

# Potential of Crowdfunding for Economic Development in the OIC Member Countries

## Part 1: Chapters 1 and 2

Prof. Dr. Habib Ahmed

THE 25<sup>TH</sup> MEETING OF THE COMCEC FINANCIAL COOPERATION WORKING GROUP  
April 22, 2026

FinTech  
Impact Investing  
Crowdfunding 2024  
+ First impact rounds  
+ Impact on (developing)





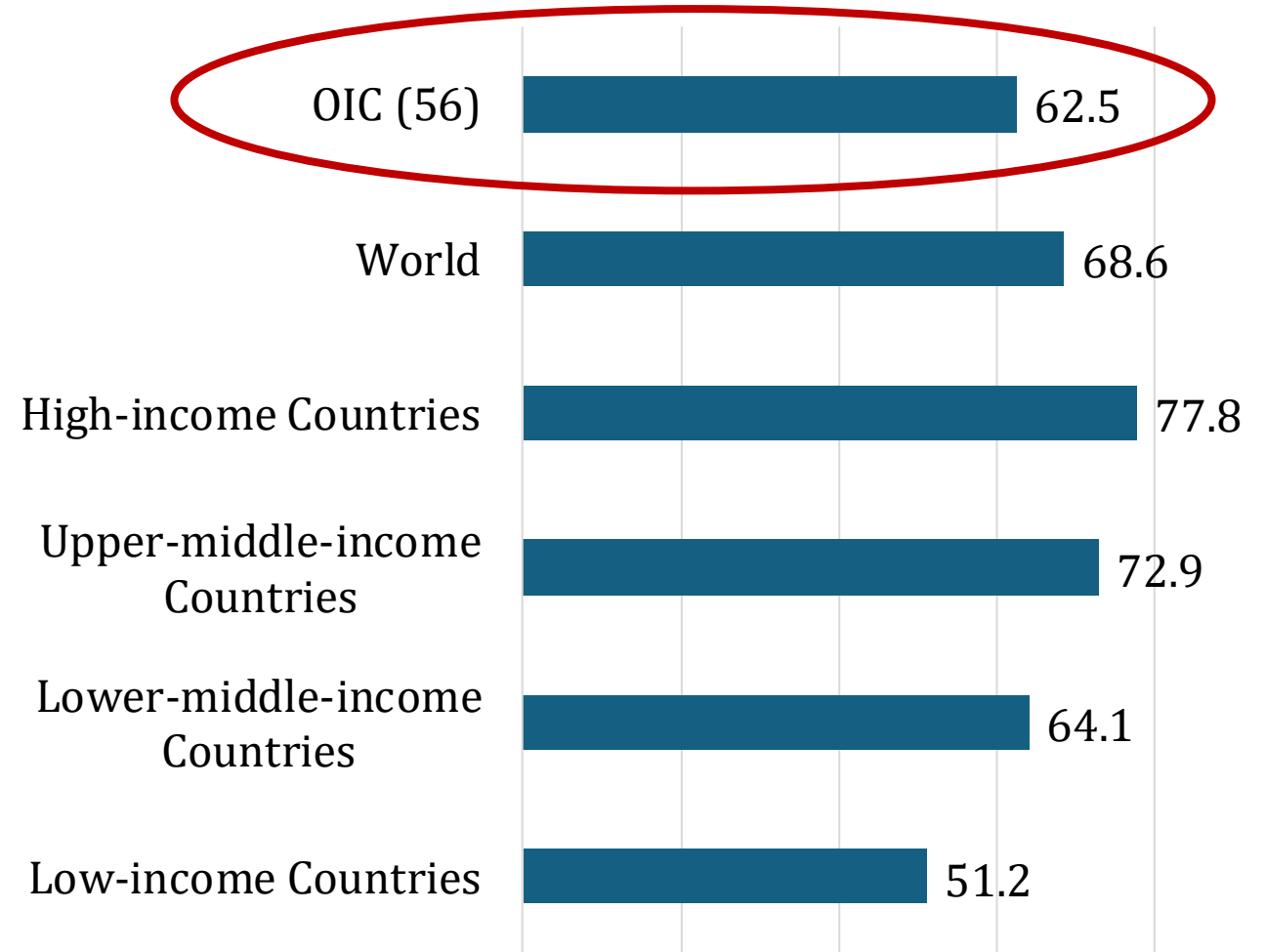
# Agenda

- **Chapter 1: Introduction**
  - Background and Context
  - Sustainable Development and Finance
  - Aim, Objectives and Methodology
  - Overview of OIC MCs Financial System
  - Islamic Finance: Principles, Values and Status
- **Chapter 2: Crowdfunding—Conceptual Framework and Overview**

# Background and context

- An inclusive financial system is essential for promoting economic development
- Economic development is viewed as achieving **Sustainable Development Goals (SDGs)**, which were launched by the United Nations in 2015 as an agenda of action for people, planet and prosperity
- **Addis Ababa Action Agenda (AAAA, 2015):** ‘blueprint for actions by governments, international organizations, businesses and civil society **to increase the financial resources available to align financing flows and policies with economic, social, and environmental priorities**’

## SDG Index Scores 2025



# SDGs and Sustainable Finance

SDGs	Financing Sustainable Economic Infrastructure	Financing Sustainable Social Infrastructure	Financing Entrepreneurship and Sustainable Industries	Inclusive Finance	Social Finance
SDG1-No Poverty				X	X
SDG2: Zero Hunger					X
SDG3: Good Health & Well-being		X			X
SDG4: Quality Education		X			X
SDG5: Equality of Men and Women				X	
SDG6: Clean Water & Sanitation	X		X		
SDG7: Affordable & Clean Energy	X		X		
SDG8: Decent Work & Economic Growth			X	X	X
SDG9: Industry, Innovation & Infrastructure	X	X	X		
SDG10: Reduced Inequalities	X	X		X	X
SDG11: Sustainable Cities & Communities	X	X			
SDG12: Responsible Consumption & Production			X		
SDG13: Climate Action	X		X		

**Quality of Finance has to change for Sustainable Finance**

**AAAA (2015): Align financing flows with economic, social, and environmental priorities**

# Challenges: SDG Funding Needs and Gaps

- Developing countries' investment gap—\$2.5 trillion annually (UNCTAD 2014)
  - Post-COVID estimates US\$4 trillion annually
- Need for new sources of funding/providing services
  - Government—tax bases are low, and budgets are overstretched
  - Private sector—Financial sector
  - Non-profit/Third Sector
- The traditional financial sector is not forthcoming to provide Sustainable Finance due to economic frictions
- Fintechs has the potential to mitigate the frictions and provide Sustainable Finance



# Objectives of the Study

- The primary objective of the study is ‘to conduct an in-depth analysis of the significant opportunities that crowdfunding can offer to entrepreneurs and investors in the OIC Member Countries.’
  - A comprehensive conceptual framework defining crowdfunding modalities (equity, debt, donation, and reward-based), actors, mechanisms, and their relevance for entrepreneurship and social impact (Chapter 2, Section i).
  - Analysis of crowdfunding models in relation to Shari'ah compliance and their role in the Islamic finance ecosystem, including social finance (Chapters 1 and 2).
  - Case-country analyses, including selected OIC Member Countries and at least one non-OIC country, illustrating practical experiences, policy environments, and market outcomes (Chapter 3, Section ii).
  - A practical, development-level-differentiated roadmap for OIC Member Countries (Chapter 4, Section iii)



# Methodology

- The research is evaluative, analytical and descriptive
- The key methods to collect information/data for the study
  - Content analyses of various documents and relevant literature
    - Policy documents from international multilateral organisations and standard-setting bodies, national-level public policy and legal/regulatory documents, and academic publications on CF
  - Information gathered from country case studies (includes interviews with CF platforms)
  - Online survey of potential fund-providers
- Expected outputs
  - Identify the key features, design, and challenges related to the role of CF to promote sustainable economic development
  - Come up with appropriate policy recommendations to help the development and enhance cooperation to promote CF in OIC member countries

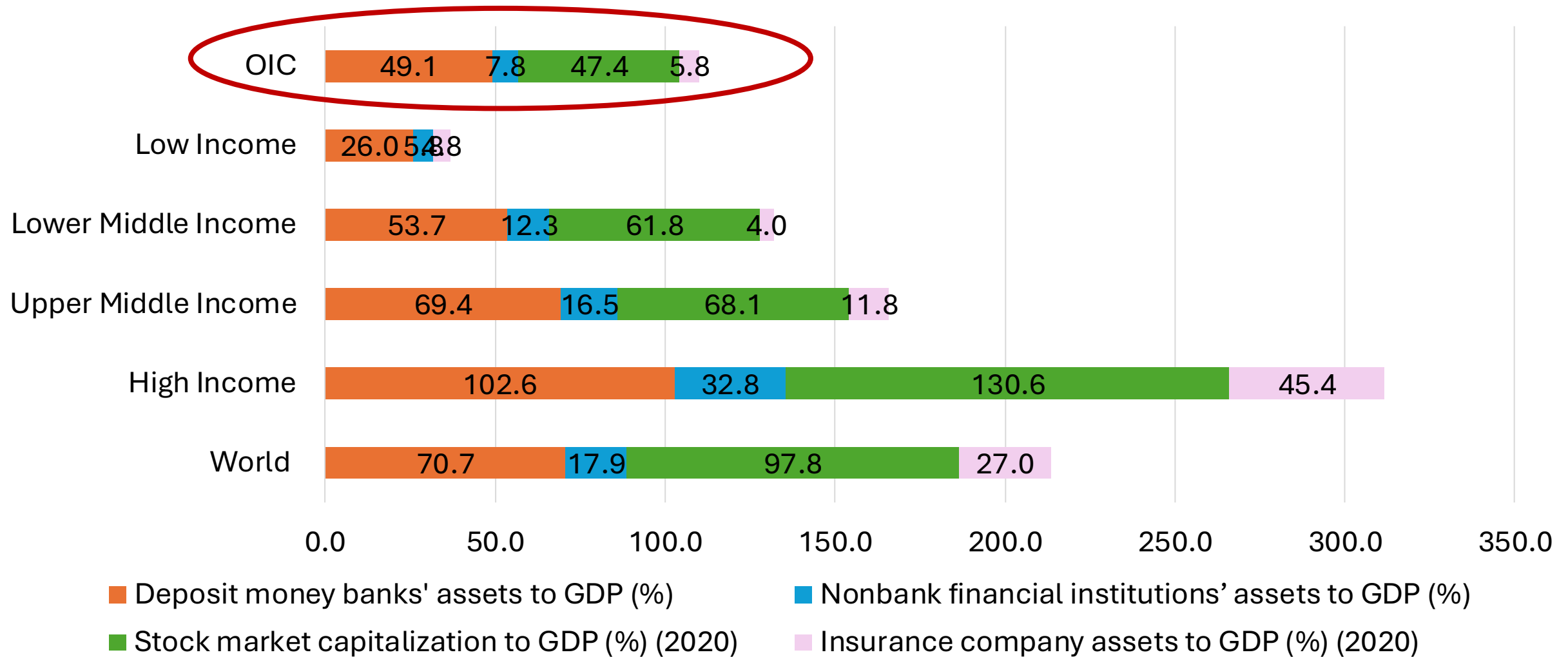


## RESEARCH METHODOLOGY

# Countries Used for Case Studies

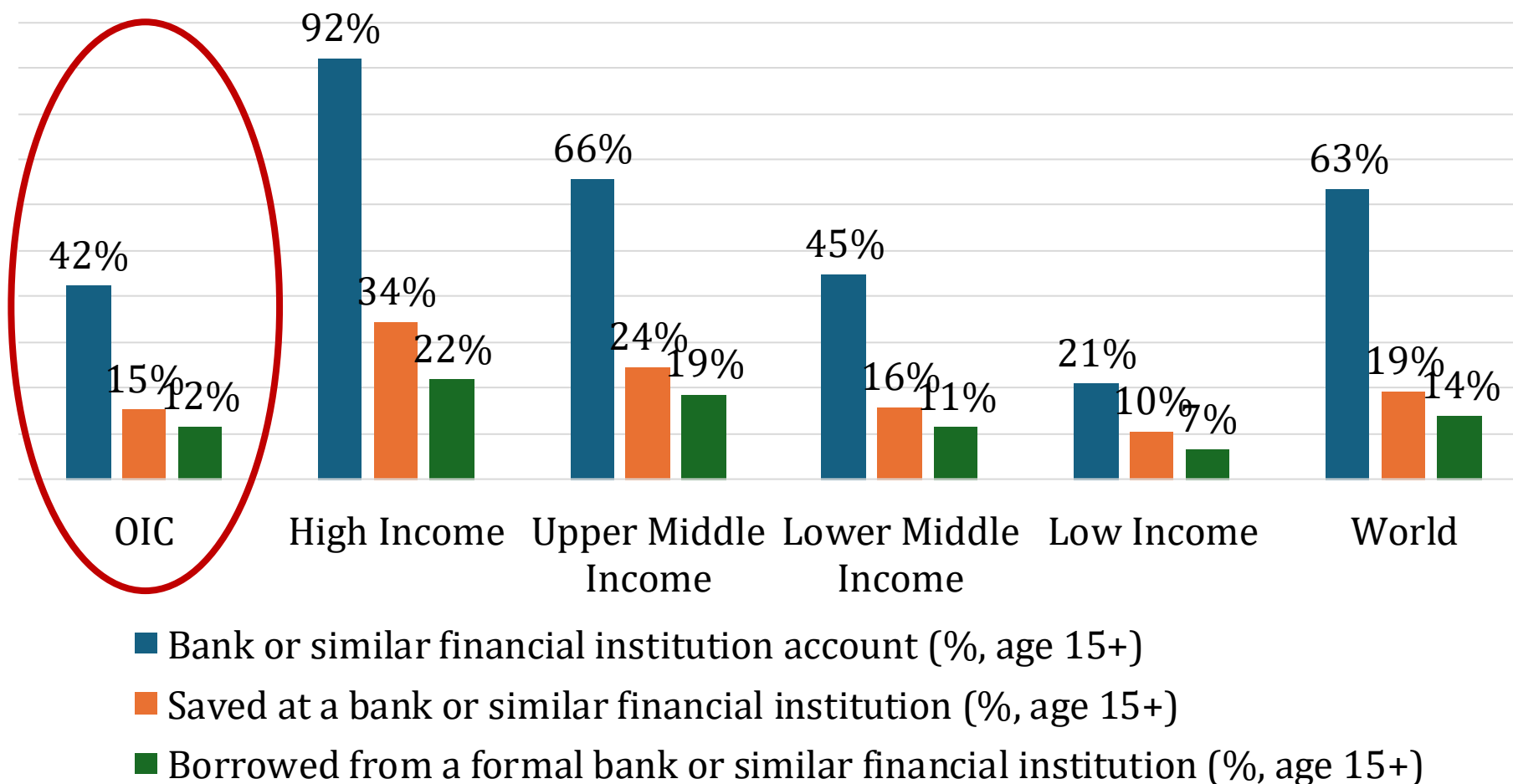
Country	Region	Legal System <sup>a</sup>	No of Fintechs/ Fintechs per Million People	Digital Readiness Index Rank <sup>c</sup>	Islamic Banking (% of total banking assets, 2024) <sup>d</sup>
<b>Bahrain</b>	Arab	Hybrid (Islamic/ Common/ Civil Law)	4/2.52	Not included in the database	31.6%
<b>Indonesia</b>	Asia	Civil Law	261/0.92	73	7.3%
<b>Kazakhstan</b>	Asia	Civil Law	33/1.60	54	0.4%
<b>Nigeria</b>	Africa	Common Law	69/0.30	130	1.3%
<b>United Kingdom</b>	Non- OIC	Common Law	620/8.96	10	0.1%

# Financial Sector Size and Composition



# Financial Inclusion—Engagement with Financial Institutions

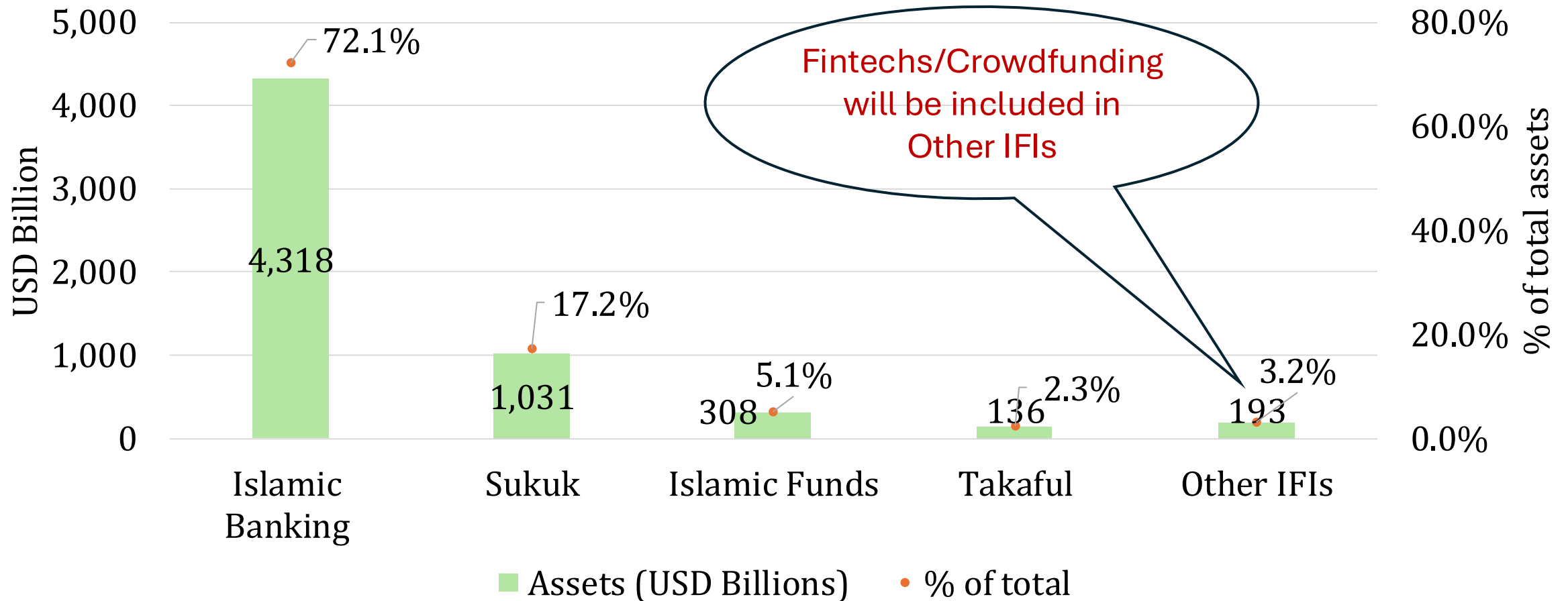
- A part of the financial exclusion in OIC MCs can be Voluntary (due to religious reasons)
- Need to provide Shariah-based financial products



# Islamic Economic Worldview and Financial Systems

- Islamic economic and financial system is governed by Shariah and Fiqh
- Overall purpose of Shariah—realising human wellbeing by enhancing benefits/welfare (*maslahah*) and preventing harm (*mafsadah*)
- Shariah entails legal principles and ethical values to achieve *maslahah*
- Legal requirements: Principle of permissibility (*ibahah*) applies to economics and finance—All things are permitted except those prohibited by Shariah
  - Exclude sectors producing forbidden goods and services—*halal* economy
  - Avoid *riba* and *gharar* in transactions—use Shariah-compliant contracts
- Ethical values are derived from Shariah texts, *Maqasid al Shariah* and Legal maxims (*qawaid al fiqh*)
  - Islamic Social Finance—*Zakat, sadaqah, waqf* and *qard hasan*
- Applying Islamic legal principles and ethical values can produce a just and sustainable economy

# Global Islamic Finance Industry Assets 2024 (USD 5.986 tr.)





# Agenda

- **Chapter 1: Introduction**
- **Chapter 2: Crowdfunding—Conceptual Framework and Overview**
  - Fintechs, Financial Intermediation, Functions and Frictions
  - Crowdfunding: Stakeholders and Models
  - CF and Sustainable Development
  - CF: Challenges and Risks
  - Supportive Ecosystems
  - Enabling Regulatory Framework
  - CF: Shariah Perspectives
  - Fintech and CF in OIC MCs

# Functions of Financial Intermediation

The financial sector performs key intermediation functions that promote economic activities and growth


1. Clearing and Settling Payments
2. Mobilising Funds and Pooling of Resources
3. Allocating Capital across Time and Space
4. Managing and Mitigating Risks
5. Providing Information and Advice

# Frictions in Financial Intermediation

Financial institutions and markets face different frictions in performing their functions

- ***Production Frictions:*** The transaction costs, including fixed and variable costs for producing the financial products and services
- ***Information Frictions:*** Arise from incomplete and asymmetric information (adverse selection and moral hazard problems)
- ***Contract and Transaction Frictions:*** Incomplete contracts – Impossible to incorporate all outcomes and contingencies that affect contractual performances—increase risks and transaction costs resulting from moral hazard or legal disputes
- ***Communication and Distribution Frictions:*** Costs incurred to create and maintain customer relationships and distribution channels

These frictions inhibit traditional financial institutions and markets from providing certain sustainable financial services



# Financial Intermediation Frictions and Fintechs

<b><i>Friction Types</i></b>	<b>Fintechs</b>
<b><i>Production</i></b>	<ul style="list-style-type: none"><li>• Digital technology-based production (reduces fixed and variable costs)</li></ul>
<b><i>Information (data collection &amp; processing)</i></b>	<ul style="list-style-type: none"><li>• Extract information from big-data/Process data using AI/ML</li><li>• Reduces search, replication, transportation, tracking and verification costs</li></ul>
<b><i>Transactional/ Contractual</i></b>	<ul style="list-style-type: none"><li>• Blockchain, smart contracts</li><li>• Can improve speed, transparency and traceability of transactions and resolve the trust issue</li></ul>
<b><i>Communication and Distribution</i></b>	<ul style="list-style-type: none"><li>• Technology-based distribution and communication channels (e.g., Mobile &amp; apps)</li><li>• Reduces transaction costs significantly</li></ul>

Fintechs can mitigate the frictions arising in financial intermediation and have potentials to provide sustainable finance

# Crowdfunding: The Concept

- Crowdfunding (CF)—a combination of the concepts of **crowdsourcing** and **microfinance** enabled by **digital technology**
- Key stakeholders
  - CF platform
  - Fund seekers
  - Fund providers
- **CF platform** connects **fund-seekers** and **fund providers**
  - Enables a large number of fund-providers (the crowd) to provide a relatively small amount of funds to the fund seekers by using the internet/digital technology



# Crowdfunding Models



- **Donation-based model**—charitable donations (no reward expected by donors)
- **Reward-based model**—non-monetary reward to funders
- **Presale-based model**—fund-providers get goods/services at reduced costs
- **Debt-based model**—fund providers earn interest on loans provided (P2P lending)
- **Equity-based model**—fund providers get shares of the venture
- **Royalty-based model**—fund providers get a fraction of revenue or profits (not ownership)

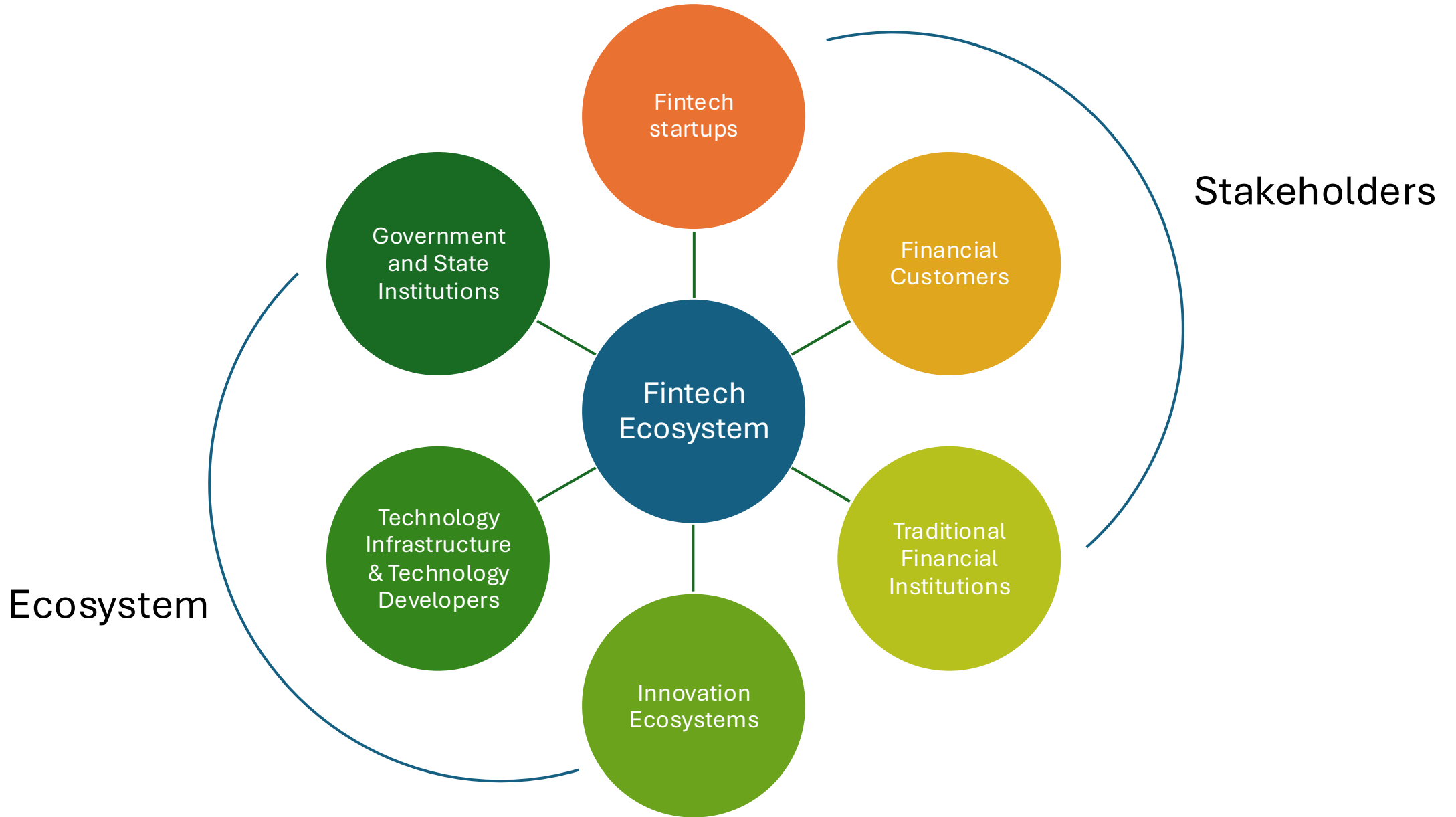
# Crowdfunding and Sustainable Economic Development

---

- **CF's Contribution to Financial Inclusion**
  - Demand-side: Low-cost sources of funds to consumers/ businesses
  - Supply-side: Offers alternative investment opportunities to retail and institutional investors to earn relatively higher returns
- **CF's Contribution to Entrepreneurship/Growth**
  - Fills the financing gap for early-stage enterprises and promotes innovation and entrepreneurship
- **CF's Contribution to Infrastructure Development**
  - Support small-scale economic and social infrastructures (e.g., green energy projects, schools, etc.)
- **CF's Contribution to Social Finance**
  - Generate philanthropic funds for broader societal and environmental purposes

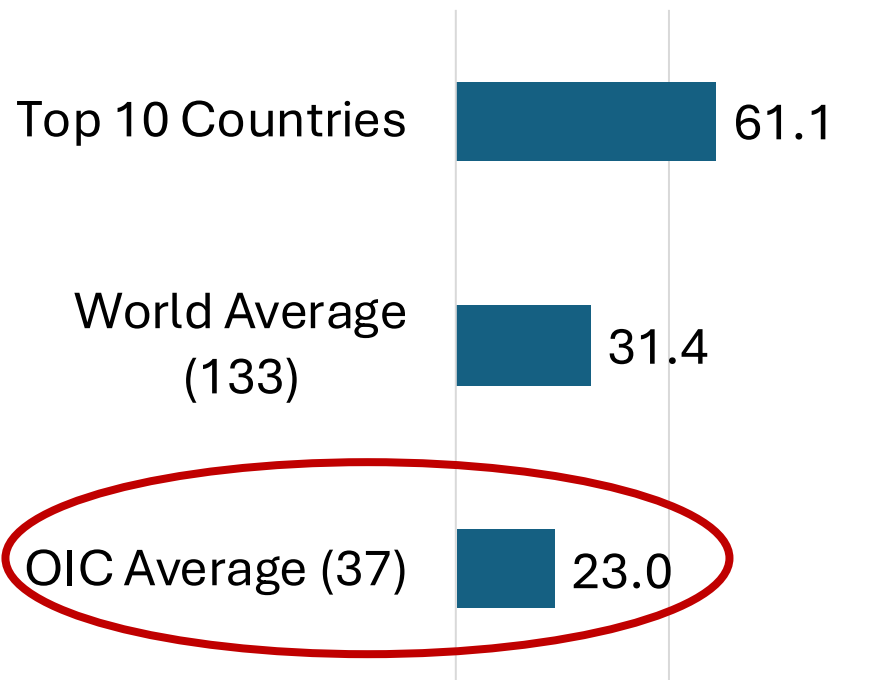


# Supportive Fintech Ecosystem

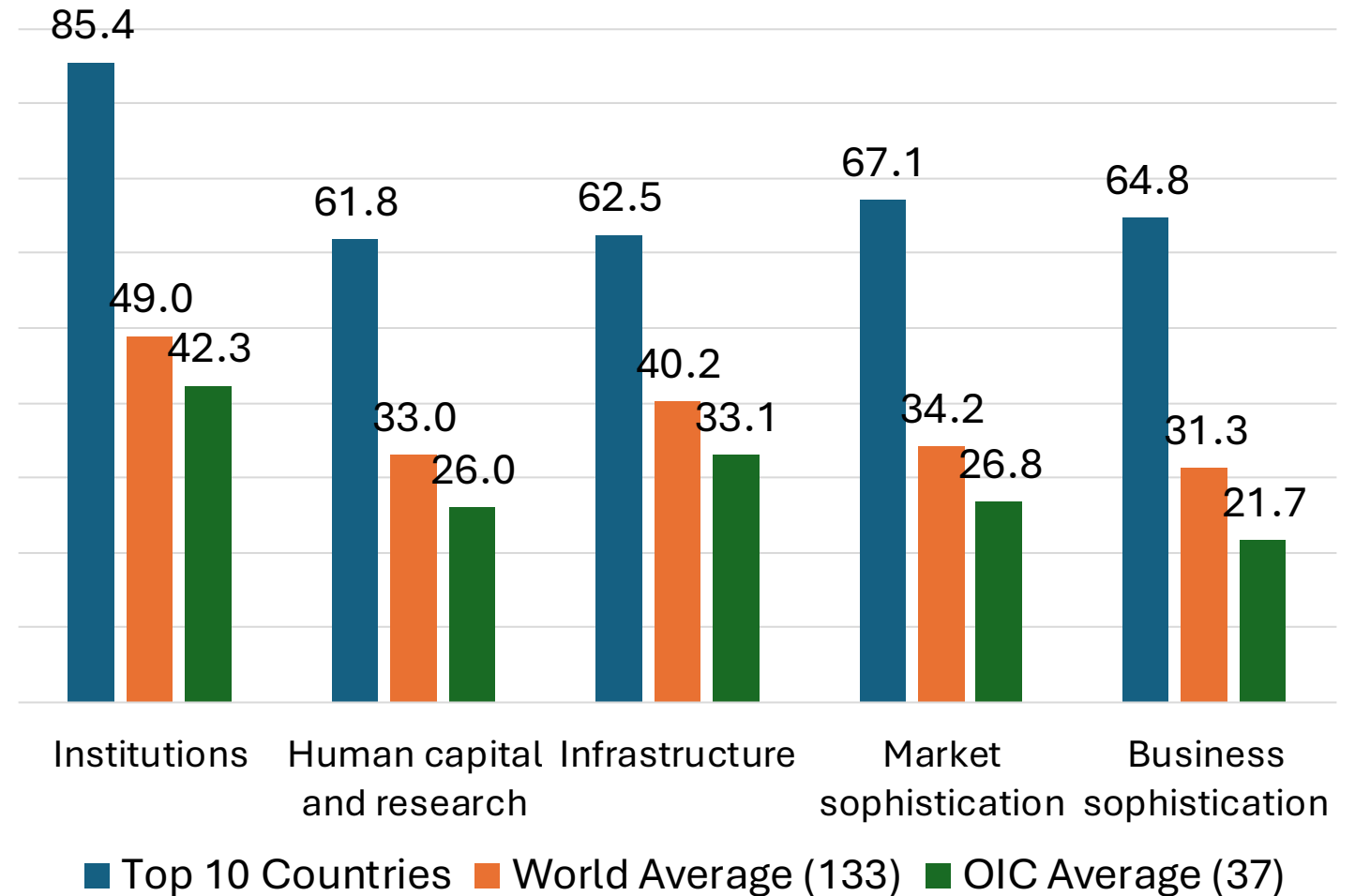


# Innovation Ecosystem: Status in OIC MCs

## WIPO Global Innovation Index (2024)

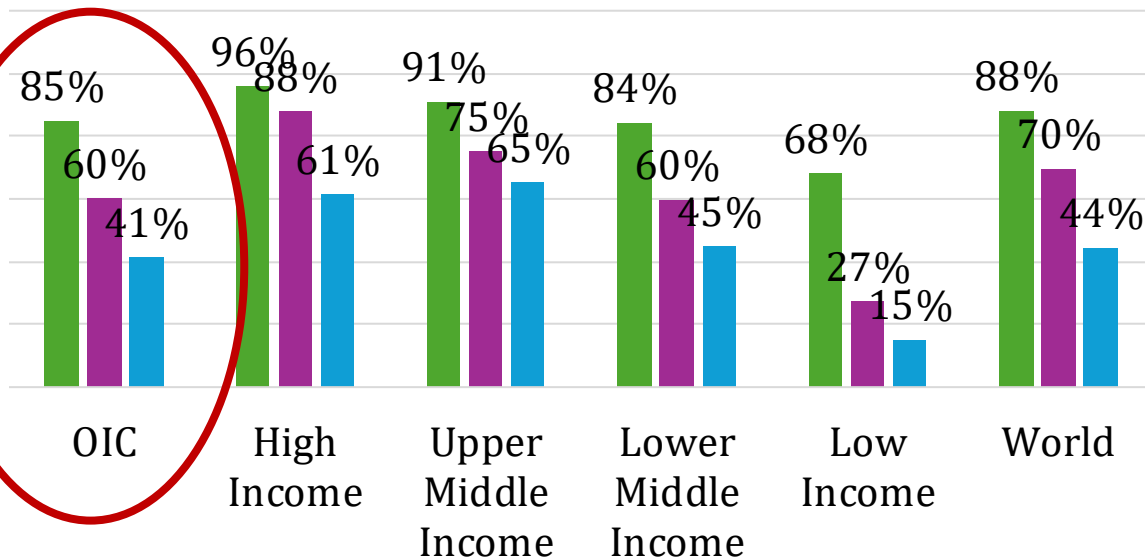


## Inputs for WIPO Innovation Index (2024)



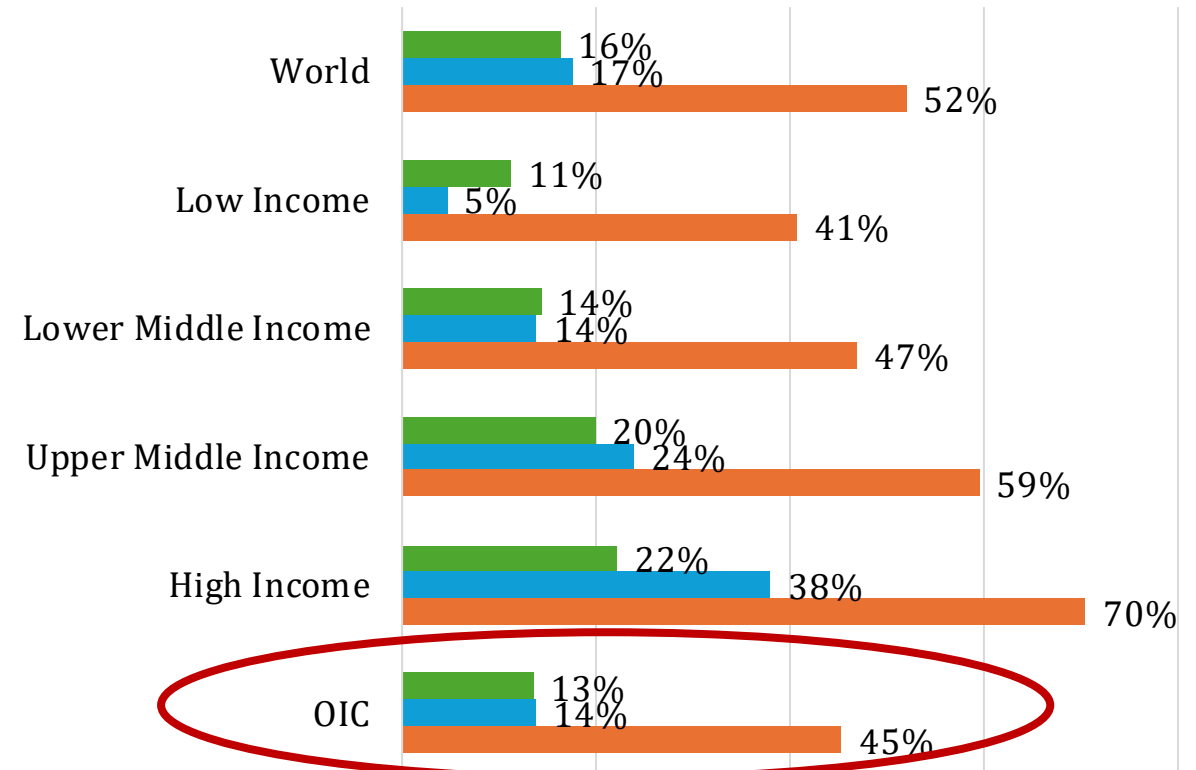
OIC MCs have relatively weaker Innovation Ecosystems

# Technological Ecosystems: Status in OIC MCs



- Own a mobile phone (% , age 15+)
- Main mobile phone is a smartphone (% , age 15+)
- Daily internet use (% , age 15+)

OIC MCs have lower Technology Ecosystem scores compared to World averages



- Borrowed any money from a formal bank or similar financial institution (% , age 15+)
- Used a mobile phone or the internet to buy something online (% , age 15+)
- Made or received a digital payment (% , age 15+)

# Enabling Regulatory Environment for Crowdfunding

An enabling regulatory framework is necessary for the growth of crowdfunding to protect stakeholders and build trust

## Elements of Robust Regulatory Framework

CF Platform	Fund-Seekers	Fund-Providers
<ul style="list-style-type: none"><li>• Regulatory perimeters and CF models</li><li>• Entry requirements</li><li>• Governance and risk management</li><li>• Conducting due diligence on the offering</li><li>• Custody of assets and processing of trading/subscription orders</li><li>• Conflicts of interest management</li><li>• Setting up disputes/complaints handling mechanisms</li><li>• Providing communication channels for stakeholders</li></ul>	<ul style="list-style-type: none"><li>• Size and limit of the offering</li><li>• Type, size or location of the issuer</li><li>• Offering document disclosure, other than financial disclosure</li><li>• Other Requirements (e.g., raising funds from only one CF platform; all-or-nothing requirement)</li></ul>	<ul style="list-style-type: none"><li>• Investing Limits</li><li>• Rescission, cancellation and resale limits</li><li>• Risk acknowledgement and education requirements</li></ul>

# Industry/Business Associations

- Activities of Business Associations are designed to strengthen the functioning of the state and markets for the business to succeed
- Role of Associations
  - Market-supporting—Campaign to strengthen the public goods, such as protection of property rights, the rule of law and the infrastructure, that help the proper functioning of the market systems
  - Market-complementing activities—Alleviate market imperfections and distortions (lowering information costs, setting standards and quality coordination)
- Example: UK Crowdfunding Association (UKCFA) established in 2013, developed a Code of Conduct for CF platforms



# Crowdfunding: Shariah Perspectives

- Principle of permissibility applies in economic activities
  - Technology is Shariah-neutral
- The relationship between CF platform and fund-seekers/fund-providers is an agency (*wakala*) contract (can charge fees for services provided)
- The contract between the fund-seeker and fund providers, however, will depend on the type of CF model
  - **Donation-based CF:** *Sadaqah*, gift (*hiba*) or interest-free loans (*qard hassan*) given by donors
  - **Pre-sale CF:** A form of a *salam* or *istisna* contract
  - **Debt-based CF:** Can be arranged as a *murabahah* contract
  - **Equity-based CF:** *Musharakah* contract between fund-providers and fund seeker
  - **Royalty-based CF:** *Mudarabah* contract—fund-providers share profit without having ownership stakes in the enterprise
  - **Asset-based model:** Fund-providers funds are used to purchase an asset needed by the fund-seeker, and then it is leased to the latter using *ijarah muntahiyah bittamlik* (lease-to-own financing) structure



# Global Fintechs: Regional Distributions

Regions	No. of Countries	No. of Fintechs	Percentage of Total	Average Fintechs per Country
South Asia	5	634	14.0%	126.8
Sub-Saharan Africa	15	282	6.2%	18.8
Middle East & North Africa (MENA)	11	111	2.4%	10.1
North America	3	867	19.1%	289.0
Latin America & Caribbean	21	366	8.1%	17.4
Europe & Central Asia	42	1359	29.9%	32.4
East Asia & Pacific	18	919	20.3%	51.1
<b>Total</b>	<b>115</b>	<b>4538</b>	<b>100%</b>	<b>39.5</b>
<b>OIC MCs</b>	25	225	5.0%	9.0

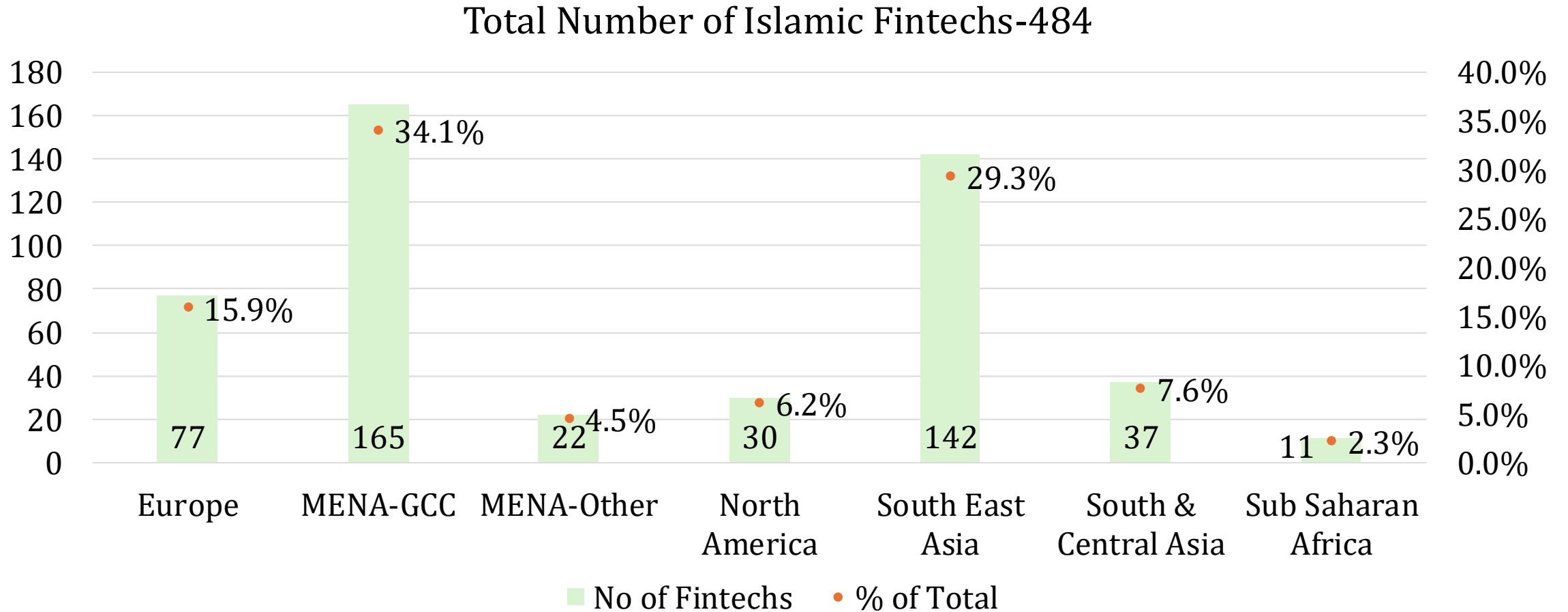
Source: Estimated from CCAF Atlas (<https://ccaf.io/atlas/visualisation/graph>)

# Crowdfunding Firms According to Types and Regions (2026)

	South Asia	Sub-Saharan Africa	MENA	North America	Latin America & Caribbean	Europe & Central Asia	East Asia & Pacific	Total	% of Total	OIC MCs
<b>P2P/ Marketplace Lending</b>	83	23	12	79	57	177	248	679	51.4%	127
<b>Real Estate Crowdfunding</b>	3	3	4	34	9	69	12	134	10.1%	8
<b>Equity-Based Crowdfunding</b>	7	2	5	38	13	104	33	202	15.3%	17
<b>Revenue/ Profit Share Crowdfunding</b>	4	6	1	13	7	18	8	57	4.3%	8
<b>Donation-Based Crowdfunding</b>	11	8	2	23	13	49	17	123	9.3%	9
<b>Reward-Based Crowdfunding</b>	11	1	6	19	14	62	14	127	9.6%	7
<b>TOTAL</b>	119	43	30	206	113	479	332	<b>1322</b>	100.0%	176
<b>Percentage of Total</b>	9.0%	3.3%	2.3%	15.6%	8.5%	36.2%	25.1%	100.0%		13.3%

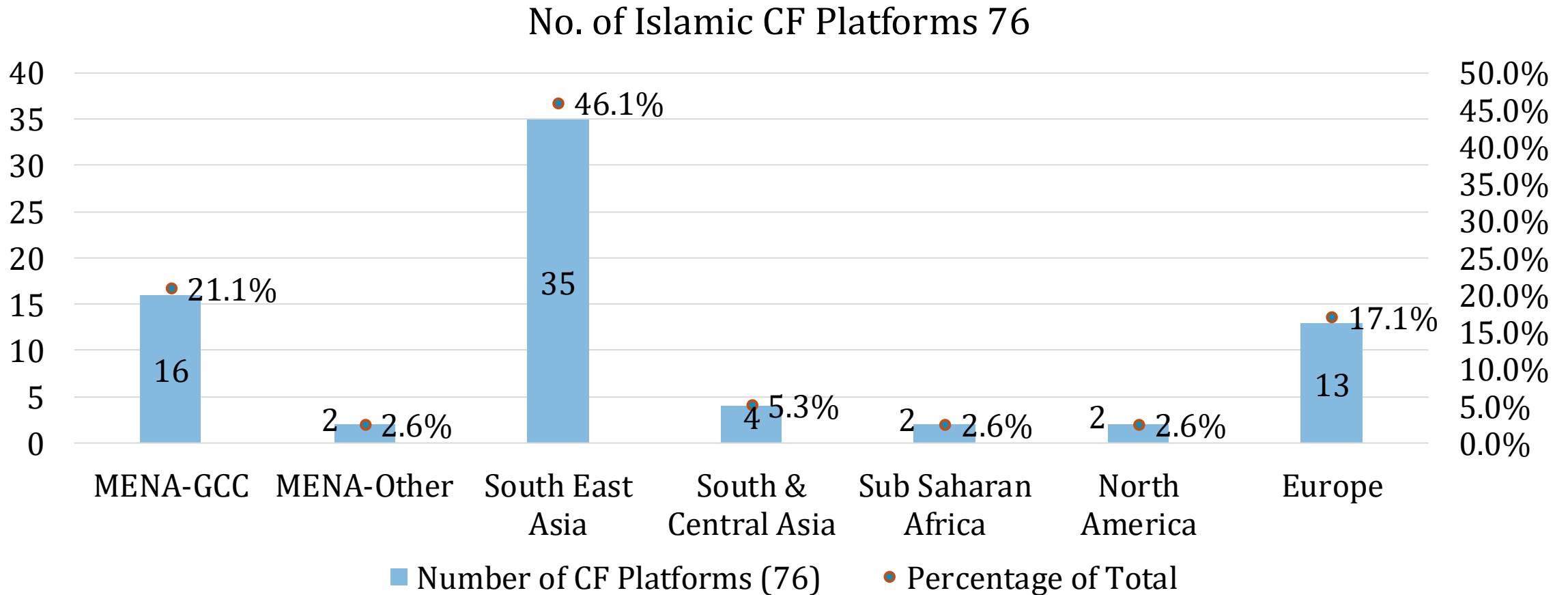
Crowdfunding is dominated by Debt-based CF platforms (72.1% for OIC MCs)

# Number of Islamic Fintechs 2024-25—Regional Distributions



Source: Estimated from Dinar Standard and Elipses (2026), Global Islamic Fintech Report 2025/26

# Islamic Crowdfunding Platforms—Geographical Distributions 2024/25



Source: Estimated from Dinar Standard and Elipses (2026), Global Islamic Fintech Report 2025/26



# Questions



# Potential of Crowdfunding for Economic Development in the OIC Member Countries

## Part 2: Country Case Study Indonesia

Prof. Dr. Habib Ahmed

THE 25<sup>TH</sup> MEETING OF THE COMCEC FINANCIAL COOPERATION WORKING GROUP  
April 22, 2026

Intech  
Impact Investing  
Crowdfunding 2024  
+ First impact rounds  
+ Impact on (support)





# Agenda

- **Chapter 3: Country Case Study—Indonesia**
  - Financial System: Size and Components
  - Fintechs and Crowdfunding in Indonesia
  - Crowdfunding Ecosystem
  - Regulatory Framework
  - Contribution of CF to Sustainable Development
  - Ethis: Islamic CF Case Study
  - Lessons Learned and Conclusion

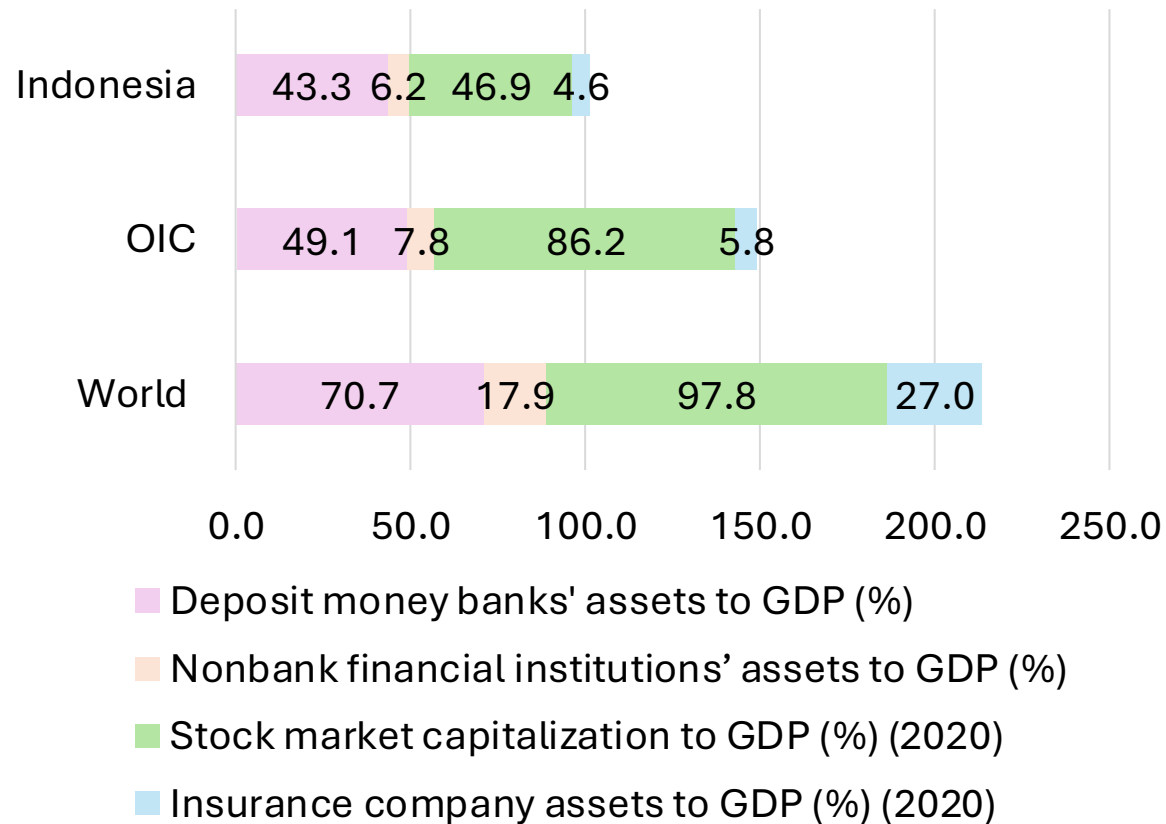
# Indonesia

- An archipelagic state in South-east Asia with over 17,000 islands
- Population of 283,487,931 in 2024
- Gross domestic product (GDP) of USD 1.396 trillion (2024)
- GDP per capita of USD 4,925 (classified as an upper-middle-income country )
- Indonesia is the largest OIC country both in terms of population and GDP

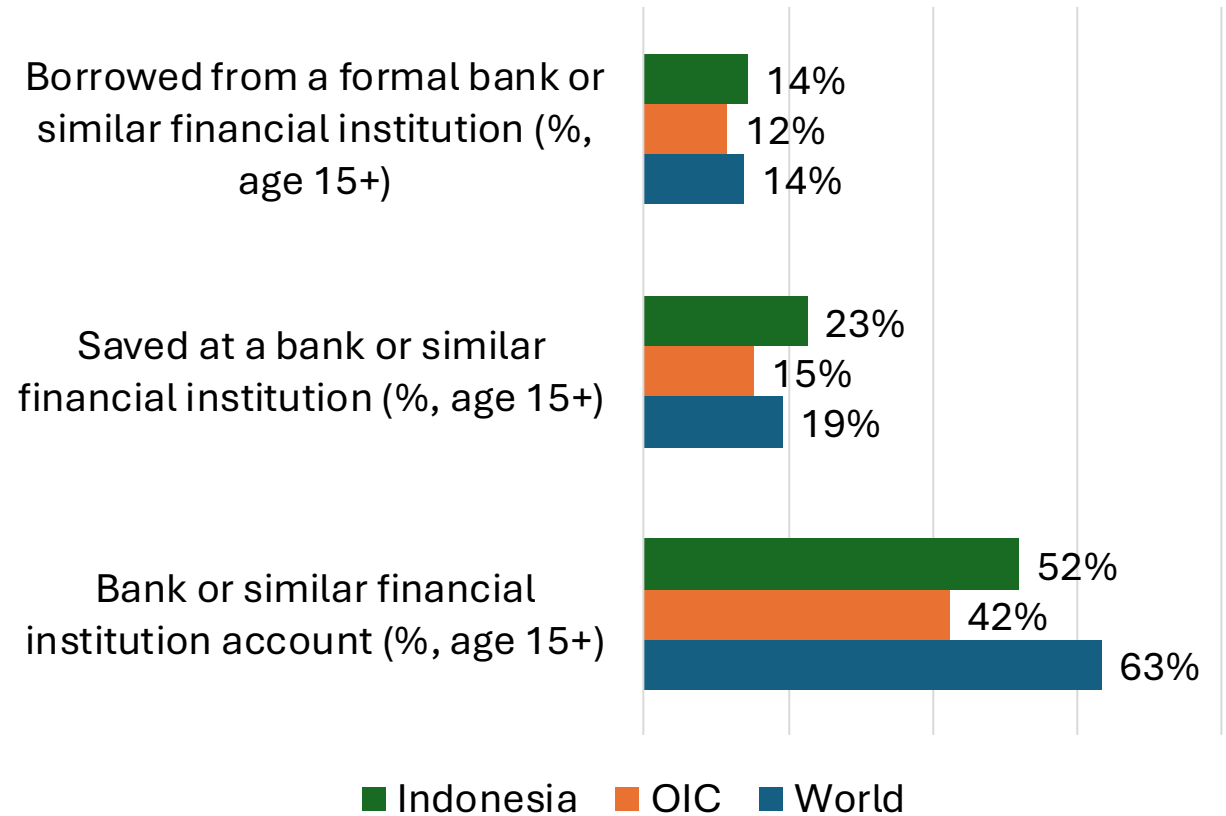


# Indonesian Financial Sector: Size and Inclusion

## Financial Sector Size and Composition



## Financial Inclusion Indicators



Source: World Bank Global Financial Development Database 2022

Source: World Bank Global Findex Database 2025.

# Indonesian Financial System Overview of the Key Sectors(2025)

Financial Sector Conventional	Value (USD bn)	Financial Sector Islamic	Value (USD bn)	Total (USD bn)	Sector as % of GDP	Islamic % of Total
Commercial Banks	758.89	Islamic Banks	63.19	822.08	58.3%	7.7%
Insurance	119.5	Takaful	2.84	122.34	8.7%	2.3%
Stock Markets	628.71	Islamic stocks	523.83	628.71	44.6%	83.3%
Fixed-income instruments	26.88	Sukuk	19.05	45.93	3.3%	41.5%
Government bonds	9.64	Sovereign Sukuk	13.14	22.78	1.6%	57.7%
Corporate bonds	17.24	Corporate sukuk	5.91	23.15	1.6%	25.5%
Total Value of Three Key Sectors				1,619.06		

# Number and Types of Fintechs in Indonesia

Fintech Types	Number	Percentage of Total
Payment System	80	29.7%
Islamic Payment System	3	1.1%
Peer-to-Peer Lending	89	33.1%
Islamic Peer-to-Peer Lending	7	2.6%
Security Crowd Funding	13	4.8%
Islamic Security Crowd Funding	3	1.1%
Hybrid (Conventional and Islamic)	7	2.6%
IAKD	65	24.2%
Islamic Aggregator/IAKD	1	0.4%
Hybrid IAKD	1	0.4%
<b>Total</b>	<b>269</b>	<b>100.0%</b>

Source: OJK (2025)

Country	Fintechs per Million People
Bahrain	2.52
Indonesia	0.92
Kazakhstan	1.60
Nigeria	0.30
United Kingdom	8.96

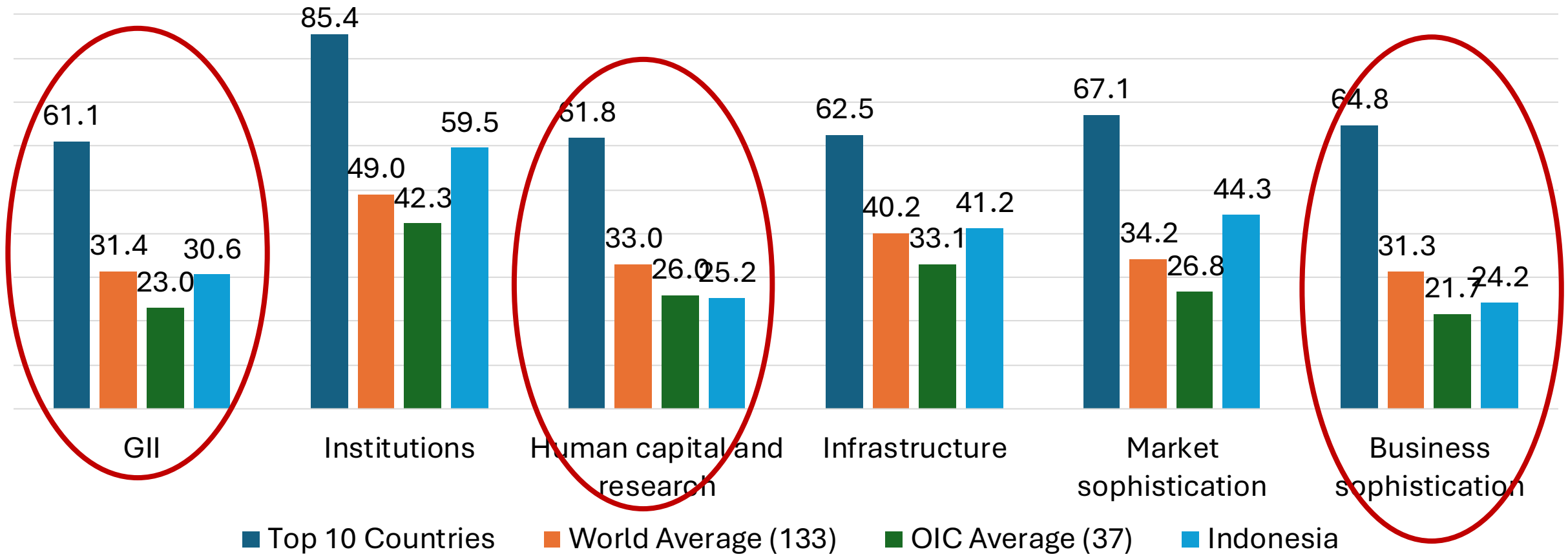
Even though Indonesia has a large number of Fintechs, the number per million people is low

# Indonesian CF Platforms Numbers and Values

	P2P Lending CF		Securities CF		Total	
	No.	USD mn	No.	USD mn	No.	USD mn
Conventional	89	606.6	13	35.6	102	642.2
Islamic	7	10.6	3	49.8	10	60.4
Total	96	617.2	16	85.4	112	<b>702.6</b>

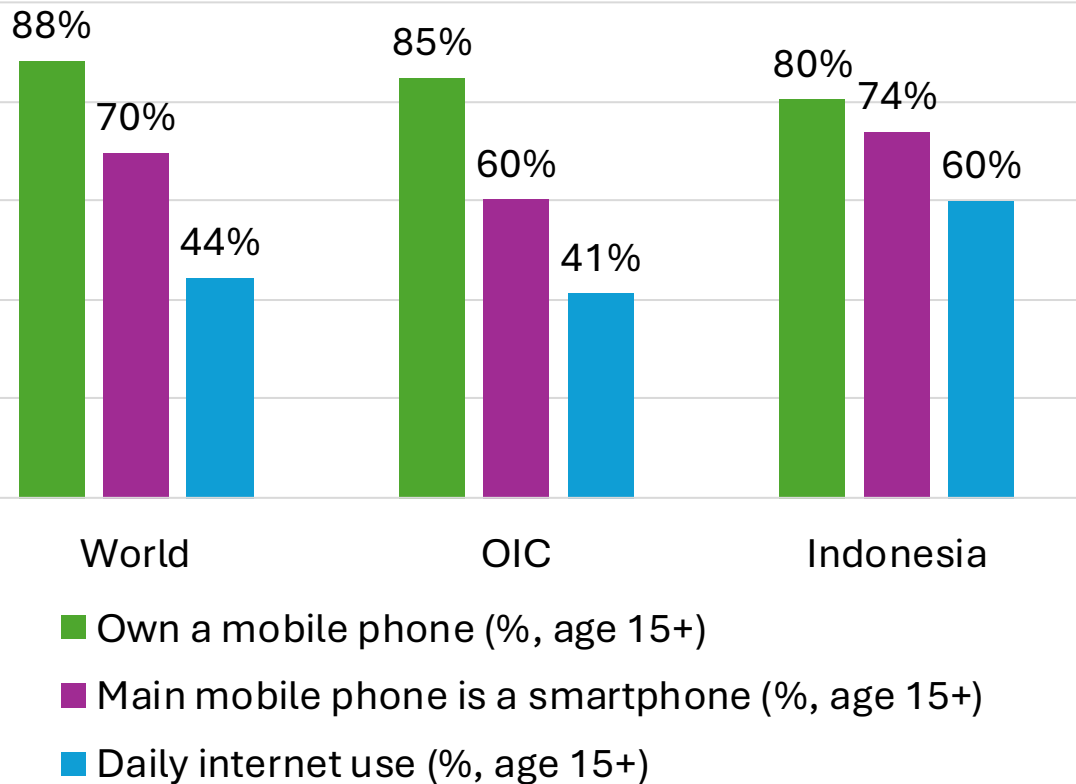
Total value of the CF Platforms (USD 702 million) is very small, constituting 0.043% of the value of the Three Key Sectors (Banking, Insurance and Capital markets) valued at USD 1,619.06 trillion

# Innovation Ecosystem: Global Innovation Index and Inputs for Innovation

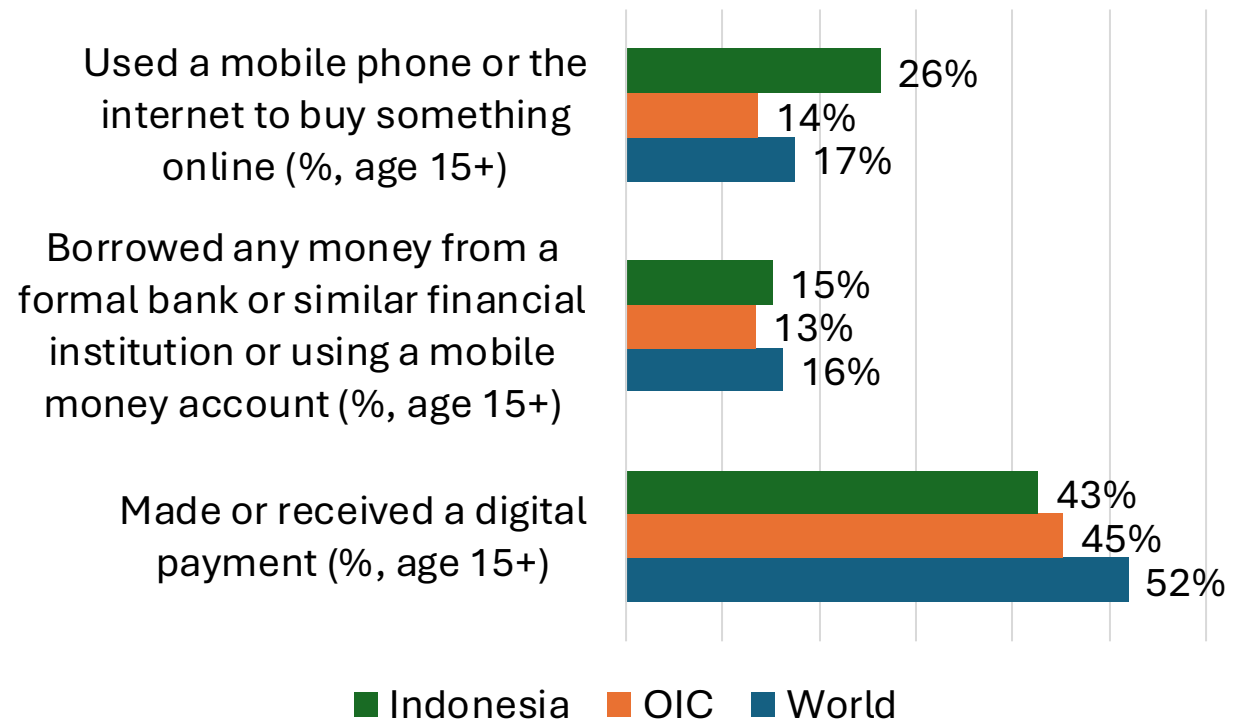


# Technological Infrastructure

## Access to Digital Technology



## Technology and Economic/Financial Transactions



Indonesia has introduced several regulations for commercial CF platforms over time

**Regulatory Framework for Commercial CF Platform in Indonesia**

Indonesia has a robust regulatory framework for commercial CF platforms

Regulatory Guidelines Related to Stakeholders	P2P Lending	Securities CF
<b>CF Platform Related Issues</b>		
Regulated CF models	✓	✓
Licensing requirements	✓	✓
Governance & risk management	✓	✓
Due diligence on offering	✓	✓
Custody of funds / transactions	✓	✓
Conflict of interest management	✓	✓
Dispute/complaint handling	✓	✓
Communication channels	✓	✓
<b>Fund-Seekers Related Issues</b>		
Size & limit of offering	✓	✓
Type/size/location of issuer	✓	✓
Offering disclosure (non-financial)	✓	✓
Other requirements	✓	✓
<b>Fund-Providers Related Issues</b>		
Investing limits (retail)	✓	✓
Rescission / cancellation / resale	Limited	✓
Risk acknowledgement & education	✓	✓

# Shariah Compliance Regime

- *Dewan Syariah Nasional–Majelis Ulama Indonesia* (DSN-MUI) or the National Shariah Council-Indonesian Ulema Council—the national authority on Sharia-related issues in Indonesia
- As of 2026, the DSN-MUI has issued approximately 166 fatwas in Islamic economic and financial matters
- Resolutions on Fintechs and Crowdfunding
  - Fatwa No. 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Shariah Principles.
  - Fatwa DSN-MUI No. 131/DSN-MUI/X/2019 concerning Securities Crowdfunding Services Based on Sharia Principles

# Business Associations

---



- Indonesian Fintech Association (Asosiasi Fintech Indonesia/AFTECH)
- Indonesian Shariah Fintech Association (Asosiasi Fintech Syariah Indonesia/AFSI)
- Indonesian Blockchain Association (Asosiasi Blockchain Indonesia/ABI)
- Indonesian Shariah Blockchain Association (Asosiasi Blockchain Syariah Indonesia/ABSI)
- Indonesian Joint Funding Fintech Association (Asosiasi Fintech Pendanaan Bersama Indonesia/AFPI)
- Indonesian Crowdfunding Services Association (Asosiasi Layanan Urut Dana Indonesia/ALUDI)
  - The mission of ALUDI is to foster a spirit of togetherness, to build transparent and accountable internal and external communication in an effort **to create an industry ecosystem, to continuously promote public literacy and education** in financial inclusion, and to benefit as many people as possible

# Contribution of Crowdfunding to Sustainable Development

- **Infrastructure**

- Indonesia Green Energy: A donation-based crowdfunding that channels funds toward renewable energy projects, including solar installations for public facilities such as schools, religious institutions, and rural communities

- **Social Infrastructure**

- Kitabisa: mobilises funds for social infrastructure
  - Funding disaster-related infrastructure, healthcare financing for critical illness treatments) reaching hundreds of millions of rupiah per case)
  - Collaborative campaigns have funded clean water facilities in rural areas of Nusa Tenggara Timur (NTT), improving access to sanitation and safe water
- *BisaBerdaya Fund 2025* has financed NGO-led projects across multiple regions, targeting community empowerment, education, and social services
- Domet Dhuafa has financed educational infrastructure such as *SMART Ekselensia Indonesia* in Bogor and rural Java, covering classrooms, sanitation, and student housing through zakat- and *sadaqah*-based crowdfunding schemes
- Ethis Indonesia raised funding for affordable housing development



# Contribution of Crowdfunding to Sustainable Development

## • Financial Inclusion

- As of 2025, total outstanding fintech lending reached USD 5.14 billion, with a strong concentration on individual borrowers of USD 4.91 billion.
- Inclusive crowdfunding is predominantly directed to individual micro-entrepreneurs, amounting to USD 1.56 billion compared to USD 190.6 million for MSME business entities

## • Entrepreneurship

- SCF cumulative fundraising reached USD 97.1 million across 876 MSMEs via licensed platforms (USD 8.63 million in Q1 2025, increasing by 126.50% year-on-year)

## • Social Finance

- Badan Amil Zakat Nasional (BAZNAS), Zakat-linked Crowdfunding enables faster, more transparent, and wider-reaching fundraising via platforms such as Kitabisa, BenihBaik, Wecare.id, AyoBantu, AmalSholeh, Bersedekah and others in collaboration with BAZNAS.
- Kitabisa raised IDR 10.3 billion (USD 0.61 million) from over 87,000 donors, demonstrating the scalability and speed of crowdfunding in reaching even remote disaster-affected areas



# Challenges in Establishing the CF Platform



Factors (No. of questions)	Average Score
<b>Legal and Regulatory Barriers (6)</b>	3.67
<b>Financial and Investment Barriers (4)</b>	3.5
<b>Technological Barriers (5)</b>	2.2
<b>Market and Awareness Barriers (4)</b>	3.5

- Regulatory compliance costs are high for new CF platforms (Score of 5)
- Licensing requirements for crowdfunding platforms are complex (score of 4)

- High startup costs, which make it difficult to establish a CF platform (score of 4)
- The CF business model faces challenges in achieving profitability (score of 4)

- Using social media successfully for marketing purposes (score of 5)

Five-point Likert scale (1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree)

# Challenges in Operating the CF Platform



Factors (No. of Questions)	Average Score
Legal and Regulatory (5)	3.6
Management and Operations (4)	3.75
Technological Challenges (5)	3.2
Fund Seekers (5)	2.4
Fund Providers (6)	4

- Regulatory compliance requirements increase operational costs for CF platforms (score of 5)
- Regulatory restrictions limit the types of crowdfunding services offered (score of 5)
- CF regulations are complex and difficult to implement' (score of 4)

- Monitoring project performance after funding is challenging (score of 5)
- Lack of fund providers (investor/donor) engagement affects CF platform expansion and scalability (score of 4)

- 'Lack of awareness among potential fund providers (investors/donors) limits CF adoption' (score of 5)
- Investors perceive CF as high risk' (score of 4)
- Lack of trust among investors/donors is a barrier to CF development' (score of 4)

Five-point Likert scale (1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree)

# Critical success factors for the Islamic Crowdfunding



- Regulatory frameworks that accommodate Shariah-compliant structures without excessive restrictions
- Increased financial literacy and risk awareness among investors
- Stronger integration with the broader Islamic finance ecosystem, particularly in terms of banking infrastructure
- “Islamic Crowdfunding should not be treated merely as a niche segment but requires dedicated regulatory support to achieve its full potential”

# Lessons Learned and Conclusion

- Indonesia would require huge amounts of resources to finance sustainable development
- Sustainable financing from the traditional financial sector may not be forthcoming due to financial frictions
- Fintechs in general and CF Platforms in particular can play an important role in filling the Sustainable Finance gaps
- The country and Ethis case studies show that the CF sector is contributing to different elements of sustainable finance
- However, the CF sector is relatively small and is creating a marginal impact
- Moving forward, certain factors will determine the growth of the CF sector and its contribution to sustainable development in Indonesia



# CF Sector: Size and Growth

- While Indonesia has 269 fintechs and 112 CF platforms, these numbers are relatively small when viewed from different perspectives
  - The number of fintechs per million people for Indonesia is 0.92, compared to 8.96 in the UK, 2.52 in Bahrain and 1.6 in Kazakhstan
  - The value of CF platforms (USD 702.6 million) is very small, constituting only 0.043% of the total value of the three key sectors (USD 1,619.06 billion)
- There is room to expand the number and size of CF platforms to enhance their impact on sustainable development
- The factors that can have a positive effect on the growth of CF include
  - Supporting ecosystem
  - Engaging all stakeholders



# Supporting Ecosystems

- **Innovation ecosystem**

- Global Innovation Index (GII) for Indonesia has a better score compared to the OIC MC average, but lower than the World average
- GI Input: Indonesia scores higher than the World average on institutions, infrastructure and market sophistication, but **lower in human capital and business sophistication**
- There is room for improvement in human capital and business sophistication

- **Technological Infrastructure**

- Indonesia generally performs better than the OIC averages for indicators of technological infrastructure, and results compared to the World averages are mixed
- Expansion of crowdfunding would require further investments in technological infrastructures and the use of technology in financial transactions



# Enabling Regulatory Framework

- Indonesia has a robust regulatory regime for both P2P lending and Securities crowdfunding
  - Key issues related to CF platforms, the fund-seekers and fund-providers are covered in the regulations
- National Shariah Council-Indonesian Ulema Council (DSN-MUI) has provided Shariah guidance for fintechs and CF
- Ethis case study identifies regulatory issues as key challenges in both the establishment and operational phases
  - This indicates that the regulations may be too stringent for startups
- There may be a need to come up with a ‘proportional’ regulatory framework to lower the regulatory burdens and costs so that the CF sector can grow and flourish
- Ethis case study also highlights the need to have separate regulations to deal with specific issues related to Islamic CF



# Associations

---

- Indonesia has a strong regime of fintech-related business associations with organisations for both conventional and Islamic fintechs
- The country has an association specifically for Crowdfunding
- These associations can play an important role in providing advice for conducive regulatory frameworks for fintechs and crowdfunding
- Ethis case study identifies a lack of awareness among potential fund providers (investors/donors) as a factor limiting CF adoption
- Associations can take initiatives to enhance the financial and digital literacy of people who can be potential fund providers



# CF Platform Composition: Conventional vs Islamic

- Indonesia has 112 CF platforms with a total asset value of USD 702.6 million
  - 102 of the CF platforms are conventional, and 10 are Islamic (8.9% of the total)
  - Islamic CF assets value is USD 60.4 million (8.6% of the total)
  - Conventional debt-based P2P CF assets are valued at USD 606.6 million, and Islamic P2P lending assets were USD 10.6 million, which is only 1.7% of the total
- One reason of lower uptake of CF products by stakeholders may be due to voluntary financial exclusion
- There is a need to expand the Islamic fintechs, as this can potentially reduce some of the voluntary financial exclusion



# CF Platform Composition: Debt-based vs Equity-based



- The CF industry in Indonesia is dominated by debt-based P2P platforms
  - **Number** of P2P Lending Platforms 96 of 112 (or 85.7% of total)
  - **Value** of P2P Lending Platforms is USD 617.2m out of USD 702.6m (or 87.8% of the total)
- Securities CF (SCF) is valued at USD 85.4 million
  - Debt-based SCF instruments (bonds and sukuk) are worth USD 50.78 million
  - Equity-based SCF instruments (stocks and Islamic stocks) valued at USD 34.66 million (stocks—USD 33.47 million; Islamic stocks USD 1.19 million)
- **Taken together, the total debt-based CF (P2P lending, Bonds and Sukuk Securities) is valued at USD 667.98 million, which is 95.1% of the total CF assets**
  - **Equity-based CF forms 4.9% of the overall CF industry in Indonesia**
- There may be a need to increase the share of equity-based platforms to support innovation and entrepreneurship
- Islamic equity-based security CF can take the lead
- Asset-based CF can also be introduced as an additional CF model

# CF Platform Stakeholders



- Ethis Case Study results show
  - Fewer barriers on the fund-seekers' side
  - Barriers to growth and scalability mainly from fund providers' side
- Factors explaining the reluctance of funders to engage with CF platforms
  - Being risk-averse, fraud concerns, lack of awareness and trust
- There is a need to resolve these issues to enhance CF growth
  - Some issues, such as fraud and trust, can be resolved by sound regulatory frameworks—a proportional regulatory approach should be adopted
  - Enhancing financial and digital literacy among people—CF platforms and Associations can play an important role in this



# Questions