

# Indonesia Sustainable Funding: Comparative of Standard Screening Securities Crowdfunding and Capital Markets

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## Abstract

**Background:** Since the occurrence of covid-19, there has been an acceleration in the transformation of the economic cycle with the digital era transforming conventional economic activities towards the digitization of the economy. The impact of this research aims to establish or strengthen regulations on standard screening for funding MSMEs in the securities crowdfunding cycle.

**Objectives:** This research focuses on the standard screening and funding mechanisms of Securities crowdfunding and comparative with capital market.

**Novelty:** In funding MSMEs and startup companies, there are no regulations regarding screening standards for sharia issuers/companies, so it needs to be compared with the screening standards used in the capital market.

**Research Methodology / Design:** The legal problem of "Rechtsvacuum" or void of norms is used as an issue in this research, using normative legal research methods that use a statutory approach and a conceptual approach for data in the form of OJK Regulation No. 57 2020, POJK No. 16 2021 and POJK No. 35 2017 and some data from BEL, KSEI and related sources. Descriptive and comparative analysis is used as an analysis method for these data.

**Findings:** The findings from this research reveal that there are no regulations governing screening standards in core business screening and financial ratio screening, so the guidelines used are Financial Services Authority Regulation Number 35 of 2017 concerning Criteria and List of Sharia Securities Used on the Indonesian Stock Exchange, which applies to public companies and does not apply to private securities crowdfunding cycles.

**Implication:** This could have implications for the preparation of screening standards for MSMEs, Startup Companies, and companies that receive funding. OJK can update the standard screening regulations by adjusting the economic cycle of securities crowdfunding for medium-small capital.

## Keywords:

Securities  
Crowdfunding, Capital  
Market, Standard  
Screening

## JEL Classifications:

A1, D00, G00, K22, O12

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## **A. Introduction**

Countries that have strong economies the central institution is the capital market. This is because the capital market plays a vital role in the country's economic growth (A. Sitompul, 1995), just as the capital market accommodates legal entities or businesses in Indonesia, including small and medium-sized enterprises (SMEs), the stock exchange offers securities through fund-raising services. SMEs (Micro, Small, and Medium Enterprises) are productive enterprises operated by individuals or entities that are not subsidiaries or branches of other companies (Chapter 1, Verse 2-3, UU 20/2008). This is based on the classification of issuers as business entities with a net worth of no more than Rp10,000,000,000.00 (ten billion Indonesian Rupiah) (Chapter 46, Verse 1c, POJK 57/2020) and SMEs have net worth standards: micro units have a net worth of Rp50,000,000.00, small units have a net worth ranging from Rp50,000,000.00 to Rp500,000,000.00, and medium units have a net worth exceeding Rp500,000,000.00 up to Rp10,000,000,000.00 (ten billion Indonesian Rupiah). In these three classifications, the calculation of net worth does not include land and buildings used for business purposes (Chapter 1-3, UU 20/2008).

The internet as a foundation for meeting working capital is used through open joint venture activities used in securities crowdfunding (Belleflamme et al., 2012) with binding financial contracts regarding profit sharing, revenue sharing, and similar gains. Indonesia positions securities crowdfunding as a tool to help MSMEs and startup companies obtain capital using internet-based mutual cooperation schemes through fintech platforms by prioritising efficiency and effectiveness. In implementing securities crowdfunding, capital participation can also be carried out by investors in the form of bonds or sukuk from MSMEs and start-up company investors (Gigih Prahastoro, Firdaus Yuni Dharta, 2021).

The Investment Alert Task Force (SWI) has released records of public losses amounting to Rp 117.4 trillion (one hundred seventeen trillion four hundred billion Indonesian Rupiah) over the period from 2011 to 2021. The public was influenced by investments offering convenience through applications, websites, and digital branding on social media involving religious figures and celebrities. Investors were facilitated by being connected to companies or SMEs by fictitious organizers with criminal motives. However, what occurred was fraud; even when investor funds had been deposited into the perpetrator's (who claimed to be the organizer) account, the funds were not transferred to the issuing company (SWI OJK, 2021).

**Tabel 1. The Crimes Mode**

No	Mode	Description
1	Unlicensed fundraising service providers	Investors are connected to securities issuing companies, which in fact is a scam, and the acquired capital is transferred to the personal account of the perpetrator
2	The concept of a money game is used to promote stocks	Criminal clues involve promoting investment bundling with fixed profit-sharing agreements, no time constraints, and using a member get member scheme by offering bonuses for each referral
3	Legal companies are duplicated on websites or in name	Crimes are committed by offering investments using the name of a legal company, the use of symbols of authorized institutions, and promotion through websites and chat applications
4	Providing investment advice by illegal investment advisors	These crimes are committed by individuals or institutions through self-branding to increase popularity, portraying themselves as Financial Planners with the fact that the permits and certifications they hold are in other service fields

Source: *Satgas Waspada Investasi Otoritas Jasa Keuangan*

The losses suffered by the Indonesian community can accelerate the development of South Sumatra Province by 10 years (with a regional budget of 10.7 trillion Rupiah). In 2011, the total losses amounted to 68.62 trillion Rupiah, carried out by Virgin Gold Mining Corporation with around 40 victims, Golden Trader Indonesia Syariah with approximately 1,500 victims, and PT. TVI Express Indonesia with around 1 million victims. In 2012, the total losses reached 7.9215 trillion Rupiah, conducted by PT. Transindo Jaya Komara (Langit Biru Cooperative), affecting 115,000 victims, and PT. Gradasi Anak Negeri, with 21,000 victims. In 2014, the losses amounted to 0.235 trillion Rupiah, perpetrated by PT. Dua Belas Suku, with 19,000 victims. The losses in 2015 reached 0.289 trillion Rupiah, carried out by Gunawan with 7,000 victims. The total losses in 2016 reached 5.4 trillion Rupiah, conducted by Pandawa Group with a total of 540,000 victims and PT. Cakra Buana Indonesia with 7,000 victims. Subsequently, the losses in 2017 amounted to 4.4 trillion Rupiah, conducted by Dream for Freedom, affecting 700,000 victims, and in 2018, the losses reached 1.4 trillion Rupiah, perpetrated by ABU Tours, with 86,720 victims. In 2019, the total losses suffered by the community amounted to 4 trillion Rupiah, carried out by Guardian Capital Group Asia Indonesia, affecting 4,000 victims. In 2020, the total losses reached 5.9 trillion Rupiah, conducted by several perpetrators such as PT. Kam and Kam with 264,000 victims, CV Tri Manunggal Jaya with 2,000 victims, PT. Indosterling Optima Investa with 1,800 victims, Kampong Kurma Group with 2,000 victims, and PT. Hanson International Tbk. with 30 victims. The total losses in 2021 amounted to 2.5 trillion Rupiah, conducted by EDC Cash, affecting 57,000 victims, Share Results with 5,000 victims, Lucky Star with 112 victims, and Asia Dynasty with 1,000 victims (SWI OJK, 2021).

On the other hand, losses experienced by Muslim investors are in non-optimal aspects of the cycle of Shariah capital participation, which does not provide protection in the form of ensuring the fulfilment of Shariah principles in the provision of Shariah-based crowdfunding services. The phenomenon of *rechtsvacuum* weakens the guarantee of the fulfilment of Shariah principles in the Shariah capital participation cycle. Referring to Financial Services Authority Regulation Number 35 of 2017 concerning Shariah Securities Criteria and Listing, it has been comprehensively regulated regarding the financial ratio screening method used in the initial public offering process or the mechanism of going public. However, the standards in these regulations cannot be used to offer securities through crowdfunding services. This is because the regulation regarding the criteria for listing Shariah securities is a regulation within the mechanism of the initial public offering on the Indonesia Stock Exchange, not within the scope of crowdfunding services. Another fundamental aspect is that the offering of securities under Law Number 8 of 1995 concerning the capital market is not the same as the offering of securities through crowdfunding (Chapter 3, Verse 1, POJK 57/2020).

There are other research studies that serve as literature reviews and have correlations, including one conducted by Suriyadi with the title "Perlindungan Hukum Pengguna Layanan Urutan Dana Melalui Penawaran Saham Berbasis Teknologi Informasi." In this study, emphasis is placed on the responsibility of the organiser if losses occur due to the organiser, as stipulated in Article 60 of POJK 37/2018 (Mamma, 2020). The research conducted by Viodi Childnadi Widodo and Dona Budi Kharisma with discussions "Problematika Perlindungan Hukum Terhadap Para Pihak Dalam Transaksi Layanan Urutan Dana Melalui Penawaran Saham Berbasis Teknologi Informasi (*Equity-Based Crowdfunding*)" criticises the offering of securities in POJK 37/2018 and risk mitigation (Childnadi Widodo & Budi Kharisma, 2020). Inda Rahadiyan and Paripurna P. Sugarda conducted research on the scope of the open disclosure principle contained in the Capital Market Law, which is studied in "Urgensi Pengaturan Prinsip Keterbukaan Dalam *Equity Crowdfunding* Dan Implikasinya Terhadap Perlindungan Investor" (Rahadiyan & Sugarda, 2022).

Research on standard screening is conducted by Kefi Miftachul Ulum and Muhammad Khoirul Ulum. In their research, two methods are employed in selecting Shariah-compliant securities of an issuer to be offered in the initial public offering, namely core business screening and financial ratio screening. These methods serve as the standard for listing Shariah-compliant securities in the offering mechanism on the Indonesia Stock Exchange. However, in the implementation of the core business screening method, there are still issuers who pass the screening despite violations of Environmental Impact Analysis (AMDAL). The research is titled "*Screening Standards in Sharia Capital Market Investor Legal Protection*" (Ulum & Ulum, 2023). The research was conducted by Lars Hornuf and Armin Schwienbacher with the title "Should Securities Regulation Promote Equity Crowdfunding?" The research discusses the importance of securities regulation in promoting equity-based crowdfunding products by critiquing legal protection not only from the perspective of investors but also from the viewpoints of SMEs and startup companies (Hornuf & Schwienbacher, 2014).

The literature review on legal protection research implicitly correlates with studies compiled by the author, focusing on either material or moral legal protection concerning the fulfilment of Shariah principles. In the literature review on standard screening research, it serves as a reference for the standard screening process on the Indonesia Stock Exchange, which cannot be applied in the securities crowdfunding cycle. Various literature reviews have identified novelty or important new aspects to be examined, such as the legal vacuum in the organisation of funding regarding standard screening aspects for the issuance of business units to be offered

## **B. Literature Review**

### *Standard Screening*

Standard screening is a method used to measure a company's sharia compliance. This method is divided into two approaches, namely core business screening and financial ratio screening (Ulum, 2024; Ulum et al., 2024). Core business screening focuses on sharia studies of business models, corporate governance, products, and those related to company management. Financial ratio screening focuses on studying financial ratios such as ownership of usurious debt, usurious income ratio, and other financial ratios that are permitted up to certain limits (Akaratepe, 2022). The Indonesian Sharia Capital Market uses a maximum ratio of interest-based debt compared to total assets of 45%, while Malaysia uses a limit of 20%, and the ratio of non-halal income to total income cannot exceed 10% (Renie et al., 2022).

### *Securities Crowdfunding*

The development of information technology is changing the landscape of company funding in the capital market to securities-based crowdfunding; this funding is able to accommodate and become an alternative (Haniff et al., 2019) for small-scale capital targeted at developing the community economy. Technology is able to develop investment mechanisms through financial service platforms with the benefits of efficiency in time, funds, and education (I Nainggolan & Wuri Handayani, 2023). Citizen involvement in funding through securities crowdfunding services can fulfil the objectives of economic fairness and help to make wise decisions (MacLeod, 2024) in funding the economies of MSMEs, startup companies, and publishing companies. The securities crowdfunding cycle consists of the organising company, the issuing company, and the financier, who is the investor who provides the capital.

### *Capital Market*

The capital market is an ecosystem where various securities with large market capitalization are traded, such as equity, bonds, and other securities, as instruments to increase liquidity as well as increase information efficiency (Liu et al., 2023) and also to protect financial value (Albrecher et al., 2022) through purchasing shares in a company that produces dividends or capital gains. Companies traded on the capital market can improve strong corporate governance, improve company performance (Alabdullah, 2023), and implement the principles of corporate social responsibility and corporate responsibility towards the environment (Nie et al., 2023) (Nie et al., 2023).

## **C. Research Methodology**

This study will focus on the legal aspects of standard screening using a qualitative research method, which includes literature research or library research employing the statute approach and conceptual approach. Primary data used include Financial Services Authority Regulation Number 57 of 2020 Regarding Securities Offering through Information Technology-Based Crowdfunding Services and Financial Services Authority Regulation Number 16 of 2021 Amendment to Financial Services Authority Regulation Number 57/POJK.04/2020. Secondary data consist of information published by the Financial Services Authority, the Indonesia Central Securities Depository, and other relevant data related to securities crowdfunding. The data analysis method employed in this research is descriptive analysis.

## **D. Result & Discussion**

### **D.1. Analysis of Business Unit Funding Growth in Securities Crowdfunding**

The collaboration between technology and the financial sector has given rise to advanced transaction mechanisms that provide flexibility and security, known as financial technology (fintech). Products such as digital payments, digital wallets, investments (equity crowdfunding), peer-to-peer lending, and financing (crowdfunding, microloans, and credit facilities) are categorised under fintech (M. G. Sitompul, 2018). Applications that serve as financial intermediaries can be defined as fintech, also defined as an industry based on the utilisation of technology aimed at enhancing financial system efficiency. The impact of fintech on the financial services business model is significant, generating innovative business models, products, and service applications (Hiyanti et al., 2020).

The concept of crowdsourcing gives birth to a liberated freedom without boundaries towards contributions that do not require education, religion, nationality, or occupation to solve problems that institutions or other entities cannot tackle. Crowdsourcing breeds the concept of crowdfunding, which grants freedom to anyone to participate in funding or financing collectively. Crowdfunding originates from the English language, consisting of two words: "crowd," which means a gathering or assembly of similar individuals, and "funding," which refers to financing or capitalization (Haryani, 2015).

The provision of fundraising services can be organised with three main components: the organiser, the issuer, and the investor. The organiser, as the first component, plays a vital role as an intermediary between investors (individuals or legal entities with excess capital) and issuing companies (companies, SMEs, or startup companies in need of working capital). Currently, fundraising services are organized by ten organizers, including:

**Tabel 2. List of Securities Crowdfunding Organizers**

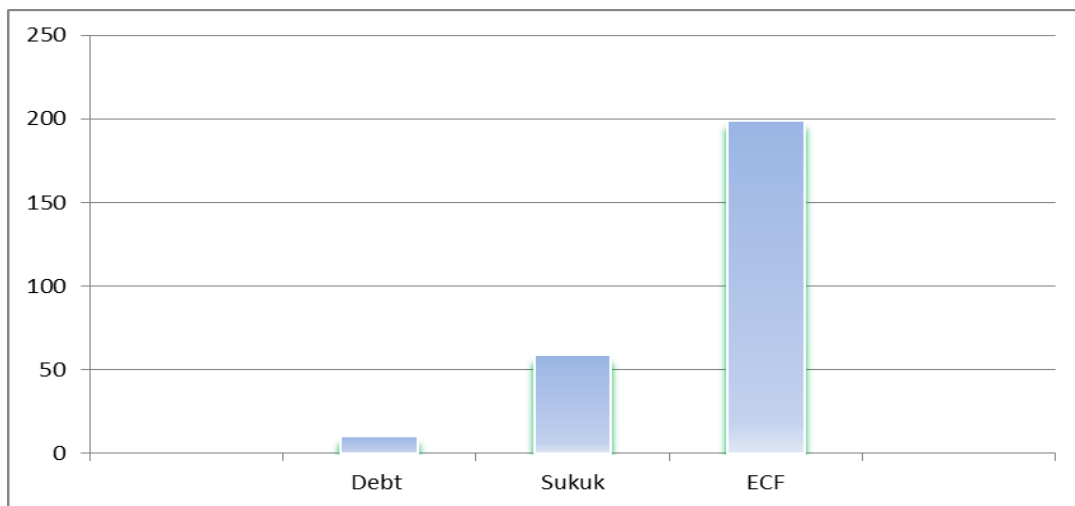
No	Kode	Name	Product	Total Number
1	BZHR1	PT Investasi Digital Nusantara (Bizhare)	ECF Sukuk	79 12
2	CRWD1	PT Crowddana Teknologi Indonusa (Crowddana)	ECF	32
3	DSMB1	PT Dana Saham Bersama (Danasaham)	ECF	2
4	FNDX1	PT Dana Investasi Bersama (Fundex)	ECF Sukuk	1 7
5	LNDX1	PT ICX Bangun Indonesia (LandX)	ECF	40
6	LBSU1	PT LBS Urun Dana (LBS)	ECF Sukuk	3 5
7	SDIM1	PT Santara Daya Inspiratama (Santara)	ECF	41
8	SHFQ1	PT Shafiq Digital Indonesia (Shafiq)	ECF Sukuk	1 35
9	EKUI1	PT Likuid Jaya Pratama (Ekuid)	DCF	6
10	DNMR1	PT Dana Aguna Nusantara (Danamart)	DCF	4

*Source: Kustodian Sentral Efek Indonesia*

The ten organisers are registered with the Financial Services Authority (OJK) and the Indonesian Central Securities Depository (KSEI). Firstly, this categorization is specifically for organisers offering conventional (ECF) and Shariah (Sukuk) securities. The organiser, PT Investasi Digital Nusantara (Bizhare), offers securities from 91 issuers, comprising 79 shares or equities and 12 sukuk. There is a ratio of 13.18% Shariah-compliant securities and 86.82% conventional securities. Furthermore, the organiser, PT Dana Investasi Bersama (Fundex), offers securities from 8 issuers, including 7 sukuk and 1 equity, with a ratio of 12.5% conventional securities and 87.5% Shariah-compliant securities. PT LBS Urun Dana (LBS) offers securities from 8 issuers, consisting of 3 equities and 5 sukuk, resulting in a ratio of 37% conventional securities and 63% Shariah-compliant securities in the form of sukuk. PT Shafiq Digital Indonesia (Shafiq) also offers securities from 36 issuers, comprising 35 sukuk and 1 equity, with a ratio of 2.8% non-Shariah-compliant and 97.2% Shariah-compliant securities.

Secondly, this categorization is specifically for organisers offering equity securities (ECF) from issuers. Conventional securities offerings are conducted by the organiser, PT Crowddana Teknologi Indonusa (Crowddana), offering securities issued by 32 issuers, all of which are non-Shariah-based equity securities. This is also done by the organiser, PT Dana Saham Bersama (Danasaham), offering non-Shariah securities from two issuers in the form of equities. PT ICX Bangun Indonesia (LandX) also offers securities from 40 issuers, all of which are equity-based securities. Furthermore, PT Santara Daya Inspiratama (Santara) organises fundraising by offering securities from 41 issuers, all in the form of equities.

Thirdly, this categorization is specifically for organisers issuing debt securities, or debt crowdfunding (DCF), with PT Likuid Jaya Pratama (Ekuid) issuing debt crowdfunding securities from six issuers, all based on debt. PT Dana Aguna Nusantara (Danamart) also conducts similar issuances from four issuers.

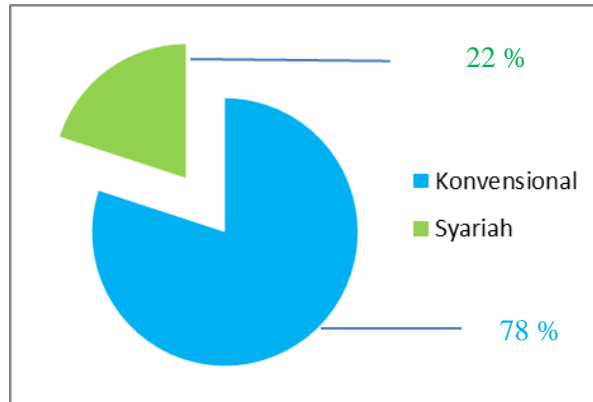


Source: Otoritas Jasa Keuangan

**Figure 1. Number of Effects**

The graph above shows the number of securities issuances (as of August 10, 2023) promoted on SCF funding services. Securities offerings in the form of debt crowdfunding (DCF) consist of 10 DCF offerings from issuers. Next, the offerings consist of sukuk, with a total of 59 sukuk from issuers. Furthermore, the majority of securities offerings in crowdfunding services are equity crowdfunding (ECF) or ownership securities, with a total of 199 securities issuances. This data illustrates that a significant portion of the securities offerings in crowdfunding services are equity or ownership shares.





Source: Otoritas Jasa Keuangan

**Figure 2. Distribution of Effects**

The distribution of securities is obtained by combining the total number of securities from each registered issuer (as of August 10, 2023), which is then calculated by converting it into percentages. Securities issued by issuers in the conventional sector dominate crowdfunding services with a percentage of 78%, while securities issued by issuers in the Shariah sector account for 22%. However, this is limited to the number of securities issued by issuers and does not encompass the overall market capitalization value. From all the data presented, it can provide an overview of the growth and development of securities crowdfunding services.

#### **D.2. Analysis of Standard Screening for MSMEs in Securities Crowdfunding Services**

Organisers, as entities authorised to engage in funding activities by offering securities through their provided services, must have legal standing as legal entities and obtain operational permits to conduct financial services from the Financial Services Authority. Therefore, the number of entities capable of operating in the crowdfunding service sector is expected to increase in the future, with currently 10 organisers registered with the Financial Services Authority (Chapter 5 & 8, POJK 57/2020). This is different from the offering of securities on the Indonesia Stock Exchange, where a single entity conducts the securities offering activities, namely PT. Indonesia Stock Exchange.

The Financial Services Authority performs supervisory roles in the two sectors mentioned above, as well as serving as a regulator (Chapter 5, UU 21/2011). In the mechanism of offering securities through registered organisers, they also perform supervisory and control functions over the issuer's securities (projects) held by investors. Meanwhile, the Indonesia Stock Exchange (IDX) also plays a supervisory role over issuers in both pre-market and post-market activities. In addition to supervision, it also acts as a punisher, imposing administrative sanctions as well as technical trading sanctions such as suspension, freezing, and delisting.

When issuers offer their securities through crowdfunding services, it cannot be categorized as a public offering similar to offering securities in the capital market mechanism. This categorization is based on the crowdfunding service mechanism being conducted by financial institutions with operational permits obtained for crowdfunding service providers. Furthermore, the offering period is limited to a maximum of 12 months, with a maximum fund-raising amount of Rp10,000,000,000.00 (ten billion Indonesian Rupiah). In contrast, for issuers in the capital market, it is required that the company have a minimum paid-up capital of Rp3,000,000,000.00 (three billion Indonesian Rupiah), with ownership by at least 300 investors (Chapter 1, Verse 22, UU 8/1995).

The initial public offering (IPO) conducted by the Indonesia Stock Exchange (IDX) is classified as an IPO that transforms a private company into a public company through the mechanism of going public, or initial public offering (IPO). However, in the initial public offering of crowdfunding service providers or securities crowdfunding, the equity securities offered do not change the status of the company from private to public. This is based on regulations that do not stipulate a change in the company's status or minimum requirements for fundraising in the issuer's securities offering process (Chapter 3, Verse 1 UU 57/2020).

In the process of issuing securities through the issuer's registration application to the provider, documents and prospectuses are submitted. Then, the provider screens the issuer. When the issuer meets the criteria, the securities proposed by the issuer will be offered to investors and distributed to investors when the offering is completed. The allocation of securities received by investors will correspond to the securities ordered by investors during the offering period.

Meanwhile, in the initial public offering process, the stages involved include submitting a registration application along with a prospectus. Screening is conducted by the IDX. After successfully passing the previous two stages, the issuer enters the initial offering period, during which investors can negotiate the price of securities within the predetermined price range. After the initial offering period is over, a public offering is made to investors at the predetermined price, and negotiation of prices is not allowed (the offering period is called the primary market). After the initial offering period and public offering are completed, investors receive an allocation of securities from the ordered securities, which may be less or more than the ordered amount. Investors who receive an allocation of securities are entitled to receive distributions of these securities.

Securities received by investors from primary trading can be traded on the secondary market provided by the issuer. Trading of securities can be done when the securities held by investors are at least one year old and can only be transacted between investors twice a year with a minimum trading period of six months. Meanwhile, trading of securities on the Indonesia Stock Exchange (IDX) can occur once they have been listed on the secondary market, and there are no restrictions on trading intensity for investors.

**Tabel 3. The Comparison of Mechanism**

No	Indicator	Capital Market	Securities Crowdfunding
1	Provider	Indonesia Stock Exchange (BEI/IDX)	Financial Service Provider Company
2	Number of Provider	Single (PT Indonesia Stock Exchange)	10 (Can Increase)
3	Supervisors and Regulators	PT Indonesia Stock Exchange and Otoritas Jasa Keuangan	Provider (Supervises the Securities Held by Investors) OJK (Supervises the Organizer)
4	Mechanism Type	<i>Go Public</i> or Initial Public Offering (IPO)	Securities Offering
5	Offer Flow	Application for Registration, Screening, Initial Offering, Public Offering, Securities Allotment, Share Distribution and IPO	Application for Registration, Screening, Offering and Distribution of Securities
6	Issuer Status	Public (Tbk)	Private
7	Minimum Value	Rp3.000.000.000,00	-
8	Maximum Value	-	Rp. 10.000.000.000,00
9	Trading System	Regular, Negotiated and Cash	Reguler
10	Trading Intensity	Traded During Post-IPO Exchange Hours	Traded Twice in One Year

*Source: Capital Market Law, Number 8 Year 1995, Financial Services Authority Regulation Number 16 of 2021 concerning Amendments to Financial Services Authority Regulation Number 57/POJK.04/2020.*

In the securities crowdfunding scheme, investors can invest in sectors or types of securities they are interested in. Investors go through a registration process on the crowdfunding service provider's platform. The Indonesian Central Securities Depository (KSEI) accepts registration of securities conducted by the issuer as part of securities in the form of equity and debt, or sukuk. Subsequently, the service provider connects investors with issuers by providing information about the securities in the form of a prospectus (Prabowo, 2023).

The operational process of securities crowdfunding is straightforward. After selecting the crowdfunding platform, the issuer submits a proposal. Once the proposal is approved, the issuer starts offering its securities through the platform. Investors then choose the issuer they want to finance after studying the issuer's prospectus. If the funding target is met by investors, the collected funds will be distributed to the issuer to be used according to the needs stated in the prospectus. Upon disbursement of the funds, investors are entitled to receive the securities they purchased as evidence of participation in ownership and have the right to receive returns as stated in the prospectus (Muhammad, 2023).

### **D.3. Financial Ratio Screening for SME Funding on Securities Crowdfunding Platforms**

Financial ratio screening is a screening process involving the screening of issuer securities using financial ratio indicators. Screening is conducted based on several financial statements of the company along with its financial ratios. According to regulations issued by the Financial Services Authority regarding criteria and the list of Shariah-compliant securities, it includes standardised financial ratios that issuers must have when applying for Shariah-compliant securities. These ratios should not exceed 45% in terms of the accumulation of ribawi debt components from the total assets. Additionally, the revenue earned by the issuer in conducting its business or activities should be 10%, meaning non-halal income and interest compared to the overall income of the company and other revenues (Chapter 2, Verse 3, POJK 35/2017).

There are several variations in financial ratio screening referring to the examination of financial ratios in Malaysia. In Malaysia, different limits are set, including 5% for business activities that are explicitly not allowed according to Shariah principles, such as interest-based bank loans, alcoholic beverages, gambling, and pork-related products; 10% specifically for business models that are not allowed but difficult to avoid, such as margins on deposits from conventional banking deposits and cigarette products; and 20% specifically for revenue from casinos, intoxicants, pork-related products, hospitality, and non-compliant stock transactions (Bakar, 2014).

The standards set by the Financial Services Authority in issuing the list of Shariah-compliant securities with a maximum percentage of 45% for total ribawi debt from the total assets in the compiler's review are an effort to maintain the orderliness of the national financial circulation. This policy certainly refers to the organisation of the capital market based on the Capital Market Law, where a public company can conduct an initial public offering with a minimum paid-up capital of IDR 3,000,000,000.00 (three billion Indonesian Rupiah) and above.

**Tabel 4. List of Sharia Issuers (Per 13 Oktober 2023)**

No	Issuers Code	Company	Market Capitalization
1	TLKM	PT. Telkom Indonesia Tbk	381 T
2	ASSI	PT. Astra International Indonesia	240 T
3	UNVR	PT. Unilever Indonesia Tbk	139 T
4	ICBP	PT. Indofood CBP Sukses Makmur Tbk	127 T
5	BRIS	PT. Bank Syariah Indonesia Tbk	71 T
6	ANTM	PT. Aneka Tambang Tbk	43 T
7	PTBA	PT. Bukit Asam Tbk	31 T
8	ITMG	PT. Indo Tambang Raya Megah Tbk	30 T
9	SIDO	PT. Industri Jamu dan Farmasi Sd Mncl Tbk	17 T
10	JPFA	PT. Japfa Comfeed Indonesia Tbk	15 T

*Source: Indonesia Stock Exchange*

The use of market capitalization for each issuer is based on the availability of capital for the existing issuers listed in the table. When these issuers undertake corporate actions requiring capital, the required operational capital is significant due to the large market reach of each issuer. For example, PT. Bank Syariah Indonesia Tbk has a market cap of 71 trillion with cash reserves of 4.9 trillion and assets of 313 trillion, along with liabilities of 277 trillion. Despite having substantial cash reserves, PT. Bank Syariah Indonesia Tbk (currently the largest Shariah bank in Southeast Asia by assets) may not be able to accommodate or mobilise capital when an issuer like PT. Telkom Indonesia requires operational capital for business expansion, especially given its highest market capitalization in the Shariah index. Therefore, the ribawi debt ratio with a maximum tolerable limit of 45% of total assets becomes a reasonable figure in the application of Shariah-compliant financial ratios, especially when compared across the entire set of Shariah issuers, which currently amounts to 558 Shariah issuers.

Financial ratio screening is aimed at securities in the public offering mechanism on the Indonesia Stock Exchange with a large market capitalization. Additionally, regulations issued by the Financial Services Authority regarding the standard issuance of Shariah-compliant securities explain that issuers permitted to issue securities must be public companies with a minimum paid-up capital of Rp. 3,000,000,000.00 (three billion Indonesian Rupiah). Unlike regulations governing the offering of securities through crowdfunding services, there are no provisions regarding financial ratio standards for issuers issuing their securities. This regulatory gap poses legal uncertainty for investors. The absence of these standards raises questions about which financial standards are used to screen issuer securities seeking registration. This is further reinforced by the Financial Services Authority's policy that offerings conducted through the Indonesia Stock Exchange, particularly those not intended for crowdfunding services as outlined in securities market laws (Chapter 3, Verse 1, POJK 57/2020).

The compiler evaluates the maximum ribawi financial ratio standard of 45%, considering the overall market capitalization and available funding. Subsequently, it can be formulated into maximum financial ratio standards for Shariah crowdfunding services. Funding raised through securities crowdfunding schemes has reached a value of \$1 trillion (PT Shafiq Digital Indonesia, 2023). The accumulated funding value of the crowdfunding service provides a general overview of the market capitalization held by the Securities Crowdfunding Exchange. When calculating the ribawi debt-funded cash ratio, it can be applied at a ratio of 10-15%, representing a small percentage compared to the availability of cash in conventional banking capitalization and other non-bank institutions. According to the financial ratio compiler, the ribawi debt-funded cash ratio can be pushed down to 0%, meaning that 100% of the issuer's capital is Shariah-compliant, especially for Sukuk-based securities. This calculation, based on the assumption that the funding amount reached 1 trillion, converted with the available cash of PT. Bank Syariah Indonesia Tbk amounting to 4.9 trillion (not including market cap and assets), suggests that this capital can adequately cover the application of 0% ribawi net capital (cash is still available from other Shariah banking and non-banking institutions). If the aim is to maintain national financial stability, the ribawi financial ratio of 45% can be reduced to 10-15% for securities crowdfunding offerings.

Emphasis on the usurious debt ratio of 10-15% of total assets based on the maximum collection value and total assets, both of which are IDR. 10,000,000,000.00, is assumed to be small capitalised compared to the capitalization on the Indonesian Stock Exchange. Then, the availability of sharia capital to fund securities issuers in the crowdfunding service cycle can be accommodated well if the issuer carries out corporate actions that require operational capital for the purposes of expanding its business. The assumptions built are based on each issuing company being limited to raising funds through the crowdfunding service cycle at Rp. 10,000,000,000.00 and fund collection data published by PT. Shafiq Digital Indonesia as one of the crowdfunding service providers reaching Rp 1 trillion, this nominal amount if converted into PT cash. Bank Syariah Indonesia, which is worth 4.9 trillion, can certainly be mobilised in the sharia capital sector; this does not include sharia banking institutions and other sharia non-banking institutions.

A ribawi debt ratio of 10-15% of total assets can also enhance the quality assurance of Shariah value in issuer Shariah securities companies with good corporate governance principles based on Shariah, where one of the aspects is minimizing the ribawi debt ratio, thereby increasing Shariah capital as a percentage compared to the ribawi debt ratio in the Indonesia Stock Exchange. Therefore, a ribawi debt ratio of 10-15% of total assets is a logical representation that can be fulfilled, not including the contribution of public investors in Shariah funding when the issuer undertakes corporate actions, but also as a form of religious spirit actualized in the economic cycle with Shariah values that are increasingly prominent in various investment instruments.

Issuers wishing to offer Shariah-compliant securities with capital still containing ribawi debt can take over debts from conventional banks to Shariah banks or financial institutions, similar to the mechanisms of takeovers in credit facilities (mortgages). These schemes are important for the compiler to establish a screening standard related to financial ratios for issuers using the 10-15% ribawi debt scheme. This is based on Indonesia being a legal state that implements positive law rather than Islamic law (principle of legality), so it is necessary to introduce standard financial ratio regulations to protect Shariah principles for Muslim investors as a preventive protection measure that provides legal certainty and enhances the Islamic economy by involving Shariah banking and non-banking financial institutions.

Crowdfunding services with small capitalization classifications mobilise Indonesian legal entities or businesses and mobilise funding for micro, small, and medium enterprises (MSMEs). MSMEs have net wealth standards: micro units have a net wealth of Rp50,000,000.00 (maximum turnover of Rp300,000,000.00), small units have a net wealth ranging from Rp50,000,000.00 to Rp500,000,000.00 (maximum turnover of Rp2,500,000,000.00), and medium units have a net wealth of more than Rp500,000,000 to Rp10,000,000,000.00 (maximum turnover of Rp50,000,000,000.00). It's important to note that the calculation of net wealth for all three classifications does not include land and buildings used for business purposes (Chapter 1-3, UU 20/2008). This refers to the criteria for issuing securities on crowdfunding platforms, where the net wealth of the issuer should not exceed Rp. 10,000,000,000.00, and the classification of MSMEs, including micro, small, and medium enterprises, falls under the issuer classification.

Regarding the turnover of medium enterprises, ranging up to Rp. 50,000,000,000.00, there is currently no comprehensive regulation governing this maximum limit in the regulation of securities offerings through crowdfunding platforms. Therefore, there is no legal clarity regarding the consequences if the net turnover exceeds Rp. 10,000,000,000.00 (as the net wealth limit), whether such medium enterprises are not registered and cannot offer securities again, and what happens to the holders of the securities when the net wealth limit is exceeded. This also stems from the lack of sanctions imposed when the net wealth limit is exceeded after the issuer's securities have been offered to investors.

Referring to capital market regulations, namely the Capital Market Law, which explains that public companies are companies with a minimum paid-up net capital of Rp. 3,000,000,000.00 (three billion rupiah), and the Financial Services Authority Regulation regarding public offerings through technology-based crowdfunding platforms, which explains that issuers allowed to offer their securities are those with a maximum net capital of Rp. 10,000,000,000.00 (ten billion rupiah), Based on this, changes are needed regarding the standard capitalization rules for issuers in the capital market, where those with net capital above Rp. 10,000,000,000.00 (ten billion rupiah) are categorised as public offerings through crowdfunding platforms. This aims to create segmentation aligned with their market capitalization, so public companies offer their securities on the Indonesia Stock Exchange (large-cap), while issuer companies on crowdfunding platforms operate on the Securities Crowdfunding Exchange (small-cap).

The benefits of implementing such market segmentation include enhancing the professionalism of companies in their early to developing stages and serving as a medium for educating them on implementing principles of good corporate governance and corporate social responsibility. Thus, the segmentation of the Securities Crowdfunding Exchange as a micro- to medium-sized capital participation cycle instrument, when reaching a professional corporate level and experiencing net asset growth exceeding Rp. 10,000,000,000.00 (ten billion rupiah), can upgrade to become public companies and expand their market capitalization. The scheme outlined by the compiler undoubtedly has positive economic and social impacts, particularly in terms of job opportunities.

## E. Conclusions & Policy Recommendation

The legal vacuum poses a problem in the substantive legal aspect identified in this research. In the practice of implementation, which draws from various sources such as data from the OJK, input from securities crowdfunding service providers, and insights from academic observers of financial technology services, it is stated that Shariah principles refer to the Financial Services Authority Regulation No. 35 of 2017 concerning Criteria and Issuance of Sharia Securities List, which conflicts with the underlying rule applying to public companies, not to closed companies in securities crowdfunding services. There is also a recommendation for a reassessment of the financial ratio screening process and market segmentation between the Indonesia Stock Exchange and securities crowdfunding.

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