DIGITALIZED CROWDFUNDING: INTRODUCING EFFICIENCY INTO FUNDING SHARIA-COMPLIANT PROJECTS IN NIGERIA USING CASH-WAQF

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Abstract: *There is scarcity of cash for funding most of Islamic projects particularly in the Southwestern part of Nigeria dominated by Muslims. No thanks to loss of faith due to organizations who have been enmeshed in mismanagement and frauds in the past. It has been observed that the scarcity, which may not be blamed on absence of payers, is largely accentuated by absence of transparency and accountability. The situation is further exacerbated by the ease of propagating unverified causes on social media without any means to independently monitor collections and also ensure that funds are judiciously used. Then, entered technology! This paper is a case study of MosquePay, a private initiative registered to crowdfund cash-waqf for Islamic projects and programmes in Nigeria. Observation and documented materials are utilized to gather data. These two are analyzed through discourse content. The finding revealed impressive contribution that technology is making to Crowdfunding Sharia-compliant projects using Cash-Waqf. The novel entry of technology into project funds-raising has transformed the faith-based sector into a more effective and efficient outlet for voluntary funds. A practical example is presented.*

Keywords: Digital, Cash-Waqf, Crowdfund, Sharia, Nigeria, MosquePay

INTRODUCTION

The need to fund humanitarian projects through the faith-based Non-Government Organizations (FNGOs) continues to face challenges while stakeholders ponder on creating alternative sources of fund generation to sustain the sector. Crowdfunding is a way in which people, organisations and businesses, including business start-ups, can raise money through online portals (called crowdfunding platforms) to finance or re-finance their activities (Wahjono, Marina, Widayat, 2015). The trend has been growing steadily among the Muslims in recent times to raise awareness about the plight of Muslims in some of the trouble spots in the world. This would include Palestine, Roghyan, Yemen and Syria, to name but some of the most prominent.

According to Beaulieu, Sarker&Sarker (2015), "Crowdfunding is a new technology-enabled innovative process that is changing the capital market space". The unprecedented use of the internet and its foray in the capital market has had a tremendous impact on fund raising for

both stock and non-profit organisations. This is further extended into other sectors such as education, business, and medicine (Alexander, 2006; Andriole, 2010; Giustini, 2006; Lyytinen& Rose, 2003; Wagner &Majchrzak, 2007).

However, until the advent of crowdfunding, technology has had little influence on the capital markets in that entrepreneurs and small business were restricted to seeking capital to meet their funding needs through traditional channels shrouded by information asymmetry and personal networks (Shane & Cable, 2002). However, this left a large segment of fund-seekers unserved by current practices. New innovations, such as crowdfunding, emerge in response to these unfilled needs and gaps in services currently provided (Christensen, 2013)

In Nigeria, efforts are gradually being geared towards the drive to raise funds for humanitarian projects through crowdfunding while official legislations and regulation are still lax or non-existent. The approach has generally followed the traditional moral-suasion efforts through the media. It is only in the recent years that Crowdfunding begins to attract attention of fund seekers. The common song among fund seekers to either start a new business or grow existing ones is that of scarcity/paucity. No thanks to the stringent conditions issued by banks and other financial institutions.

The dire need to fund humanitarian projects among faith-based NGOs has offered an opportunity for founders to dig deeper for more reliable, efficient and technology driven model that is sustainable. Nigeria, as a growing economy and population, is phenomenally endowed with abundant resources to overcome its poverty and backward position if these are properly harnessed. But the story has not been palatable. Funding for the SMEs has been shrinking in recent times, partly due to economic pressures, accentuated by unfavorable government policies (Eniola & Entebang, 2015), on one hand, and absence of accountability on the other.

The difficulties attached to sourcing of capital funds from the Capital market have even worsened the situations for entrepreneurs. This apart from being a global problem has thought most fund seekers to think of alternative sources that could meet their needs. In similar vein, the existing model for fund raising for faith-based NGOs has not been so transparent for external scrutiny. Fund seekers invade the media space to announce the urgent need to raise funds for those in dire need whether locally or internationally without anyone verifying the genuineness of the claim. No particular duration for the donation is included in the announcement. As people begin to send money to the bank accounts posted, the attainment of the targets set for such funds are most times not anounced. As a result, no report on money raised and expended is published for stakeholders to consider. The official registration of most of these 'fundraisers' is also shrouded in secrecy. Stories of fund diversion trail the landscape with no one apprehended to face the consequences.

The challenge here now is what must be done to restore people's confidence and trust in faith-based NGOs who raise funds for humanitarian purposes. Who verifies the Sharia-compliance status of all these projects? And more importantly, who ensures that interests of all stakeholders are well taken care of? How can technology be deployed to address and solve some or all of the issues raised above?

Based on the foregoing, the main objective of this study is to explore the potentials and positive impact that digitalized crowdfunding can contribute to the success of Islamic-based

NGOs in Nigeria. It would also highlight the features of the payment infrastructure, including access and logistics driving the innovation. The challenges posed by the digitalized Crowdfunding device would be analysed for appropriate lessons for policy and practice. To contextualize the study, a case study of MosquePay, a private initiative, registered to facilitate crowdfunding for Islamic projects and programmes in Nigeria is showcased. The novel entry of technology into project funds-raising is poised to transform the faith-based sector into a more effective and efficient outlet for voluntary funds.

LITERATURE REVIEW
The literature on Crowdfunding is relatively new and scarce. The term crowdfunding, first coined in a blog post by Michael Sullivan in 2006, has its roots in charitable donations (Castelluccio, 2012 as cited in Beaulieu et al., 2015), but it is now used to support projects as diverse as record albums, books, ecology trips, scientific research (Aitamurto, 2011, Gaggioli, 2013), veteran's causes (Brady, 2013), and college tuition ("Start me up", 2013). It has since been defined as:

> *"…The efforts by entrepreneurial individuals and groups—cultural, social, and for-profit—to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries…"*

(Mollick, 2014)

Models of Crowdfunding
Beaulieu et al. (2015) propose six distinct crowdfunding models: private equity, royalty, microfinance, peer-to-peer, rewards, and donation. They argue that the very evident theme emerging in the literature which characterizes the type of exchange subsisting between founders and backers are essentially three: equity, debt and appreciation. 'Equity' suggests that the backer would be given an interest in future profits of the business or project. 'Debt' suggests that the backer would be offered the returns of the principal amount borrowed with interest. 'Appreciation' suggests the founder gives the backer his/her appreciation in exchange for their monetary contribution.

METHODOLOGY
The methodology adopted for the study is essentially a case study approach. Due to the explorative nature of the design of the study, both primary and secondary data are adequately useful. Employing the use of systematic observation and documented materials and manual, as methods of data collection, the data gathered are robust for the research objectives highlighted earlier. Data sourced from the documentary materials proved appropriate subsequently at the analysis stage (Yin, 2011).

According to Weick, (1968): "Observing" can be an invaluable way of collecting data because what you see with your own eyes and perceive with your own senses is not filtered by what others might have (self-) reported to you or what the author of some document might have seen. In this sense, your observations are a form of primary data, to be highly cherished. Not

surprisingly, strictly observational studies have been a long- standing part of the research methods in social psychology. There, the researcher is completely passive.

DISCUSSION

The Mosquepay platform was built over a 6 months period employing hundreds of man hours including setting up alliances with the required starting financial institutions

Features

The platform meets a number of identified challenges to humanitarian contributions and donations with the following features -

1. The platform enables convenient donations and contributions through the use of the Un-Structured Supplementary Data (USSD) telecommunication channels which has become the channel of choice for instant money transaction. The channel does not require the transaction initiator (donor) to have internet access on his device to carry out electronic bank transactions. As a result, donations could then be initiated from anyone regardless of his location (within or out of country roaming) so long as he is transacting with the phone number registered with his local country account.

2. Each project is temporarily (for the duration of the campaign) allocating a unique code which is an identified merchant code assigned by the central money transaction switching platform in Nigeria (Nigerian Interbank Settlement System - NIBSS). These codes were obtained through the partnership of Mosquepay with Jaiz Bank - the leading non - interest banking services provider in Nigeria.

3. The platform automatically adds up all contributions/donations relating to a specific code (or project) and displays on the website as updates for any donor or interested individual to view and monitor progress of the campaign via project pages displaying background details, latest information about the project and the next steps to be carried out. In addition, the project pages provide web links to initiate card transactions and allocated bank accounts for direct transfers that are also instantly captured in the records.

4. Donations are monitored and in cases where the campaign target has been met, the platform informs the donor to choose an alternate project to which his donated funds could be channeled to.

5. The platform also presents customized notification to the donor on receipt of the funds, confirming the receipt and the current total reached with the individual's donation included. These notifications/messages also include short prayers, words of encouragement and generally urges the recipient to forward included short URLs (links to the project page on Mosquepay website) to their social media contacts, families and acquaintances. The notification is dispatched via the Short Messaging System (SMS) and WhatsApp.

6. An analysis of the accumulated database entries allows assessment of the behaviors of individual donors or group of donors - frequency of donations, project areas of interest to the donor e.g., Mosque building, health care interventions, Widows and Orphans support etc. This also allows personalization of the messages being delivered to each donor or recipient.

7. With the Mosquepay platform, the donor is made anonymous as his account details are no more presented to the receiving body as well as his not being limited to cash donations.

Procedure

The Mosquepay donation procedure is outline below
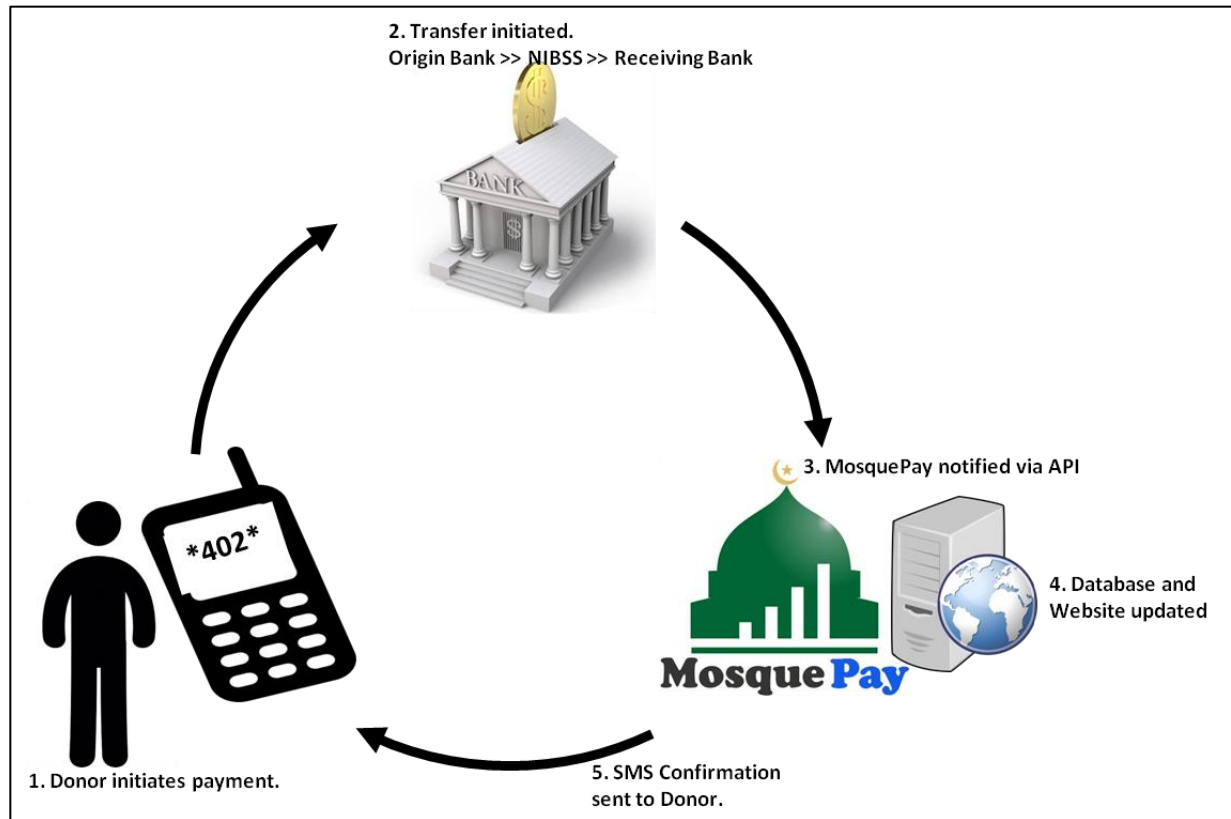
Figure 1: Donation Procedure (using mcash code channel)

The process starts with the Donor initiating donation (using the allocated code of the project of interest) through his bank account. The transfer is completed via the involved Banks and the Central payment Switch (NIBSS). Mosquepay is notified via API and then uses the transaction information to accumulate the appropriate project tally of donations while a notification is sent by SMS to the Donor to confirm his transaction with additional messages to promote the project.

c. Challenges

A few challenges have been witnessed since the launch of the Mosquepay initiative ranging from end user to operational.

One of the major challenges has been the availability of the telecommunication channels and supporting infrastructure in situations of telecommunication channel traffic congestion which sometimes presents difficulty to access or use the services.

In addition, Operational/Technical problems are witnessed as some banks have not yet fully completed integration into the NIBSS Mcash platform on which the Mosquepay solution is

based. In addition, a non-unified verification procedure (Security Questions and Bank default access settings) renders the process difficult for a new user with different banks choosing a variety of security procedures to validate the user.

In view of the above technical challenges, Mosquepay has prepared alternative channels via card transaction and bank transfers to dedicated bank accounts to ease the task for the donor. On the side of the participating organizations, the 5% charges that the platform proposed for platform and maintenance costs, continuous verifications and monitoring of projects seemed to dissuade some organizations into participating. A few seek to promote direct bank account numbers of their organizations, only using the Mosquepay verification as a stamp of authenticity thereby limiting the direct contributions received on the platform for their projects and the associated charges for the use of the channel/platform.

Score Card/Achievements

Ramadhan 1440 was the focus for the pilot run of some campaigns on the platform. Twelve projects (listed below) were made active on the platform for the period, some of which were Ramadan focused while others were for specific Mosque/Organization projects.

Despite being a hitherto unknown brand and on its maiden run with low publicity, the platform has proven its capabilities receiving 362 donations with total worth of about $2,200.00 within the period. In addition, the platform received positive reviews and commendations from users praising its innovative approach to solving the clear faults that have existed in the mode of securing contributions to projects within the Ummah. Table 1 outlines list of projects for Ramadhan 1440 while the frequency of the donations and daily amounts received are shown in figures 3 and 4. Data gathered during the period also provided more information on the observed response of donors. An initial rise in donation followed the first few days of Ramadhan that dropped off till the beginning of the last part, then followed by a consistent drive during the last ten days.

CONCLUSION

Crowd funding as a means of funding projects within the Muslim Community is strongly entrenched in the local culture, a greater percentage if not all projects are funded by contributions within the community and well-meaning individuals.

Despite age-long misgivings shared by many skeptics on the trust-worthiness of faith-based NGOs, the introduction of technology is gradually erasing that. The sheer transparency of the procedures and the thoroughness of MosquePay is winning hitherto skeptics.

The MosquePay platform seeks and has succeeded in helping to check fraudulent campaigns which hitherto could not be detected whilst also ensuring that such funds contributed are judiciously expended for the cause for which it was requested for. The platform has also achieved a means to more evenly distribute the support received from donors by channeling excess funds to similar projects that are yet to meet their targets.

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