Crowdfunding for Higher Education in Malaysia: A Revolutionary Mechanism for Funding

Zaid Mat Yusop[1], Muhammad Nazmul Hoque[2], Norhayati Mohamed[3], Norashikin Misnan[4],
Aini Qamariah Mohd Yusof[5*], Muhammad Nizam Jali[6]

[1,4,6] Universiti Poly-Tech Malaysia, Malaysia
[2,3] Universiti Teknologi MARA, Selangor, Malaysia
[5] Universiti Teknologi MARA, Melaka, Malaysia
ainiqmy@uitm.edu.my

Abstract. This research explores the possibilities of leveraging crowdfunding mechanisms to revolutionise higher education funding in MalaysiaThe study assesses the potential impact of crowdfunding on expanding access to education, promoting innovation, and fostering community engagement within the higher education sector. The research employs a semi-structured interview method. The interview involves collecting data on existing crowdfunding campaigns in the education sector, focusing on their success rates, funding levels, and donor demographics. The qualitative analysis involves in-depth interviews with higher education stakeholders, including officers, institutional leaders, and potential donors. This research aims to find out if crowdfunding is a feasible and sustainable funding mechanism for higher education institutions in Malaysia. It will demonstrate the potential of crowdfunding to expand access to education for underprivileged students and catalyse innovative educational programs. The study also uncovers the regulatory and equity challenges linked with crowdfunding for education, offering insights into potential solutions to overcome these obstacles. The study's findings contribute to the existing body of knowledge by providing empirical insights into using crowdfunding as a transformative force in higher education funding in Malaysia. The results guide policymakers, institutions, and stakeholders in making informed decisions about the feasibility, benefits, and challenges of implementing a crowdfunding mechanism. By unpacking the potential of crowdfunding, this research advances discussions on diversifying and democratising funding sources for higher education, ultimately contributing to the advancement of Malaysia's education landscape.

Keywords: Crowdfunding, Malaysia, Transparency, Accountability.

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1 Introduction

Crowdfunding has become increasingly popular in recent years as an innovative way for individuals or businesses to seek venture capital. It is an online financial approach that allows entrepreneurs to fundraise for their projects by reaching out to many people instead of relying on traditional financial intermediaries [1].

Funding universities is critical due to their rapid growth and international demand [2]. A problem that requires our attention is the notable rise in public spending on public institutions, which is the significant increase in public expenditure. It is because of the growing demand for higher education from the public and the government. The need for economic growth and higher living standards is driving the demand for support for university operations. Crowdfunding, which is made possible through digital money, is one of the new ways of funding that universities are seeking. The emergence of social media and online crowdfunding platforms, it gained significant attention in academic literature and has become a popular method of financing.

Education is a powerful catalyst for individual and societal advancement, leading to economic prosperity, social cohesion, improved health, and overall quality of life. By investing in education and ensuring equal access to quality learning opportunities, societies can unlock the full potential of their people and achieve significant socioeconomic progress. However, higher education faces significant challenges as it strives to fulfil its responsibilities and societal goals [3]. The increasing tuition fees at higher education institutions are a significant concern because they prevent families from obtaining the education and skills they need. University education is expensive, especially for underprivileged students and families from the middle-income bracket.

In 2017, Malaysia reduced funding for public universities to 70% of operating expenses, requiring 30% to come from alternative sources of income. For instance 2014, public universities were allocated RM 6.12 billion for their operating budgets, but this reduced budget allocation for the next two years. As a result, public universities in Malaysia are encouraged to find alternatives to generate their income from various sources [4]. To improve financial sustainability, higher learning institutions in Malaysia must develop plans to enhance connectivity with other networks. One promising income source is crowdfunding platforms, which can significantly boost their revenue. Only Universiti Teknologi Malaysia (UTM) has created a crowdfunding platform. Other universities are recognised for their internet-based endowment or waqf platforms. Malaysia has twenty public universities, and this step could help them all to achieve their financial goals.

One solution to address the issue at hand is crowdfunding. Various projects in technology, healthcare, creative arts, literature, music, video gaming, sports, and similar fields are funded through crowdsourcing platforms. Some scholars have researched significant success factors such as capital investment motivations, sending operations, and financing models [5]; [6]; [7]. Crowdfunding is an innovative form of online financial system that provides business owners with new options to tackle financing, marketing, and promotional challenges.

Crowdfunding was a $6 billion industry in 2019. Certainly. Here's the rewritten text:

Public universities must conduct further academic research on crowdfunding as a potential alternative financing option. Such research would provide valuable insights and enhance our understanding of this emerging source of funding. We respectfully recommend that this topic be prioritised in any ongoing discussions around university funding. This study aims to address this knowledge gap by thoroughly comprehending how crowdfunding plays a role in financing public universities in Malaysia. Firstly, we evaluate crowdfunding as an alternative financing platform for public universities. Secondly, we evaluate the accounting and governance practices of equity crowdfunding (ECF) platform operators and institutions. The research proposes best practices for crowdfunding platforms in Malaysia to achieve self-reliance and sustainability in funding education. Overall, this study aims to contribute to the development of crowdfunding as a more viable financing option for public universities in Malaysia.

Crowdsourcing initiatives need help acquiring the necessary funds due to issues related to information inconsistency. Furthermore, Malaysian crowdfunding platforms lack a robust governance mechanism and may require external financial support [8]. According to a study by [9], Lack of knowledge and accountability in Malaysia hinders the success of crowdfunding. Consequently, the crowdfunding initiatives could have been more sustainable.

2 Literature Review

2.1 Crowdfunding and Its Impact

It enables businesses to raise money from large groups of people online rather than relying on traditional financial intermediaries [1]. This platform aims to help non-experts obtain funding, sponsorships, and participation in virtual group activities. Crowdfunding, as it is commonly known, is a rapidly growing industry with a projected market size of $30 billion, expected to develop at an average annual growth rate of more than 16% between 2021 and 2026 [10]. The compliance decree proposal explains that although crowdfunding involves multiple donations, it differs from general fundraising. The terms "crowd" and "funding" come from a group of people actively supporting projects communicated through virtual networks [11]. Through social networking, crowdfunding efficiently raises funds for non-profit initiatives, overcoming regional borders. Supporters indirectly or directly donate and encourage friends to support causes, promoting social network activity and sponsorship.

2.2 Malaysia: Crowdfunding Platforms

Crowdfunding has two popular frameworks: reward and equity crowdfunding. Other countries have looser regulations for reward-based crowdfunding than for equity-based crowdfunding. Mystartr is one of Malaysia's oldest crowdfunding industries, having opened its website in 2012. The crowdfunding platform effectively supported Ventures Worth Malaysia, raising over RM1 million in 2017. Another primary crowdfunding site in Malaysia is PitchIn, founded in 2012.

However, regarding higher learning institutions, many online crowdfunding platforms have been developed successfully around the globe. Online crowdfunding platforms like DonorsChoose.org, GoFundMe.com, and Support-a-School.org provide alternative funding sources for higher education in the United States [12]. Malaysia is also doing their level best to develop fundraising platforms to support its higher learning institutions. FinePay is one of the single financing platforms it could use mainly to collect money from the public. This platform primarily focuses on students, vendors, lecturers, staff, and the general public, who are the main customers. Anyone can visit the website to select the projects registered under the FinePay platform and make some contributions. This platform not only makes it easier for customers to make payments online but also, in terms of account reconciliation, makes this the first agency in Malaysia to record every single transaction coming into the account automatically. It has 35 branch campuses around Malaysia and over 5000 call centres. Consider what would happen if one of the customers deposited one ringgit in the bank account and needed to recognise the income for which department; it would be difficult to distribute. The established platform is mainly to resolve unrecognised transactions coming into bank accounts.

2.3 Governance of Crowdfunding

High-quality public education is essential to almost every country. However, in Malaysia, the public education budget has gradually decreased. Therefore, educational institutions and government representatives must find ways to use these limited economic resources more efficiently.

One way to do this is through fundraising. Nevertheless, involving external stakeholders, such as parents and locals, is also essential in budgeting. Although these stakeholders cannot participate in conversations about educational institutions' budgets, they can assist with assessing various educational efforts.

Considering diverse perspectives in the budgeting process can positively impact academic outcomes for students and other stakeholders.

2.4 Crowdfunding Accountability Characteristics

Crowdfunding is now a viable alternative to fund arts and culture due to decreased public and corporate support. However, most crowdfunding studies solely focus on financial factors, ignoring other significant aspects [2]; [13] identified criteria that impact campaign success, including advertising and marketing, and socio-economic context, such as descriptions of donor or investor behaviour promoting continuous investment. Crowdfunding has two crucial characteristics: accountability and transparency. Figure 1 illustrates the components of crowdfunding. More attention should be given towards crowdfunding's user interface (UI), including information presentation, visualisation, and UI components. Most crowdfunding platforms operate on a reward-based system, like e-commerce websites like Kickstarter and Indiegogo. The primary focus is project descriptions, limited reward options, timeframe, and delivery date. However, this approach comes with risks, such as delays in receiving goods or needing to be paid due to production problems.

2.5 Crowdfunding Transparency Characteristics

Transparency is essential in crowdfunding to ensure investor funding visibility. Countries evaluate transparency in different aspects, including information. [14] developed a model to define transparency, which consists of two essential and equally important features: visibility and deducible ineffability. Visibility refers to the completeness and searchability of information, while ineffability denotes the degree to which information is clarified, facilitated, and not disintegrated. Considering these two features, they also proposed an empirical framework for assessing transparency.

It is crucial for transparency to provide correct and significant information to the intended recipient. There are differences between direct and indirect transparency [15]. Direct transparency has been designed to cater to the needs of the general public, while indirect clarity is intended to serve the requirements of experts in the field. Direct transparency has been designed to cater to the needs of the general public, while indirect clarity is intended to serve the requirements of experts in the field. When it comes to financial information disclosure, it should include the growth of the present amount, the objective of the campaign, and fairness allocation. Feedback helps engage users and potential investors by providing current information regarding completions and major successes throughout and after the campaign. Ensuring and protecting a complete list of investments is crucial during the campaign. Unfortunately, most platforms can access this data and offer various viewing options. Moreover, the current framework for visualising information lacks clarity and simplicity, which hinders its ability to provide a clear and transparent representation of indirect information.

It is essential to ensure that transparency is precise and relevant to the target audience. [15] developed a differentiation between direct and indirect transparency, stressing that direct transparency is intended for a larger public while indirect openness refers to the degree of understanding by experts. Financial disclosure includes growth, fairness, and campaign objectives. Feedback builds networks and attracts investors. Investors need up-to-date information on campaign progress and milestones. Investments are disclosed and protected. Platforms offer various data viewing options, but information presentation lacks clarity and transparency.

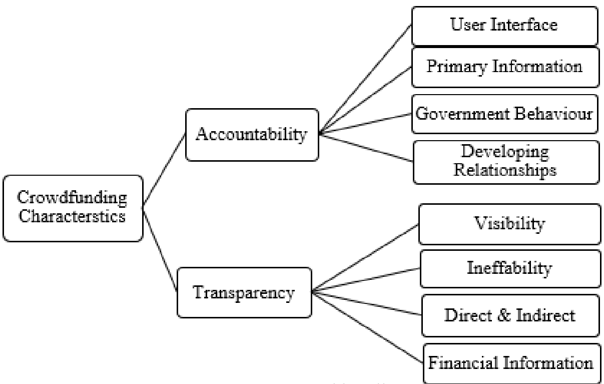

Figure 1. Crowdfunding Characteristics

2.6 Operational system of fundraising in Malaysian higher education

The government's funding is crucial for higher learning institutions such as universities. Unfortunately, due to harsh economic conditions, universities are struggling to increase their funding, since governments have had to cut back on their allocations to these institutions. In Malaysia, the Ministry of Higher Education (MoHE) has reduced the total amount allocated to public universities from RM13.38 billion in 2016 to RM12.12 billion in 2017. Public universities in Malaysia have experienced a significant decrease in their shared operating financial plans for 2017. This reduction amounts to almost RM1.5 billion or 19.23%, which is a larger cut compared to the budget in 2016. The Ministry of Education and Ministry of Finance reported that the overall budget for mixed operating allocation for approximately 20 institutions in 2017 was RM6.12 billion. This is a decrease of RM1.46 billion or 19.23% from the allocation of RM7.57 billion in 2016.

The Ministry of Higher Education has granted autonomous status to five universities: Universiti Malaya (UM), Universiti Sains Malaysia (USM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknologi Malaysia (UTM), and Universiti Putra Malaysia (UPM). Financial autonomy is a crucial and challenging aspect of university sustainability. To encourage public universities to generate their income. MoHE's KPI for 5 institutions: generate 30% of operating expenses internally. In light of budget cuts, public universities must manage their spending and explore new revenue-generating ways. The government is a significant source of alternative funding for these institutions. [16] noted that various goals and programs are in place for supporting public organisations, including government crowdfunding methods for the public higher education sector.

3 Research Gap

Several studies have discussed financing higher education institutions through crowdfunding platforms in public institutions in Malaysia and other countries [17]; [18].

Many studies have explored how higher education institutions (HEIs) use crowdfunding and waqf funds to finance their operations. However, there is a lack of research looking into crowdfunding platforms' role in mobilising public funds to finance public institutions. While some studies have examined the role of financial institutions in managing crowdfunding for educational institutions in the UK, there is a dearth of similar research in Malaysia [17].

4 Methodology

This study explores crowdfunding platforms in Malaysia from the perspectives of experts and *Shari'ah* scholars using a qualitative research design. Thematic analysis is used to identify trends and patterns in interview data. The research team conducts semi-structured interviews to ensure research objectives can be met.

The study analyzes individual respondents as separate units of analysis, with two distinct groups providing diverse viewpoints: institutional experts (IE) and Shari'ah scholars (SS).

Individual participants are interviewed using semi-structured interviews to gather thoughts, experiences, and opinions about crowdfunding platforms. Interviews use open-ended questions and symbolic code names to ensure confidentiality. This approach allows for honest responses while keeping the identity of the participants anonymous.

As part of the interview process, the participants agreed to the conversation recording, which included non-verbal cues and emotions. Detailed notes capture context, and improve understanding and data accuracy. The transcribing of recorded interviews into text format for the purpose of qualitative analysis is essential in order to extract valuable insights. This process ensures that the data is ready for a thorough examination and can be used to inform important business decisions.

The study uses semi-structured interviews to explore individual perspectives and experiences. The gathered data is treated with confidentiality through an anonymisation process, and the thematic analysis technique is employed to uncover patterns and themes within the qualitative data.

Table 1. Evidence of the pertinent data from the study's respondents.
Source: Developed by the authors

Respondents ID	Position and Role	
1	SS&IE	One of the pioneers in the development of a crowdfunding platform in Malaysia
2	IE# 2	Director of UiTM FinePortal Director of digital finance and crowdfunding portal
3	IE& 3	Director of development and operation of crowdfunding platforms
4	SS&IE	Executive officer of the finance department

5 Findings

5.1 Theme 1: Developing the Crowdfunding System

Interview insights have emphasized the importance of a well-balanced ecosystem that includes operators, bureaucracies, donors, and beneficiaries to ensure efficient crowdfunding. Meticulous oversight is necessary for the key processes of collecting and disbursing funds to guarantee that the managed funds are used responsibly. As crowdfunding gains popularity, it is crucial to develop a trustworthy environment, realizing its potential.

5.2 Theme 2: Governance, integrity and policy of crowdfunding

To manage a crowdfunding platform for Waqf in Malaysia successfully, a robust governance structure is crucial. An independent trustee board with vast experience should be appointed to achieve this. The board will be responsible for meticulous fund management and accountability. Effective project management will be implemented using the agile methodology, with phased planning, development, and deployment, focusing primarily on the critical planning phase. To improve policies, communication with government and religious authorities will be enhanced. Transparency in fund allocation and differentiating fund types is key. The platform's governance structure will be integrated with the University's Alumni and Development Office and supported by Project Ambassadors to fund research, strengthen the financial institutional system, and promote awareness. A multifaceted approach to governance, methodology, policy, and institutional collaboration is necessary for successful crowdfunding.

5.3 Theme 3: The benefits and challenges of crowdfunding

Crowdfunding has emerged as a helpful tool for higher learning institutions to supplement their finances and improve academic pursuits. Differentiate routine expenses from value-added projects to ensure crowdfunding success. Transparent governance and responsible fund allocation are crucial for credibility.

In their recent study, [8] shed light on the challenges faced by student-run enterprises due to limited financial resources and understanding of the business world. To foster entrepreneurial initiatives among students and help them utilise crowdfunding effectively, it is crucial to provide them with comprehensive support. By involving students, educators can identify strategies and guide crowdfunding.

5.4 Theme 4: Attract people to crowdfunding campaign

Crowdfunding relies on an initial contribution to attract subsequent funds. It offers higher financial returns and lets investors choose specific projects. Technology facilitates convenient payment and contribution methods. Good crowdfunding outcomes depend on project quality, fundraising strategies, and investment inspiration. Aligning quality with customer expectations is crucial for earnings and investor engagement. Understanding these dynamics will lead to more effective strategies and outcomes as crowdfunding evolves.

5.5 Theme 5: Can FinePay be considered an excellent example of crowdfunding in education?

The emergence of online crowdfunding platforms has revolutionised higher education funding. Platforms such as DonorsChoose.org, GoFundMe.com, and Support-a-School.org provide educators with various funding sources for classroom initiatives. Scholarly studies, such as [19] have examined the impact of successful crowdfunding campaigns and highlighted the mutual benefits for both the funders and beneficiaries. To maintain trust, these campaigns must deliver on their promises and provide financial and non-financial benefits to their contributors.

FinePay is an education crowdfunding platform with a wide range of payment options. You can choose from TouchnGo, Boost App, Alipay, FPX, internet banking, WeChat Pay and credit/debit cards. These options make it easier for people from all over the world to participate and also make transaction tracking and accountability more efficient. Additionally, FinePay automatically generates receipts, which can be used for tax exemptions. This feature is handy and encourages more people to use FinePay for their funding needs.

5.6 Theme 6: Characteristics of crowdfunding organisations

Crowdfunding is a financial innovation that differs from previous models. It has gained popularity due to lower transaction costs and the unique organizational structure of crowdfunding systems. Universities can play a vital role in promoting crowdfunding as a cultural norm by using various activities as fundraising platforms. Crowdfunding platforms effectively connect individuals with shared goals and facilitate quick fundraising for various projects. Universities use crowdfunding to achieve monthly goals, fundraise, assess demand, and build their brand. Crowdfunding allows founders to gradually engage with the market and interact with a diverse group of supporters. The unique features have made it effective in achieving financial and organizational goals.

5.7 Theme 7: Exploring How Crowdfunding Supports Sustainable Education

FinePlay's success in promoting sustainable learning shows crowdfunding's potential to support societal and environmental goals. However, it is essential to recognize that the effectiveness of crowdfunding depends on strategic decision-making, as different goals require tailored approaches. For instance, emergency relief initiatives require quick disbursement of funds, while higher education may require a different approach. Crowdfunding can also be an effective tool for promoting sustainable development, as demonstrated by projects such as solar-powered classrooms and recycling facilities, which foster environmental well-being and lead to cost savings.

The evolution of crowdfunding is crucial for financial sustainability in education and other domains, promoting impactful initiatives.

6 Conclusion & Recommendations

Crowdfunding has become a popular way for higher education institutions to raise funds. It is decentralised and allows educators and students to participate. The study identifies several crowdfunding activities and the importance of good governance. It can be an effective policy to enhance resources for higher learning institutions, especially in the face of financial constraints. Crowdfunding can also provide feedback from contributors and improve the relationship between owners and supporters.

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