

CROWDFUNDING: A COLLABORATIVE WAQF BASED INTERNET PLATFORM

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ABSTRACT

This paper addresses crowdfunding, a relatively new area in waqf fundraising. The aim is to provide orientation on general information of crowdfunding and its potential as a collaborative fundraising tool for waqf. This article is interested in capturing the understanding of operationalizing collaboration using technological fund based raising platform in general. The issue on risks of using the platform is discussed in brief as well. The methodology used in the discussion is based on library search as this paper is a conceptual and exploratory one. The usage of crowdfunding is still in infancy, therefore it is found that the number of academic papers discussing on the philanthropic area is limited. The significant of this study is it captures some pathways and possibilities in general for the purpose of raising waqf funding worldwide and in a modern way. In conclusion, it is worth for waqf entities to explore the landscaping provides in crowdfunding should the benefit outweigh the cost implicitly and explicitly.

Keywords: waqf, crowdfunding, collaborative, fundraising

Introduction

Waqf has been in the conscience of the Muslims and is a way of the pious charitable act which is ruled by Islamic law. Essentially waqf serves society through its function as a socio-economic instrument. In Muslim history, waqf had been serving the Muslims with public utilities (roads, water, and sewage), educational institutions and hospitals. Traditionally, Muslims pledged their physical assets to carry the perpetuity feature. Waqf means the appropriation of the property from ownership to the dedication of its usufruct to charitable purposes (Mohsin, 2012).

However, over time as cash money goes into the economic system, cash waqf has gained acceptance as a new form of waqf asset. Cash waqf is defined as an endowment of cash by a founder with the corpus to be managed accordingly by trusted manager and it is expected from the cash, additional income could be earned and spent towards the righteous purposes (Zakaria, Samad, & Shafii, 2013). The strength of cash waqf lies in its advantages that it can be participated by all class of society regardless of the amount. Cash waqf is capable of reforming the actualization through the efficient and need-based management of waqf systems (Amuda, Hidayat, & Buang, 2015). Unlike pledging tangible assets as waqf, one need not be rich enough to contribute and perform waqf using cash waqf. Furthermore, in today's world, many communities have cash to offer more than immovable property. Therefore, the fact that the concept of cash waqf is more versatile and attracting to be used for any social objective and purpose plus flexible to be used with other financial instruments which mean it provides higher chances of growth (Amuda et al., 2015; Zakaria et al., 2013).

Raising fund today using cash waqf can be done either in the conventional platform (offline) or modern platform (online). Crowdfunding is one of the effective online tool normally used to fulfill specialized aim and objectives in entrepreneurship and charity cause (Mollick, 2014). Hence, in this paper, it tries to explore on the conceptual review raising waqf fund in a collaborative way using online platforms known as crowdfunding. The aim of this paper is to provide orientation on general information of crowdfunding and its potential as a collaborative fundraising tool for waqf. This article is also interested in capturing the understanding of operationalizing collaboration using technological fund based raising platform. Another extended discussion is regarding the understanding of operationalizing collaboration using technological fund based raising platform. Besides that, the issues on benefits and risks of using this platform are discussed in brief as well.

CROWDFUNDING

Historically, crowdfunding was among first used by entrepreneurs as a way to attract small-sized investments to for-profit ventures, primarily via the internet (Belleflamme, Lambert, & Schwienbacher, 2011). Today, crowdfunding is a new phenomenon internet based fundraising that is fast growing in terms of popularity (Abdullah, 2016; Agrawal, Catalan, & Goldfarb, 2014; Agrawal, Catalini, & Goldfarb, 2011; Whetzel, 2016). Essentially, crowdfunding is a new operating system with own particularities as it represents the new interaction of social crowd economics landscape globally. What is exciting in crowdfunding is about the nature community environment of how it is being operated through the exercises of viral social networking and marketing (Abdullah, 2016). The technological web 2.0 and innovation of financial instruments and global trends on social platforms networking, had directly contributed to the exponential growth of crowdfunding (Abdullah, 2016; Agrawal et al., 2011). The unique feature of crowdfunding is that it has potential to speed up the volume of waqf fundraising as well as promoting and enhancing funding activities by tapping the specific crowd who shared same altruism motives (Mollick, 2014).

A definition of crowdfunding is broad as it is used and covers so many disciplines of financing for various purposes. Many scholars are in a state of evolutionary flux in finding the most accurate definition (Mollick, 2014). Crowdfunding is defined as a mode of collective funding activities which originally rooted in a broader concept of crowdsourcing (Poetz & Schreier, 2012) and microfinancing (Morduch, 1999), but it gives access to people in a larger group who network and pool their money using the online platform (Belleflamme et al., 2011; Schwienbacher & Larralde, 2010). Yoo & Choe (2014) defines crowdfunding as any financing acts of an open call that raised necessary fund from a pool of people using the online platform and provides appropriate rewards mechanism in materializing the funding which depending on the method and purpose. The term of crowdfunding is to describe the process of obtaining the amounts of money by tapping individuals directly (Schwienbacher & Larralde, 2010) for multiple purpose of funding which normally relates to new ventures (Mollick, 2014) using internet as the mode of communication (Kirby & Worner, 2014; Schwienbacher & Larralde, 2010). Mollick (2014) is concerned with the scope of the definition provides by Schwienbacher & Larralde (2010) that defined up to the scope of raising funding using intermediary platforms via the internet. Mollick (2014) further argue that Schwienbacher & Larralde (2010) did not go further in defining the two aspects of the goal of the crowdfunding effort and the goal of the investors which he thought is a must in covering the scope of crowdfunding definition.

In general, there are four types of crowdfunding platforms based on the different motives of the creators, funders or platforms as shown in figure 1 and 2.

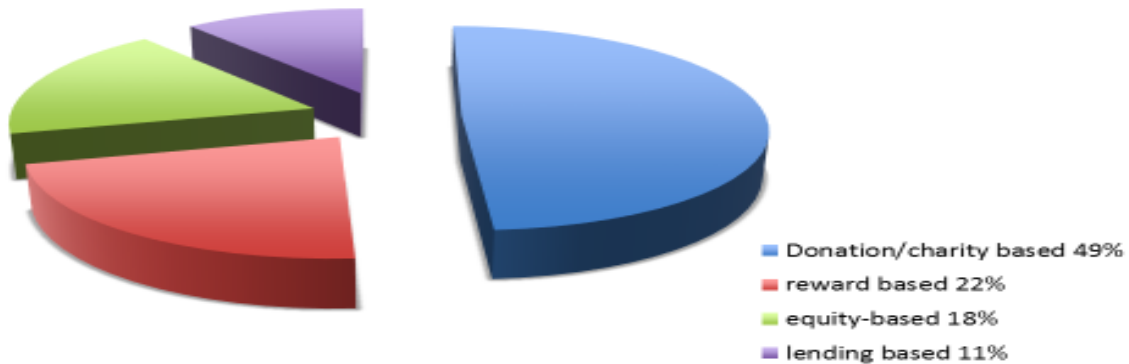


Figure 1: Breakdown by types of platforms
Source : crowdfundinsider.com

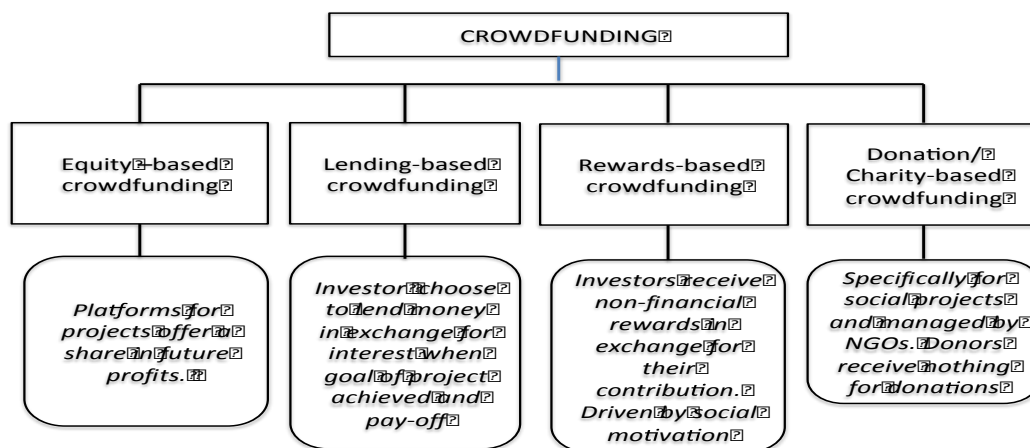


Figure 2: Types of crowdfunding platforms

Classification on the platform is also made according to types of projects offered through crowdfunding (Javier Ramos & Stewart, 2014). Another point of view points out that types crowdfunding platforms are based on two main criteria which are the commercial background and the original organizational embeddedness (Hemer, 2011). This is shown in figure 3 below:

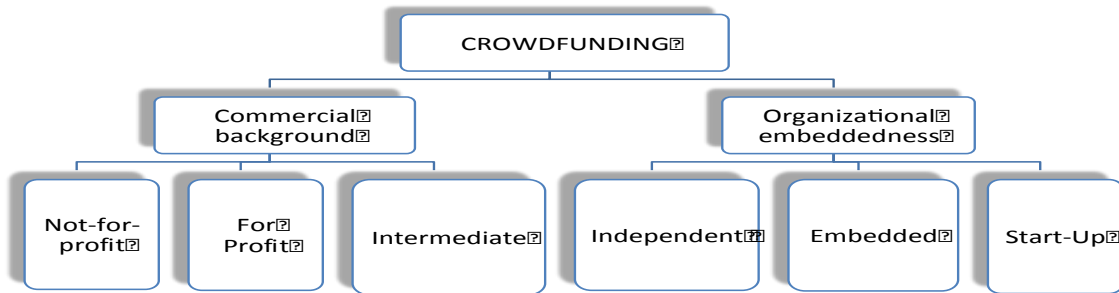


Figure 3: Types of crowdfunding platforms based on criterion

THE FRAMEWORK OF CROWDFUNDING

The general conceptual framework of crowdfunding is based on the idea that funding for targeted projects goes for viral subscriptions by being profiled, advertised, promoted and marketed using social networking via the web (Abdullah, 2016; Agrawal et al., 2011). The architecture style of the website allows the fundraiser to establish a social-networking access in promoting the needs funding by disclosing project profile, pictures and describe how will they use the funding raised accordingly thus allowing the projects to reach a wide audience of potential donors (Kirby & Worner, 2014).

Operationalization of the framework at least needs two parties collaborating- one is the fundraiser manager and second is the service provider platform. The technological leap had provided the means to create funding viable through reducing the cost of transactions by taking advantage of the online aspects. The medium for funding to be injected is arranged using a service provider platform that acts as intermediaries in managing data and amount transferred (Abdullah, 2016). The outcome from the funding will be in kind of the achievement from the project and/or service in exchange and/or profits or interests to be returned to the donors/ investors. The outcome will be according to the profiling of the crowdfunding set up.

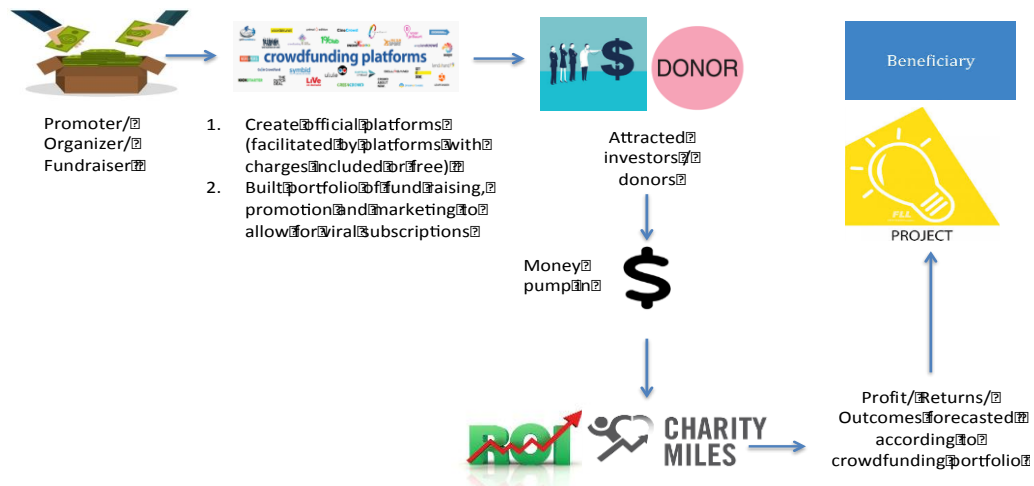


Figure 5: The general conceptual framework of crowdfunding operationalization

Technically narrative commonalities for crowdfunding operationalization flow where the platform facilitates the third party payment to fund donations from contributors to the fundraiser. These crowdfunding sites, in turn, use financial institutions/banks to facilitate deposits and withdrawals of funds collected from their various contributors. The following shows the general process of commonalities of crowdfunding operationalization regardless of its types in the industry.

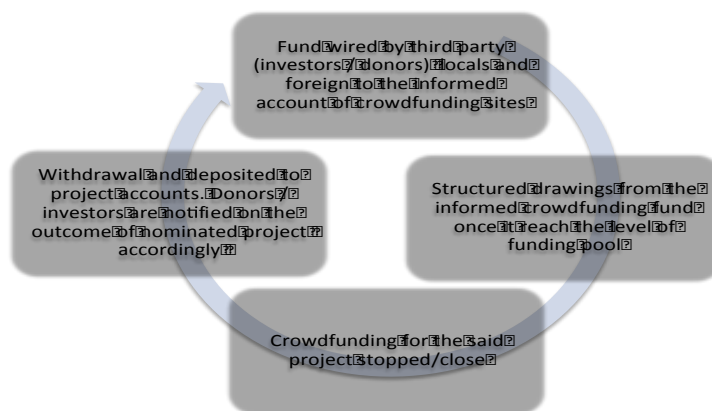


Figure 5: Narrative commonalities for crowdfunding operationalization flow

Containing costs of funding portals will be an important aspect of keeping the platform as a whole financially viable. The crowdfunding platforms manage donations and tracks progress towards the projects’ fundraising goals; in exchange for these services, the crowdfunding platform charges a fee per donation or a percentage of each donation (or both). This technology is very useful for entities with a small budget to zero budget. There are platforms that offer affordable cost such as Spacehive.com (Hollow, 2013). As a further alternative, there are also platforms that offer first stage non-monetary payoffs (Wash, 2013) and even free such as JustGiving and Spot.us (Kuppuswamy & Bayus, 2013).

HOW DOES CROWDFUNDING BENEFIT WAQF

The behavior of doing charity and spreading the good cause using crowdfunding can give impact to the waqf landscape (Wash, 2013). In many ways, crowdfunding manifest the act of doing charity (sadaqah jariyah) for longstanding Muslims brotherhood. With the recent passage of awareness on waqf based charity, internet crowdfunding is poised to play an important role in fundraising for many types of emerging needs for waqf within and across many countries. Therefore, there is in need of increasing the level of professionalism in fundraising waqf especially when relates to the construction of the mechanism (Achsien & Purnamasari, 2016). By establishing waqf based crowdfunding, some basic features with regard to the element of shariah compliance must be first considered in design parameter. Among the scope which falls into the concerns are (1) the halal intentions and projects, (2) the free based issues which relate to usury (riba), gambling (maysir), speculation (gharar) and (3) the existence of Shariah supervisory board.

The web technology enabled crowdfunding to be operated either *on live* crowdfunding and *online* crowdfunding. Crowdfunding has opened up a new source of funding for waqf entities apart from doing it traditionally. In this perspective, crowdfunding can be a good tool to connect the people with the caused to do waqf. It is not only a low – cost way of accessing funding according to its set up but also it has the ability to attract the emotional interest of users. People contribute and donate to crowdfunding irrespective of geography which waqf entities should take this as an advantage (Agrawal et al., 2011; Wash, 2013). The personal network of project creator affects the success of the funding as well (Yoo & Choe, 2014). A research by Kuppuswamy & Bayus (2013) found that volume of participations towards the promotion for funding collection would also depend on by certain conditions such as bystander effect and closing deadline. To add to the success is when the latest information of the said philanthropic funded project is being updated into the platform (Kuppuswamy & Bayus, 2013).

RISKS IN CROWDFUNDING

Consideration of organizing cost of crowdfunding waqf is another important point to be considered and taking into account. Raising online funding could be successful should the containing cost is well expressed during the promotions. One of the mitigating ways is by collaborating with reputable partners that carry the same aim in waqf. Initiating and carrying funding carries deep responsibilities as it involves not only morality and ethic matter but also religiosity underlying. Unlike the platforms in which participants expect some sort of financial gain, waqf crowdfunding falls under the same type of where no monetary compensation involves for participation (Kuppuswamy & Bayus, 2013).

Crowdfunding is simply another way to ask people for money, hence cybercrimes based crowdfunding may be planned (Whetzel, 2016). Opportunists potentially exploit the generosity of donors or manipulating the terms of donors by setting up profiles to raise funds and contributing to the ‘causes’. These causes may seem legitimate but could be a front layer to cater for fraud, money laundering, human trafficking, terrorist financing, or drug trafficking. The manifestation of cyber crime using

crowdfunding could exist in several ways such as an issuer may collude with investors to exchange money for securities in a nefarious enterprise under the facade of a business transaction (Robock, 2014).

From a legal point of view, raising fund via crowdfunding is risky as many countries do not have any further regulations (Whetzel, 2016). To further impact on this, the loose and unavailability of ruling in certain crowdfunding platforms provides possible opportunities but at the same time poised to a number of risks and threats (Javier Ramos & Stewart, 2014). It means, there is no protection on the financial system specifically the payment facilitators (facilitators) and charity-focused crowdfunding sites from being used as a conduit for illicit activities. Basing on this, the possibility of donors to have full disclosures on information of donations is doubtful. Hence the risks of delay in project performance, fraud and money laundering are present and issues should be highlighted as the crowdfunding industry is expected to expand to over \$220 billion in the next ten years (Whetzel, 2016). Consider this, the waqf organizer must beware of the consequences and ensure it collaborates with only reliable crowdfunding operator.

Disclosure on the progress is as important as the disclosure during the stage of request funding. Crowdfunding weighted trust more (Achsien & Purnamasari, 2016) but put fewer concerns on performance aspects of the proposed projects and the desire of the donors (Mollick, 2014). The success of funding projects also depends on the relationship between funders and founders of the crowdfunding (Belleflamme et al., 2011). In the context of waqf based crowdfunding, approaches in the models as discussed by Mollick (2014) using reward-based model, fully patronage based, partially lending with patronage element model and equity-based crowdfunding models could be expanded and modified as long as it does not violate to the scope of maqasid shariah.

CONCLUSION

Waqf is a powerful instrument for sustainable community development, especially among Muslims. However, for waqf to sustain and to be relevant it needs to remain viable in the contemporary world. Therefore, fundraising for the purpose of waqf must be supported with a sophisticated and reliable platform that is able to connect e- communities (fundraisers and donors) through financial intermediaries using the internet as a platform. Hence in this paper, we have discussed crowdfunding and its applicability for operationalizing waqf by providing general information, structure. Crowdfunding technology as a fundraising tool is becoming popular that waqf entities must exploit to it. The capabilities of the instrument as a way out of expediting assists waqf in expanding its core values and subject matters. It could be further concluded that crowdfunding for waqf carry a deep reflection as it is attached with Islamic religiosity element

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