Navigating Islamic Equity Crowdfunding: A Case Study of Ata Plus in Malaysia

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ABSTRACT

The objective of this study was to investigate the operation of Ata Plus, the primary equity-based Islamic crowdfunding platform in Malaysia. The data was collected through document analysis and by conducting interviews with top-level executives at Ata Plus. This study revealed that Ata Plus was founded to address the financial concerns of the increasing number of Small to Medium Enterprises (SMEs) in Malaysia. The funding implementation for the enterprises was based on the use of the *Mudharabah* contract. The crowdfunding operation of Ata Plus was regulated by the Securities Commission Malaysia (SCM), which established criteria for various categories of investors, businesses, and the platform. Ata Plus performed a thorough assessment of the company's creditworthiness through a comprehensive background analysis. Additionally, it implemented steps to ensure transparency in the project's operations. It is learned that although Ata Plus's core business was in line with the Shariah it needs to improve its Shariah governance system through appointing qualified Shariah scholars to conduct Shariah supervisory functions. This research contributes fresh insights by demonstrating the practical implementation of Islamic equity-based crowdfunding, which was previously only discussed in the theoretical literature.

Keywords Crowdfunding, Islamic Crowdfunding, Equity, Shariah, Malaysia, Securities Commission Malaysia.

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INTRODUCTION

Crowdfunding is a mechanism for collecting financial contributions from the community. It serves as a substitute for the traditional banking system, in which the surplus unit transfers funds to the deficit unit. Entrepreneurs can access a vast pool of potential investors by utilising the crowdfunding platform online to secure funds for their initiatives. Crowdfunding facilitates the formation of public wealth by the use of a comprehensive internet platform. Thus, it is regarded as an effective and economical medium (Ishak & Rahman, 2021; Ramli, Abdullah & Alam, 2023).

Entrepreneurs are increasingly interested in crowdfunding because it offers the opportunity to secure capital at the early stages of a business, a feat that is sometimes difficult to do through traditional banking channels. An additional benefit of crowdfunding is the capacity to access a substantial number of investors as a result of the global advancement of internet technology. Collecting funds for a given project can be achieved by gathering contributions from a diverse global community of individuals who share a common interest in that initiative. Moreover, it offers many business methods. According to Kromidha (2015), a fund can be obtained by different means such as donation, equity investment, or loan.

According to Alonso (2015), there were more than 450 crowdfunding websites worldwide, encompassing both conventional and Islamic ones. Yomken, an Egyptian organisation, operates as a Shariah-compliant microfinance crowdfunding company. It was founded in 2012 and focuses on product-based crowdfunding, which can be categorised as a form of reward-based crowdfunding. Liwwa, another crowdfunding platform, exclusively catered to low-income groups by providing its services. Malaysia, as a centre for Islamic finance, plays a significant role in facilitating Shariah-compliant crowdfunding for individuals experiencing financial hardships. The primary distinction between Shariah-compliant crowdfunding in Malaysia and conventional crowdfunding is in the implementation of the *Mudharabah* concept, which enables entrepreneurs to distribute profits among the investors. Instead of receiving a predetermined return from the entrepreneurs, the investors participate in sharing both the profits and losses of the business. Some of the well-known Islamic crowdfunding platforms include Ata Plus, Waqf World, Ethis Kapital, and Nusa Kapital. Ata Plus is one of the oldest institutions which provides crowdfunding support to SME owners and institutions. In addition, there is limited literature on Shariah-compliant crowdfunding platforms in Malaysia and the global context.

According to Rey-Martí et al. (2019), creating a website is essential for an entrepreneur to secure funding from investors. A website that provides comprehensive information on the project's implementation plan, risk mitigation strategies, and other relevant elements instills confidence in potential investors. Moreover, internet-based crowdfunding platforms not only enable experienced investors but also offer a possibility for any online user to invest in the project of their preference. Nevertheless, whereas the traditional crowdfunding model is widely recognised, there is a dearth of research on the mechanisms of Islamic crowdfunding, specifically the functionality of *Mudharabah*-based Islamic equity-crowdfunding. Hence, the objective of this study was to examine the function of Islamic equity-based crowdfunding in Malaysia. The analysis focussed on the operation of Ata Plus, the leading Shariah-compliant equity-based crowdfunding platform in Malaysia.

The crowdfunding phenomenon has established connections with various commercial and social endeavours. Owing to the importance of crowdfunding, several organisations play a crucial role in the advancement of social financing. However, Malaysia is currently in the initial phase of implementing crowdfunding and has a lower degree of adoption, as reported by the Asian Institute of Finance in 2014. Typically, when launching a firm or SME, entrepreneurs primarily rely on their personal savings as the main source of financing. The businesses are funded through social connections and provided assistance without any promise of significant financial gains (Defourny, & Nyssens, 2008). Obtaining microfinance in the banking sector becomes challenging for them due to the intricate requirements they must meet to secure funding.

The internet plays a crucial role in managing funds for businesses. Anyone from any background have the ability to make contributions to the projects by utilising the online system (Profatilov et al., 2017). Islamic finance has made significant progress in the banking sector, providing many funding options to households and companies. However, one pressing issue that has to be addressed is the financial inclusion of the SME sector.

In order to tackle and fix this crucial matter, the innovative approach of crowdfunding was established. Nevertheless, there has been no research conducted in Malaysia on how this novel crowdfunding mechanism executed the fundamental principles of microfinance. Due to the early stage of crowdfunding development, comprehensive literature reviews are scarce. Acquiring information about the legal and regulatory framework for crowdfunding in Malaysia and understanding the Shariah requirements for a Shariah-compliant crowdfunding platform is crucial. Therefore, this study aimed to uncover the significance of crowdfunding that must be taken into account prior to investors engaging in the fundraising process for projects or entrepreneurial business ideas. The study sought to analyse the organisational structure and operational mechanisms of Ata Plus. Hence, this study investigated the question: "What is the operational process in Ata Plus?".

This research significantly contributes to crowdfunding platforms, social entrepreneurs, and public investors. The advancement of technological platforms will facilitate the increased utilisation of start-up financing through crowdfunding platforms. At the same time, it enhances awareness of the services they offer even though the legally recognised market in Malaysia is still in the infant stage. Crowdfunding platforms like Ata Plus allow social entrepreneurs to exhibit their initiatives and establish extensive and continuous communication with potential investors. For public investors, the easily accessible entry point allows everyone to invest with minimal initial investment and potentially get higher incomes if the firm becomes profitable.

The paper starts with an introduction followed by the literature review that discusses conventional and Islamic crowdfunding and the background of crowdfunding in Malaysia. The research methodology is described in the third section, while the findings and discussion are detailed in the fourth. In the concluding section of the paper, a summary of the key findings, limitations and suggestions are discussed.

LITERATURE REVIEW

Crowdfunding

Kamaruddin et al. (2023) defined crowdfunding as an online fundraising tool that involves collecting small monetary contributions from a large number of individuals over a specific period of time. It is an internet-based platform utilised to raise funds for particular objectives. Due to technological progress, crowdfunding enables the public to engage in various activities such as investing, lending, receiving rewards, and giving charity. Additionally, individuals may also chat, connect, and collaborate using crowdfunding platforms, regardless of their location or time.

Types of Crowdfunding

The practice of crowdfunding involves three key parties: the creator or issuer, the lender or investor, and the platform. The creator or issuer typically refers to an individual such as an entrepreneur, business owner, or artist who conceives a business idea and initiates a project, but lacks financial resources. The lender or investor is often an individual or entity who provides financial support to a business endeavour based on their belief in its potential success, acting as a donor, pre-buyer, or fund contributor. The platform serves as the intermediary that offers a web-based system for linking investors with issuers (Achsien & Purnamasari, 2016). Crowdfunding platforms can be categorised into four kinds based on the intentions of the issuers, investors, and platforms. These types include equity-based, lending-based, reward-based, and donation-based platforms.

Equity-based crowdfunding

In this form of crowdsourcing, the business owners issue securities to gather capital from investors. The business revenue is distributed between the entrepreneur and the investor. Investors possess the authority to vote in the project's management (Pierrakis & Collis, 2013). The model described is the most widely favoured among all other variations of crowdfunding models (Sitruk, 2016). Nevertheless, the expansion of this approach is hindered by regulatory constraints (Vulkan, Astebro & Sierra, 2016).

Lending-based crowdfunding

Lending-based crowdfunding refers to a type of crowdsourcing where individuals lend money to borrowers through an online platform. Within this arrangement, the fund-providers extend loans to enterprises using internet platforms. This concept has developed from the peer-to-peer lending model, in which one person lends money to another person. Alternatively, a peer-to-business lending model is also utilised, wherein an individual provides financial assistance to a firm. Investors in this particular form of crowdsourcing are eligible to get a predetermined return in addition to their initial investment. According to Gulati (2014), the lending-based model is the second most widely used model in the world, following the equity-based model.

Reward-based crowdfunding

In this form of crowdsourcing, the lenders are provided with non-monetary incentives in exchange for their loans. Funders are frequently presented with the opportunity to pre-purchase goods or services in order to secure adequate funds for the business. Typically, the donors are presented with a symbolic appreciation, commonly in the form of a low-value object. Occasionally, greater incentives are provided in exchange for larger donations (Ahlers et al. 2015; Vulkan, Åstebro & Sierra, 2016; Lutfi & Ismail, 2016).

Donation-based crowdfunding

Under this type, the fund providers benevolently donate funds to a project they are inspired to support, without any expectation of receiving a return. The contributors are influenced to support the project in anticipation of receiving religious benefits. Typically, this kind of initiative serves a universally recognised objective, such as building homes for the homeless, offering rehabilitation services for disabled individuals, and offering medical treatment to less fortunate individuals (Pierrakis & Collins, 2013).

Islamic Crowdfunding

Kamaruddin et al. (2023) stated that in most cases, the basis of conventional crowdfunding and Islamic crowdfunding is identical. Nevertheless, Islamic crowdfunding must adhere to Islamic legal principles and avoid engaging in forbidden activities such as interest (*riba*), gambling (*maysir*), uncertainty (*gharar*), and other unlawful elements. In addition, contracts in Islamic crowdfunding must adhere to an "asset-backed" system and incorporate a profit and loss sharing concept to prevent the inclusion of interest (*riba*), which would make them non-compliant with Shariah law.

Achsien and Purnamasari (2016) remarked that crowdsourcing is generally aligned with the principles of Islamic financing. Islamic finance is fundamentally grounded on Shariah regulations and adheres to universal ethical values and socially responsible economic norms. The primary objective of Islamic finance is to ensure equitable distribution of rewards and liabilities among all parties engaged in a transaction, hence promoting justice. Similarly, crowdfunding adheres to these same principles and offers fresh prospects for the advancement of Islamic finance (Ramli et al., 2023. Islamic finance incorporates the concept of crowdsourcing, treating clients as investors and offering them the chance to achieve greater potential profits. Transparency, accountability, mutual trust, and responsibility are of utmost importance in both crowdfunding and Islamic finance (Lajis, 2019).

Shariah endorses the practice of sharing risks, allocating funds for real economic initiatives, and directing funds towards community development (Achsien & Purnamasari, 2016). Islamic crowdfunding refers to the process of gathering a modest sum of money from several individuals or organisations using an online platform that adheres to Shariah principles. This fundraising method is utilised to support particular commercial endeavours or address the financial requirements of individuals or society. Nevertheless, in order to adhere to Shariah principles, crowdfunding organisations must comply with specific norms and regulations. Crowdfunding organisations should have official approval from reputable Shariah advisory boards or, they may incorporate a Shariah supervisory board into their organisational framework.

Background of Crowdfunding in Malaysia

Crowdfunding platforms in Malaysia are subject to stringent regulations. Malaysia is the inaugural Southeast Asian country to establish a regulated framework for crowdfunding (Kamaruddin et al., 2023). As per the Securities Commission Malaysia (2020) report, there were a total of ten registered equity crowdfunding platforms in Malaysia. In addition, there were a total of 11 peer-to-peer (P2P) financings and one platform dedicated to property crowdfunding. However, according to Kamaruddin et al. (2023), there was a lack of specific standards or regulations for identifying Islamic crowdfunding in Malaysia. Nevertheless, various crowdfunding sites already operating in Malaysia asserted that they adhered to Shariah principles. These entities consisted of Ethis Ventures Sdn Bhd, LaunchGood, PitchIN, Microleap PLT, and Ata Plus Sdn Bhd. However, this study solely focused on the operational aspects of Ata Plus, specifically its use of the Islamic equity-based crowdfunding model.

Community fundraising has been actively and indirectly carried out in Malaysia since 1982. Following multiple attempts and extensive negotiations with relevant parties, the Securities Commission Malaysia (SCM) officially accepted the initial framework on February 10, 2015. It is also the first law on community crowdfunding in the ASEAN region (Cheah, 2015).

The SCM released the Guidelines on Recognised Market (SC-GL/6-2016 (R1-2016)) on 15 December 2015, replacing the previous Guideline on Regulation of Markets mentioned in item 1.10 of the guidelines. The guidelines promote the idea of acknowledging the market as a viable platform for trading, where buyers and sellers of capital market products can come together. The recently implemented Guidelines on Recognised Market further support the regulatory framework for peer-to-peer financing.

The SCM rules are comprised of seven (7) sections, each of which is subdivided into chapters. The rules outline the necessary criteria for individuals to be registered as recognised market operators (RMOs) in the fields of equity crowdfunding and peer-to-peer platforms (Rusni & Ulfah, 2016). The guideline has four prominent features, which are: a) Criteria for registering as a platform operator b) Obligations to report and disclose information c) Compliance with Shariah principles d) Measures to prevent money laundering

Ata Plus

Ata Plus, established in March 2016, is an online platform for equity crowdfunding that incorporates blockchain technology and adheres to

Shariah principles. The company facilitates the connection between enterprises that are looking to expand and secure capital, and investors who are interested in collaborating to create high-quality, sustainable companies (Hasan, 2021; Ramli and Ishak, 2022). The term “AtaPlus” signifies engaging in a proactive and comprehensive manner inside a strategic partnership. Ata Plus is a platform that aims to help stakeholders make informed decisions. It actively utilises technology to enhance transparency and promote good governance in investing. The platform provides a wide range of services to assist companies in effectively presenting their business and to educate investors on the most effective methods for evaluating investment opportunities.

According to Hasan (2021), Ata Plus aims to be an integral element of the crowdfunding ecosystem, which is supported by communities aiming to democratise wealth and channel capital towards beneficial goals. This is achieved by promoting the sharing of risks and improving the financial inclusion of individuals who have funds. The model will not only enhance firm access to funding but also foster good social benefits through entrepreneurship.

The Theory of Philanthropy

An acceptable model and prior research were examined, backed by the idea of philanthropy, in order to enhance the development and advance a deeper comprehension of the crowdfunding method utilising the Internet mechanism. Hammersley (1995) asserted that researchers mostly employ theories in qualitative research, which demonstrated how the influence of favorable opinions and attention to certain viewpoints present them as representing particular principles.

The Theory of Philanthropy was the primary theory that the researcher employed in this investigation. The notion of how certain foundations contribute to the crowdfunding platform was the main subject of the Theory of Philanthropy. Depending on the donor’s intention, mission, vision, values, and priorities, the foundation outlines how and why it allocates its resources to support the goal and aim changes (Duncan, 2004). The ability to articulate the Theory enables a foundation to address important issues both internally and externally, as well as to understand and contribute significantly to performance improvement by enhancing alignment throughout the project or campaign. Additionally, based on altruistic intents, the Theory is essential for predicting particular philanthropic acts. For example, the incentives that donors receive, the satisfaction that comes from giving something away for free, and the personal fulfillment that comes from giving oneself in reward and contribution based on crowdfunding offer options for the portfolio of institutions and initiatives, offering a platform for investing in money and other resources (Efrat et al., 2022).

By using this Philanthropy Theory, which was chosen because it is thought to be able to forecast the intentions of donors and investors, the platform becomes more effective, self-aware, coherent, and transparent to the outside world. It also produces information and strategies. Furthermore, it seems to be the best indicator for keeping an eye on the platform's culture, governance structure, and operating strategy.

RESEARCH METHODOLOGY

To achieve the goal of this study, a qualitative research methodology was utilised to investigate the real-world situation of Ata Plus. A unique case study was conducted on Ata Plus to investigate the overall operations (Ramli et al., 2023). The study utilised document analysis and semi-structured interviews as methods of data collecting in order to get insight into the subject. Document analysis facilitated the identification of the regulatory framework governing the functioning of crowdfunding. The documents examined in this study encompassed the disclosure statement, application form, campaign terms and conditions, and SCM's guidelines.

Qualitative interviews were used to obtain comprehensive and detailed information (Turner, 2010; Alam, 2021). For this investigation, in-depth interviews were carried out with two executives from Ata Plus which also justified in the study of Ramli et al. (2023). The interviews were primarily conducted in Kuala Lumpur, Malaysia. The interview session lasted for a duration ranging from 60 to 120 minutes. Recordings of the interviews were made using a digital recorder during the session. Additional clarification was obtained by email and in-person communication following the interview.

The data collected via document analysis and interviews was analysed using a thematic method. Guest et al. (2012) stated that thematic analysis is a prevalent method in qualitative research that focuses on identifying, analysing, and documenting themes present in the data. According to Braun and Clarke (2006), thematic analysis is conducted by following a six-phase coding process: data familiarisation, preliminary coding, topic identification, review of themes, naming and defining themes, and generating the report. The data obtained from document analysis and interviews were classified according to various themes, namely: (1) the background of the establishment, (2) the operation, (3) regulation and governance, and (4) the application guidelines.

FINDINGS AND DISCUSSION

The Background of Ata Plus's Establishment

The original idea dated back to 2010, when Ata Plus wanted to create a Shariah-compliant microfinance crowdfunding platform to finance small entrepreneurs, to raise company by technology development. It secured a Cradlefund grant to develop a prototype and the idea of Shariah peer to peer financing came out and Bank Negara along with some institutions were actually interested in it.

There were also some issues that sparked this idea, such as why *Mudarabah* financing or a loan hasto be paid back within only 12 months in the banking system, the difficulties to get funding when it comes to a partnership business and the need to provide such complex paperwork. The objective of Ata Plus is to help people come out of poverty. They even give the chance for people to contribute a small amount as low as RM 10 or more.

The main reason why SCM allowed crowdfunding was because of the financial inclusion, democratising well and provide another asset class for investor. In general, when an individual wants to invest into the capital market, it is a complicated and tough process. Entrepreneurs can enter this market when the IPO is on a high scale and subsequently invest in the share market.

Additionally, one of the factors why Ata Plus couldmake a successful equity crowdfunding (ECF) campaign was because the issuer already owns a strong and loyal fan base or members that can bring a momentum to the campaign through the internet. A proper strategy, planning, campaign, execution and engagement were the best techniques to make it successful. The official of Ata Plus remarked that:

> *It has been a proverbial roller coaster when we were a start-up in 2016 with our own funding challenges. Thus, measured consideration is given on how we will optimise the allocation of scarce resources to achieve maximum result. Fast forward to 2018, the number of campaigns increased as Ata Plus is motivated to help more campaign for SME.*

Ata Plus had three co-founders. Kyri Andreau, with two decades of experience in strategic planning, marketing and branding, was responsible for product innovation, education and communications. Aimi Aizal Nasharuddin, an accountant with over 25 years of experience in business re-engineering, financial restricting, corporate finance and operations, was responsible for investor management, legal regulatory and compliance. Elain Lockman looked into strategic partnerships, operations, deal flow and screening, entrepreneurship management and risk management.

The Operation of Ata Plus

There were some steps and simple processes for getting the business listed. Starting with the signing up and ice breaking, one has to become a member and acquire direct access to start the pitch process through registration and giving a brief about the potential business. Followed by kick-starting the business, it is about crafting and demonstrating the idea of the business through a unique selling point (USP). Having a clear and coherent proposition is the key to a good pitch. Next, the entrepreneur will have to deliver points that would attract people to invest in the idea and ultimately, support the business. To be listed and loaded, it is time for the individual to raise funds from crowd.During this phase, a creator or entrepreneurs generally has 90 days to complete funding target. Ata Plus will undertake the legal process required, to document the transfer of the shares to investors upon the completion of the funding process. Leverage on portal to market and promote the deal in order to draw investors in.

At the end of the process, upon reaching the target, they get through the paperwork, drawdown funds and get busy with the campaign. Lastly, it is crucial to update and notify the investors on the business progress, and keep abreast with the current achievement. Normally, reports, progressions, monitoring and payment will be online-based, depending on the preferences of both sides.

Figure 1 below explains in detail how crowdfunding works using the *Mudarabah* agreement, which basically is the simple mode of Shariah-compliant equity crowdfunding model.

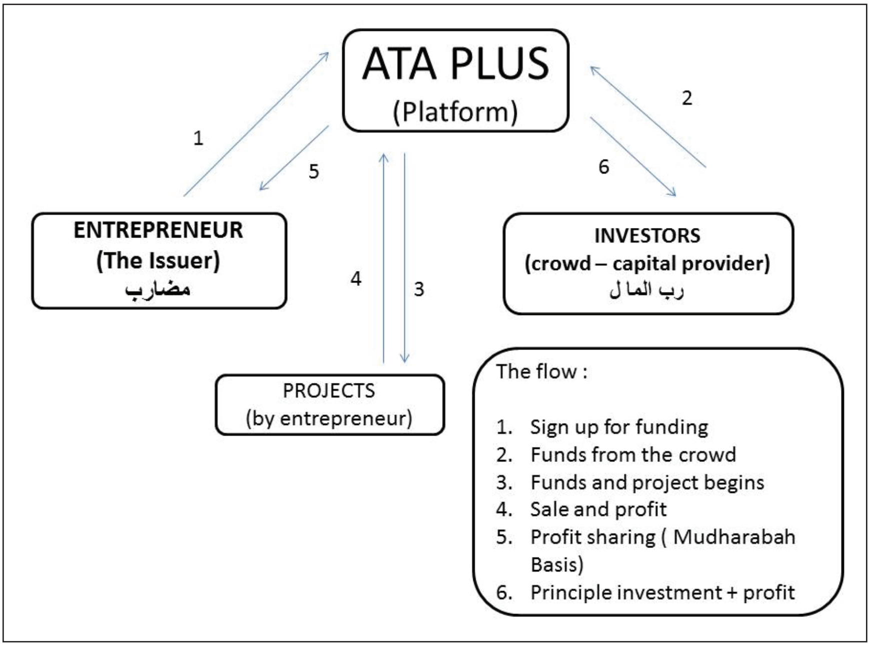

Figure 1: Crowdfunding via Mudarabah Agreement
Source: Author

In exploring the concept of equity crowdfunding in Ata Plus, it is pertinent to lay the foundation, in particular, the general information on how it works. Ata Plus uses a profit-sharing contract known as *Mudharabah* in Islamic finance to pursue various types of projects. The main element in this contract consists of the platform itself, the investors from the crowd and the entrepreneur, who needs the funds for the projects.

The step begins when the entrepreneur (*mudharib)* approaches the crowdfunding platform, asking for the conditions and requirements to get funds from Ata Plus. The crowdfunding process will begin after several screenings according to the terms and conditions.

Usually, the ECF platform such as Ata Plus only acts as the agent based on the concept of *Wakalah* and will find the crowd through variable sources to crowd the fund from the people. Ata Plus will impose a processing and administrative fee for such services of using the platform under the relevant Guidelines of the SC relating to the ECF. The amount of application screening is currently at MYR 3000 and to connect creative people with investors that are willing to invest in them. For each successful campaign, they will charge a 7.5 per cent success fee. For this purpose, Ata Plus focuses on reaching out to entrepreneurs through advertisements in social media, start-ups and SME's events. If a company fails to raise the minimum targeted amount in a specified timeframe, the committed investment will be refunded to the investors.

On the other hand, the capital providers (*rabb mall)* are the investors who contribute their money online through the electronic platform according to the *Wakalah* agreement and Master *Mudarabah* Crowdfunding Agreement (MMCA). The agreement clearly stipulates the profit and loss sharing ratios in line with the basic principles underlying *Mudharabah*. In the meantime, investors are allowed to forfeit a committed investment within a 6-days period, called a cooling-off period, starting from the date of the payment. It is admissible to cancel the investment before the funding round closes.

After the investors have completed their investments via online debit or credit card facilities available on the Ata Plus's platform, a member from the team will then contact the investor directly to facilitate the payment. Once the project is completed and successful, the profit generated will be distributed as a dividend on a *Mudharabah* basis. The platform provider and entrepreneur will take a portion of the profits that continue the payouts on principal investment, and investors will receive their profits.

While Nusa Kapital focuses on debt-based contracts, i.e. *Murabahah* contracts, Ata Plus offers equity-based crowdfunding with the Shariah concept of *Mudharabah*. Ata Plus displays that they serve distinct market segments focusing on investment with a social impact dimension. Potential beneficiaries include SMEs and start-ups. *Mudharabah* is a contractual agreement between a capital provider, known as the *rabbul mall*, and an entrepreneur, known as the *mudharib*. In this agreement, the investor offers funds to be handled by a platform. The profit earned from the capital is divided between them based on a mutually agreed profit-sharing ratio (PSR). However, if there is a financial loss, the investor is responsible for it unless the loss is caused by the *Mudharib*'s misbehaviour, negligence, or violation of stated terms.

Regulation and Governance

Ata Plus is an authorised intermediary for equity crowdfunding (ECF) that facilitates the connection between users and potential investors. ECF operators are also bound by the regulations outlined in Chapter 12 of Part F of the "Guidelines on Recognised Markets" published by the Securities Commission Malaysia (SCM). An ECF operator, as defined by the guideline, is a recognised market operator (RMO) responsible for operating an ECF platform. The term "ECF platform" refers to a platform specifically designed for equity crowdfunding. Ata Plus is a platform that facilitates user interaction, networking, learning, and connection with other users.

There are some obligations that ECF operators must comply with regarding this guideline. This section mandates operators to oversee issuers and investors for any misbehaviour, as well as monitor fundraising and investment boundaries, provides education programmes for investors, monitor and ensure compliance with its rules, and monitor anti-money laundering requirements. ECF operator shall take reasonable steps to conduct background checks to ensure that the issuer meets proper requirements, including the requirement of the management team, board of directors, and controlling owner, and also verify the business proposition.

The guidelines stipulate that ECF operators must keep at least one trust account in a licenced institution as a prerequisite for fundraising. The objective is to implement the necessary procedures and regulations to maintain correct and updated records of investors' funds. Under these circumstances, the investor's funds will be released once they have reached the desired amount to be raised, provided that there have been no significant negative changes throughout the offer period and the cooling-off period of at least six business days has passed. Typically, ECF investors are granted a six-day grace period during which they have the freedom to withdraw their investment.

When accessing the Ata Plus's website, there are several terms used and applications to register as a specific user of this platform. First, after accessing the Ata Plus website, you have to become an Ata Plus user. Those with a business, entrepreneur or company that wants to be funded must create a profile of their company details for listing in Ata Plus registration stage. In this situation, Ata Plus will guide users, and users can visit the site to learn about the surface guide, such as creating profiles, advising, browsing, and funding companies listed to raise funds. The company founder is the issuer, simply referred to as 'entrepreneur' on the platform.

There are some guidelines and eligibility criteria for both investors and issuers that are stipulated by the SCM's guideline on Regulation of Market under Section 34 of Capital Market and Services Act (CMSA). This guideline also focused on the proposed regulatory framework for equity crowdfunding in 2014.

For investors, below are the detailed guidelines and description for the Ata Plus equity crowdfunding platform:

1. Sophisticated Investor
   Sophisticated investors can be categorised into high-net-worth individuals (HNWIs) and high-net-worth entities (HNWEs). HNWI refers to an individual whose overall wealth or net personal assets are above RM 3 million or equivalent in foreign currency. HNWE encompasses enterprises or entities with a cumulative net worth beyond RM 10 million or its equivalent in international currency, as indicated by their most recent audited financial statements. There are no restrictions on the investment amount relevant to the offer limit.

2. Angel Investor
   An angel investor is certified by the Malaysian Business Angel Network (MBAN) and is authorised to invest a maximum amount of RM 500,000 within a 12-month timeframe.

3. Retail Investor
   A retail investor refers to an individual who does not belong to the categories of either a sophisticated investor or an angel investor. The applicable restriction is a maximum of RM 5,000 per issuer, with a total amount not exceeding RM 50,000 within a 12-month duration.

All prospective investors are advised to utilise equity crowdsourcing as a means to diversify their investment portfolio and mitigate risks. Investors are strongly recommended to get extensive knowledge and specific data about the firm they intend to invest in to make a well-informed investment decision. In order to conduct thorough and autonomous due diligence, ECF operators have specific responsibilities that they must fulfil. These include performing a due diligence assessment on potential issuers who intend to utilise their platform and monitoring and ensuring adherence to their regulations. In addition, they are required to conduct investor education programmes and verify the correctness of the issuer's disclosure document submitted to the ECF operator, making it accessible to investors through the platform.

Issuers find the ECF platform appealing because they are not required to obtain the SC's approval under section 212 of the Capital Market and Services Act, nor do they need to register a prospectus.

According to the guidelines, micro-funds can participate in and gather unlimited funds from sophisticated investors and angel investors using the ECF platform. However, this is only possible if the micro-fund fulfils the specific conditions stated in the guidelines. Ata Plus only permits Malaysian private enterprises that are incorporated, as well as registered micro-funds, to raise funds on its platform. Ata Plus prohibits the following entities from raising funds according to SCM's General Term:

1. Publicly listed corporations and their subordinate companies;
2. Companies lacking a defined business plan (e.g. blind pool);
3. Commercially or financially intricate organisations (e.g. investment fund companies or financial institutions);
4. Companies intending to utilise raised funds for lending or investing in other entities;

5. Companies with a paid-up share capital surpassing RM 5 million; and
6. Any other entity specifically designated by the SC.

According to the SCM regulation, item 12.21 specifies that an issuer is prohibited from being hosted or raising funds from numerous equity crowdfunding platforms. The Ata Plus platform must implement the following restrictions:

1. An issuer is limited to raising a maximum of RM 3 million within a 12-month period, which includes the total amount raised from all projects.

2. An issuer can only use the ECF platform to raise a maximum of RM 5 million, not including the issuer's own capital contribution or any funding obtained through private placement.

There are specific criteria for disclosure requirements for an issuer seeking to be listed on Ata Plus. The required information must be presented in the following manner:

1. Key characteristics of the company
2. Intention and aim of the listing and projected offering amount
3. Business plan of the company
4. Financial data related to the company

Regarding the financial information of the company, for offerings with a value below RM 300,000, the operator may request certified financial statements or information provided by the issuer's management for the purpose of verification. For offerings ranging from RM 300,000 to RM 500,000, audited financial statements of the company are required, if available. If audited financial statements are not available (e.g. for newly established issuers), certified financial statements or information provided by the issuer's management must be submitted. For offerings above RM 500,000, the company must provide audited financial accounts.

In terms of Shariah compliance, Ata Plus shows an inadequate feature. It does not have a Shariah advisor to supervise its operation. However, it has an amenable Shariah audit function (Alam and Miah, 2024; Alam et al., 2023; Alam et al., 2020). The way they follow Shariah compliance is mentioned in their guidelines of the activities, and it might be a reputational and ethical issue for Ata Plus (Tabash et al., 2022). However, the main features, such as eliminating usury, uncertainty (*gharar*) and gambling (*maysir*), are strongly emphasised. One of the founders of Ata Plus stated that:

> *We are planning to appoint an individual under the Shariah team to handle Shariah transparency and social content.*

From an Islamic governance perspective, Ata Plus cannot be accurately classified as an Islamic ECF (Equity Crowdfunding) platform, but it can be described as Shariah-friendly. Their objective is to prioritise an Islamic product by emphasising its quality, aiming to establish a business model founded on ethical principles and social duties. They adhered to the projects that must comply with Islamic standards, prohibiting start-ups and corporations from raising further funding through interest-based or non-Shariah-compliant means. For Ata Plus to be categorised as Shariah compliant, it is necessary for them to establish a Shariah supervisory board. However, it is absent at present.

Ata Plus also adheres to the Shariah screening approach of the Securities Commission Malaysia (SCM) for screening an issuer. It employs a two-tier method: qualitative and quantitative. For the qualitative evaluation, it refers to the business activity benchmark. A business's core activities should be Shariah-complaint and promote welfare in society. The second level involves maintaining a quantitative assessment using a financial ratio benchmark of 33% for the debt ratio. The company's total debt should not exceed 33% of its total assets.

The Application Guidelines

Ata Plus provides three stages of pitching options for issuers or entrepreneurs to apply the campaign through the website:

First stage: Pre-listing, which is divided into two methods

1. **List me quick**
   In list me quick, the issuer or entrepreneur has to go through 3 stages. The first stage is to register for pre-listing with a self-guided application

form. In this stage, a comprehensive knowledge hub and simplified campaign template are a must to prove the confidence level of the campaign. Here, they have to launch a crowdfunding campaign in just 15 working days, and the cost is about MYR 388.

2. **Shine my list**
   Shine my list is a unique tool for the entrepreneur who wants to tap into the deep well of expertise in campaigns which are well-prepared in positioning, marketing and story-telling. With the cost of MYR 3000, they will go through 3 stages as well. The first stage is to register for pre-listing, designed to facilitate, which starts with a dedicated account manager giving feedback and full assistance during the application process. The entrepreneur will then be provided with expert guidance on the campaign strategy, positioning and communication. Additionally, they are given conceptualised pitch video help in storyboarding and scriptwriting assistance. Lastly, they will be given the opportunity to get editorial services in guiding them with campaign materials and ensuring the smooth running of the registration process.

Second stage: Listing

During the second stage, after the application has been authorised and the necessary materials for listing have been prepared, the campaign will be launched and listed on the platform. All individuals are eligible to view the campaign. Consequently, the audience has the ability to observe, assess, and financially contribute to the campaign.

Third stage: Closing

Following the conclusion of the fundraising campaign, Ata Plus will manage the closing process, which includes tasks like registration, issuing of shareholder certificates, and transfer of cash to the designated bank account. This entire procedure will be accomplished within a timeframe of 14 working days. Marketing and communication support extends beyond this stage to guarantee that every business transition and campaign effectively capitalises on the exposure advantages following a crowdfunding campaign.

CONCLUSION

This study examined the operation of Ata Plus, a Malaysian equity-based crowdfunding platform designed to offer financial support to small and medium-sized enterprises (SMEs). Ata Plus uses a *Mudharabah* concept for its functioning, which is a profit-sharing contract. Investors contribute capital to entrepreneurs through a partnership agreement, wherein the project's profits are distributed between them. If a loss occurs, it is borne by the investors. Ata Plus is necessary to oversee the project and implement several measures to ensure transparency in financial reporting. Ata Plus establishes a trust account to facilitate reimbursement to the investors. There exist multiple regulations for the three categories of investors, namely sophisticated, angel, and retail investors. Every firm undergoes a thorough evaluation to assess its sustainability, creditworthiness, and partnerships.

Instead of being an entirely Shariah-compliant crowdfunding platform, Ata Plus can be authentically termed as a Shariah-friendly one. One of the barriers for it to be fully Shariah-compliant is the absence of Shariah supervision. Therefore, Ata Plus is suggested to hold a Shariah supervisory committee to monitor and supervise their operations. The absence of a Shariah Supervisory Board may lose the confidence of investors, violates the regulatory guidelines and a reputational risk. The absence of a Shariah supervisory board may damage the image of Ata plus Shariah-complaint activities. In this regard, it is suggested to the SCM to issue specific guidelines for the operation of Shariah-compliant crowdfunding platforms. Given the growing popularity of crowdfunding as a means of financing small and medium-sized enterprises (SMEs), there is a need for a platform that adheres to Shariah principles. This is particularly important in Malaysia, where Shariah-compliant financing is highly valued, and where there is a desire for a competitive market for Islamic crowdfunding. In addition, there are various other Shariah-compliant methods of financing that could be beneficial. *Murabahah* is a form of financing that is based on debt. Ata Plus may explore the implementation of Shariah-compliant debt-based methods to enhance their offerings. This study has distinct implications for regulatory authorities and practitioners in both Malaysia and worldwide businesses. The study examined the practical application of crowdfunding, which has potential benefits for both domestic and international enterprises. This paper provides a descriptive analysis of the function of Islamic crowdfunding in

Malaysia. Future research might be undertaken to analyse the economic implications of Islamic crowdfunding in Malaysia.

The study was restricted to a sole institution as opposed to the several crowdfunding institutions present in Malaysia. If more platforms were studied and methodology were used then more type of crowdfunding based, comparison and information through questionnaires might be discovered. Due to time constraints, the researchers were unable to evaluate any additional companies or employ any methodology beyond descriptive analysis. Ultimately, this research has certain limitations that prevent it from achieving an exemplary status. The provision in the guidelines seems to have more excess towards operator but not on the issuers or the investors and no details on Shariah requirements. Conducting numerous interviews to obtain comprehensive information was difficult due to their tight schedule and failure to respond to interview invitations. Despite the limitations, the quantity of data collected from the interviews and studied documents was sufficient to fulfil the research purpose. Subsequent research can explore both the comprehensive practices in Malaysia and the practices on a worldwide scale. It would be intriguing to broaden the investigation to several platforms or nations for the purpose of comparing outcomes. In addition, quantitative techniques like descriptive statistical techniques could be implemented.

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