

Brunei's Imperative Role: Catalyzing Islamic Finance Crowdfunding in ASEAN, Revolutionizing P2P, and Unlocking Equity Crowdfunding Potential.

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Abstract

This paper seeks to explore how Brunei Darussalam could emerge as a pivotal hub for Islamic FinTech, regardless of facing various challenges and limitation within the economic sphere locally and abroad. Brunei's unique positioning within the ASEAN region, notably as the only absolute monarchy and a nation where Islam is the sole religion, offers a distinctive backdrop. Despite a population of only 400,000, which some might view as a limitation for FinTech growth, this paper argues otherwise. Brunei's small population could be leveraged as a strength, allowing for easier management and effective pilot testing of FinTech initiatives. The recent uptick in both local and international success of Bruneian businesses further bolsters this argument. Financial stability and an increasingly significant role within ASEAN further enhance Brunei's potential. Additionally, Brunei's strict adherence to Halal principles and Islamic values, including the absence of clubs and public drinking – practices common in other ASEAN countries – uniquely positions it to lead in the Islamic FinTech sector, for example in the realm of the Halal industry.

Keywords

Crowdfunding, Islamic Finance Crowdfunding (IFC), Islamic Fintech (IF), Peer to Peer (P2P), Equity Crowdfunding

Introduction

This chapter critically examines ASEAN's increasing influence in global finance, particularly focusing on the region's rapid adoption of financial technology (FinTech). It begins by exploring ASEAN's rise as a significant economic force, analyzing the key drivers of this growth alongside current challenges. The narrative then shifts to the FinTech landscape within ASEAN, identifying leading nations and dissecting the varying approaches to FinTech adoption across the region. Additionally, this chapter addresses how Brunei Darussalam can leverage its unique position to become a hub for Islamic finance, drawing lessons from the fintech advancements of its ASEAN counterparts. To end, this section aims to generally outline the research interest, by presenting the objectives and scope of the study, and identification of research problems and questions to enable readers to navigate the research content seamlessly.

Overview of ASEAN

The Association of Southeast Asian Nations (ASEAN), a coalition of 10 member states including Brunei, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, The Philippines, Singapore, Thailand, and Vietnam, is a formidable entity in the global economy. With a combined population of 660 million and a Gross Domestic Product (GDP) of US\$3.2 trillion as of 2019, accounting for around 3.5% of the global GDP (ASEAN, 2022; IFAC, 2017), ASEAN asserts itself as a critical economic bloc. This stature has garnered the interest of global powers such as Japan, India, the USA, and China, all keen on fortifying economic ties due to ASEAN's burgeoning market, strategic geographic positioning, and escalating global influence (Cheng,2023). The International Federation of Accountants (IFAC, 2017) provides robust forecasts indicating a sustained growth trajectory for the ASEAN economy, predicting an annual increase of over 5%. This projection is further amplified by the International Monetary Fund (2022), which suggests that ASEAN's economic growth could surpass these initial estimates. Such optimistic trends bode well for the region's economic future, positioning ASEAN as a potential powerhouse, expected to rank as the fourth largest global economy by 2030 (ASEAN, 2022). Yet, while these forecasts paint a promising picture, they also warrant a critical examination of the underlying factors and potential challenges that could impact this growth trajectory.

Central to ASEAN's economic progress are Micro, Small, and Medium Enterprises (MSMEs), which play a pivotal role in economic development and diversification

encompassing between 97.2% and 99.9% of all business entities in the member states, as the ASEAN Secretariat (2020) reports. This vast representation underscores their crucial role in driving financial growth. The significance of MSMEs extends to the labor market, where they employ 85% of the workforce in the region (ASEAN Secretariat, 2020). In terms of contribution to the regional Gross Domestic Product (GDP), MSMEs account for a substantial 44.8%, their impact on trade is notable, with Economic Cooperation (2020).

While definitions of MSMEs vary across the ASEAN nations, they universally represent vital cogs in the economic machinery. Despite their significance, MSMEs often grapple with financial challenges, a narrative supported by numerous studies highlighting their struggle against traditional financing methods like banking (Amadasun & Mutezo, 2022; Mazanai & Fatoki, 2013). A primary obstacle, as identified by the ASEAN Secretariat (2016), is their limited access to finance, which Arora (2022) emphasizes as a key barrier hindering the growth and development of these enterprises. Carrière-Swallow & Srinivasan, (2023), stated that the scarcity of funding options challenges MSMEs in their efforts to sustain business operations, pursue expansion, and invest in essential resources. Financial institutions' hesitancy to extend credit or loans to MSMEs, often due to perceived risks, inadequate collateral, or insufficient credit history, is a critical issue highlighted by Yoshino and Taghizadeh (2017). Such financial constraints significantly impede MSMEs' capacity for innovation, productivity enhancement, and exploitation of growth opportunities. Furthermore, this gap in financial access exacerbates existing disparities within the business sector. Herd, Mallapragada, and Narayan (2022) point out that established corporations and larger businesses enjoy more straightforward access to financial resources, granting them a competitive edge in terms of market reach and scalability. This unequal playing field poses considerable challenges for MSMEs to remain competitive and viable, thus limiting their full potential in contributing to economic growth, job creation, and broader developmental objectives. Consequently, the pivotal role of MSMEs as the economic backbone accentuates the urgency of addressing these financial access disparities to unlock their full growth potential in the ASEAN region.

Crowdfunding has emerged as a dynamic byproduct of digital innovation, rapidly growing as an online platform within the economic landscape (Atherton, 2006; Colombo, Franzoni, & Rossi-Lamastra, 2015). The advent of crowdfunding platforms marks a critical evolution in funding mechanisms for MSMEs, offering an alternative financial medium that diverges from conventional methods. Lebraty and Lobre-Lebraty

(2013) describe crowdfunding as a collective online platform enabling project initiators to connect with broader society. This model, especially tailored to support MSMEs, has emerged as a significant trend, providing rapid financial aid with relatively lower risks (Yumna & Sulung, 2021). Particularly for Micro, Small, and Medium Enterprises (MSMEs), crowdfunding offers a significant alternative to traditional funding methods, addressing their financial challenges and reducing reliance on conventional financing (Mollick, 2014). Its growing popularity can be attributed to its effectiveness in providing financial support and leverage to these enterprises. Crowdfunding facilitates connections between MSMEs and a diverse network of individual investors and financiers, thereby offering a viable development, and expansion. In the ASEAN context, Singapore and Malaysia have traditionally led the charge in leveraging crowdfunding, acting as pivotal catalysts in its adoption. Numerous case studies have been thoroughly researched on these two countries. Presently surging forward as well, are, Indonesia and Thailand slowly emerging as significant players in this arena. Despite these advances, it is notable that Brunei Darussalam, despite its efforts to boost fintech innovation, has yet to make a substantial breakthrough in fintech specifically on Islamic crowdfunding practices. This raises critical questions about the varied adoption and success of crowdfunding across ASEAN member states, influenced by differing economic policies, regulatory environments, and cultural attitudes towards alternative financing.

Crowdfunding

The role of crowdfunding as a fundamental entry point for financial support, particularly for small and medium enterprises (SMEs), has been critically examined in the literature. Viotto (2018), asserts that crowdfunding is an essential initial step for entrepreneurs, simplifying the process of securing funding. However, this perspective warrants a deeper analysis. While Viotto (2018) highlights the accessibility crowdfunding provides, the underlying mechanisms, as discussed by Howe (2008), reveal a more complex picture. Howe (2008), draws parallels between crowdfunding and crowdsourcing, emphasizing the use of the internet for an ‘open call’, which is instrumental in gathering a community of supporters. The involvement of backers, as detailed by Belleflamme et al. (2010), is another critical facet that demands scrutiny. Their active participation in crowdfunding not only shapes the projects but also reflects a deeper engagement with the enterprise itself. This engagement, however, raises questions about the dynamics of supporter-innovator relationships and the implications for SMEs. Moreover, Chemla and Tinn (2017) argue that this interaction

offers an opportunity for project initiators to gauge consumer preferences. This aspect, while beneficial in understanding market trends, also introduces a potential bias in project creation, driven by consumer preferences rather than innovator vision. Crowdfunding's emergence democratizes capital acquisition, broadening the investor base accessible to MSMEs. Crowdfunding also acts as a platform for MSMEs to demonstrate their distinct offerings and engage with a wider community, building trust and credibility through direct interaction, crucial for their long-term sustainability and growth. However, the execution of successful crowdfunding campaigns presents complexities, such as establishing realistic funding targets, creating persuasive stories, and maintaining active engagement with potential contributors. Additionally, the necessity for regulatory measures and protection for investors to ensure transparency and risk mitigation is critical (Gajda, 2017).used. It is crucial to distinguish between these categories as they are not mutually exclusive. Due to its specific unique characteristics and applications, understanding these types is essential, especially when considering their alignment with Islamic crowdfunding practices and how each application is distinct. In Table 1, presented a comprehensive outlook of the modern approach to fundraising types (i.e., crowdfunding), its distinctions, popular and well-established platform (Zhao, Harris & Lam, 2019).

Table 1: Types of Crowdfunding (Zhao, Harris & Lam, 2019).

Types	Definition	Platform
Donation-Based Crowdfunding	A platform that collects funds through charitable causes or social projects without any expectations of financial returns	Simply Giving Go Get Funding
Reward-Based crowdfunding	A platform that allows entrepreneurs raise capital by offering agreed rewards to backers who financially contributed to the project	Kickstarter LaunchGood
Equity-Based crowdfunding	A platform that enables financial aiders and entrepreneurs to collaborate, where backers received shares in exchange of the funds	PitchIN

Debt-Based crowdfunding (peer to peer)	A platform that allows entrepreneurs to borrow money through a legalized network of investors and is charged with a specified interest depending on the agreed period	Funding Societies Modalku
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Growth of Fintech Ecosystem within ASEAN

The article by Mohit Joshi (2023), titled "The Fintech Sun Rises in the East: Asia is the new hotbed," presents an optimistic view of the fintech landscape in the ASEAN region, citing a notable 38% increase in FinTech investment in 2018, with expectations for continued growth. Additionally, highlighted Singapore's success in the FinTech realm. While Singapore's success, largely attributed to the proactive stance of its Monetary Authority (MAS), sets a high bar, it also inadvertently overshadows the unique challenges and potential pathways for other nations, presentation glosses over the stark differences in economic structures, regulatory environments, and cultural contexts within the ASEAN bloc. Singapore's FinTech ecosystem, fostered by an effective regulatory framework and advanced technological infrastructure, isn't a one-size-fits-all model, especially for a country like Brunei, which is navigating the nascent field of Islamic FinTech. Unlike Singapore, Brunei's journey in FinTech is not just about technological adoption or regulatory reforms; it's also about aligning with Islamic financial principles, which adds an additional layer of complexity. The focus on regional powerhouses like Singapore could create a misleading narrative that smaller economies, such as Brunei, could directly emulate these models. However, Brunei's approach needs to be fundamentally different. The country should carve out its niche in Islamic FinTech, leveraging its religious and cultural alignment with Shariah-compliant financial practices. This differentiation could be Brunei's strength, positioning it as an emerging leader in a specialized, yet globally significant, FinTech sector. Moreover, the ASEAN region's collective push towards FinTech innovation, as suggested by initiatives like the ASEAN Financial Innovation Network (AFIN), should not be perceived as a uniform move towards a singular FinTech model. Instead, it should be seen as a tapestry of diverse FinTech ecosystems, each with its strengths, challenges, and focus areas. For Brunei, this means focusing on Islamic FinTech, an area that remains relatively untapped but holds immense potential.

In essence, while Joshi's (2023) analysis rightly highlights the burgeoning FinTech scene in ASEAN led by Singapore, a critical examination reveals that the roadmap for each ASEAN country, particularly for Brunei with its focus on Islamic FinTech, will be

markedly different. This perspective is essential in understanding and harnessing the true potential of fintech within the region, beyond the shadow of the giants like Singapore.

Brunei’s prospective role

Brunei Darussalam, as an ASEAN member state, presents a unique economic landscape, particularly in its potential to spearhead the Islamic FinTech sector. Unlike its ASEAN counterparts, most notably Singapore and Malaysia where crowdfunding practices have flourished, Brunei's economy is predominantly dependent on oil and gas. This heavy reliance underscores the need for economic diversification, a goal aligned with the Wawasan Brunei 2035 initiative which focuses on boosting entrepreneurial activities and MSMEs growth (IFAC, 2017). However, the challenge lies in the fact that Brunei's efforts towards diversification are still nascent, highlighted by its modest economic growth between 2012 and 2018 (IFAC, 2017). This scenario necessitates a critical assessment of strategies like crowdfunding, which has proven effective in supporting MSMEs in neighboring countries. Moreover, the World Bank Group's (2020) report ranks Brunei 66th out of 190 countries in ease of doing business, indicating both challenges and potential in the position within ASEAN.

Table 2: Brunei’s ranking in ‘ease of doing business’ report (World Bank Group, 2020)

Indicators	Rank	Scores
Starting a business	16	94.9%
Dealing with construction permits	54	73.6%
Getting electricity	31	87.7%
Registering property	144	50.7%
Getting credit	1	100
Protecting minority investors	128	40%
Paying taxes	90	74%
Trading across borders	149	58.7%

Enforcing contracts	66	62.8%
Resolving insolvency	59	58.2%

Not to mention, Brunei's ranking as the fourth easiest place to do business in the ASEAN region, while commendable, warrants a critical examination that goes beyond initial impressions. This ranking, likely based on criteria such as the ease of starting a business and regulatory efficiency, paints a positive but partial picture of Brunei's business environment (World Bank Group, 2020). It is essential to contextualize these results within the broader economic landscapes of ASEAN. Compared to nations like Indonesia and Thailand, Brunei offers a more limited market size and heavy reliance on the oil and gas sectors, suggesting a need for economic diversification (ASEAN Briefing, 2020). The government's efforts in streamlining bureaucratic processes and encouraging investment are significant, yet the long-term impact and sustainability of these reforms remain areas for further exploration (Brunei Darussalam Central Bank, 2021). Additionally, evaluating the depth of Brunei's entrepreneurial ecosystem, including factors like the availability of venture capital and the skill level of the workforce, is crucial in assessing its overall business potential (Asia Development Bank, 2021). This comprehensive perspective is vital for a full understanding of Brunei's economic standing within ASEAN.

This study sets out to achieve several key objectives centred around Islamic finance crowdfunding in the ASEAN region, with a particular focus on Brunei. The first objective is to analyse the current state of Islamic finance crowdfunding in ASEAN, where the study will evaluate the existing landscape, including key players, market size, and growth trends. Following this, the research aims to assess Brunei's role in Islamic finance, exploring its current position and potential as a catalyst in the crowdfunding sector within the region. Another crucial objective is to explore innovations in peer-to-peer (P2P) and equity crowdfunding models under Islamic finance, specifically investigating how these models can be adapted and expanded in line with Islamic financial principles, emphasizing Brunei's involvement. Additionally, the study seeks to identify the main challenges and opportunities Brunei faces in promoting Islamic finance crowdfunding, which includes examining regulatory, economic, and technological factors. Finally, the research intends to propose actionable strategies for Brunei to establish itself as a leader in Islamic finance crowdfunding in ASEAN, with the goal of enhancing regional economic development and financial inclusivity.

These are the research questions in hope to address the objectives listed prior: -

1. What is the current state of Islamic finance crowdfunding in the ASEAN region, and what role does Brunei currently play in it?
2. What are the barriers to the growth of crowdfunding in Brunei Darussalam?
3. How effectively are existing crowdfunding platforms performing in Brunei Darussalam, and what indicators suggest their success or shortcomings?

Problem Statement

Despite the growing global interest in Islamic finance, the integration of Islamic principles in crowdfunding, particularly in P2P and equity models, remains underexplored in the ASEAN region. Brunei, with its strong Islamic finance background, is uniquely positioned to lead this integration. However, there is a lack of comprehensive understanding of the current landscape, the potential role of Brunei in this sector, and the challenges and opportunities it faces. This research aims to fill this gap by analysing Brunei's potential to catalyse Islamic finance crowdfunding in ASEAN, examining how it can revolutionize P2P and equity crowdfunding, and identifying strategies to unlock its full potential. The study's findings could provide a roadmap for Brunei and other ASEAN countries to harness the benefits of Islamic finance in the burgeoning field of crowdfunding.

Peer-to-Peer Crowdfunding: Jana Kapital

Jana Kapital's establishment in 2017 as Brunei Darussalam's first online Islamic FinTech company specializing in Peer-to-Peer (P2P) financing marks a significant stride in the nation's fintech landscape. The establishment presents an innovative alternative financing model through crowdfunding, pooling resources from the community and investors focused on catering to MSMEs (Wong, 2022). This approach is particularly vital in the context of Brunei's economic challenges, such as the ramifications of the COVID-19 pandemic, youth unemployment, and the imperative to bolster the MSMEs sector. The platform's operational focus is on efficiency, requiring minimal criteria for MSMEs financing, streamlines the process, ensuring quick and effective financial support. Jana Kapital's commitment to transparency in selecting commercially viable and socially impactful MSME projects contributes significantly to the real economy (Jana Kapital, 2023).

However, the most distinguishing aspect of Jana Kapital is its unwavering adherence to Syariah principles in all business transactions, a commitment that not only aligns with Brunei's Islamic financial regulations but also sets it apart in the FinTech domain (Wasil, 2022). By partnering with MSMEs and investors, and structuring all financings in accordance with Syariah principles, Jana Kapital solidifies its role as a pioneer in Brunei's Islamic fintech sector. Critically, Jana Kapital's model demonstrates the potential for Brunei to leverage its unique position in the Islamic world and FinTech sector. With its Syariah-compliant approach, Jana Kapital, if successfully established, could serve as a blueprint for how Brunei can position itself as a hub for Islamic crowdfunding in ASEAN. The fusion of traditional Islamic financial principles with innovative FinTech solutions offers a template for the nation to address its economic challenges while capitalizing on its strengths in Islamic finance. This strategic positioning could enable Brunei to lead in the Islamic FinTech sector, not just nationally but also within the broader ASEAN region, enhancing its economic resilience and global competitiveness (Abu Bakar, 2021).

The digital economy has emerged as a pivotal phase in the financial sector, evolving into a critical component of economic growth and development. A key element of this transformation is the rise of crowdfunding. In the context of Brunei Darussalam, Jana Kapital stands as the sole legally operating crowdfunding platform. Despite offering promising services, Jana Kapital's impact remains relatively subdued, prompting an analysis of the underlying factors that hinder its growth compared to its ASEAN counterparts like Singapore and Malaysia. This situation in Brunei leads to a critical examination of the challenges faced by Islamic Finance, also known as Shariah Compliant Financing (SCF), which is rapidly growing in the global financial ecosystem. While SCF has made significant strides, its integration into contemporary financial technologies like crowdfunding in specific regions, including Brunei, requires further exploration.

like Brunei, compared to the more rapid advancements in Singapore and Malaysia, opens up discussions about the varying economic landscapes, regulatory frameworks, and market readiness for such financial models within the ASEAN region. This scenario necessitates a deeper investigation into the factors influencing the adoption and success of fintech solutions like crowdfunding in different economic and cultural settings, especially in nations where Islamic finance is a predominant practice. Understanding these dynamics is crucial for formulating strategies that can effectively integrate modern fintech approaches with traditional financial systems, thereby enhancing the overall financial landscape and growth potential within these regions.

Brunei's Role in Catalyzing Islamic Finance

As the only absolute monarchy and a nation where Islam is the predominant religion, Brunei offers a distinctive backdrop for Islamic FinTech development. Contrary to the perception that its small population of 400,000 might limit FinTech growth, this demographic could be an asset, allowing for efficient management and effective pilot testing of new initiatives. Brunei's strict adherence to Islamic values, such as the prohibition of clubs and public drinking, sets it apart from other ASEAN countries. This adherence not only aligns with the principles of Islamic finance but also positions Brunei as a potential leader in the Halal industry's FinTech sector. The nation's financial stability and growing significance within ASEAN further bolster its potential as a hub for Islamic FinTech. Thus, despite various economic challenges, Brunei's unique characteristics and commitment to Islamic principles present an opportunity to carve out a niche in Islamic FinTech, a sector ripe for innovation and growth in the context of ASEAN's diverse economic landscape.

Methods

This chapter examines the research methodology of the study, focusing on data collection methods and the challenges faced in implementing these procedures. It also discusses the measurement of variables and the statistical techniques used for data analysis, offering a concise yet thorough overview of the research's methodological approach.

First of all, this paper incorporated a mixed approach of qualitative and quantitative analyses. Bansal & Corley (2017) validated that qualitative research utilizes datasets and statistical analysis to test theories. Yilmaz (2013) asserts that in quantitative research, theories are examined through measurement of variables using numerical data, followed by the application of statistical methods to evaluate the extent to which the theory can explain the phenomenon under investigation. Qualitative approaches, in contrast, entail the interpretation of the collected data, thereby resulting in the description of outcomes based on the researcher's understanding interpretations (Bansal & Corley, 2017). Consequently, the outcomes from qualitative datasets necessitating professional interpretations. The data collection approach for this study was divided into two components, the first basis was done via online survey. Google Forms were used, no physical copies of the online survey were used. The online questionnaire was accessible for a duration of 2 weeks. The survey questions were meticulously crafted and indirectly manipulated to get specific and precise response from the respondents. The survey questions focused on the public initiative to support crowdfunding platforms

establishment in Brunei soon and also concerns pertaining this platform. The research sample was a controlled one, despite the target population being the general audience, however, the questionnaire was mainly distributed within a bubble sphere of family and friends. Random snowballing approach was employed, thus the pose a limitation to this study.

Meanwhile, the second part consisted of an interview session with the owner of Jana Kapital. While conducting this research practically, it has been ensured that this research advocates and adheres to ethical conduct. The research participants in this study were recruited voluntarily and the individual has the right to reject participation without any direct casualty or repercussion. There were no personal questions that were asked that could lead respondents to feel uncomfortable. This study's data collection strategy is bifurcated into two distinct phases. Initially, a quantitative methodology will be used to assess public literacy and eagerness to engage in crowdfunding activities. Following this, the study will adopt a qualitative method, focusing on interviews - a method widely recognized for its effectiveness (Urcia, 2021). These interviews will aim to understand the practical challenges and experiences of crowdfunding platforms operating in Brunei, with a specific interview planned with Aidil Salleh, the founder of Jana Kapital.

The research paper utilizes two statistical software programs, namely SPSS and JASP, to thoroughly examine the accumulated data from the distributed questionnaire. Additionally, this chapter outlines the process of data interpretation after conducting various analyses, including frequency analysis, descriptive analysis, correlation analysis, coefficient analysis, normality analysis, and multiple linear regression analysis. Microsoft Excel was also employed to ensure data cleanliness by transforming nominal findings into ordinal data, thereby facilitating readability and compatibility with statistical software. This meticulous approach enhances the reliability and validity of the research findings. A total of 297 respondents participated by providing their responses to the survey questions. The data collection process was successful, as all the gathered responses were found to be usable for further analysis and interpretation. By ensuring the usability of all collected responses, potential biases or data gaps are minimized, increasing the validity of the findings. The inclusion of a diverse range of respondents from the general population enhances the representativeness of the study, allowing for more comprehensive insights into the research topic. This ample sample size provides sufficient statistical power, enabling more the general population of Brunei Darussalam sets a solid foundation for conducting thorough data analysis and

interpretation in this research study. The frequency analyses demonstrate the sequence of the demographic details of the 297 respondents, included but not limited to gender, age, education and employment, does respondents consider themselves as public investors or entrepreneurs (those who owns a business or in the initial startup stage). Having this information would allow a better understanding of the general public’s literacy and willingness to use crowdfunding platform existing in Brunei.

The frequency analysis (Table 3) was employed which covers demographic information details of the 297 respondents, covering information on gender, age, education level, and occupation status. Following the demographic data is information regarding literacy level on crowdfunding accumulated from the accumulated respondents. Information includes knowledge on crowdfunding, experience in investing, interest in investing or not, interest to place their project under a crowdfunding platform or not.

Table 3: Respondents’ Demographic & Social Information (*N*=297) using Frequency Analysis

Demographic Data	Item	Frequency	Percent
Gender	Male	96	32.3
	Female	201	67.7
Age	11-17	76	25.6
	18-24	103	34.7
	25-34	96	32.3
	35-44	17	5.8
	45-54	5	1.6
	55 and above	0	0
Education	High School	49	16.5
	Highest National Diploma	22	7.4
	Technical or Vocational	13	4.4
	Bachelor’s degree	126	42.4
	Master’s degree	87	29.3
	Doctorate Degree	0	0
	Professional Degree	0	0
Employment	Employed	63	21.2
	Self-employed	9	3.1
	Student	204	68.7
	Unemployed	17	5.7
	Retired	4	1.3

Prior Investment Experience	Yes	17	5.8
	No	280	94.2
Do you know what is crowdfunding	Yes	63	21.2
	No	234	78.8
Definition of crowdfunding	Correct	17	27
	Wrong	46	73
Types of crowdfunding	Correct	11	17.5
	Wrong	52	82.5
Screening criteria	Public Investors	215	72.4
	Business own	82	27.6
Interested to crowdfund MSME Projects/Businesses in Brunei	Yes	181	84.2
	No	34	15.8
Interested to place Business projects in crowdfunding platform	Yes	71	86.6
	No	11	13.4
Willingness to participate in crowdfunding activities	Yes	252	84.8
	No	45	15.2

This chapter concludes with the finding analyses, though may be filled with several shortcomings and biasness, the overall response was solely based on the researcher interpretation on the data that haven been collected.

1. What is the current state of Islamic finance crowdfunding in the ASEAN region, and what role does Brunei currently play in it?

The current state of Islamic finance crowdfunding in the ASEAN region presents a landscape of burgeoning potential, albeit with varying degrees of development and adoption across different countries. In general, the ASEAN region has shown a growing interest in Islamic finance, driven by its large Muslim population, and increasing awareness of Sharia-compliant financial products. Crowdfunding, as a part of this larger Islamic finance ecosystem, is gaining traction, primarily due to its alignment with

Islamic principles like risk-sharing and its prohibition of interest. However, the development of Islamic finance crowdfunding in the region is still in its nascent stages, with most countries navigating the complexities of integrating this modern financial tool with traditional Islamic principles.

The role of Brunei in this emerging landscape is particularly noteworthy. As a country with a predominantly Muslim population and a government that actively promotes Islamic finance, Brunei has the potential to become a key player in the Islamic finance crowdfunding space. However, Brunei's current involvement in this sector appears to be relatively limited compared to more established markets like Malaysia, which has taken significant steps in regulatory frameworks and market development for Islamic crowdfunding. Brunei's approach so far has been cautious, focusing on creating a supportive regulatory environment and exploring partnerships with regional players to foster its Islamic finance sector. This cautious approach, while ensuring compliance and stability, might also be slowing the pace at which the country could innovate and lead in the Islamic crowdfunding arena. To fully realize its potential in Islamic finance crowdfunding, Brunei needs to adopt a more proactive stance. This involves not only enhancing regulatory frameworks and financial infrastructure to support Sharia-compliant crowdfunding activities but also actively promoting these initiatives to both investors and entrepreneurs. There is a need for concerted efforts to educate the public about the benefits and mechanisms of Islamic crowdfunding, addressing any misconceptions and building trust in these financial tools. Additionally, fostering collaborations with other ASEAN countries and leveraging technology to streamline crowdfunding processes could help Brunei enhance its role in the regional Islamic finance ecosystem. By doing so, Brunei could position itself not just as a participant but as a leader in the Islamic finance crowdfunding space, contributing significantly to the growth and diversity of financial solutions in the ASEAN region.

The survey results from 297 respondents in Brunei display a critical gap in crowdfunding literacy, with a vast majority (94.2%) having no prior investment experience in crowdfunding and a significant portion (78.8%) unaware of crowdfunding platforms. This lack of awareness is further emphasized by the fact that only a small fraction of those familiar with crowdfunding could accurately describe its various types. Despite this, there is a notable interest in crowdfunding, with most public investors and business owners expressing possible willingness to engage in it, if it is well-advocated and informed.

Critically, this scenario presents a paradoxical challenge for Brunei in its quest to become a hub for Islamic FinTech. On one hand, the high level of interest in crowdfunding among potential investors and business owners indicates a fertile ground for the growth of such platforms, especially within the Islamic finance framework. On the other hand, the pervasive lack of awareness and understanding about crowdfunding mechanisms poses a significant barrier. For Brunei to capitalize on this untapped potential and overcome these barriers, a strategic and multifaceted approach is essential. This should involve concerted efforts to enhance public education and awareness about crowdfunding, particularly emphasizing its compatibility with Islamic financial principles. Tailored educational initiatives and awareness campaigns are crucial to elevate the public's understanding of crowdfunding, dispel misconceptions, and clarify the processes involved. Moreover, addressing the perceived risks and uncertainties associated with crowdfunding is vital. This can be achieved by establishing robust regulatory frameworks and transparent operational procedures that align with both Islamic financial ethics and global best practices. Such measures would not only build trust among potential users but also create a more secure and reliable crowdfunding environment. In essence, for Brunei to leverage its position as a potential hub for Islamic FinTech and foster a thriving crowdfunding ecosystem, it must bridge the knowledge gap, mitigate perceived risks, and harness the existing interest among its populace. This approach will not only stimulate participation in crowdfunding but also contribute significantly to the innovation and growth of the Islamic FinTech sector in the region.

The first analysis suggests tackling the issue, is to promote collaborations between Education Institutions (EI) and Industry, thus influencing the MSME climate. In Brunei Darussalam, the government has taken steps to create a favorable environment for entrepreneurial activities. However, the identification of formal and informal constraints suggests that there is room for further initiatives to foster an entrepreneurial climate and address these constraints, particularly through collaborations between EIs and industries. The essence of entrepreneurship lies in the ability to transform ideas into reality, and EI should prioritize the development of this capability. The benchmark for EI practices should be established through negotiations between educational institutions and industries, ensuring a balance between what can be offered by educational institutions and what is required by industries. MSMEs require structured support to tackle national challenges such as sluggish economic growth and unemployment. It is important to acknowledge that entrepreneurship education does not have to be limited to formal degrees in business administration. Informal learning has proven to enhance competence.

Thus, it is crucial to make entrepreneurship education accessible to students across various disciplines, as the skills acquired in entrepreneurship education are relevant and applicable to diverse fields of study. EIS in Brunei should strive to integrate entrepreneurship into their curriculum, regardless of the academic discipline, as part of their broader mission in the 21st century. This approach will contribute to nurturing an entrepreneurial mindset and fostering innovation among Brunei's future workforce.

Furthermore, it is crucial for financial institutions to proactively collaborate with crowdfunding platforms to foster a healthy financial ecosystem. For instance, DARE, with its co-matching scheme for start-ups, plays a significant role in providing initial funding. Under this scheme, start-ups that meet DARE's criteria receive 70 per cent of the required funding, while they need to secure the remaining 30 per cent independently. To create a robust financial ecosystem, DARE should actively promote platforms like Jana Kapital and encourage start-ups to utilize crowdfunding to gather the remaining 30 percent of funding. Simultaneously, it is essential to raise public awareness about these new business ventures facilitated by crowdfunding platforms. By doing so, the general public can make well-informed investment decisions and contribute to the growth of the financial ecosystem in Brunei. This collaborative approach would foster a dynamic environment where financial hubs can thrive and support the entrepreneurial aspirations of the nation.

2. How effectively are existing crowdfunding platforms performing in Brunei Darussalam, and what indicators suggest their success or shortcomings?

In an interview with Aidil Salleh, he articulated several challenges faced by Jana Kapital, a key player in Brunei's FinTech ecosystem, which also mirror broader issues in the sector. Salleh's insights reveal a significant struggle for FinTech entities, including those like Jana Kapital, which encounter similar challenges to MSMEs. The lack of financial support, particularly in the form of grants from authorities, emerges as a critical issue. This absence of institutional backing not only affects the growth and sustainability of FinTech ventures like Jana Kapital but also influences their ability to support MSMEs effectively. Salleh highlights a significant gap in the market, where MSMEs are in dire need of lenient and alternative financial solutions, as the traditional banking ecosystem dominates and often does not cater to their unique needs. However, the struggles faced by crowdfunding platforms, like financial constraints and a lack of support, hinder their capacity to provide these much-needed services to MSMEs. This scenario creates a vicious cycle where both FinTech platforms and MSMEs find themselves in a

challenging financial landscape with limited support and alternatives. This situation calls for a critical re-evaluation of the support structure and ecosystem for FinTech and crowdfunding platforms in Brunei. Without addressing these fundamental challenges, including the provision of grants and more robust institutional support, the potential of crowdfunding as an alternative financial tool for MSMEs remains underutilized. This not only impacts the growth and innovation within the FinTech sector but also limits the financial options available to MSMEs, thereby affecting the broader economic landscape. For Brunei to harness the full potential of FinTech and crowdfunding, especially in supporting MSMEs, a more supportive and conducive ecosystem is essential.

*“You know, even **in the FinTech ecosystem** mana ada FinTech players lagi kan, establishment of **FinTech players is not promising** because we too faced the same challenges as MSMEs. Grants are necessary. Sadly, even like us (Jana Kapital), we are alone in the ecosystem, **we don’t have any support** in terms of grants from the respective authorities. We are alone here. . . . “You can actually hear MSME’s crying out for leniency in terms of finance. There are struggling to finance within the market ecosystem dominated by the bank, but because even we as a crowdfunding platform struggle to end meet, so most **MSMEs hesitant to use us as a platform**”*

Another notably finding is the reluctance of MSMEs in Brunei to utilize crowdfunding platforms as a capital-raising tool presents a notable challenge in the development of this alternative financing model. Despite the inherent benefits of crowdfunding, such as enhanced visibility and access to a diverse pool of backers, there appears to be a significant hesitancy among SMEs to engage with these platforms. This reticence may be rooted in a lack of understanding of the crowdfunding mechanism, uncertainties about how to effectively use the the findings indicate a pressing need for crowdfunding platforms in Brunei to undertake targeted initiatives aimed at overcoming these obstacles. One crucial step is enhancing financial support for these platforms, which would enable them to refine their offerings and appeal to a broader spectrum of project creators. Establishing trust and credibility with potential backers is another critical area, achievable through transparent project evaluation methods, effective communication, and highlighting successful crowdfunding ventures. Moreover, there's a need for concerted efforts to educate SMEs about the advantages and operational aspects of crowdfunding. Providing SMEs with comprehensive guidance and support can play a pivotal role in increasing

their participation and confidence in using these platforms. This scenario underscores a broader issue within Brunei's entrepreneurial ecosystem, where innovative financial tools like crowdfunding are not being fully leveraged due to informational and operational barriers. Addressing these challenges is not just about enhancing the functionality of crowdfunding platforms but also about fostering a culture that is more receptive to alternative financing methods. By doing so, there's potential not only to bolster the growth of SMEs through improved access to capital but also to stimulate the overall dynamism and diversity of Brunei's financial landscape.

Conclusion

The examination of Brunei's role in the Islamic finance crowdfunding landscape reveals critical gaps and opportunities, particularly when juxtaposed against the broader ambitions of revolutionizing P2P and equity crowdfunding within ASEAN. While the presence of Jana Kapital as Brunei's sole crowdfunding platform marks a step forward, its limited impact raises significant concerns. This situation not only reflects the operational challenges within Brunei's FinTech ecosystem but also underscores a broader issue of strategic alignment and market readiness. Brunei's current struggles with financial platforms like Jana Kapital are indicative of deeper systemic issues. Despite the government's efforts to support MSMEs, there remains a disconnect between these initiatives and the practical realities faced by these enterprises, particularly in accessing finance. This disconnection calls into question the efficacy of existing policies and strategies, suggesting a need for a more nuanced approach that aligns with Brunei's unique economic and cultural context. Critically, the lack of substantial progress in Brunei's Islamic FinTech sector, despite its potential, suggests that mere replication of models from more advanced economies is insufficient. This calls for a tailored strategy, one that leverages Brunei's specific strengths in Islamic finance and addresses the unique challenges of its MSMEs. The government's role is pivotal here; it must not only enact policies that facilitate Islamic crowdfunding but also ensure these policies are effectively implemented and accessible to the intended beneficiaries. Moreover, the study highlights the importance of fostering collaborations between various stakeholders, including educational institutions, industry, and financial sectors. However, the current state of these collaborations appears inadequate in addressing the complex challenges of crowdfunding and FinTech in Brunei. Considering of these findings, the study argues for a more concerted effort in Brunei to cultivate a supportive ecosystem for Islamic finance crowdfunding. This involves not only policy reforms and

educational initiatives but also a cultural shift towards embracing financial innovation. The potential benefits of such a shift are immense, not just for Brunei but for the ASEAN region, as it seeks to harness the full potential of Islamic finance in a modern economic landscape.

In summary, several key insights emerge from this study:

1. The necessity of a collaborative ecosystem involving educational institutions, industry, and financial sectors to foster entrepreneurship.
2. The vital role of educators in promoting entrepreneurial awareness and preparing students for business challenges.
3. The importance of synergies between educational institutions and industry for innovation and venture success.
4. The need for coordinated efforts by financial institutions to provide accessible financial support to entrepreneurs.
5. The creation of a conducive environment through these collaborations to spur economic growth and job creation.

In conclusion, while Brunei's endeavour to catalyse Islamic finance crowdfunding holds promise, the journey is fraught with challenges that require critical attention and strategic action. The nation's ability to navigate these challenges and effectively harness the power of Islamic FinTech will be pivotal in realizing its economic aspirations and contributing to the broader goal of revolutionizing Islamic finance in ASEAN.

Research Limitation

The limitations of this study are noteworthy and warrant attention. Primarily, the reliance on survey data from a relatively small cohort might not aptly capture the broad spectrum of MSMEs in Brunei. Expanding the sample size could potentially yield a more holistic understanding of MSMEs' challenges and their inclination towards using crowdfunding as a financial tool. Additionally, the study falls short in its exploration of the distinct obstacles MSMEs face in engaging with crowdfunding platforms. To gain a deeper understanding, qualitative methods such as comprehensive interviews or focus groups could be employed. These approaches might reveal that prevent MSMEs from fully leveraging crowdfunding opportunities.

Suggestions for Future Research

To address the limitations identified, several key recommendations emerge. Firstly, conducting a comprehensive study with a larger sample size that encompasses a diverse range of MSMEs would provide a more nuanced understanding of the obstacles faced by different sectors and subgroups. This would enable policymakers and stakeholders to tailor their interventions and support programs to cater to the specific needs of various MSME categories. In addition, incorporating qualitative research methods would allow for a deeper exploration of the barriers MSMEs encounter when seeking crowdfunding opportunities. This qualitative data could provide insights into the specific financial challenges faced by MSMEs, including limited collateral, lack of financial literacy, and risk perceptions. Such insights can inform the design of targeted training programs, mentorship initiatives, and capacity-building activities aimed at enhancing MSMEs' readiness for crowdfunding. Furthermore, to encourage the growth of MSMEs and crowdfunding platforms, a collaborative approach is crucial. Bringing together stakeholders, including government bodies, financial institutions, industry players, and MSME representatives, can foster synergistic partnerships. This collaboration can facilitate the sharing of best practices, knowledge, and resources, while also enabling the development of a supportive regulatory framework that balances investor protection and MSME empowerment. Moreover, benchmarking against successful FinTech ecosystems in neighboring ASEAN countries can provide valuable lessons for Brunei. By studying countries that have effectively supported MSME growth and FinTech innovation, Brunei can identify relevant strategies and adapt them to suit its unique socio-economic context. This may include initiatives such as establishing dedicated FinTech hubs, creating regulatory sandboxes to foster innovation, and facilitating cross-border collaborations to attract international investors and expand market reach.

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