MNCs); government-linked companies (GLCs); federal and state-owned institutions) with viable projects and new growth industries (IAP portal, 2017). According to bank 2, the venture should register online and fulfil the conditions that have been stated. Then, entrepreneurs need to upload financial statement and corporate information as an information disclosure for platform and investors to assess as a convince. The minimum amount for raising funds is RM500 thousands and the tenure for raising funds can be up to 5 years (Kasni & Muhammad, 2019). Then, the venture will receive financing from intermediaries if the target amount is successfully raised.

> *"most importantly, customer must agree that the application will upload by IAP because when log in online IAP, the document will publish to the public… so it's only for those who agree with, so we need to convince investors as well."- Nabihah*

For the registered venture, they have assessment criteria that are creditworthiness and viability of the venture before it being launch on the platform. To screen the venture, the rating agency will assign a credit rating on ventures. Hence, sponsoring banks will perform second due diligence on the venture in terms of standardizes credit rating by Rating Agency Malaysia (RAM) Solution Sdn Bhd. This will gain the investor's confidence in the venture and enable them to make an investment decision on the viability venture. Then, the venture will be listed on the IAP platform.

> *"This is for RAM only, the most that had more detail in Malaysia RAM has a recorded but through IAP the 5 million is AAA, you can check by the financing detail. So, it's a good thing to have, as far as rating is set for the SMEs which can be used to as testable to the understanding." – Khalid*

Islamic sponsoring banks act as the intermediary on Investment Account Platform (IAP). Banks will investigate or exercise with care on the registered venture before entering the agreement or contract to prevent any fraud that may happen and it is known as due diligence by banks. As specified by bank 5, the bank will match between project and investors desire.

> *"bank just act as intermediate, as the wakil for investor, and invest to project that investor already agreed,"- Umar*

Moreover, roles sponsoring banks as investment intermediary is to guide the investment management on crowd investors and also monitors the performing of venture. Banks take action to give

ISBN: 978-967-17692-2-5

protection towards investors from any fraud, decide the indicative rate, and pay the distribution of profit to investors upon the agreed terms, thus in return, Islamic banks will charge agent-fee on investors which will deduct from incentive return. Bank 5 asserted as below:

> *"Any profit that you get from the project is belong to the investor, lets say the profit is 10% but then we have our agency fee and Wakalah fee, so whatever profit they get will be deducted with our fees. - Umar*

As to implement this in line with shariah-compliant, there are three contracts involve between Islamic Banks and investors that is profit and loss sharing (Musharakah), unrestricted investment account for profit sharing (Mudharabah Muqayyadah) and principal authorizes another party as his agent to perform a particular task, with or without imposition of a fee (Wakalah). Based on the IAP web, most of the Islamic banks use Mudharabah Muqayyadah and Wakalah contract and this is explained by bank 4 and bank 1.

> *"IAP is more to service function, so will use Wakalah or Mudarabah align with central bank direction" - Ali*

> *"We have two contract, which in investment account and venture account. Actually we can use any contract either Tawaruk, Wakalah, Mudarabah or Musyarakah, but we proceed with approval contract"- Yusuf*

However, there are five contract involve between sponsoring banks and venture that is equity-based financing (*Musharakah* and *Mudharabah*), fee-based financing (*Wakalah*), sale-based financing (*Tawaruq*) and lease-based financing (*Ijarah*), but sponsoring bank majorly using sale-based financing which is *Tawaruq* (Kasri, N. S., & Muhammad, M., 2019). This is supported by bank 3:

> *"for financing, all banks agreed to use whatever products that they have, it can be anything, depending on the nature of it,…but I see that the easier one is Tawaruq. Ijarah must have competence asset and there have many of other challenges" – Adam*

5.0 Discussion

This section will discuss in details towards underpinning theories on "bank-based" equity crowdfunding in current practices with attributed to value-based.

5.1 *Underpinning theories on "bank-based" equity crowdfunding model*

Figure 1 shows the implementation process of "bank-based" equity crowdfunding and it is facilitated by some theories. Firstly, an entrepreneur who seeks for funds will submit their online application's venture to sponsoring banks for listing on IAP. In doing so, they need to disclose details about their company and ventures. The venture is opened for Small and Medium Entrepreneurs (SMEs) or any venture (programmable logic controller (PLCs); multinational corporations (MNCs); government-linked companies (GLCs); federal and state-owned institutions) with viable projects and new growth industries (IAP portal, 2017).

ISBN: 978-967-17692-2-5

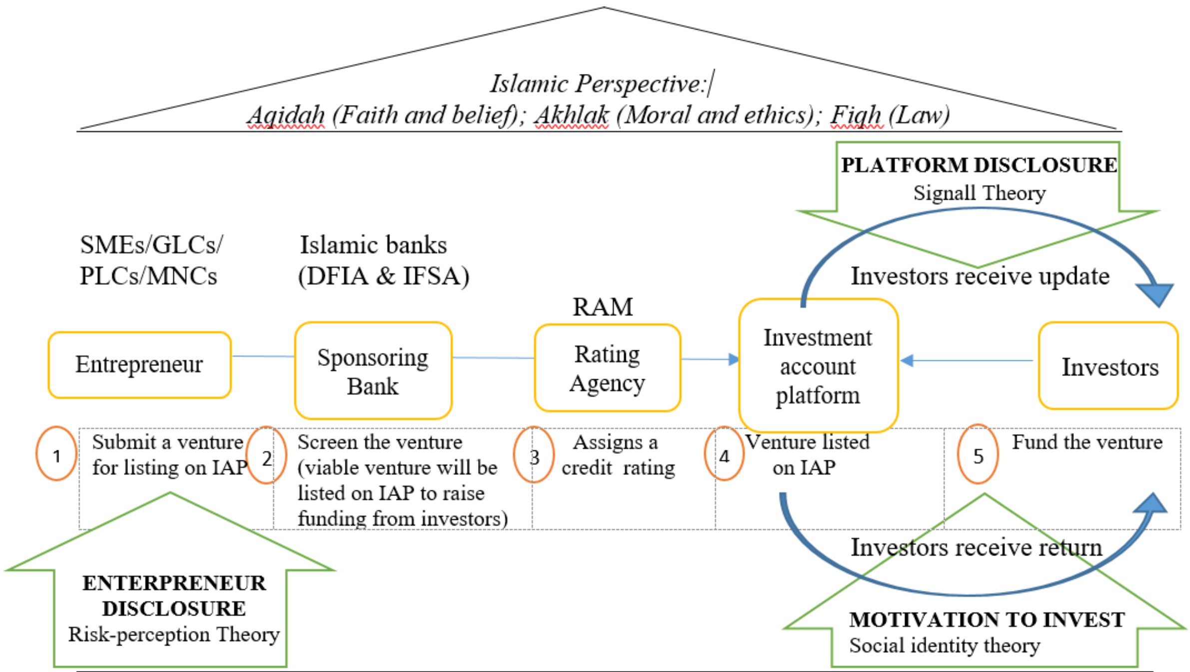

Figure 1: Underpinning theories on "bank-based" equity crowdfunding

Accordingly, entrepreneurs' decision making to voluntary information disclosure on IAP influenced by risk perception theory. This is in line with Wang et al (2018) which state that plagiarism risk has a negative effect on entrepreneur voluntary information disclosure, while financing risk has a positive effect. When entrepreneur disclose their project's information, illegal use or plagiarism on core information may causes serious loses. However, in contrast with financing risk, if entrepreneurs fail to attract investors' intention, they may disclose more information about their project.

Secondly, intermediary roles are supported by Islamic banks. The offerings and transaction conducted by the Islamic banks or the sponsoring banks are governed by the Islamic Financial Services Act (IFSA) 2013 and Development Financial Institution Act (DFIA) 2002. This is asserted by bank 1:

> *Bank 1 is under DFIA, not like other commercial bank but still govern by central Bank. Regulation under central Bank doesn't have issue due to early intention as an initiative from central bank which to look forward on achievement of IA- Yusuf*

Islamic banks play roles with screening the venture and only viable venture will be listed on IAP to raise funding from investors.

Thirdly, registered venture need to have assessment criteria that is creditworthiness and viability of the venture before it being launch on platform. To screen the venture, rating agency Rating Agency Malaysia (RAM) Solution Sdn. Bhd. will assign a credit rating on ventures. This will gain investor's confident on venture and enable them to have a more information before make decision on the viability venture. This statement is agreed by participating venture which:

> *"The risk mostly is from our angle that is why we must assess the credit of our customer and this is why investor need to understand IAP in which they investing."*- Cheng

Fourthly, the venture will be listing on IAP platform. As trusted entity, banks will disclose all information about the venture to investors to ensure the transparency is there. This situation is aligning with Connelly, et al., (2010) which entrepreneurs signall investors via the descriptions of the projects listed on platforms. Based on signall theory, it can reduce asymmetry information between investors and entrepreneurs through project information disclosure. Therefore, sponsoring bank will disclose company credit-rating, profile and the project risk as a signall for investor to choose venture for investment.

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Lastly, investors will fund the interest venture based on their choices align with risk appetite and desire indicative return. According to Rodriguez-Ricardo, et al., (2018), motivation to invest is derived by social identity theory. When investors feel belonging to the community, automatically they will support the venture that is needed in funding. Investor intention to channel fund for IAP is derived by attitudes toward helping others without focusing on indicative return. This support investors' motivation with non-financial investment reward and called as social identification towards community.

Additionally, is a must to have value-based in organization such *Aqidah* (faith and believe); A*khlak* (moral and ethics); and *Fiqh* (law) which guided Muslims' way of life in Islamic perspective. This is similar with value-based management which support the maximum value creation in organization (Munteanu, Danaiata, Hurbean, & Bergler, 2012). With guidance from Islamic transaction law (*Fiqh Muamalat)* on "bank-based" equity crowdfunding model, financial issues regarding transparency, fraud, agency problem, information asymmetry in using FinTech as cyber-mediation can be reduced. This is attribute with moral and ethics *(Akhlak)* value as mentioned in value-based management approach which provides consistency of mission, strategy, culture, communication, organizational structures and decisions process (Munteanu et al., 2012). The creating value consist of trustworthiness, transparency, altruism, societal between investors and entrepreneurs. Hence, Islamic perspective seems importantly portrays the significant of Islamic finance in expand the growth of economics in 4th revolution era without corruption or fraud.

According to Samson (2018), the concept of behavioral economics explains the effects of psychological, cognitive, emotional, cultural and social factors on economics decisions of individuals or institutions and concerned with the bounds of rationality of economic agents. Hence, this study show how market decisions is made and what mechanisms drive the public choice with value-based. Those theory explains details regarding behavioral economics on crowdfunding.

6.0 Conclusion

This paper explains the current practice of "bank-based" equity crowdfunding model from theoretical perspective. To conduct this research, we use a qualitative research method by interviewing expertise and reviewing existing literature to capture a wide range of information and create broad insight. Based on current practice of "bank-based" equity crowdfunding model result**,** it illustrates equity crowdfunding through Investment Account Platform (IAP) with articulated of investment account which end to end shariah-compliant. There are three actors involved in IAP which is investors either individual or corporate or institutional investors; Investment Account Platform IAP via sponsoring banks; and venture or entrepreneurs. The central role play by banks as intermediaries.

It is used online application and being regulated and supervised by central bank. This is more security, comfort and satisfaction than crowdfunding platform due to close monitoring and due diligence that performed by banks. This model is based on investment contract comply with shariah such equity-based and agent fee-based for investment account holder (BNM, 2014). Meanwhile, the contract between intermediaries and entrepreneur based on any of financing contract such equity financing contract; lease-based financing contract; sale-based financing contract; and fee-based financing contract (Jamaluddin, 2015). Moreover, there are theories underpinning on the current practice such risk–perception theory, social identity theory and signall theory.

This paper provides several contributions to the existing literature in equity crowdfunding. Equity crowdfunding is still infancy in Malaysia, it is importantly needed as alternative financing for Small and Medium Entrepreneurs (SMEs) and others venture. Indeed, IAP is more strategic than crowdfunding because it being regulated by central bank and highly trusted seems Islamic banks as intermediary actors. Next, this study contributes to underpinning theory on "bank-based" equity crowdfunding which explain the influence factor on investors decision to invest, entrepreneur decision to disclose their information and underpinning theory on roles of platform as a trustee entity.

IAP is a new alternative financing introduced by central bank to help SME get financing and as an alternative platform for investment. Hence this article provide insight information to industry by extends the knowledge on understanding the current practices. This research will encourage "bank-based" equity crowdfunding model approaches as a way to improve sustainability outcomes aligning with sustainable development goals.

Further studies should be expanding the approaches of challenges and sustainability of "bank-based" equity crowdfunding model. The key idea of "bank-based" equity crowdfunding model is the

ISBN: 978-967-17692-2-5

way to develop sustainable finance of Islamic banks that comes out with value-based intermediation in the financial system. Indeed, empirical studies are needed from aspect entrepreneur/venture in obtaining funds as well as investors perspective to invest. The studies should seek evidence of the real contribution of "bank-based" equity crowdfunding to sustainability in environmental, as well as social terms.

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