



## EXPLORING THE ROLE OF DONATION-BASED CROWDFUNDING IN ISLAMIC SOCIAL FINANCE

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### ABSTRACT

This research explores the evolving landscape of donation-based crowdfunding within the context of Islamic social finance, aiming to clarify its role as an instrument of philanthropy and community development. Leveraging a comparative analysis of three prominent platforms—Sadaqa House, GlobalSadaqah, and LaunchGood—the study explores whether donation-based crowdfunding merely functions as a financing tool or can be classified as a component of Islamic social finance itself. This research utilizes a qualitative approach to investigate the evolving role of donation-based crowdfunding within the realm of Islamic social finance. Focusing on three prominent platforms—Sadaqa House, GlobalSadaqah, and LaunchGood—the study aims to determine whether donation-based crowdfunding serves merely as a financing tool or can be considered an integral part of Islamic social finance. Through a detailed examination of each platform's operational aspects and campaign offerings, supplemented by thematic analysis and cross-platform comparisons, the research seeks to identify patterns and themes that shed light on the alignment of donation-based crowdfunding with Islamic finance principles. The findings reveal that donation-based crowdfunding platforms transcend the conventional role of financing tools, evolving into instruments of Islamic social finance with a profound impact on global philanthropy. Moreover, these platforms play a pivotal role in advancing social welfare and community empowerment globally, extending beyond financial contributions to tangible social change. The research underscores the originality of its approach in comprehensively evaluating donation-based crowdfunding within the Islamic finance ecosystem, shedding light on its transformative potential as a tool for philanthropy and socioeconomic development.

**Keywords:** Islamic Social Finance, Donation-based Crowdfunding, Shariah Principles, Social Welfare

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## INTRODUCTION

Crowdfunding, a novel financial instrument, has witnessed a meteoric rise in recent years, emerging as a viable mechanism to finance a plethora of projects, ventures, and social causes (Mollick, 2014). This innovative approach leverages the power of the internet to aggregate a multitude of small contributions from a dispersed pool of individuals, fostering financial inclusion and democratizing access to capital (Belleflamme et al., 2014). Amongst its diverse forms, donation-based crowdfunding stands out for its reliance on voluntary contributions devoid of any expectation for financial returns (Schwienbacher & Laurison, 2017). This philanthropic essence of donation-based crowdfunding aligns remarkably with the core tenets of Islamic finance, where fostering social welfare and promoting ethical financial practices are paramount (Chapra, 2008).

The global landscape of donation-based crowdfunding has flourished in recent years, facilitating the funding of a wide array of projects encompassing humanitarian aid initiatives, community development programs, and innovative entrepreneurial ventures (Schwienbacher & Sutter, 2017). Notably, this form of crowdfunding has garnered significant traction within the Islamic world, with its potential as a tool for Islamic finance attracting increasing attention (Hassan & Bashir, 2018). Islamic finance principles, rooted in the concept of Sharia law, emphasize social justice, equitable wealth distribution, and the prohibition of interest (*riba*) (Rahman et al., 2016). These core principles resonate deeply with the underlying ethos of donation-based crowdfunding, creating a natural synergy between the two domains.

Despite the growing prominence of donation-based crowdfunding within the discourse of Islamic finance, a significant gap exists in the existing body of academic research. While preliminary studies have begun to explore its potential as a form of social finance (Utomo & Ramadhani, 2019), comprehensive examinations analysing its compatibility with Islamic finance principles remain scarce. This research is required to bridge this critical knowledge gap by thoroughly examining the nature of donation-based crowdfunding and its alignment with the core principles of Islamic social finance. By providing clarity and insightful analysis, this study aims to elucidate whether donation-based crowdfunding functions merely as a financing tool or can be classified as an integral instrument of Islamic social finance. Addressing this gap is crucial for policymakers, practitioners, and scholars to understand the evolving role of donation-based crowdfunding within the Islamic finance ecosystem and to leverage its potential to foster social welfare and promote ethical financial practices.

The impetus for this research stems from the necessity to provide clarity and insightful analysis regarding the role of donation-based crowdfunding within the Islamic finance ecosystem. By meticulously evaluating existing Islamic crowdfunding platforms that primarily utilize donation-based models, coupled with in-depth analysis of the types of campaigns they host, this research seeks to determine a crucial question: Does donation-based crowdfunding function merely as a financing tool, or can it be classified as an instrument of Islamic social finance itself? This research utilizes a qualitative approach to investigate the evolving role of donation-based crowdfunding within the realm of Islamic social finance. Focusing on three prominent platforms—Sadaqa House, GlobalSadaqah, and LaunchGood — the study aims to determine whether donation-based crowdfunding serves merely as a financing tool or can be considered an integral part of Islamic social finance. Through a detailed examination of each platform's operational aspects and campaign offerings, supplemented by thematic analysis and cross-platform comparisons, the research seeks to identify patterns and themes that shed light on the alignment of donation-based crowdfunding with Islamic finance principles.

This research paper is divided into six sections. Following this introduction, section two presents the literature review, while section three discusses the methodology. Section four





introduces the selected case studies. Subsequently, section five attempts to answer the question: does donation-based crowdfunding function merely as a financing tool, or can it be classified as an instrument of Islamic social finance itself? The final section is the conclusion, which presents the policy implications, including future research directions

## LITERATURE REVIEW

Crowdfunding has emerged as a revolutionary financial instrument, transforming the way projects and ventures secure funding. It leverages the power of the internet to aggregate a multitude of small contributions from a dispersed pool of individuals, fostering financial inclusion and democratizing access to capital (Belleflamme et al., 2014; Muneeza et al., 2018).

Crowdfunding encompasses a range of models catering to distinct financing needs. Below is the breakdown of the prominent categories (Nesta, 2016):

- **Donation-Based Crowdfunding:** This model relies on voluntary contributions without any expectation of financial return. It is commonly used for charitable endeavors, community projects, or personal fundraising campaigns (medical expenses, education, emergencies) (Schwienbacher & Laurison, 2017). Platforms like GoFundMe and GlobalGiving exemplify this approach.
- **Reward-Based Crowdfunding:** Contributors in this model receive non-financial rewards or incentives offered by project creators in exchange for their funding. These rewards can include early access to products, exclusive merchandise, or unique experiences (Mollick, 2014). Kickstarter and Indiegogo are popular platforms for such campaigns.
- **Debt-Based Crowdfunding (Peer-to-Peer Lending):** This model facilitates individuals or businesses borrowing funds from others in exchange for repayment with interest. Borrowers seek funding for various purposes (personal loans, business expansion), while lenders (investors) provide capital through online platforms that manage loan transactions and repayments. Interest rates and loan terms are determined based on borrower creditworthiness and platform risk assessments (Belleflamme et al., 2014). LendingClub and Prosper are leading P2P lending platforms.
- **Equity-Based Crowdfunding:** This model allows investors to purchase ownership stakes in businesses or projects in exchange for funding. Entrepreneurs and start-ups raise capital by selling shares to a large pool of investors through online platforms. Investors become shareholders, potentially receiving dividends or capital gains if the company thrives (Belleflamme et al., 2014). Seedrs and Crowdcube are some platforms facilitating equity crowdfunding campaigns.

Islamic finance, with its emphasis on ethical practices and social responsibility, has embraced the potential of crowdfunding. Islamic crowdfunding platforms operate within the framework of Sharia law, ensuring all investment activities and fundraising practices comply with Islamic ethical principles (Saeed, 2019; Muneeza et al., 2018). This convergence addresses the growing demand for Sharia-compliant financial instruments, particularly among Muslim populations (Khan & Bhatti, 2019).

Islamic crowdfunding platforms function similarly to traditional platforms in connecting project initiators with potential funders. However, they operate under a distinct set of principles to ensure Sharia compliance (Kasri & Mustaque, 2021):

- **Adherence to Sharia Principles:** The core principle is strict adherence to Sharia. This translates to avoiding prohibited elements like interest (*riba*), excessive uncertainty (*gharar*), and investments in industries deemed unethical (alcohol, gambling, pork).
- **Sharia-compliant Investment Structures:** Unlike conventional crowdfunding with fixed-interest contracts, Islamic crowdfunding utilizes profit-sharing agreements. Investors





receive a share of project profits based on predetermined terms, following structures like *Mudarabah* (profit-sharing partnership) or *Murabaha* (cost-plus financing) agreements.

- **Sharia Board Oversight:** Islamic crowdfunding platforms typically have Sharia boards tasked with ensuring all investment activities and project proposals adhere to Sharia principles. These boards conduct regular assessments and audits to maintain compliance.

While both traditional and Islamic crowdfunding share some core functionalities, key differences exist in their *modus operandi* (Table 1). Traditional crowdfunding offers flexibility in terms of investment structures, allowing for interest-based returns in some models. Islamic crowdfunding, on the other hand, prioritizes Shariah compliance through profit-sharing agreements and strict adherence to ethical guidelines. Furthermore, Islamic crowdfunding platforms often cater to projects that align with social welfare objectives and Islamic values (Elasrag, 2019).

Table 1: Differences Between Traditional Crowdfunding and Islamic Crowdfunding

| Feature                   | Traditional Crowdfunding  | Islamic Crowdfunding  |
|---------------------------|---|---|
| <b>Investment Returns</b> | Interest-based (debt-based), equity-based, or non-financial rewards | Profit-sharing agreements ( <i>Mudarabah</i> , <i>Murabaha</i> ) or in case of donation-based crowdfunding, based on charity ( <i>sadaqah</i> ) or zakat (alms) or waqf (Islamic endowment) where return is non-financial rewards |
| <b>Shariah Compliance</b> | No specific requirements  | Strict adherence to Sharia principles   |
| <b>Project Focus</b>      | Diverse range of projects   | Projects aligned with Islamic values and social welfare which must be shariah compliant   |
| <b>Oversight</b>          | Platform-based oversight  | Shariah Board oversight in addition to platform-based oversight   |

*Source: Author's own*

Crowdfunding has revolutionized project financing, offering a flexible and accessible alternative to traditional financial institutions. Islamic crowdfunding takes this concept a step further by catering to the growing demand for Sharia-compliant financial instruments.

## METHODOLOGY

This research uses a qualitative approach to investigate the evolving role of donation-based crowdfunding within the realm of Islamic social finance. By focusing on three prominent platforms—SadaqaHouse, GlobalSadaqah, and LaunchGood—the study aims to determine whether donation-based crowdfunding serves merely as a financing tool or can be considered an integral part of Islamic social finance. The research begins with a detailed examination of each platform's operational aspects and campaign offerings. This involves reviewing the platforms' websites, annual reports, and other relevant documentation to understand their mission, vision, and procedures. The data collected from platform analysis and campaign analysis is analyzed using thematic analysis. Furthermore, a cross-platform comparison is conducted to identify similarities and differences in the operational models and campaign types of the three platforms. Through this qualitative approach, the research seeks to provide a comprehensive understanding of the role of donation-based crowdfunding within Islamic social finance, determining whether it functions merely as a financing tool or can be classified as an integral part of the Islamic finance ecosystem.





## DONATION BASED ISLAMIC CROWDFUNDING CASE STUDIES

Islamic crowdfunding based on donation operates within the framework of Shariah principles, adhering to Islamic finance guidelines. In this system, individuals or organizations seeking funding present their projects or ventures to potential donors within the Muslim community. Donations are made voluntarily, without any expectation of financial return, in accordance with the principles of sadaqah (charity) or waqf (Islamic endowment which is known as a recurrent charity) and zakat (obligatory almsgiving). Transparency and accountability are crucial, with fundraisers often providing detailed information about the purpose, feasibility, and intended use of the funds. Islamic crowdfunding platforms facilitate this process, providing a digital space for fundraisers to showcase their projects and for donors to contribute securely. Projects funded through Islamic crowdfunding typically align with Islamic values and may include charitable causes, social initiatives, entrepreneurial ventures, or community development projects. The success of Islamic crowdfunding relies on trust, community support, and the shared commitment to fulfilling societal needs while upholding ethical and religious principles.

In all endeavors involving Islamic social finance, including Islamic crowdfunding, it is essential to adhere rigorously to Shariah principles. Each Islamic financial instrument, be it crowdfunding, zakat, waqf, or sadaqah, must observe the Shariah conditions associated with it. These conditions serve as the bedrock of ethical conduct and compliance with Islamic law. By upholding these principles, we ensure the integrity and legitimacy of our financial transactions, fostering trust and accountability within the Muslim community. Therefore, as we engage in projects or ventures supported by Islamic crowdfunding, let us remain steadfast in our commitment to fulfilling our obligations while adhering unwaveringly to the ethical and religious precepts outlined by Shariah.

In this section, selected case studies where donation-based Islamic crowdfunding is used are discussed.

### **Sadaqa House Bank Islam**

Sadaqa House, an initiative launched by Bank Islam in 2018, serves as a charity crowdfunding platform, bringing together potential donors and charitable projects under one roof. Through Sadaqa House, Bank Islam offers value-added services for collecting, managing, and distributing donations from the public. These funds are directed towards identified charity projects that aim to bring positive outcomes to underserved communities across various sectors. With a focus on good governance and professional fund management, Sadaqa House ensures that contributions are channeled towards impactful projects, fostering trust and assurance among donors that their donations are making a direct difference in people's lives. Additionally, Sadaqa House embraces inclusivity in its policies, welcoming both Muslims and non-Muslims as donors and beneficiaries, in line with Bank Islam's belief in propagating a philanthropic culture accessible to all Malaysians.

Sadaqa House operates at the intersection of technology and Shariah solutions, redefining the narrative of participatory funding platforms by collaborating with traditional banking systems to create holistic offers for social impacts. Backed by a bank, Sadaqa House upholds corporate governance practices within its internal processes, ensuring due diligence is performed on behalf of donors towards the diverse change-makers and beneficiaries of the fund. Transparency and social impact are prioritized, with the system allowing contributors to track the progress of their chosen projects. Notably, on 27th May 2022, the Sadaqa House Orphan Fund was launched with the aim of safeguarding the welfare and education of orphans nationwide, irrespective of their race or religion. This initiative reflects Bank Islam's





commitment to leveraging Islamic social finance instruments to ensure the sustainable livelihood of the community.

As of 30th June 2023, Sadaqa House has achieved significant milestones in fund collection and distribution, with the Sadaqa House Orphan Fund totaling RM598,155 in collections. The BangKIT Fund, Direct Fund, and other initiatives have also seen substantial contributions and distributions, demonstrating the impactful reach of Sadaqa House's charitable endeavors. These financial highlights underscore the commitment of Bank Islam and Sadaqa House towards creating positive and sustainable social impact within Malaysian society.

In 2023, Sadaqa House continued its mission of impact creation, building upon the successes of the previous year. Through strategic fund allocation and transparent processes, Sadaqa House endeavors to make a meaningful difference in the lives of those in need, contributing to the overall welfare and development of Malaysian communities.

Sadaqa House offers various channels for contributions, ensuring ease and accessibility for donors. Donors can contribute directly through fund transfers to Sadaqa House's designated account at Bank Islam Malaysia Berhad (Account Number: 140 140 101 88888). Additionally, donors can utilize Bank Islam Credit Card-i Trupoints Rewards for contributions via the Trurewards Redemption platform, under the Welfare category. For added convenience, donors can make contributions by scanning the DuitNow QR Code and entering the donation amount through their banking applications. Moreover, through the Boost application, donors can select the 'Charity' option to contribute to Sadaqa House or scan the Sadaqa House QR code using the 'Scan & Pay' feature, following the prompts to complete the payment.

Donations made to specific beneficiaries may qualify for tax deductions under subsection 44(6) of the Income Tax Act 1967. Beneficiaries include Yayasan IJN (Ref LHDN.01/35/42/51/1796.4359) and Yayasan Sultanah Bahiyah (Ref LHDN. 01/35/42/51/179-6.4481). Donations of RM50 and above are eligible for tax deduction, applicable from 1st May 2019 to 31st June 2024. Donors can email [sadaqahouse@bankislam.com.my](mailto:sadaqahouse@bankislam.com.my) to request a tax deduction receipt for their contributions.

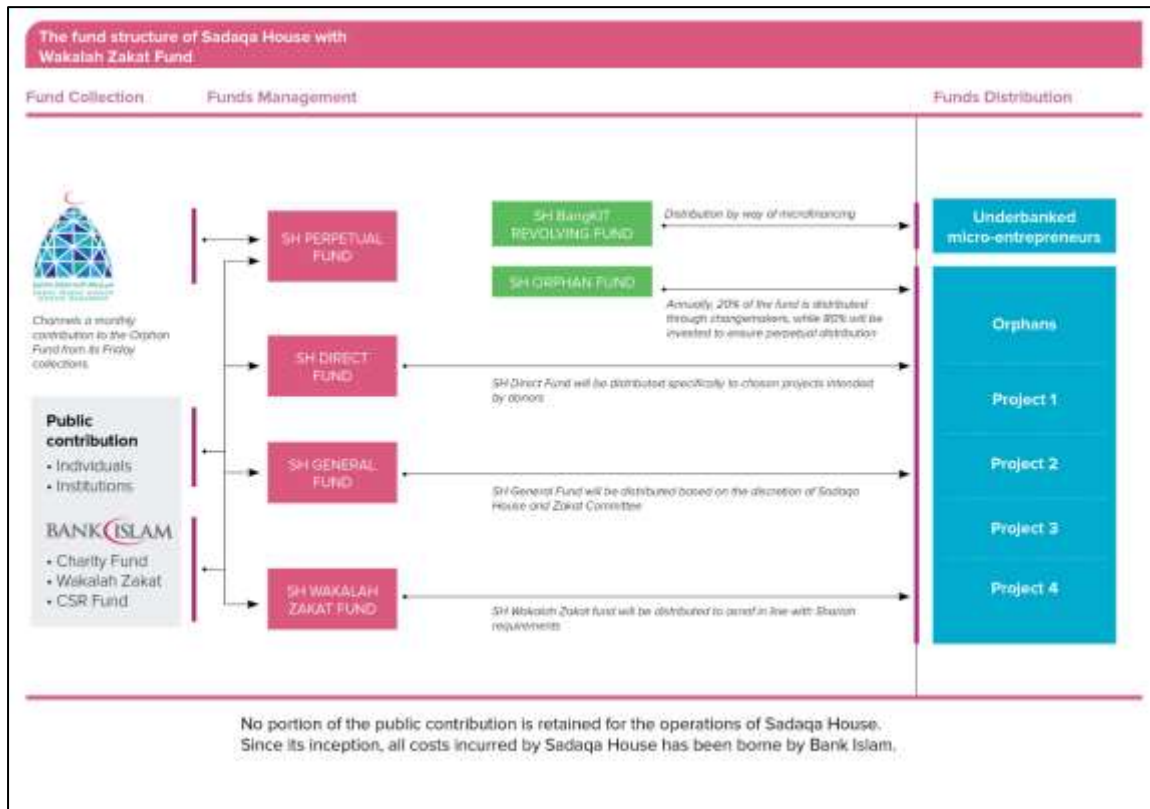
Sadaqa House serves as more than just a crowdfunding platform; it embodies a crucial intermediary role connecting donors, change-makers, and beneficiaries. Upholding principles of responsibility, accountability, and transparency, Sadaqa House ensures that donated funds are efficiently managed and directed towards impactful projects benefiting underserved communities. By providing a seamless and transparent donation process, Sadaqa House stands out as a trusted avenue for individuals and organizations seeking to contribute meaningfully to societal welfare. Figure 1 (below) illustrates this.

Sadaqa House extends a warm invitation to generous individuals and institutions, presenting four distinct fund categories tailored for managing philanthropic contributions.

In the Perpetual Fund, donors have the opportunity to contribute towards charitable causes with the assurance that the principal amount will remain invested indefinitely. This approach ensures sustainability, as only the returns generated from the investment will be distributed to support charitable projects over time.

For donors who prefer not to specify particular charitable projects, the General Fund offers a flexible option. Contributions to this fund are entrusted to Bank Islam's Zakat & Charity Committee, who exercise discretion in allocating resources to suitable charitable projects based on availability and relevance.





Source: Bank Islam (n.d.)

Figure 1: The Fund Structure of Sadaqa House

The Direct Fund empowers donors to directly support specific charitable projects under the auspices of Sadaqa House. This category provides donors with the freedom to choose the projects they wish to contribute to, ensuring their donations are aligned with their philanthropic objectives.

Additionally, donors can contribute to the Wakalah Zakat Fund, representing a portion of Bank Islam's zakat refunded by the State Islamic Religious Councils for BIMB's self-distribution. By participating in this fund, donors support the distribution of zakat to eligible recipients in accordance with Islamic principles.

These fund categories offer diverse options for donors to contribute towards charitable causes, each tailored to meet different preferences and objectives in supporting impactful initiatives managed by Sadaqa House.

Sadaqa House is a platform dedicated to enabling and supporting community-led actions that strengthen social cohesion and inclusivity through sustainable economic and social empowerment within communities. It operates with a clear mission to support underserved communities in various sectors, including healthcare, education, environment, and community empowerment. These sectors are in alignment with the underpinning thrust of Bank Negara Malaysia's Guidance Documents on Value-Based Intermediation (VBI) for Islamic banks, emphasizing societal well-being and sustainability.

In the realm of community empowerment, Sadaqa House collaborates with organizations such as Yayasan Sultanah Bahiyah, MyVista, and Mercy Mission Malaysia. These changemakers implement projects aimed at empowering marginalized groups, such as women micro-entrepreneurs and disabled children from underprivileged families. Through financial assistance and support for initiatives promoting economic and social empowerment, Sadaqa House contributes to fostering resilient and self-sustaining communities.





In the healthcare sector, partnerships with organizations like Institut Jantung Negara Foundation (IJNF) enable Sadaqa House to provide financial assistance for paediatric congenital heart disease patients from underprivileged families. By supporting medical treatments and surgeries, Sadaqa House aims to ensure that vulnerable individuals have access to quality healthcare services, aligning with its commitment to promoting health and well-being within communities.

Education is another key focus area for Sadaqa House, with initiatives such as Buku Jalanan Chow Kit (BJCK), Brain for Future (BFF), and Pertubuhan Kegiatan Dakwah Islamiah Sekolah-Sekolah Malaysia (PEKDIS). These organizations work towards providing equal educational opportunities for underserved children and supporting underprivileged university students in completing their studies. By investing in education, Sadaqa House aims to empower individuals with the knowledge and skills necessary for socio-economic advancement.

Additionally, Sadaqa House partners with Universiti Teknologi Malaysia (UTM) to address environmental challenges through projects focused on providing renewable energy solutions to Orang Asli and underserved communities. By promoting environmental consciousness and supporting sustainable initiatives, Sadaqa House contributes to the preservation of natural capital and resources, ensuring a sustainable future for generations to come.

## Analysis

Upon scrutinizing the campaigns listed on Sadaqa House, it becomes evident that the vast majority are intricately tied to the realm of social finance. These campaigns exemplify initiatives aimed at fostering societal well-being, ranging from educational endeavors for orphans to healthcare provisions for marginalized communities. Each campaign resonates with the ethos of Islamic social finance, which places paramount importance on fostering equity, inclusivity, and communal prosperity.

For instance, the "Sadaqa House Orphan Fund" stands as a poignant example of the platform's dedication to social finance. This campaign, crafted to ensure the welfare and educational needs of orphans throughout Malaysia, irrespective of their backgrounds, embodies the core Islamic values of compassion and social responsibility. By addressing the vulnerabilities of these marginalized individuals, Sadaqa House underscores its commitment to uplifting society's most vulnerable segments.

Similarly, the "BangKIT Fund" signifies a concerted effort towards community development, encapsulating the essence of Islamic social finance. Through this initiative, Sadaqa House extends support to a myriad of community-driven projects, spanning skills training, microenterprise development, and infrastructure enhancement. These endeavors resonate deeply with the principles of Islamic finance, as they strive to foster sustainable socio-economic empowerment within underserved communities.

In essence, Sadaqa House emerges as a quintessential Islamic crowdfunding platform and social finance instrument, owing to several pivotal factors. Firstly, the platform operates in strict adherence to Shariah principles, ensuring the ethical conduct of all financial transactions. Secondly, Sadaqa House facilitates the distribution of zakat funds, adhering to one of the fundamental pillars of Islamic finance aimed at eradicating poverty and supporting the less fortunate. Thirdly, the platform's investment strategies prioritize ethical and Shariah-compliant avenues, with the generated returns directed towards charitable causes aligned with Islamic finance principles. Lastly, by prioritizing projects that yield tangible and sustainable societal impacts, Sadaqa House embodies the broader objectives of Islamic social finance, serving as a catalyst for positive change within communities.





## GlobalSadaqah

GlobalSadaqah is renowned as a premier Islamic charity crowdfunding platform, leveraging technology to facilitate impactful giving and foster social welfare (GlobalSadaqah, n.d.). This case study delves into the operational framework, compliance with standards, and operational approach of GlobalSadaqah, illuminating its pivotal role in empowering charitable endeavors worldwide.

GlobalSadaqah collaborates with diverse stakeholders, including religious bodies, foundations, banks, corporations, and the public, to enhance the efficiency and effectiveness of social finance. By aligning corporate donations, CSR initiatives, and public contributions with reputable charity partners, GlobalSadaqah channels funds towards programs and campaigns that benefit marginalized communities.

Dedicated to upholding Islamic Digital Economy (IDE) standards, GlobalSadaqah ensures Shariah compliance in all its operations. IDE standards, which govern businesses and companies in Malaysia, are aligned with Shariah principles to uphold ethical practices in the digital sphere.

Operating under the umbrella of Ethis, a pioneering Islamic Fintech Enterprise committed to uplifting humanity through socially impactful projects, GlobalSadaqah leverages Ethis's expertise to empower donors to give charity, Sadaqah, Zakat, and Waqf online. This fosters a culture of compassion and generosity while ensuring transparency and accountability.

To list a campaign on the GlobalSadaqah platform, it is imperative to note that campaigns are exclusively accepted from registered NGO/company/business entities. Unfortunately, individual campaigns are not supported at present. If representing an NGO, company, or business, the process entails completing two specific forms: the Project Submission Form and the Partner Page Form. These forms furnish vital details about the campaign, including its background, utilization of funds, impact on beneficiaries, and long-term sustainability plans. Additionally, supplementary materials such as pictures and videos can be submitted via email to enrich the campaign narrative.

It has been stated that when crafting the campaign storyline, it is advisable to consider key points such as providing background information, outlining fund utilization for beneficiary impact, and articulating long-term sustainability plans. Addressing these aspects enables campaigners to develop compelling narratives that resonate with potential donors and stakeholders.

Furthermore, as part of the listing process, GlobalSadaqah typically requires certain documentation and information for the contract. This may encompass the organization's registration number, registered address, details of the responsible person and their designation, and the company logo. These details facilitate transparency and accountability throughout the campaign listing process, engendering trust among donors and stakeholders.

Donors can contribute to campaigns on the GlobalSadaqah platform by selecting their preferred project and completing the donation process. With no fees charged to donors and minimal sign-up fees for NGOs, GlobalSadaqah ensures that contributions directly benefit the intended beneficiaries.

While GlobalSadaqah does not levy fees on donors, transaction fees for payment gateways may vary based on the selected method. The tax-deductible status of donations depends on the tax exemption status of the charity partner, typically indicated on individual campaign pages.

GlobalSadaqah epitomizes the synergy between technology and compassion, providing a seamless platform for individuals and organizations to contribute towards meaningful causes. Through adherence to IDE standards, a commitment to transparency, and collaboration with





trusted partners, GlobalSadaqah plays a pivotal role in advancing Islamic charity crowdfunding and promoting social welfare globally.

As of 2nd May 2024, GlobalSadaqah hosts a diverse array of live campaigns aimed at supporting various causes worldwide. These campaigns span across different categories, including emergency relief, education, healthcare, and community development, among others. Each campaign is thoroughly verified and endorsed by trusted charity partners, ensuring the legitimacy and integrity of the fundraising efforts.

One notable ongoing campaign is the "Qurbani 2024" initiative for Rohingya refugees in Myanmar, which aims to provide Qurbani meat to the Rohingya community during the Eid al-Adha celebrations. Despite raising only RM 72, equivalent to 0.26% of the target amount, this campaign highlights the ongoing humanitarian crisis and the need for continued support.

Another significant campaign is "Ramadan Relief: Bring Hope for Gaza" in Palestine, which focuses on providing essential aid to the people of Gaza during the holy month of Ramadan. With RM 270,142 raised, accounting for 77.18% of the target, this campaign underscores the urgency of addressing the humanitarian needs of vulnerable populations in conflict-affected areas.

Additionally, the "Mobile Clinic Project in Gaza" aims to establish a mobile medical facility to provide healthcare services to residents of Gaza during Ramadan. With RM 49,474 raised, representing 49.47% of the target amount, this campaign emphasizes the importance of accessible healthcare in crisis-affected regions.

In Malaysia, the "Rush towards doing good, help the needy" campaign seeks to alleviate poverty and support marginalized communities through Zakat contributions. Having raised RM 208,354, equivalent to 69.45% of the target, this campaign underscores the significance of collective efforts in addressing social inequality and poverty.

Furthermore, initiatives such as "Help The Visually Impaired Read Quran" and "Waqaf Al-Quran in Masjid al-Haram in Makkah" highlight the importance of promoting education and religious literacy. These campaigns aim to provide resources and support to enhance access to education and spiritual development among underserved communities.

Overall, the live campaigns on the GlobalSadaqah platform demonstrate the power of collective giving in addressing pressing social, humanitarian, and educational challenges globally. By leveraging technology and collaboration with trusted partners, GlobalSadaqah continues to serve as a catalyst for positive change, empowering communities and fostering compassion and generosity.

## Analysis

GlobalSadaqah stands as a prominent Islamic charity crowdfunding platform, offering a diverse range of campaigns aimed at supporting various humanitarian, social, and community development causes. While not all listed campaigns are explicitly related to social finance, a significant portion of them aligns with principles of Islamic finance and philanthropy. For instance, campaigns such as "Qurbani 2024" for Rohingya refugees in Myanmar and "Ramadan Relief: Bring Hope for Gaza" in Palestine exemplify efforts to address urgent humanitarian needs within Islamic contexts. These campaigns prioritize providing essential aid, such as food, healthcare, and shelter, to marginalized and vulnerable populations, reflecting the principles of social welfare and solidarity inherent in Islamic teachings.

However, not all campaigns on GlobalSadaqah are strictly focused on social finance; but can be considered as campaigns listed for social cause. Some initiatives may fall under categories like emergency relief, education, healthcare, or community development, which may not directly involve financial transactions or investments. For instance, campaigns





supporting the translation of religious texts, providing clean drinking water, or offering scholarships to underprivileged students may not fit traditional definitions of social finance but still contribute to broader societal welfare and development.

Despite this diversity, GlobalSadaqah qualifies as an Islamic crowdfunding platform and an Islamic social finance instrument due to several key factors. Firstly, the platform operates in accordance with Islamic principles, ensuring that all listed campaigns adhere to Shariah guidelines and ethical standards. This includes verifying the legitimacy of charity partners, ensuring transparency in fundraising efforts, and promoting the distribution of funds in a manner consistent with Islamic teachings on charity (*zakat*), voluntary almsgiving (*sadaqah*), and endowments (*waqf*).

Secondly, GlobalSadaqah fosters a culture of giving rooted in Islamic values of compassion, generosity, and social responsibility. By facilitating donations and contributions from individuals, corporations, and institutions, the platform enables Muslims worldwide to fulfill their religious obligations and make meaningful contributions to societal welfare. Moreover, GlobalSadaqah's emphasis on impact-driven projects and sustainable development initiatives reflects a holistic approach to Islamic social finance, where the focus extends beyond mere financial transactions to encompass broader social, economic, and environmental outcomes.

In essence, while not all campaigns on GlobalSadaqah may be explicitly tied to social finance, the platform plays a vital role in advancing Islamic philanthropy and social welfare globally. Through its adherence to Shariah principles, promotion of charitable giving, and support for impactful projects, GlobalSadaqah embodies the principles of Islamic finance and serves as a catalyst for positive social change within Muslim communities and beyond.

## LaunchGood

LaunchGood stands out as the premier fundraising platform for Muslims worldwide, facilitating impactful initiatives and campaigns that resonate with the global Ummah (LaunchGood, n.d.). With a community-driven ethos, LaunchGood has emerged as a beacon of hope, unity, and resilience, embodying the essence of collective goodness.

Serving as a beacon of hope and empowerment for the global Ummah, LaunchGood facilitates impactful initiatives and campaigns that resonate with Muslims worldwide. With 76,000 organizations and communities actively raising funds, LaunchGood has facilitated an impressive \$528 million in online donations. This extensive network of fundraisers underscores the platform's role as a catalyst for positive change, mobilizing resources to address pressing societal needs.

Supported by 1.6 million donors spanning over 5,000 cities worldwide, LaunchGood's community is united in its commitment to fostering positive change. This diverse array of donors represents a collective effort to contribute to noble causes and make a meaningful difference in the lives of others. Through their generosity, LaunchGood empowers individuals to enact positive change and support initiatives aligned with their values and beliefs.

LaunchGood embraces unity in diversity, providing unwavering support for families in times of tragedy and showcasing the creativity of innovative Muslims. Moreover, the platform spearheads efforts to build lasting legacies through the establishment of mosques, institutions, and Dawah initiatives worldwide. This commitment to building resilient communities and empowering individuals to make a lasting impact underscores LaunchGood's dedication to serving the global Ummah.

At the intersection of faith and technology, LaunchGood transcends geographical boundaries, connecting individuals and communities globally. By harnessing the power of





digital platforms, LaunchGood exemplifies the collective heartbeat of the Ummah, uniting diverse voices and experiences in pursuit of positive change. Through its innovative approach, LaunchGood embodies the spirit of collaboration and solidarity, bridging gaps and amplifying the impact of faith-driven philanthropy on a global scale.

LaunchGood embarked on its journey of faith and impact in 2013-2014 with humble beginnings, marked by the platform's official launch and initial challenges in securing venture capital funding. However, these setbacks served as catalysts for resilience and resourcefulness, propelling LaunchGood to bootstrap its way to success and establish a solid foundation for growth.

In 2015, LaunchGood reached a pivotal moment with the introduction of the LaunchGood Fellowship, attracting top talent to join its mission. Additionally, the inception of the Ramadan Challenge empowered donors to make a global impact during the holiest month, further solidifying LaunchGood's commitment to driving positive change.

The years 2016-2017 witnessed notable achievements for LaunchGood, including winning the prestigious EFICA award and launching impactful campaigns like the Ramadan Challenge. Viral initiatives such as "Rebuild with Love" demonstrated LaunchGood's ability to mobilize support for noble causes, even in response to global crises.

From 2018 to 2022, LaunchGood expanded its reach to the UK and Malaysia, cementing its global footprint and serving as a beacon of hope in times of adversity. In the face of challenges like the Christchurch mosque attacks and the COVID-19 pandemic, LaunchGood rallied support and solidarity from donors worldwide, reaffirming its role as a force for good.

In 2023-2024, LaunchGood achieved significant milestones, including reaching 1 million donors and hosting its first global team gathering post-COVID. These accomplishments underscored LaunchGood's enduring impact and resilience, as it continues to inspire positive change and collective action among Muslims worldwide.

The LaunchGood difference lies in its dedication to providing personalized support to campaign creators, ensuring a seamless fundraising experience. With zero platform fees and a focus on community engagement, LaunchGood offers a trusted and secure space for donors to support impactful campaigns aligned with their values. Through innovative features like the Friday Givers club and fundraising challenges, LaunchGood empowers individuals to make a lasting difference in their communities, leaving a legacy of goodness for generations to come. As a testament to the transformative power of faith-driven philanthropy, LaunchGood's journey embodies the collective spirit of the Ummah, uniting individuals and communities in pursuit of a better world.

LaunchGood's recognition as the first prize winner of the IsDB Prize for Impactful Achievement in Islamic Economics for 1442H (2021) underscores its innovative approach in leveraging technology to advance the principles of Islamic Economics (Islamic Development Bank, 2021). As a crowdfunding platform, LaunchGood has successfully modernized the age-old Islamic tradition of charity, seamlessly integrating it into the contemporary digital landscape. By operating at the intersection of faith and technology, LaunchGood has provided a decentralized and accessible platform for Muslims worldwide to raise funds for important projects and make a direct positive impact on their communities. With over seven years of operation, LaunchGood has demonstrated remarkable scalability, having supported over 28,000 campaigns and raised over \$200 million. Beyond its role in charity, LaunchGood's success stories serve as beacons of hope, reshaping the narrative of Muslim contributions in the contemporary world and inspiring individuals to believe in and build a better future.

There are various types of campaigns listed on LaunchGood, each targeting different areas of need and social causes. These include campaigns focused on Food/Water, Mosque/Community development, Education, Women's empowerment, Orphan support,





Refugee assistance, Emergency Relief, and Health initiatives. In the category of Food/Water, initiatives like Human Initiative's "Feed a Whole Family for Only \$5!" endeavor to provide affordable meals for families facing food insecurity. Meanwhile, organizations like Yayasan Ikhlas focus on ending water crises in specific regions, such as their campaign to provide clean water in Malaysia's villages.

In the Mosque/Community category, projects like the Ayesha Mosque campaign seek to build and support religious infrastructure, aiming to construct a mosque in Canada to serve the local Muslim community. Additionally, efforts such as Al-Ansari Foundation's "Help Finish Building a Home for 50 Orphans in Chato, Zanzibar" demonstrate LaunchGood's role in facilitating community development beyond religious spaces.

Education is another key area addressed by LaunchGood campaigns. For instance, the Riyo Raac Foundation's initiative supports orphans by sharing blessings with the less fortunate, including educational support. Similarly, endeavors like the "Share Food Baskets for Those in Need in Nepal" by Iltizam Relief Society contribute to educational opportunities by addressing basic needs, enabling children to focus on their studies.

Women's empowerment is also a prominent theme, with campaigns like those run by Muslim Relief focusing on providing urgent aid for Yemen's children, including support for vulnerable women and girls. Additionally, initiatives like SemangatBantucom's "Share Meals with Orphans & Communities in Need" highlight LaunchGood's efforts to empower women through community engagement and support networks.

Orphan support remains a significant focus, with campaigns such as Child Aid International Fund Society's "Feed a hungry family in Pakistan, India & Iraq" aiming to provide essential nutrition and support to orphaned children and their families. Moreover, initiatives like Global Ehsan Relief's "Help Orphans Escape Malnutrition with Daily Meals" emphasize the critical role LaunchGood plays in addressing the needs of vulnerable children worldwide.

## Analysis

LaunchGood, as a prominent crowdfunding platform, hosts a wide range of campaigns, not all of which are strictly related to social finance. While many campaigns focus on humanitarian, social, and community-oriented initiatives, others may encompass creative projects, entrepreneurial ventures, or personal fundraising endeavors. For example, campaigns aimed at funding artistic endeavors, entrepreneurial startups, or personal needs may not fall directly under the category of social finance. However, LaunchGood also features numerous campaigns dedicated to addressing societal challenges, supporting vulnerable communities, and advancing humanitarian causes. These campaigns often align with the principles of Islamic finance, emphasizing social responsibility, ethical investment, and community development.

Examples of campaigns on LaunchGood that are related to social finance include initiatives focused on providing food and water to underserved populations, building mosques and community centers, supporting education for orphans and underprivileged children, empowering women through economic opportunities, and offering emergency relief in crisis situations. For instance, campaigns like "Feed a Whole Family for Only \$5!" by Human Initiative and "Help build a Mosque in Canada" by Ayesha Mosque exemplify LaunchGood's role in mobilizing funds for initiatives that address pressing social needs and foster community development.

LaunchGood can be considered as an Islamic crowdfunding platform and an Islamic social finance instrument for several reasons. Firstly, the platform is deeply rooted in Islamic values and principles, providing a space for Muslims to engage in charitable giving (*Sadaqah*), fulfill their religious obligations such as *Zakat* and *Waqf*, and support projects that align with





their faith. Secondly, LaunchGood emphasizes transparency, accountability, and ethical conduct, which are fundamental tenets of Islamic finance. The platform verifies campaigns to ensure Shariah compliance, promotes projects that benefit marginalized communities, and fosters a culture of compassion and generosity among its users.

Moreover, LaunchGood's community-driven approach and focus on collective impact resonate with the principles of Islamic social finance, which prioritize the welfare of society as a whole. By facilitating fundraising efforts for charitable initiatives, LaunchGood enables individuals and organizations to pool their resources, amplify their impact, and address social and economic challenges facing Muslim communities worldwide. In essence, LaunchGood serves as a catalyst for positive change, embodying the spirit of Islamic finance and contributing to the betterment of society through collaborative philanthropy.

### **DOES DONATION-BASED CROWDFUNDING FUNCTION MERELY AS A FINANCING TOOL, OR CAN IT BE CLASSIFIED AS AN INSTRUMENT OF ISLAMIC SOCIAL FINANCE ITSELF?**

The three case studies—Sadaqa House, GlobalSadaqah, and LaunchGood—offer valuable insights into the role of donation-based crowdfunding within the Islamic finance ecosystem. Each platform presents a unique approach to facilitating charitable giving and community development, contributing to the broader discourse on whether donation-based crowdfunding can be classified as an instrument of Islamic finance.

All three platforms exhibit key characteristics of Islamic finance instruments, including adherence to Shariah principles, promotion of social responsibility, and facilitation of community-driven initiatives. However, while Sadaqa House focuses primarily on *Zakat* distribution, GlobalSadaqah and LaunchGood offer more diversified approaches to Islamic philanthropy, encompassing a broader range of charitable activities and campaigns. Ultimately, donation-based crowdfunding platforms like Sadaqa House, GlobalSadaqah, and LaunchGood play a significant role in advancing Islamic social finance objectives by mobilizing resources, promoting community engagement, and addressing pressing societal needs in accordance with Islamic principles.

From this research, it is established that donation-based crowdfunding serves as more than just a financing tool; it can indeed be classified as an instrument of Islamic social finance. While traditional Islamic finance primarily revolves around interest-free lending, investment, and profit-sharing arrangements, donation-based crowdfunding platforms introduce a new dimension by facilitating charitable giving and community development. These platforms align with Islamic principles of charity (*Sadaqah*) and obligation (*Zakat*), making them integral components of the broader Islamic social finance ecosystem.

Donation-based crowdfunding platforms transcend the conventional role of financing tools, evolving into instruments of Islamic social finance with a profound impact on global philanthropy. Unlike traditional financial instruments that predominantly serve economic objectives, platforms like Sadaqahouse, GlobalSadaqah, and LaunchGood integrate Islamic principles of charity (*Sadaqah*) and obligatory alms (*Zakat*) into their operational framework. By emphasizing transparency, accountability, and ethical conduct, these platforms ensure Shariah compliance, thereby fostering trust and confidence among donors. This adherence to Islamic values distinguishes them as genuine contributors to the Islamic social finance ecosystem.

The primary objective of donation-based crowdfunding platforms extends beyond mere fundraising; it encompasses advancing Islamic social finance principles to promote social welfare and community development. Sadaqa House, for instance, facilitates campaigns that





address pressing societal issues such as poverty, education, and healthcare, aligning with the broader mission of Islamic philanthropy. Similarly, GlobalSadaqah collaborates with various stakeholders to channel funds towards impactful programs benefiting underserved communities worldwide, thereby exemplifying its commitment to social empowerment. LaunchGood, with its community-driven approach, fosters unity and resilience within the global Ummah, uniting individuals in their pursuit of positive change. These platforms' multifaceted approach to social impact underscores their significance as instruments of Islamic social finance.

In terms of scope, donation-based crowdfunding platforms offer a broader spectrum of opportunities compared to traditional financing tools. While conventional instruments typically focus on financing specific projects or ventures, platforms like Sadaqahouse, GlobalSadaqah, and LaunchGood cater to a diverse range of charitable causes. From supporting orphans and providing emergency relief to funding educational initiatives and building mosques, these platforms address various societal needs, reflecting the holistic nature of Islamic social finance. By diversifying their campaign portfolios, they amplify their impact on communities and contribute to comprehensive development efforts.

The impact of donation-based crowdfunding platforms extends far beyond financial contributions, manifesting in tangible social change and community empowerment. Through their campaigns, these platforms alleviate poverty, enhance access to education and healthcare, and promote environmental sustainability. By mobilizing resources and fostering collaboration among donors, charitable organizations, and beneficiaries, they create ripple effects that resonate across borders and cultures. Moreover, by integrating technology and innovation, these platforms enhance accessibility and efficiency, enabling individuals worldwide to participate in acts of charity and kindness, thereby reinforcing their role as instruments of Islamic social finance.

## CONCLUSION

In conclusion, the analysis of Sadaqa House, GlobalSadaqah, and LaunchGood reveals that donation-based crowdfunding platforms transcend their conventional role as mere financing tools and emerge as integral instruments of Islamic social finance. These platforms not only facilitate fundraising but also embody Islamic principles of charity (*Sadaqah*) and obligation (*Zakat*), ensuring transparency, accountability, and ethical conduct in their operations. By addressing a diverse range of societal needs and promoting social welfare globally, they contribute significantly to the advancement of Islamic philanthropy. Moreover, their impact extends beyond financial contributions, manifesting in tangible social change and community empowerment.

Through innovative approaches and technology-driven solutions, these platforms amplify the collective impact of charitable endeavors, fostering unity, resilience, and compassion within the global Ummah. Therefore, donation-based crowdfunding platforms play a vital role in promoting Islamic social finance principles and driving positive change on a global scale. The findings of this research hold several policy implications for stakeholders in the Islamic finance ecosystem. Firstly, policymakers could consider fostering a conducive regulatory environment to support the growth and sustainability of donation-based crowdfunding platforms, ensuring compliance with Islamic finance principles while promoting innovation and inclusivity. Additionally, collaboration between governments, financial institutions, and crowdfunding platforms could enhance financial literacy and awareness among potential donors, thereby increasing participation and trust in these platforms. Furthermore, policymakers may explore initiatives to integrate donation-based crowdfunding





into broader frameworks of Islamic social finance, thereby leveraging its potential to address pressing societal challenges and achieve sustainable development goals.

As for future research directions, scholars could delve deeper into the impact of donation-based crowdfunding on socioeconomic development, examining its effectiveness in addressing specific community needs and fostering social cohesion. The originality of this research lies in its comprehensive evaluation of donation-based crowdfunding platforms within the context of Islamic social finance, shedding light on their role as transformative instruments of philanthropy and community development.

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