

**MODELLING SMEs' BEHAVIORAL INTENTION TO
ADOPT ISLAMIC CROWDFUNDING-SMALL AND
MEDIUM ENTERPRISES (ICSMEs) MODEL AS A
SOURCE OF FINANCING IN MALAYSIA**

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Outline of The Presentation

- Introduction
- Objective Of The Study
- Research Methods
- ICSMEs Model
- Major Findings
- Implications Of The Study
- Conclusion

Introduction

- SMEs represent **more than 90%** of total business establishment in most economies of the world. In Malaysia, 97% are SMEs.
- SMEs **contribute** to many aspects such as **employment generation, income generation, poverty reduction** and **national income**.
- However, SMEs continued to be constrained with **the problem of access to finance**.

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- **The problem of accessing finance** [lack of collateral, high cost of financing, insufficient documents to support loan application, the rigidity of the procedures to access financial programs, no financial track record, the nature of the business and long loan processing time]
- The Malaysian government **has taken various measures** to enhance SMEs' accessibility to financial, **but** the impacts are yet to be felt.
- The **existing policies** have **failed** to fulfill their aspirations.
- Furthermore, **an absence of literature** on a **viable** and **attractive model** to address SMEs problems of accessing finance has created the **research gap** for the present study.

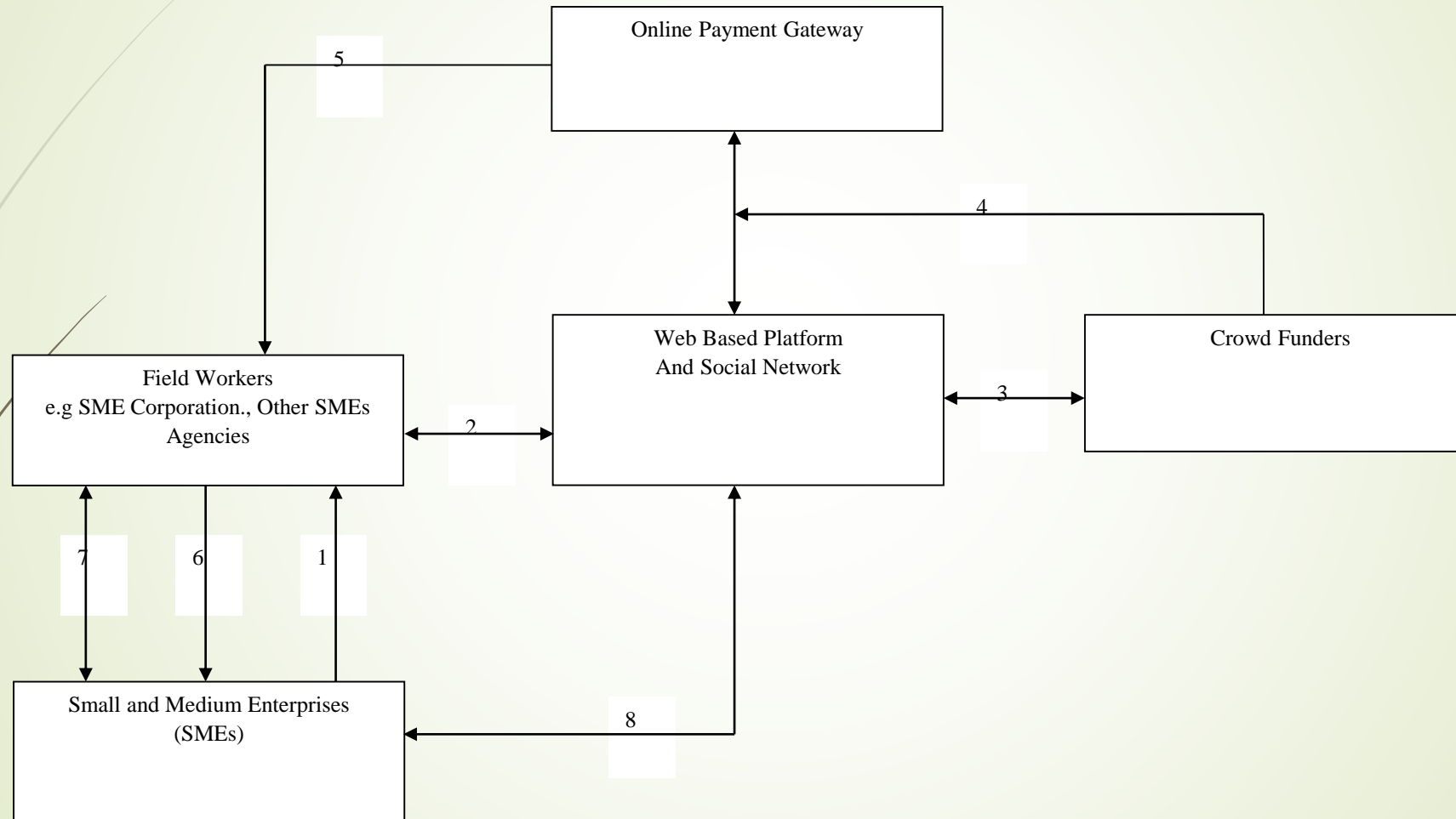
Objective Of The Study

- (i) To demonstrate the extent of financing problem faced by SMEs in Malaysia.
- (ii) To develop an alternative model that is available for effectively addressing the problem mentioned in (i).
- (iii) To examine how the factors of perceived ease of use and perceived usefulness of SMEs can affect their intention to use the model developed in (ii) above

Research Methods

- **Content analysis** (survey of literature) was used to develop ICSMEs model
- **Survey data** were collected from a sample of 250 SMEs in Klang Valley (Selangor & Kuala Lumpur) to solicit their **opinion** on the **viability** and **acceptability** of ICSMEs model
- **SmartPLS 3.2.7** was used for the **analysis of data**.

ICSMEs Model



Major Findings

(1) Survey Findings

- ▶ SMEs are facing the problems of (i) **high interest rate**, (ii) **strict documentation requirement**, (iii) **strict collateral requirement**, (iv) **insufficient amount of financing**, (v) **long loan durations**, and (vi) **nature of business**.
- ▶ SMEs need an alternative way of raising external fund. Due to the problem of financing, **majority of SMEs are ready and enthusiastic to use ICSMEs model to fund their businesses via Crowdfunding**

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| HYPOTHESES | METHOD OF ANALYSIS | SURVEY FINDINGS |
|--|-----------------------------|--|
| <p>Ho: There is no significant (positive) influence of perceived usefulness on the intention to engage in ICSMEs model among SMEs.</p> <p>Ha: There is a significant (positive) influence of perceived usefulness on the intention to engage in ICSMEs model among SMEs.</p> | Partial Least Squares (PLS) | <p>Reject the null hypotheses</p> <p>Hence perceived usefulness and behavioral intention are significant and positively related</p> |

Perceived usefulness is the perception that a given a technological-based system, it will help a user (in our case SMEs) to achieve his or her work goals. SMEs need a mechanism that could help them to raise financing to support their businesses. Thus, by using ICSMEs model which is through online platform, it will help SMEs to raise fund for start-up or expanding their business in Malaysia

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| HYPOTHESES | METHOD OF ANALYSIS | SURVEY FINDINGS |
|--|-----------------------------|--|
| <p>Ho: There is no significant (positive) influence of perceived ease of use on the intention to engage in ICSMEs model among SMEs.</p> <p>Ha: There is a significant (positive) influence of perceived ease of use on the intention to engage in ICSMEs model among SMEs.</p> | Partial Least Squares (PLS) | <p>Reject the null hypotheses</p> <p>Hence, perceived ease of use and behavioral intention are significant and positively related</p> |

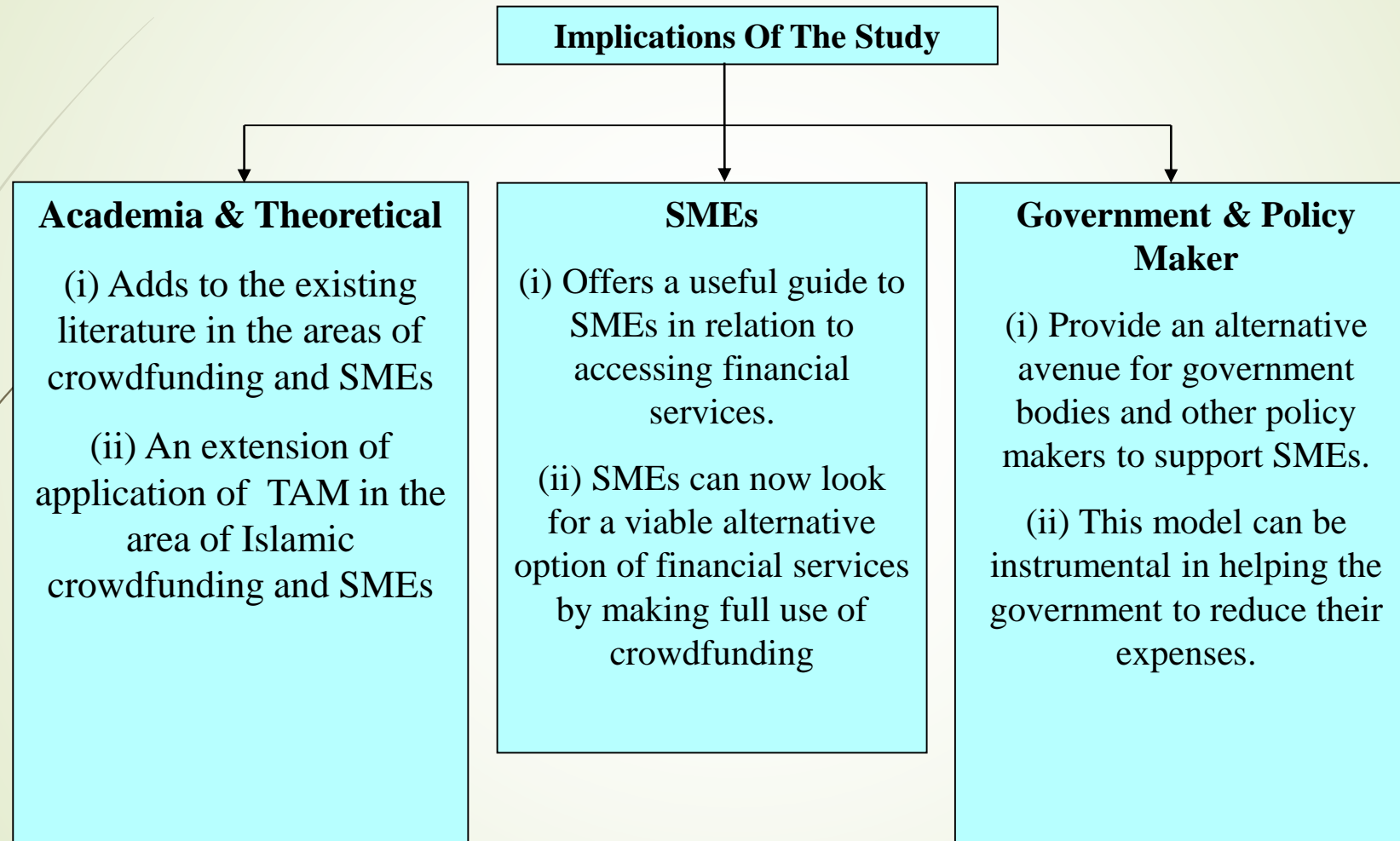
On the other hand, perceived ease of use is defined as the degree to which a person believes that easy-to-use technology was associated with greater intent to use it (Davis, 1989). Thus, the easier to involve with ICSMEs model, it will attract more Malaysian SMEs to raise fund using this platform.

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| HYPOTHESES | METHOD OF ANALYSIS | SURVEY FINDINGS |
|--|-----------------------------|--|
| <p>Ho: There is no significant (positive) influence of perceived ease of use on perceived usefulness of ICSMEs model among SMEs.</p> <p>Ha: There is a significant (positive) influence of perceived ease of use on perceived usefulness of ICSMEs model among SMEs.</p> | Partial Least Squares (PLS) | <p>Reject the null hypotheses</p> <p>Hence, perceived ease of use was positively associated with perceived usefulness</p> |

Meanwhile, perceived ease of use was positively associated with perceived usefulness. It means that the easier the system was to use, the more useful it was perceived to be. Thus, ICSMEs model may need to have the features that useful to the user particularly SMEs, who are looking for external fund.

Implications Of The Study



Conclusion

- The **novelty** of this study lies in the development of a pioneering model (ICSMEs model) with a unique feature that **integrate Islamic crowdfunding and SMEs** in order to address the problem of financial accessibility .
- The empirical results of this study **provide some insights** in articulating the viable alternative model in assisting SMEs to access finance.