

Behavioral Intention on Islamic Crowdfunding Usage among Malaysian Bumiputera SMEs: Moderating effect of technology readiness

Engku Huda Mursyidah Engku Hassan Ashari^{1,2*}, Engku Rabiah Adawiah Engku Ali³, Sakinah Mat Zin⁴

*Corresponding Author:

¹ Faculty of Business, Economics and Social Development, Universiti Malaysia Terengganu, 21030, Kuala Nerus, Terengganu, Malaysia

² Institute of Islamic Civilization, Universiti Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia

³ Institute of Islamic Banking and Finance, International Islamic University Malaysia, 53100 Kuala Lumpur, Malaysia

⁴ Faculty of Business and Management, Universiti Teknologi MARA, Kelantan Branch, 18500 Machang, Kelantan, Malaysia

engkuhuda@umt.edu.my, rabiah@iium.edu.my, sakin405@uitm.edu.my,
Tel: 014-8325157

Abstract

Access to financing is crucial for Bumiputera SMEs' growth, but lending from financial institutions is reduced due to default risk. Therefore, entrepreneurs often rely on short-term resources like personal savings, friends and family. Islamic crowdfunding offers wider financing alternatives to help Bumiputera SMEs grow their businesses. Hence examining the constructs that influence Bumiputera SMEs' intentions to use Islamic crowdfunding is vital. These factors are investigated using UTAUT theory, adding technology readiness as moderating factor. The proposed framework could provide insights for crowdfunding providers and policymakers to increase awareness of financing alternatives among SMEs in Malaysia.

Keywords: Islamic crowdfunding; behavioural intention; Bumiputera; SMEs

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1.0 Introduction

The growth of Malaysia's economy heavily relies on the significant contribution made by small and medium-sized enterprises (SMEs), as they make up 97.2% of business establishments in the country and contribute to 48% of national employment and 13.5% of exports (DOSM, 2022). Adapting to this competitive economic environment, healthy-business growth of SMEs plays a vital role in sustainable economy and its growth as they dominate most of the business composition in a country's economic sector (Fernandez, 2015). In the Review of the 12th Malaysia Plan 2021-2025, the Malaysian government has recognised Small and Medium Enterprises' (SMEs') function as catalysts to increase investment and transform the country into a developed nation by year 2025. It is stressed in the 12th Malaysia Plan that conducting game changing initiatives which would enable SMEs including Bumiputera entrepreneurs to transform, compete and penetrate global markets is crucial. Numerous inducements for SMEs are announced in the 2023 Budget, such as earmarking RM1.7 billion for micro credit resources and business facilities to assist small traders. Additionally, a fund of RM10 billion through the Bank Negara Malaysia was established to support automation, digitization, tourism, and agriculture (Budget 2023).

Since Bumiputera is the majority ethnic group in Malaysia, the government are striving towards the betterment of Bumiputera SMEs, but their participation in entrepreneurial activity is still low even though Bumiputera composes the majority of Malaysia's population amounting to 69.9% as compared to 30.1% of non-Bumiputera (DOSM 2022), Bumiputera SME participation in entrepreneurial activity is still insignificant. Ever since the earlier decades before independence, Chinese entrepreneurs dominated Malaysian SMEs, and Bumiputera SMEs were left far behind. To bring about better income redistribution in this multi-racial Bumiputera entrepreneurs or Bumiputera SMEs are often said to be left behind in achieving success in economic development country, that situation has to be changed (Wordbank,2022). Based on the shared prosperity vision 2030, it is reported that the Bumiputera economy does not expand

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in tandem with national development and growth. Bumiputera entrepreneurs are also unable to contribute to the Malaysian economy effectively due to their relatively low involvement and limited to non-competitive market sectors. For example, most Bumiputera entrepreneurs are involved in the food industry and operate on a small scale focusing only on the local market (Halim, et al., 2021). Furthermore, Bumiputera entrepreneurs are still small in numbers, and their sustainability is lower than that of entrepreneurs from other races. This is proven by the small percentage of only 37% Bumiputera SMEs as compared to the total of 61.5% non-Bumiputera SMEs in Malaysia (Zuhir et al., 2019). It is added by Zuhir et al., (2019) that the Bumiputera determination and their resilience to continue the business, is gradually waning. According to Teraju (2017), in 2015, Bumiputera-owned small and medium enterprises (SMEs) constituted merely 38% of the overall Malaysian-owned SMEs. Notably, financial institutions are the main source of funding for (SMEs), providing about 97% of their loans (Laila et al., 2022). Despite their significant role in supporting SME growth, financing by financial institutions suffer from low payback rates from these SMEs, making them reluctant to give any financing for these SMEs (OECD,2022). Past studies have also discovered that Bumiputera SME businesses are specifically in constant struggle to get sufficient amounts of monetary assistance from financial institutions (Hanifah et al., 2017; Mohamad et al., 2015; Zain et al., 2012). In particular, these earlier studies showed that financial institutions have neglected lending to Bumiputera SMEs due to the lack of qualified demand. As such, micro sectors consistently lack the proper attention and financial support to develop and survive (Zuhir et al., 2019). Furthermore, results of a study developed by Ahmad et al. (2017) found that Bumiputera entrepreneurs often face problems related to finance and accounting, and experience difficulties in obtaining financial support. As a result, Bumiputera SMEs continue to be besieged with low productivity, which explains the low profit margins and business discontinuity despite the list of efforts and initiatives imposed by the Malaysian government (Mohamad et al., 2015; The Edge Market, 2022). Economic CENSUS Report 2016 by DOSM reported that in Malaysia, only 32.1% of SMEs used financial institutions for financing, while 72.8% depended on internal funds. This scenario is due to the fact that SMEs are having issues with their creditworthiness (Roy & Shaw, 2021; Wasiuzzaman et al., 2019; Rao et al., 2017; Corazza et al., 2016), short of collateral (Beltrame et al., 2018; Badulescu et al., 2014; North et al., 2010) and poor historical credit recording (Lu et al., 2022; Tagoe et al., 2005; Wasiuzzaman et al., 2019). Extant studies touch on creditworthiness as one of the factors that affect financial access among SMEs. The lack of documentation and the inability to provide collateral make it difficult for financial institutions to assess the creditworthiness of SMEs, leaving them unable to obtain the loan they need (Wasiuzzaman et al., 2019). Consequently, Bumiputera SMEs encounter constraints in getting financing, which is one of the causes for their business expansion failure (Halim et al., 2021; Ahmad et al., 2017; and Zain et al., 2012). According to FMT news (2022), besides rising cost of borrowings, the primary problem faced by Bumiputera SMEs in Malaysia is securing loans in the first place. RAM-CTOS survey indicated that 40% of SMEs including Bumiputera SMEs had their loan applications rejected in the last six months (since July 2022), and this is an alarming rate since production costs and interest rates are rising, and consumer confidence has dropped (The Edge Market, 2022). Realising the financing issues faced by Bumiputera SMEs which greatly affect their business growth, several financing alternatives have been explored by researchers

In order to solve this financing access problems, More and broader range of modern financing alternatives are recently available for SME to start up or expand their businesses (e.g., angel financing business, venture capital and corporate venture capital), as well as current internet-based social phenomena (e.g., P2P lending, crowdfunding and initial coin offerings (ICOs)) (Masiak et al., 2020). Based on the study by GE et al. (2016), crowdfunding denotes a procedure of gathering financial support from individuals instead of experts, utilizing online platforms. This approach entails requesting donations from numerous individuals or organizations for a legitimate purpose, such as a project, cause, or business venture. Concerning Islamic crowdfunding, it is widely acknowledged that Malaysia has been at the forefront of Islamic finance development, globally recognized since the enactment of the Islamic Banking Act in 1983. The impressive progress of Islamic finance in Malaysia could contribute to the advancement of Islamic crowdfunding, despite it being a new financing alternative in Malaysia. Notwithstanding the new global phenomenon of Islamic crowdfunding, it is believed that the significant growth of Fintech (Takeda & Ito, 2021) including in Malaysia would generate more expansion of Islamic crowdfunding facilitated via Fintech mechanisms. Like other types of financing, crowdfunding can be conducted based on Islamic principles. Islamic crowdfunding would attract Muslim users who are looking for Shariah compliant equity and debt-based crowdfunding alternatives (Ishak et al., 2021). Apart from Muslim users, non-Muslims also widely utilize Islamic alternative financing due to the advantages it offers compared to conventional options. For example, Islamic financing is regarded as free from corruption, and less monopolistic when compared to the conventional financial system (Faizulayev et al., 2021). Furthermore, non-Muslims form a significant customer base for Islamic banks, and factors such as subjective norms, perceived behavioral control, and attitude had influenced their acceptance towards (Saiti et al., 2019). Therefore, it is important to analyze the acceptance of Islamic crowdfunding by Bumiputera SMEs, even if they are not all Muslims, as previous studies on the acceptance of Islamic financing products have shown significant results.

Existing research has discussed the financing problems faced by Bumiputera SMEs (OECD 2022; Halim et al., 2021; Zuhir et al., 2019), but there is a lack of research on alternative funds for Bumiputera SMEs, particularly in the area of crowdfunding. Previous studies that have analysed the acceptance of crowdfunding have mostly focused on the perspective of investors (Khan, 2022; Wachira et al., 2022) and only a few have considered the perspective of SME entrepreneurs (Alshebami, 2022; Kazaure et al., 2020). Islamic crowdfunding is a relatively new field of research, and a comprehensive understanding of its underlying mechanism is still lacking. This study pursues to bridge a research gap by exploring the factors that influence Bumiputera SMEs' intention to adopt Islamic crowdfunding for business growth. The Unified Theory of Acceptance and Use of Technology (UTAUT) is utilized as a basis to analyze these constructs. Additionally, the study considers technology readiness as a moderating factor. Therefore, the first objective of this study is to investigate the influence of performance expectancy, effort expectancy, social influence, facilitating conditions with Bumiputera SMEs' intention to use Islamic crowdfunding, and also. The second objective is to analyze technology readiness as the moderating factor in the

relationships between effort expectancy, performance expectancy, social influence, and facilitating conditions with the intention to use Islamic crowdfunding among Bumiputera SMEs.

2.0 Literature Review

2.1 Unified Theory of Acceptance and Use of Technology (UTAUT)

UTAUT model suggests that four factors, performance expectancy, effort expectancy, social influence, and facilitating conditions, are key determinants of user acceptance and usage behaviour. The role of, age, voluntariness, gender and experience as moderators are also noted in this model (Venkatesh, 2003).

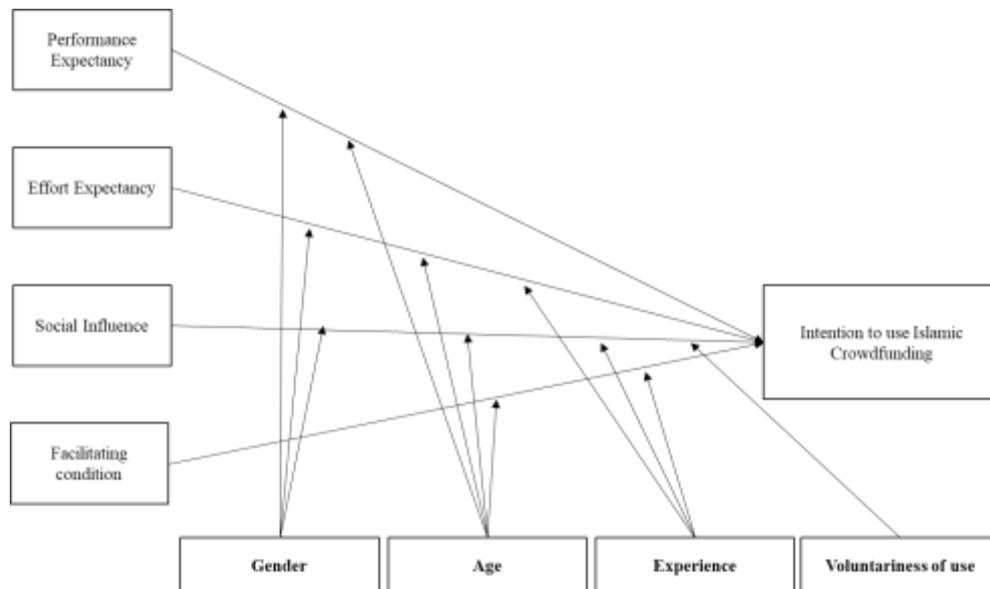


Fig. 1: The Unified Theory of Acceptance and Use of Technology (UTAUT)
(Source: Venkatesh et al., 2003)

UTAUT presents a more comprehensive perspective of user acceptance by overcoming the constraints of the Technology Acceptance Model (TAM). Many of the relationships in the model are moderated, with age being a significant moderator. Future research is suggested to consider a more relevant moderators for further exploration.

2.2 Underpinning Theories.

Integrating acceptance variables specific to Malaysian SMEs would be useful for forecasting the usage of Islamic crowdfunding in the setting of a developing country like Malaysia (Salimon et al., 2021). Previous research has extended the UTAUT model to determine users' intention to use technology platforms such as mobile commerce (Asastani et al., 2018), health information technology (Shachak et al., 2019), the Internet of Things (IoT) cloud platform (Robles-Gómez et al., 2021), and e-learning (Hunde et al., 2023). Other studies have used the UTAUT model (Sukmana et al., 2022; Islam and Khan, 2021) to analyse users' intention to adopt crowdfunding.

The original UTAUT model proposed moderators that affected most of the constructs in the model (Venkatesh et al., 2003). However, these moderators received little attention in the literature on technology adoption and were highlighted as limitations of the model, suggesting future exploration of more relevant moderators. In the expansion of the UTAUT2 model, Venkatesh et al. (2012) conducted an evaluation of the theory's moderators. They made the decision to exclude voluntariness as a moderator, considering that all users' choices are voluntary. However, they still took into consideration factors such as age, gender, and experience (Blut, 2021). Various studies, including those by Gerpott & Ahmadi (2016), Kaba & Touré (2014) for age and gender, and Mukerjee et al. (2020) for experience, were conducted to test the impact of these factors on the studied variables. These studies found no significant moderating effect of age, gender, and experience on the factors, and ultimately no significant effect on the dependent variable of behavioral intention. A meta-analysis study by Blut et al. (2021) on the UTAUT model concluded that it is unlikely for future studies to include individual characteristics (i.e., age, gender, and experience) as research moderators. Therefore, this study excludes the original moderators used in the UTAUT model and attempts to explore other potentially relevant moderators, such as technology readiness.

2.3 Dependent and Independent Variables

This section presents a discussion on the literature review of the independent variables and their relationship with the dependent variable of Bumiputera SMEs' intention to use Islamic crowdfunding, utilizing the constructs of the UTAUT model along with the inclusion of the moderating factor of technology readiness

2.3.1 Intention to use Islamic Crowdfunding

According to Boydell and Galavotti (2022), behavioral intention refers to the self-directed guidelines that individuals provide to regulate their actions in specific manners. Crowdfunding consists of three elements: people, projects, and platforms, where people (fundraisers and funders) come together to recommend and support entrepreneurship plans/projects on online platforms (Jovanović, 2019). Meanwhile, Islamic crowdfunding is an online fundraising platform among investors with Shariah-compliant features, meeting Islamic and Shariah standards and involving no impermissible substances under Islamic law (Hendratmi et al., 2019). According to Afroz et al. (2019), Islamic crowdfunding distinguishes itself after conventional crowdfunding in three main aspects. Firstly, Islamic crowdfunding holds social accountability by investing in projects or products that are halal. Secondly, it distributes investment risks among participants. Lastly, it ensures the absence of interest or *riba*.

Studies have shown that SMEs have a strong intention to use Islamic crowdfunding in their businesses (Aderemi & Ishak, 2022; Abd Rashid et al., 2021). Abd Rashid et al. (2021) found that 97% of SMEs would choose Islamic crowdfunding if given the opportunity because of the perceived benefits. According to Ishak et al. (2021), previous studies have demonstrated that Islamic crowdfunding has the potential to support small and medium enterprises (SMEs) in acquiring capital for business expansion, which could explain the positive response observed. In their study, Ishak et al. (2021) specifically explored the solicitation of *mudharabah* crowdfunding, to address the financial obstacles handled by the book publishing in Malaysia. Additionally, Hendratmi et al. (2019) have recommended the adoption of Islamic crowdsourcing as a capital resolution for SMEs and start-up companies. They highlighted its benefits, such as attracting investors from various geographical locations and serving as an effective intermediary for data management and fund transfers in accordance with shariah principles. The recently discovered features of Islamic crowdfunding, such as shariah compliance (Abdullah & Oseni, 2017), efficiency (Ishak et al., 2021), exclusivity, and flexibility (Aderemi & Ishak, 2022), make it a promising financing alternative, especially in countries like Malaysia, with a considerable awareness and presence of Islamic finance products.

2.3.2 Performance Expectancy

According to Ventakesh et al. (2012), performance expectancy refers to an individual's belief in the potential of a specific system to enhance their job performance. The concept of perceived usefulness, highlighted by Gangwar, Date, and Ramaswamy (2015), plays a critical role as users are only inclined to implement a technology if they observe it as beneficial in terms of efficiency, performance, and productivity for their business. Several studies, such as those conducted by Hapsari (2022) and Salim et al. (2021), have indicated that performance expectancy/perceived usefulness has an impact on users' intention to use Islamic crowdfunding. This positive relationship can be attributed to the respondents' positive perception of the Islamic crowdfunding model, their knowledge of its underlying concepts and benefits, and their trust in the information provided by the online platform (Hapsari, 2022; Kazaure et al., 2020). Additionally, the end users believe that Islamic crowdfunding offers them direct access to investors and helps them avoid the bureaucracy of financial institutions (Salim et al., 2021). Opposing to the findings of Husin et al. (2020), who state that the link between performance expectancy and perceived usefulness in relation to users' intention to utilize Islamic crowdfunding is not significant, it is argued that the effectiveness of the platform does not consume a direct effect on users' intention to adopt Islamic crowdfunding. The primary hypothesis seeks to assess the advantages of employing Islamic crowdfunding platforms for Bumiputera SMEs and to depict these benefits using performance expectancy. Hence, the first hypothesis developed is:

Proposition 1: Performance expectancy takes a positive influence on intention to use Islamic crowdfunding.

2.3.3 Effort Expectancy

According to a study done by Saleh et al. (2022), it was exposed that the UTAUT model demonstrates the effect of ease of use and convenience on user behavior when it comes to embracing new technologies. Additionally, user attitudes, characterized by their interest in a specific system, also play a role. Gangwar, Date, and Ramaswamy (2015) found that ease of use is a key motivator for users to adopt a system or technology, as they do not need to have in-depth knowledge or expertise to operate it. Rahman et al. (2020) also found that entrepreneurs may be hesitant to share their business ideas online, but still agree that crowdfunding is easy to use when seeking capital. According to Hapsari et al. (2022) and Salim et al. (2021), research findings indicate that users' intention to utilize Islamic crowdfunding platforms can be influenced by their perception of the platforms' ease of use. Hapsari et al. (2022) found that young respondents who were familiar with the internet and aware of Islamic crowdfunding found online crowdfunding systems easy to use. It has been established that users are willing to use Islamic crowdfunding platforms with user-friendly technology (Kazaure et al., 2020; Salim et al., 2021). There is currently limited research on the connection between effort expectation and behavioural intention of crowdfunding or Islamic crowdfunding. Therefore, the second hypothesis is based on the convenience of Islamic crowdfunding platforms for Bumiputera SMEs and its impact on their intention to use it. Therefore, the second hypothesis generated is:

Proposition 2: Effort Expectancy has a positive influence on intention to use Islamic crowdfunding.

2.3.4 Social Influence

Ventakesh et al. (2003) defined social influence as the degree to which an individual perceives the significance of others who adhere to a specific system. Soong et al. (2020) assert that this notion can be associated with reputation and image, suggesting that adopters believe utilizing a technology will enhance their social standing. Alshebami (2022) discovered a positive correlation between social influence and the intention to adopt conventional crowdfunding. Business owners' implementation intentions are profoundly affected by the inspirations, thoughts, and commendations of reference groups and socially influential individuals (Islam & Khan, 2021). Sukmana

et al. (2022) identified a significant positive social influence on the behavioral intention to use Islamic crowdfunding, with users being convinced by their peers to utilize an Islamic-based crowdfunding model for fulfilling religious needs. Conversely, Salim et al. (2021) found no significant relationship between social influence and the intention to use Islamic crowdfunding in Malaysia. The novelty and lack of awareness regarding Islamic crowdfunding in the country, where the benefits of its usage have not been widely communicated or recognized by the media may be the reasons for this result. Nevertheless, this study proceeded to formulate a third hypothesis centered on the influence of others on Bumiputera SMEs when utilizing Islamic crowdfunding platforms (Salim et al., 2021).

Proposition 3: Social Influence has a positive influence on the intention to use Islamic crowdfunding.

2.3.5 Facilitating Conditions

The intention to utilize Islamic crowdfunding for financing Bumiputera SME businesses is likely to be positively affected by the facilitating conditions provided by the platform. This assertion is corroborated by the research conducted by Islam and Khan (2021), who discovered that facilitating conditions positively impacted the inclination to embrace crowdfunding. Nonetheless, contrary evidence from other studies (Alshebami, 2022; Moon and Hwang, 2018) suggests that facilitating conditions might not wield a significant influence on the inclination to engage in crowdfunding, indicating a need for further research on this factor in the context of Islamic crowdfunding for Bumiputera SME businesses. Accordingly, the fourth hypothesis generated is:

Proposition 4: Facilitating conditions has a positive influence on intention to use Islamic crowdfunding.

2.3.6 Technology Readiness as Moderator

According to Parasuraman (2000), technology readiness denotes to individuals' willingness to accept and employ new technologies to achieve their individual and expertise goals. Gao et al. (2022) also classify technology readiness into optimistic and adverse aspects. Positive technology readiness includes optimism and innovation, which encourage individuals to embrace new technologies, while negative technology readiness involves discomfort and insecurity, which hinder the adoption of new technologies. Parasuraman and Colby (2001) found that individuals with positive views towards technology are more likely to use it, while those with negative views are less likely to do so. Previous studies (Gao et al., 2022; Wang et al., 2017) have demonstrated that technology readiness plays a moderating role in the relationship between technical attributes and behavioral intentions. Additionally, the characteristics of Bumiputera SMEs may influence their technology experience. Surendro and Fardani (2012) discovered that SMEs are well-suited to use public cloud services but often lack sufficient IT resources for data collection and analysis (Wang & Wang, 2020). Based on this information, it is suggested that technology readiness may moderate the intention to use Islamic crowdfunding among Malaysia Bumiputera SMEs.

Moderators can change the route or strength of the connection between two variables and should be considered when the association between a predictor and dependent variable is strong or weak (Baron & Kenny, 1986). In the context of self-service technology adoption, readiness to adopt new technologies can influence an entity's intention to use a certain technology (Kusumarani and Zo, 2019), although some studies have found insignificant effects (Gelderman et al., 2011). For instance, Chang et al. (2020) observed a negative effect of technology readiness on individuals' behavioral intention to use medical apps in Taoyuan, Taiwan. However, performance expectancy, effort expectancy, and social influence had positive effects on behavioral intention. Similarly, Shetu, Islam, and Promi (2022) discovered that technology readiness moderated the relationship between performance expectancy and behavioral intention among users of digital wallets in Bangladesh. Given the limited existing knowledge on the subject, further investigation is necessary (Lin, Shih & Sher, 2007), particularly in the setting of Bumiputera SMEs. Therefore, this study proposes that the relationship between the UTAUT factors and the intention to use Islamic crowdfunding is moderated by technology readiness. It is anticipated that Bumiputera SMEs with low or high technology readiness will exhibit different associations in these areas, leading to the following hypotheses:

Proposition 5: There is a positive relationship between performance expectancy and intention to use Islamic crowdfunding among Bumiputera SME entrepreneurs who exhibit a high level of technology readiness.

Proposition 6: There is a positive relationship between effort expectancy and intention to use Islamic crowdfunding among Bumiputera SME entrepreneurs who exhibit a high level of technology readiness.

Proposition 7: There is a positive relationship between social influence and intention to use Islamic crowdfunding among Bumiputera SME entrepreneurs who exhibit a high level of technology readiness.

Proposition 8: There is a positive relationship between facilitating condition and intention to use Islamic crowdfunding among Bumiputera SME entrepreneurs who exhibit a high level of technology readiness.

3.0 Methodology Population and Sample

This research will be carried out in Peninsular Malaysia and centered on Small and Medium-sized Enterprise (SME) entrepreneurs who are officially registered with SME Corp. The study would be adopting a quantitative approach, and the survey questionnaire will be constructed based on previous scholarly work. The distribution of the survey is suggested to be conducted online, specifically employing Google Forms, targeting SME proprietors or managers who possess knowledge of funding opportunities aligned with Shariah-compliant financing. The sampling method employed was simple random sampling, ensuring an equitable chance of selection for each participant

within the intended population. There are 11,104 Bumiputera SME entrepreneurs registered with SME Corp. Malaysia. According to the sample size determination method by G-power as well as Krejcie and Morgan (1970), 373 Bumiputera SME entrepreneurs were selected for the research sample. Meanwhile, the questionnaires will be constructed based on previous studies. Accordingly, the items are going to be adapted from several existing questionnaires. The completed questionnaires will undergo a pre-test in which their reliability and validity are measured by the experts as the measurement of instruments and constructs are crucial components of research quality.

Data Analysis and Research Instruments

For this study, data will be gathered through a survey conducted via a Google Form questionnaire, which has been crafted in the Malay language, the native tongue of the participants. This survey will be distributed through the WhatsApp platform. The questionnaire comprises a total of 48 questions, covering 7 different constructs. Participants will be requested to provide their level of agreement or disagreement using a Likert scale that spans from 1 to 7. On this scale, 1 signifies "strongly disagree," while 7 signifies "strongly agree." Subsequently, the collected data will undergo analysis using SPSS software version 27. A variety of statistical techniques, including t-tests, ANOVA, correlation analysis, and regression analysis, will be applied to address the research objectives.

Limitation of study

First of all, this study investigates the factors in the UTAUT model by taking into account the theoretical concept that influences intention towards technology usage found by Venkatesh (2003). The data this study wishes to use is primary data via structured questionnaires. This may cause a limitation in terms of discovering the real factor that may influence SMEs nowadays in using Islamic crowdfunding as one of the financing alternatives to expand their business. Therefore, for future study, it is suggested to have a mixed method of conducting interviews with some of the SME owners first to identify the factors that are affecting their behavioral intention to use Islamic crowdfunding, and then distribute the questionnaires to a broader sample of SMEs.

Besides that, despite being the best model to explain user acceptance (Zaremohzzabieh et al., 2022; Chen & Zhao, 2022; Sohn & Kwon, 2020), UTAUT also has its shortcomings such as rather than the private space, UTAUT model originally formed for user acceptance of technology in the work environment (Baum et al., 2022) which cause it to be missing individual perceptions such as perceived usefulness and perceived ease of use constructs. Secondly, Venkatesh et al., (2003) suggested that extended constructs to be added in the original UTAUT model for further research in order to cater to the limitations of the original UTAUT model and to get a more comprehensive understanding of technology adoption and usage behavior. In addition, most of the major relationships in the UTAUT model are moderated. For example, age has received little attention in the research literature on technology adoption, but the model of Venkatesh et al. (2003) shows that it moderates all important relationships in the model. Hence, they suggested for future research to take a more relevant moderator for future exploration.

4.0 Findings

Proposed Theoretical Framework

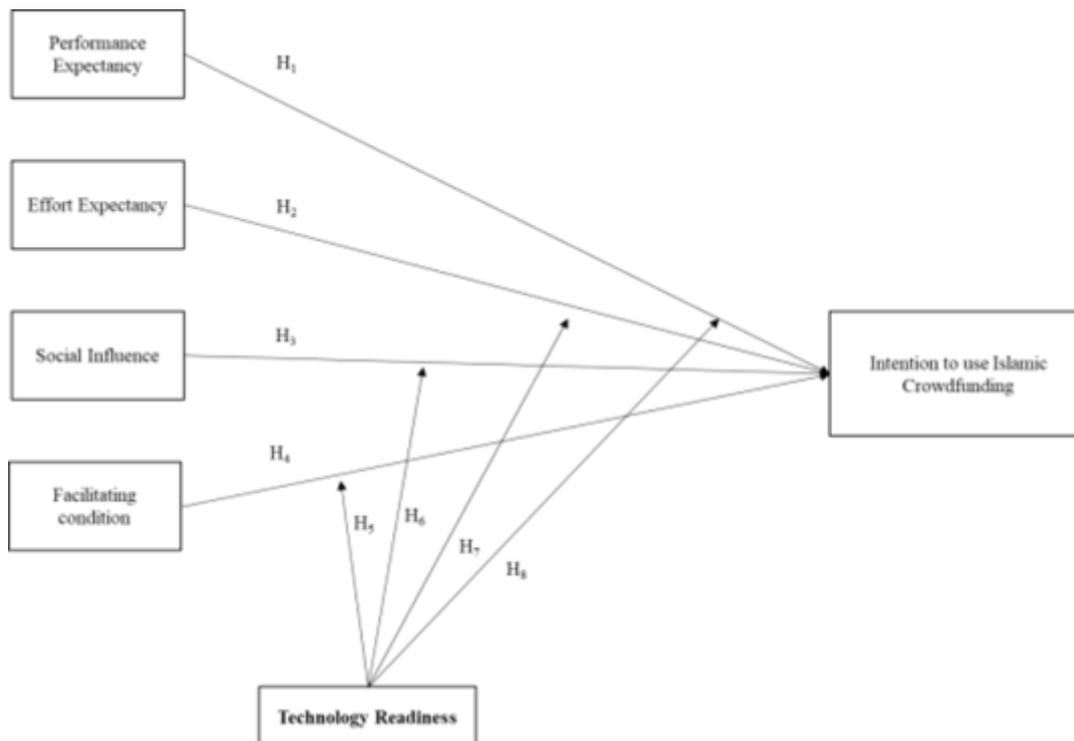


Fig. 2: Proposed Theoretical Framework

This study is using the UTAUT theory, as it has one of the highest levels of variance, which can explain up to 70% of user intention. In this study, we replace the original UTAUT model's moderators, including age, experience, gender, and voluntariness, with technology readiness. The decision to remove these moderators stems from the findings of Hanafizadeh et al. (2014), who concluded that age and gender have minimal impact on the demand for technology-based financing. Additionally, Xu et al. (2019) did not consider voluntariness as a variable, as individuals tend to accept and utilize new things based on their own interests and behaviors. Moreover, Tan (2013) and Van Schaik (2011) proposed models that also exclude oldness, gender, experience, and voluntariness, originally included in the UTAUT model, in order to enhance generalizability and address asymmetrical distribution. Consequently, age, experience, gender, and voluntariness are eliminated as moderators in the UTAUT model. Instead, the proposed framework incorporates the UTAUT theory, integrating four independent variables (performance expectancy, effort expectancy, social influence, facilitating condition), with the intention to use Islamic crowdfunding serving as the dependent variable (Hanafizadeh et al., 2014; Xu et al., 2019; Tan, 2013; Van Schaik, 2011). This study focuses on evaluating Bumiputera SME entrepreneurs as potential users of Islamic crowdfunding models, so the concept of "actual usage" will not be considered within the UTAUT frameworks. Turner et al. (2010) have pointed out that "intention to use" is more commonly studied than "actual usage" in this context. The model suggests that technology readiness controls the relationship between the UTAUT components and intention to use, as shown in Fig. 2.

The model contains the connections between four independent variables (Performance Expectancy, Effort Expectancy, Social Influence and Facilitating condition). These variables should be written in such a way that they consider whether the presence of a moderator strengthens or weakens the relationship between two variables, and whether the interaction effect would be positive or negative at different levels of the moderator (Dawson, 2014). The relations effect of technology readiness is also shown in Fig. 2.

5.0 Discussion

One of the most common challenges for SMEs is to access the financing required for their business growth (Alshebami, 2022; Bakri et al. 2021; Fanea-Ivanovici & Baber, 2021; Gleasure, 2015; Mokhtarrudin et al., 2017; Wasiuzzamr et al., 2021; Rahman et al., 2020). This phenomenon is due to several factors such as lack of collateral and no proper credit history or financial recordings, (Islam & Khan, 2021; Kazaure et al., 2020; Salim et al., 2021), and it is also caused by the tightening of financing conditions by financial institutions (Rahman et al., 2020; Gupta et al., 2022; Abd Rashid et al., 2021; Salim et al., 2021). Therefore, these SMEs need to opt for alternative financing such as crowdfunding in order for them to get capital and expand their business. Crowdfunding is a new mechanism for raising funds from individuals rather than professionals through online platforms (Ge et al., 2016). Crowdfunding is a process of raising money or capital investments for a legitimate cause, project, or business venture by soliciting contributions from a large number of people or organisations. When a creative, fresh idea that has the potential to bring in money and create jobs needs financial backing to materialise, crowdfunding is used. The prediction of the world crowdfunding market by analysts is for it to grow at a crowdfunding annual growth rate (CAGR) of 26.87% during the year of 2016-2020 (Research and Markets, 2016). Statista (2016) projected that transaction price within the crowdfunding sector would be worth up to US\$7.23 billion in 2017 and is predicted to point out an annual rate of growth (CAGR 2017–2021) of 27.3% leading to the overall amount of US\$18.97 billion in 2021. It is also calculated that the average capital per campaign within the crowdfunding sector will total up to US\$992.66 in 2017. Additionally, Statista (2016) also forecasts that in this crowdfunding sector, the funding campaigns can amount to 13,784,220 by 2021 globally. Therefore, the expansion of crowdfunding in the market has gain more attention as an alternative mechanism to benefit the economy and business segments.

Diving deeper into Islamic based crowdfunding, it is well known that Malaysia's pioneering role in the development of Islamic finance has gained worldwide recognition, since the passing of the first legislation of Islamic finance in 1983 i.e., the Islamic Banking Act, 1983. This progressiveness of Islamic finance in Malaysia could contribute to the advancement of Islamic crowdfunding, despite it being a new financing alternative in Malaysia. Like other types of conventional financing, crowdfunding can be conducted based on Islamic principles. Islamic crowdfunding would attract Muslim users since some of the equity and loan-based crowdfunding model are non-shariah compliance (Ishak et al., 2021). Ata Plus, Waqf World, Ethis Kapital and Nusa Kapital are some of the well-established Islamic crowdfunding platforms.

The crowdfunding sector has used advanced technology and the internet to create highly scalable businesses, bringing revolutionary models to giant incumbent industries such as transportation and real estate (Hervé, & Schwienbacher, 2018). Crowdfunding is an easy-accessed alternative for entrepreneurs compared to regulated traditional financial institutions. Crowdfunding success rates have boosted the growth of SMEs in developed countries, but developing countries have not sufficiently benefited from it (Edem, et al., 2021). Another study by Erasmus, et al., (2022) indicated that the potential which crowdfunding offers in less favorable economic conditions, where SMEs are most likely to be assisted, has yet to receive the attention it deserves. Given the willingness to finance even start-up SMEs, it shows the importance of raising awareness of crowdfunding among the general public. Erasmus, et al., (2022) also suggest that the motivation for entrepreneurs to participate in crowdfunding is not necessarily financial-driven. Realizing the potential of crowdfunding in assisting the SMEs as mentioned above, the factors for SMEs to use crowdfunding are yet to be further discovered in this study.

That being said, the factors that influence these SME entrepreneurs to use Islamic crowdfunding needs to be first identified in order to generate any policies pertaining to SME business betterment. In this study, the focus is on evaluating Bumiputera SME entrepreneurs as potential users of Islamic crowdfunding models. Therefore, the concept of "actual usage" will not be considered within the UTAUT and IDT frameworks. Turner et al. (2010) have noted that "intention to use" is more commonly studied than "actual usage" in this context. The model also suggests that technology readiness moderates the relationship between UTAUT and trialability components and intention to use.

6.0 Conclusion

This research brings significant contributions to the existing body of literature by proposing additional inclusive viewpoints on the factors that impact behavioral intention. Moreover, it enhances our current comprehension of behavioral intention and the moderating influence of technology readiness by amalgamating the Unified Theory of Acceptance and Use of Technology (UTAUT). Islamic crowdfunding is a useful option for Bumiputera SMEs and start-ups that do not have access to traditional sources of funding, but it requires significant time, energy, and knowledge to be successful. Thus, this study can help policy makers and government agencies understand the awareness of small and medium enterprises toward financing alternatives and assist in creating applicable regulations and policies. It is suggested that future study to conduct a mixed method of (interviews and questionnaires) to research on the factors of behavioural intention towards Islamic crowdfunding. Secondly, it is also suggested for the UTAUT model to be extended with some other relevant moderators used.

Paper Contribution to Related Field of Study.

This research would serve as an empirical contribution that could have a substantial influence on the current understanding of Islamic crowdfunding, an alternative Islamic financing method, and the broader domain of Fintech expansion. Crowdfunding, among the various tools within Fintech, is employed by entrepreneurs, organizations, and corporations to gather funds and transform their concepts into reality. It is anticipated from the results of this study that small and medium entrepreneurs who are trying to grow their business would be able to open their mind towards the vast modern-financing alternatives that they can use to get financing. Bumiputera SMEs may be motivated via this study results to dive into new financing options available and to look into crowdfunding potentials which may lead to expansion of crowdfunding mechanisms and improve crowdfunding sustainability. This study can also create awareness for Bumiputera SMEs to explore all the exclusive and unique features that Islamic-designed financing alternatives have to offer for their benefits. Lastly, policy makers may find this study useful in order to conjecture the SMEs' awareness towards financing alternatives and hence drafting applicable regulations and policies in accordance with the analysis.

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