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Islamic Crowdfunding Adoption and Small-Scale Enterprises Incubation in Niger State, Nigeria

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Abstract

This study investigated the effect of various Islamic crowdfunding adoption models - Reward-Based Crowdfunding (Qard Hassan), Donation/Charity-Based Crowdfunding (Waqf), Lending-Based Crowdfunding (peer-to-peer lending), and Equity-Based Crowdfunding on the incubation of small-scale enterprises (SSEs) in Niger State, Nigeria. Utilizing a quantitative and cross-sectional research designs, data was collected from a population of 304 SSEs who are registered members of Niger Chamber of Commerce, Industry, Mines, and Agriculture (NCCIMA). The sample size of the study is 172 SSEs. 152 questionnaires are retrieved from the field for analysis. The study used multiple linear regression analysis to test the formulated hypotheses. The results reveal a significant negative relationship between Reward-Based Crowdfunding Adoption and SSEs incubation, indicating potential challenges associated with this model. Conversely, Lending-Based and Equity-Based Crowdfunding showed positive associations with SSEs incubation, suggesting these models effectively support enterprise growth. Notably, Donation/Charity-Based Crowdfunding did not exhibit a significant impact. The findings underscore the necessity for stakeholders, including policymakers, financial institutions, and incubators, to foster an environment conducive to effective crowdfunding strategies, thereby maximizing the potential of crowdfunding as a sustainable tool for business development in the state.

Keywords: Reward-Based Crowdfunding (Qard Hassan), Donation/Charity-Based Crowd Funding (Waqf), Lending-based crowdfunding (peer-to-peer lending), Equity-Based Crowdfunding

JEL Classification: Z12

1. Introduction

The incubation of small-scale enterprises is crucial in promoting entrepreneurship, innovation, and economic development, particularly in developing regions where resources may be scarce (Aseosun, & Shittu, 2023). Enterprise incubation can be defined in several ways, but it fundamentally involves a systematic approach that provides essential support to early-stage businesses, guiding them through the various challenges of their initial growth phases (Chattrjee, 2024). Adekoya and Owolabi (2016) describe this process as one that includes shared workspaces, while Olowu and Owolabi (2017) emphasize the significance of structured programs that offer mentorship, resources, and networking opportunities vital for nascent ventures. Additionally, Owolabi and Olayemi (2019) underscore the role of incubation in nurturing new businesses through services such as financial support, technical assistance, and access to markets. The importance of these programs is profound, as they create an enabling environment for business growth, ultimately decreasing failure rates and empowering entrepreneurs to turn their innovative ideas into sustainable businesses. This focus on entrepreneurship is especially crucial in areas where conventional support systems may be absent, ensuring that startups are equipped to thrive in competitive landscapes.

The primary goal of enterprise incubation is to reduce the inherent risks associated with starting and managing a business. Many small enterprises experience a high rate of failure in their early years, often due to a lack of business expertise, insufficient funding, or limited understanding of market dynamics (Chattrjee, 2024; Sohail, Belitski, & Christiansen, 2023). Incubators tackle these issues by offering hands-on management support, creating networking opportunities with investors, and promoting collaborative spaces where entrepreneurs can exchange experiences and learn from one another. Furthermore, incubators frequently provide shared services, such as office space and administrative support, which help minimize overhead costs for emerging businesses. As noted by Sohail, Belitski, and Christiansen (2023), the proliferation of business incubators—now exceeding 10,000 globally—reflects an increasing acknowledgment of their vital role in boosting the success and sustainability of startups. By implementing tailored incubation strategies that cater to the unique needs of entrepreneurs, these programs enhance startup performance and contribute to building robust entrepreneurial ecosystems that drive broader economic growth and innovation.

Islamic crowdfunding has emerged as a financing method that aligns with Islamic financial principles, providing an ethically sound alternative to traditional crowdfunding (Salaheddine, & Azouaou, 2023; & Global Islamic Finance, 2024). This approach utilizes digital platforms to gather small contributions from a wide audience to fund projects, startups, or charitable initiatives. Unlike conventional crowdfunding, Islamic crowdfunding operates under the guidelines of Sharia law, which prohibits interest and encourages risk-sharing and ethical investment practices (Zahoor & Faiz, 2020). This framework ensures that the funding process remains transparent, fair, and socially responsible, making it appealing to both Muslim investors and socially conscious individuals.

Scholars have described Islamic crowdfunding in various ways. For instance, Yusuf, Ahmed, and Al-Zahrani (2016) define it as an online platform enabling individuals or groups to raise funds for socially beneficial projects while adhering to Islamic principles. Ahmed and Al-Khatib (2017) view it as a fundraising approach that leverages online communities to gather support for initiatives reflecting Islamic values. Al-Hussainy, Al-Zahrani, and Al-Olayan (2019) characterize it as a collaborative fundraising strategy that conforms to Islamic financial regulations, particularly by avoiding interest-based transactions. Additionally, Khalid and Al-Tamimi (2020) describe it as a crowdfunding model that merges the principles of Islamic finance with innovative crowdfunding methods, emphasizing ethical and transparent practices.

One significant advantage of Islamic crowdfunding is its focus on risk-sharing, which is a fundamental aspect of Islamic finance. Unlike traditional crowdfunding models that often promise fixed returns to investors, Islamic crowdfunding campaigns commonly employ profit-sharing or partnership arrangements, allowing investors to share both the profits and losses of the supported ventures (Rabbani, Khan, & Rana 2020). This risk-sharing mechanism not only aligns the interests of investors and entrepreneurs but also nurtures a collaborative atmosphere where all participants are motivated to work towards the project's success. By fostering a culture of mutual benefit and shared accountability, Islamic crowdfunding builds a sense of community among stakeholders, encouraging active involvement in the growth and development of the enterprise. This cooperative spirit enhances trust among participants, as everyone has a vested interest in the venture's outcomes. Moreover, the risk-sharing model promotes sustainable business practices, motivating entrepreneurs to make ethical decisions that consider the welfare of all stakeholders. Ultimately, the emphasis on risk-sharing through Islamic crowdfunding not only benefits individual projects but also contributes to a more resilient and interconnected entrepreneurial ecosystem.

Small Scale enterprises (SSEs) are integral to economic growth, driving entrepreneurial activities and generating job opportunities across communities. Their contributions are vital not only for national income but also for fostering innovation, enhancing competitiveness, and promoting social mobility (Inegbedion, Thikan, & David, 2024). The entrepreneurial spirit inherent in self-employed individuals can lead to varied economic benefits, including increased production capabilities, improved service offerings, and the promotion of sustainable practices. Despite their critical role, many entrepreneurs encounter substantial challenges in accessing the financial support needed for growth and expansion. This gap in financial backing significantly threatens the sustainability of SSEs, restricting their capacity to innovate, scale, and effectively compete in an ever-evolving market landscape. As highlighted by Sulaiman, Mohd Nor, and Alma'amun (2022), the limited access to capital remains a formidable barrier that curtails the potential of these enterprises to thrive.

Muslim entrepreneurs face additional complexities as they operate within a framework dictated by the principles of the Qur'an and Hadith, which significantly influence their business practices and decision-making processes. These guiding tenets emphasize ethical conduct, social responsibility, and the pursuit of collective welfare, setting Islamic entrepreneurship apart from conventional models. Consequently, Muslim entrepreneurs are inclined to seek financial support that resonates with their moral and ethical standards, ensuring that their business operations remain compliant with their religious beliefs. This adherence to Islamic values affects their financing choices, compelling them to pursue solutions that are compatible with Shariah law. It is therefore essential to comprehend the specific preferences and requirements of Muslim entrepreneurs to effectively design financial products and services that cater to their unique needs.

Previous research has delved into the utilization of Qard-Hasan and Waqf as Islamic crowdfunding financial instruments aimed at supporting micro-enterprises and poverty alleviation. For instance, Aderemi and Ishak (2023) highlighted the potential of Qard Hasan as a viable tool for crowdfunding micro-enterprises in Malaysia. Although traditionally regarded as a non-business-oriented financing option, their analysis underscores its unique adaptability and practical application for supporting micro-enterprise growth. Similarly, Abidina, Alwib, and Ariffin (2011) explored the Qardhul Hasan concept within the framework of Islamic banking, revealing that CALF Berhad offers Qardhul Hasan financing exclusively to its employees for specific personal purposes such as marriage, education, and childbirth. Moreover, Hasan, Hassan, and Rashid (2021) assessed the role of Qard Hasan in furthering the United Nations' sustainable development goals, demonstrating its potential to significantly impact sustainable development initiatives. Additionally, Alma'amun et al. (2018) conducted a meta-analysis on the empowerment of waqf through fintech, emphasizing the importance of Islamic crowdfunding platforms within the realm of social Islamic finance.

Despite these insights, a significant gap remains in the literature regarding the effects of Islamic crowdfunding on the incubation of small and medium-sized enterprises (SSEs). Existing studies have primarily concentrated on the adoption of Islamic crowdfunding without a focused examination of its various dimensions, such as Reward-Based Crowdfunding (Qard Hasan), Donation/Charity-Based Crowdfunding (Waqf), Lending-Based Crowdfunding (peer-to-peer lending), and Equity-Based Crowdfunding. Moreover, many of the reviewed studies, including those by Aderemi and Ishak (2023), Abidina et al. (2011), Hasan et al. (2021), and Alma'amun et al. (2018), have predominantly utilized qualitative or meta-analytical approaches, which may overlook the quantitative aspects and practical implications of these financial tools. This study aims to bridge these gaps by investigating the impact of Islamic crowdfunding adoption on the incubation of SSEs in Niger State, Nigeria, with a specific emphasis on the various dimensions of Islamic crowdfunding. By doing so, it seeks to contribute to a more comprehensive understanding of how these innovative financing mechanisms can effectively support the growth and sustainability of small-scale enterprises within the unique context of Islamic finance.

This study aims to evaluate the following hypotheses: The adoption of Reward-Based Crowdfunding (Qard Hassan) does not significantly influence the incubation of small-scale enterprises in Niger State, Nigeria. The adoption of Donation/Charity-Based Crowdfunding (Waqf) does not significantly impact the incubation of small-scale enterprises in Niger State, Nigeria. The adoption of Lending-Based Crowdfunding (peer-to-peer lending) does not have a significant effect on the incubation of small-scale enterprises in Niger State, Nigeria. The adoption of Equity-Based Crowdfunding does not significantly affect the incubation of small-scale enterprises in Niger State, Nigeria.

2. Literature Review

Small Scale Enterprises Incubation

Small-scale enterprise incubation plays a crucial role in promoting entrepreneurship, innovation, and economic development, particularly in developing countries (Endris, & Kassegn, 2022). It encompasses a systematic process aimed at supporting startups and small businesses during their initial stages by offering essential resources like mentorship, financial aid, infrastructure, and networking opportunities (Olowu & Owolabi, 2017). This assistance enables entrepreneurs to navigate common challenges they encounter in the early stages of business growth, including limited funding, inexperience, and market accessibility issues (Adekoya & Owolabi, 2016). Recently, there has been a growing focus among policymakers on the importance of business incubation in fostering entrepreneurship and advancing the development of small and medium-sized enterprises (SMEs) (Solomon, Adeleke, Akpoviroro, & Akanmu, 2021). According to Theodoraki, Messeghem, and Audretsch (2020) and

Audretsch et al. (2021), incubators are crucial in facilitating the growth and sustainability of new ventures. The incubation process itself has been the subject of exploration, with researchers like Albort-Morant and Ribeiro-Soriano (2016) and Mas-Verdú et al. (2015) examining its impact on entrepreneurial success. The history of business incubation dates back to 1959, when the first business incubator was established in New York (Lewis, 2001). The concept began to gain traction in the 1960s and 1970s, as noted by Campbell et al. (1985) and Hackett and Dilts (2004). However, the evolution of business incubation truly accelerated after the 1990s, as the need for structured support systems for startups became increasingly recognized.

Islamic Crowdfunding

Islamic crowdfunding can be defined as a form of financial resource mobilization that complies with Islamic principles, particularly Shariah law, by promoting risk-sharing and prohibiting interest (Zulkhibri, 2022). Another definition describes it as a digital platform where individuals can support projects, ventures, or causes while adhering to Islamic ethical values, such as transparency and the prohibition of speculative activities (Thaker, 2021). Additionally, it is characterized by the application of Islamic financial instruments like Qard Hassan (benevolent loans), Waqf (endowments), and equity-based models, which aim to promote social justice and financial inclusion (Haneef & Pramanik, 2023). Islamic crowdfunding, also referred to as Sharia-compliant crowdfunding or crowdfunding for Islamic projects, is a relatively new development that has emerged in tandem with technological advancements and the increasing popularity of crowdfunding platforms. This innovative funding mechanism integrates the foundational principles of Islamic finance with the collaborative concept of crowdfunding, wherein individuals or organizations pool their resources to support projects that are mutually beneficial. This model not only addresses the financial needs of various initiatives but also ensures that the projects align with Islamic ethical standards, thereby attracting participants who are committed to socially responsible investments. By creating a space where financial support is coupled with adherence to Islamic values, Islamic crowdfunding facilitates a unique approach to funding that emphasizes both economic viability and moral integrity.

The multifaceted nature of Islamic crowdfunding is underscored by various scholarly definitions that capture its essence and objectives. For instance, Yusuf et al. (2016) describe Islamic crowdfunding as a platform designed to facilitate online fundraising for projects that yield social benefits while adhering to Islamic principles. This definition emphasizes the dual goal of fostering positive social impact alongside financial returns, suggesting that projects funded through Islamic crowdfunding must enhance societal welfare. Similarly, Ahmed and Al-Khatib (2017) highlight the importance of online communities in mobilizing funds for initiatives that resonate with Islamic values, illustrating the power of collective action in financing socially responsible projects. Al-Hussainy et al. (2019) further refine this concept by framing Islamic crowdfunding as a collective fundraising strategy that adheres strictly to Islamic financial regulations, particularly the prohibition of interest-based transactions. This regulatory compliance is pivotal, as it not only sets Islamic crowdfunding apart from conventional fundraising methods but also reinforces the ethical foundations upon which it is built, ensuring that all funded initiatives maintain the highest standards of moral conduct.

Dimensions of Islamic Crowdfunding
Islamic crowdfunding mandates that all activities involved must comply with Halal principles, necessitating the establishment of a Sharia board to oversee its operations within any given context. This regulation is essential for ensuring the effective and efficient execution of its intended purposes. Crowdfunding involves raising funds through online platforms to support or refinance business ventures, and when applied to finance micro, small, and medium-sized enterprises (MSMEs), it requires a regulated platform to guarantee adherence to Islamic principles. This research has identified four (4) key concepts of Islamic crowdfunding that will provide financial support for the incubation of small-scale enterprises, thereby promoting economic growth and sustainability.

Reward-Based Crowdfunding (Qard Hassan) - Reward-based crowdfunding, or Qardul Hasana, represents a progressive Islamic finance model that aligns seamlessly with Sharia law by facilitating interest-free loans for individuals or organizations. This innovative financing method enables fundraisers to collect financial resources for specific projects while providing non-monetary rewards to contributors in exchange for their support. The rewards can vary significantly based on the amount contributed, ranging from heartfelt thank-you notes to exclusive early access or discounts on the products or services being funded. The foundation of Qardul Hasana lies in the prohibition of interest (riba) in Islamic finance, making it an ethical and morally sound alternative for those looking to support causes without resorting to interest-based transactions. This crowdfunding approach not only nurtures a sense of community among contributors but also effectively channels funds toward socially impactful initiatives, thus aligning financial activities with core Islamic values (Aderemi & Ishak, 2023; Abdullah & Ismail, 2023; Iqbal & Shafiq, 2015). Furthermore, the concept of Qardhul Hasan is embraced as a zero-return financing mechanism encouraged by the Qur'an, allowing Muslims to extend help to those in need without expectations of profit. This model emphasizes the commitment of Islamic Financial Institutions (IFIs) to promoting social welfare and financial inclusion, distinguishing them from traditional interest-based financial systems. By eliminating the burden of interest payments, Qardul Hasana fosters a more equitable financial landscape, enabling individuals to meet their financial needs without the anxiety of overwhelming repayment obligations. In Islamic contexts, where conventional interest-bearing financial instruments are not permissible, Qardul Hasana has emerged as a favored alternative, encouraging widespread participation from donors through appealing non-monetary rewards and ultimately fostering greater engagement in various community initiatives (Muneer & Foyasal, 2019; Azzam, 2022; Iqbal & Shafiq, 2015).

Donation/Charity-Based Crowdfunding (Waqf) - Donation-based crowdfunding, commonly referred to as Waqf, represents a philanthropic approach where individuals or organizations contribute funds to various causes without the expectation of receiving anything in return (Azganin, Kassim, & Sa'ad, 2021). This form of crowdfunding transcends mere acts of charity, embodying a holistic framework aimed at enhancing societal welfare on multiple fronts—spiritual, material, individual, and social—impacting both the current and the afterlife. Waqf is recognized as a significant instrument within Islamic economics due to its inherent characteristics of autonomy, flexibility, sustainability, and continuity, which empower it to meet the immediate needs of communities while also fostering long-term socioeconomic development that benefits both present and future generations (Azid, Mukhlisin, & OAltwijry, 2022). By enabling the allocation of resources for diverse social causes, Waqf plays a pivotal role in improving the quality of life for individuals and communities, promoting an environment of mutual support and collective progress. Historically, the Waqf system has evolved through various phases within Islamic civilization, expanding to encompass critical socioeconomic sectors such as education, healthcare, housing, and infrastructure. This adaptability has positioned Waqf to address pressing societal challenges, including food and water security and the demand for clean energy, thereby aligning its operations with the Sustainable Development Goals (SDGs) set forth by the United Nations (Azid et al., 2022). In light of modern financial challenges, Thaker and Pitchay (2018) introduced an innovative "waqf crowdfunding model" (WCM) designed to address the liquidity constraints often faced by Waqf institutions, particularly in the development of waqf lands. This model capitalizes on the growing popularity of crowdfunding to mobilize resources from a wide array of small donors in a manner compliant with Shariah principles. By facilitating broader participation and bypassing traditional financial intermediaries, the WCM ensures sustainable funding for Waqf asset development while adhering to Islamic ethical guidelines prohibiting interest (riba). This model not only enhances the economic and social impact of Waqf properties but also fosters greater community engagement and transparency in managing Waqf resources. The scalable nature of the WCM allows it to be replicated across various regions and sectors, maximizing Waqf's potential as a catalyst for sustainable development. Overall, Waqf crowdfunding represents a transformative approach to philanthropy that can significantly bolster efforts toward achieving a more sustainable and equitable society.

Lending-based crowdfunding (peer-to-peer lending) - Lending-Based Crowdfunding (LBC), often referred to as peer-to-peer (P2P) lending, is a modern funding avenue that enables small-scale enterprises (SSEs) to secure financing directly from a diverse pool of investors. In this model, investors lend money with the expectation of receiving interest once the project reaches its financial goal and is subsequently paid off. As outlined by Solanki (2024), LBC is a groundbreaking financial approach where retail investors collaboratively pool their funds to provide loans to individuals or businesses via an organized, regulated platform. This method disrupts traditional lending by establishing a decentralized ecosystem in which investors directly fund borrowers, effectively bypassing conventional financial intermediaries like banks. The regulatory framework governing these platforms ensures compliance with established guidelines, safeguarding the interests of lenders while providing borrowers with a clear and structured process for accessing funds. By connecting investors with borrowers, debt crowdfunding democratizes the lending landscape, enabling smaller retail investors to engage in financing opportunities that typically would have necessitated institutional backing.

The emergence of lending-based crowdfunding has markedly altered the financial landscape since the mid-2000s, highlighted by the establishment of pioneering platforms like Zopa in the UK (2005) and Prosper in the United States (2006) (Ziegler & Shneor, 2020). These platforms revolutionized the borrowing and lending processes by facilitating direct interactions between private lenders and borrowers through online interfaces, thus eliminating the reliance on traditional banking systems or credit institutions. By allowing individuals to lend and borrow funds through dedicated websites, these platforms not only created an innovative method for accessing capital but also introduced a new revenue model by charging fees on successful transactions (Bachmann, Becker, & Buerckner, 2011). The P2P lending model emerged as a significant catalyst for the broader crowdfunding movement, reshaping global access to financial resources for individuals and businesses alike. Through this innovative approach, LBC empowers both lenders and borrowers, fostering a more inclusive financial ecosystem that meets the diverse funding needs of today's entrepreneurial landscape.

Equity-Based Crowdfunding -Equity crowdfunding functions through specialized online platforms that serve as vital intermediaries, connecting entrepreneurs with a broad array of potential investors. Platforms like Seedrs, Crowdcube, and Republic create a dynamic virtual marketplace where businesses can present various investment opportunities. These platforms streamline the investment process, ensuring compliance with pertinent regulatory requirements for both entrepreneurs and investors. By offering a dedicated space for businesses to showcase their pitches, financial forecasts, and growth strategies, these platforms equip potential investors with essential information to make well-informed decisions (AccountingInsights Team, 2024). For entrepreneurs, equity crowdfunding presents a viable alternative to traditional venture capital routes, granting access to a diverse investor base without the limitations associated with conventional funding methods.

A critical aspect of equity crowdfunding is the due diligence process conducted by these platforms before listing businesses in need of funding. This thorough vetting process aims to protect investors and uphold the platform's integrity by assessing the viability of business models, evaluating market potential, and verifying the credibility of founding teams (AccountingInsights Team, 2024). By implementing rigorous standards, crowdfunding platforms strive to minimize investor risk, thereby instilling greater confidence in the investment decisions made by their users. This scrutiny ensures that only credible and promising business opportunities are presented to investors, significantly enhancing the overall quality of the investment landscape. Equity crowdfunding distinguishes itself from traditional funding methods by allowing businesses to raise capital without incurring debt obligations. Instead of taking on loans that require repayment with interest, entrepreneurs can offer ownership stakes in their companies in exchange for capital (Black & Tarver, 2022). This approach is especially beneficial for startups and small businesses that may struggle with loan repayments during their early growth phases. By opting for equity crowdfunding, businesses can raise the necessary funds while aligning their interests with investors, as both parties stand to gain from the company's success through shared future profits.

Empirical Review

Aderemi and Ishak (2023) investigated the potential of Qard Hasan as a financial tool within Islamic crowdfunding to support micro-enterprises in Malaysia. Their qualitative study utilized semi-structured interviews with various crowdfunding experts to explore the implementation of Qard Hasan in Islamic crowdfunding frameworks. The data collected was analyzed through thematic analysis, revealing that although Qard Hasan is frequently viewed as a non-business-oriented instrument, a closer examination of its framework underscores its unique adaptability, making it a viable financial tool for crowdfunding micro-enterprises in Malaysia. Despite the inherent risks, such as the possibility of default and difficulties in attracting significant funds, these challenges can be alleviated through the application of

FinTech solutions like blockchain, which enhance due diligence, project monitoring, and repayment processes.

Abidina, Alwib, and Ariffin (2011) focused on the application of the Qardhul Hasan concept as a financing product within an Islamic bank in Malaysia, employing a single case study approach deemed suitable for their research objectives. This study serves as a pilot case, with the potential for future expansion into additional case studies. The findings suggest that CALF Berhad offers Qardhul Hasan financing exclusively to its employees for specific purposes such as marriage, childbirth, education, and other related needs. Hasan et al. (2021) explored the role of Qard Hasan in achieving the United Nations' Sustainable Development Goals (SDGs), utilizing data from the World Bank and the Islamic Financial Services Board (IFSB) to form an unbalanced panel comprising 21 countries from 2013 to 2018. Their results indicate that Qard Hasan can significantly aid in advancing sustainable development and show that integrating Qard Hasan into Shari'ah-compliant financing portfolios can enhance these efforts. This study is notable for confirming the global impact of Qard Hasan financing on promoting sustainable development.

Muneer and Foyasal (2019) assessed the Fael Khair Waqf (FKW) program's effectiveness in alleviating poverty through an analysis of 1,600 households, employing independent sample t-tests and logistic regression to measure its impact. Their results indicate that participants in the FKW program have a 1.46 times lower likelihood of living in poverty compared to non-participants. Furthermore, the Qard-al-Hassan component significantly reduces borrowing costs, enabling participants to accumulate more assets, thus improving their economic conditions post-cyclone. This effectiveness provides valuable insights for both development practitioners and researchers. Azganin, Kassim, and Sa'ad (2021) investigated proposed waqf crowdfunding models as alternative funding sources for waqf institutions and farmers. Utilizing qualitative methods, they analyzed literature on crowdfunding and waqf, along with primary sources from the Ḥadīth, and outlined a conceptual framework for two waqf crowdfunding models (WCM) and the parameters necessary for their implementation. The findings indicate that integrating crowdfunding with waqf can substantially benefit the agriculture sector, empowering disadvantaged farmers and contributing to national economic development.

Suhaili and Palil (2016) examined crowdfunding as an emerging field in waqf fundraising, aiming to provide an overview of its potential as a collaborative fundraising tool. This conceptual and exploratory study discusses how to operationalize collaboration through technology-based fundraising platforms, alongside the risks associated with their use. Given that crowdfunding is still developing, the existing academic literature on this philanthropic area is limited. The significance of their study lies in identifying various pathways and opportunities for raising waqf funding globally in a modern context, concluding that waqf entities should evaluate the benefits of crowdfunding against its associated costs.

Sulaiman, Mohd Nor, and Alma'amun (2022) investigated waqf as a Shari'ah-compliant crowdfunding instrument, employing a library-based research methodology to establish a theoretical foundation. Their research presents various expert perspectives on the topic and proposes a framework for a new hybrid Islamic crowdfunding product to support entrepreneurs, offering a more secure and Shari'ah-compliant online fundraising method based on guidance from the Qur'an, Sunnah, and Islamic scholars' opinions. The findings highlight waqf's significant role in fostering entrepreneurship growth and development.

Alma'amun, Mohd, Shahida, and Shahimi Adnan (2018) conducted a meta-analysis to examine how fintech can enhance waqf beyond traditional e-waqf, specifically through crowdfunding. This paper uses Waqfworld.org as a case study, detailing the establishment process of the first waqf-based crowdfunding platform and discussing the challenges and issues it faces. The findings from this study are beneficial for others seeking to develop similar crowdfunding platforms or any Islamic crowdfunding initiatives within the realm of social Islamic finance.

Theoretical Framework

This study utilizes the Technology Acceptance Model (TAM) to explore the adoption of new technological innovations. TAM has been applied in various research settings to investigate technology adoption (Majid & Nugraha, 2022; Salim et al., 2021; Kazaure et al., 2021; Islam & Khan, 2019; Husin et al., 2019). According to Davis (1989), individuals are more likely to adopt a technological innovation when they perceive it as easy to use and beneficial. Malik and Alfarsi (2020) emphasize that perceived usefulness (PU) and perceived ease of use (PEOU) play significant roles in shaping attitudes toward social networking use. TAM serves as a framework to explain how individuals and organizations accept and engage with technology and social networking platforms. Developed by Davis in 1989, TAM aims to understand how individuals embrace innovation within organizations. The model posits that PU and PEOU are critical factors influencing the intention to adopt new technologies. PU refers to an individual's belief that the technology will enhance their job performance, while PEOU reflects their perception that using the technology requires minimal physical and mental effort. TAM has been referenced in a wide range of studies, including those focused on social networks (Kazaure et al., 2021), innovation adoption (Pérez et al., 2004, as cited in Kazaure et al., 2021), online banking (Pikkarainen, 2004, as cited in Kazaure et al., 2021), teaching assistant robots (Kazaure et al., 2021), e-commerce (Kazaure et al., 2021), and e-libraries (Shoaei and Oloumi, 2010, as cited in Kazaure et al., 2021). The Technology Acceptance Model (TAM) serves as a useful framework for examining the adoption of various Islamic crowdfunding models—namely, Reward-Based Crowdfunding (Qard Hassan), Donation/Charity-Based Crowdfunding (Waqf), Lending-Based Crowdfunding (peer-to-peer lending), and Equity-Based Crowdfunding—specifically in the context of Small and Medium Enterprises (SSEs) incubation. The following section outlines how TAM influences each crowdfunding model in this study.

3. Methodology

The study used quantitative and survey research designs. The population for this study consists of owners and/or managers of Small-Scale Enterprises (SSEs) operating in Niger State, located in the North Central geographical zone of Nigeria. According to data from the Niger Chamber of Commerce, Industry, Mines and Agriculture, the state has 304 registered SSEs. The sample size was selected using a purposive random sampling technique. The sample size is 172 as dictated by the sample size estimation formula of Taro Yamane (1973). The study adopted a structured questionnaire to collect primary data. The questionnaire was divided into two sections. Section 'A' focuses on respondents' bio-data while section 'B' dwells on the study variables build on 5 – point Likert scale statements. The independent variable was measured using Reward-Based Crowdfunding (Qard Hassan), Donation/Charity-Based Crowd Funding (Waqf), Lending-based crowdfunding (peer-to-peer lending), and Equity-Based Crowdfunding adoption**,** while the dependent variable was measured using SSEs incubation. The study utilizes descriptive statistics and inferential statistics for data analysis. In terms of inferential statistics, the researcher applies multiple linear regression at a significance level of 5%. If the p-value is > .05, it indicates that the model has no significant influence, and therefore the null hypothesis would be accepted or rejected in favour of the alternative hypothesis. The study used SPSS version 27 to run the study data.

Reliability Test

Table 1: Reliability Test

Variable	Number of items	Scale reliability coefficient
Reward-Based Crowdfunding (Qard Hassan) Adoption	5	0.809
Donation/Charity-Based Crowd Funding (Waqf) Adoption	5	0.868
Lending-based crowdfunding (peer-to-peer lending) Adoption	5	0.731
Equity-Based Crowdfunding Adoption	5	0.816
SSEs Incubation	5	0.853

Source: Field Survey

Table 1 presents the results of the Cronbach's alpha reliability test. The Reward-Based Crowdfunding (Qard Hassan) Adoption scale shows a reliability of 80.9%, the Donation/Charity-Based Crowdfunding (Waqf) Adoption scale has a reliability of 86.8%, the Lending-Based Crowdfunding (Peer-to-Peer Lending) Adoption scale exhibits a reliability of 73.1%, the Equity-Based Crowdfunding Adoption scale has a reliability of 81.6%, and the SSEs Incubation scale shows a reliability of 85.3%. These results indicate that all study variables demonstrate acceptable levels of reliability.

Data Analyses and Discussion

Based on the data processed through the use of SPSS 27, the result of the study is presented as follows:

Normality Test

Before embarking on further analysis, the study investigated the normality of the data in order to ensure that the data met with assumptions of normal distribution. In achieving this, the study used Skewness and Kurtosis to determine the normality of the distribution. Hair, Black, Babin, and Anderson (2010); and Bryne (2010) asserted that for data to be considered normally distributed the values for Skewness should be between -2 to +2 and kurtosis should be between -7 to +7. Also, Kim (2013) as cited in Abdulkadir (2022) opined that for sample size greater than three hundred, it is normality depends on the histograms and the absolute values of skewness and Kurtosis. Either an absolute skewness value less than or equal to 2 or an absolute kurtosis less than or equal to 4 is enough to determine considerable normality of data. Therefore, table 2 below shows that the study meets the assumptions of normality as rule of thumb mentioned above.

Table 2: Normality test

	N	Skewness		Kurtosis		
	Statistic	Statistic	Std. Error	Statistic	Std. Error	Decision
Reward-Based Crowdfunding (Qard Hassan) Adoption	152	-0.575	0.197	-0.898	0.391	Normal
Donation/Charity-Based Crowd Funding (Waqf) Adoption	152	-2.519	0.197	8.249	0.391	Normal
Lending-based crowdfunding (peer-to-peer lending) Adoption	152	-0.106	0.197	-0.442	0.391	Normal
Equity-Based Crowdfunding Adoption	152	-0.751	0.197	-0.405	0.391	Normal
SSEs Incubation	152	-1.330	0.197	1.159	0.391	Normal
Valid N (listwise)	152					

Source: Author's Computation

Collinearity Test

The study conducts a collinearity test to ensure that the relationships among the independent variables are not spurious, which is crucial for validating the reliability of the regression analysis. By assessing collinearity, the research aims to confirm that each independent variable contributes uniquely to the prediction of the dependent variable without significant overlap or redundancy. Table 3 presents the findings of this collinearity test, detailing the Tolerance and Variance Inflation Factor (VIF) values for each independent variable. These results provide important insights into the stability of the model and the integrity of the data used in the study.

Table 3 Collinearity Test

	Collinearity Statistics	
Model	Tolerance	Tolerance
Reward-Based Crowdfunding (Qard Hassan) Adoption	0.843	1.187
Donation/Charity-Based Crowd Funding (Waqf) Adoption	0.940	1.064
Lending-based crowdfunding (peer-to-peer lending) Adoption	0.882	1.134
Equity-Based Crowdfunding Adoption	0.998	1.002

Note: a. Dependent Variable: SSEs Incubation
Source: Author's Computation

Table 3 displays the results of the collinearity test, which evaluates multicollinearity among the independent variables predicting the dependent variable, SSEs Incubation. The Tolerance values for all variables are above 0.7, indicating that multicollinearity is not a significant issue; specifically, Reward-Based Crowdfunding (Qard Hassan) Adoption has a Tolerance of 0.843, Donation/Charity-Based Crowdfunding (Waqf) Adoption is at 0.940, Lending-Based Crowdfunding (Peer-to-Peer Lending) Adoption is 0.882, and Equity-Based Crowdfunding Adoption is 0.998. Additionally, the Variance Inflation Factor (VIF) scores, all of which are below 2, further support the absence of multicollinearity, with values of 1.187 for Reward-Based Crowdfunding, 1.064 for Donation/Charity-Based Crowdfunding, 1.134 for Lending-Based Crowdfunding, and 1.002 for Equity-Based Crowdfunding. These findings suggest that each independent variable uniquely contributes to predicting SSEs Incubation without redundancy or excessive overlap.

Table 4: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.411[a]	0.169	0.146	2.63454	2.320

Note: a. Predictors: (Constant), Equity-Based Crowdfunding Adoption, Donation/Charity-Based Crowd Funding (Waqf) Adoption, Lending-based crowdfunding (peer-to-peer lending) Adoption, Reward-Based Crowdfunding (Qard Hassan) Adoption. b. Dependent Variable: SSEs Incubation
Source: Author's Computation

Table 4 provides a summary of the regression model used to assess the impact of various crowdfunding adoption methods on SSEs incubation. The correlation coefficient (R) is reported at 0.411, indicating a moderate positive relationship between the independent variables and the dependent variable. The R Square value of 0.169 suggests that approximately 16.9% of the variance in SSEs incubation can be explained by the four predictors: Equity-Based Crowdfunding, Donation/Charity-Based Crowdfunding (Waqf), Lending-Based Crowdfunding (peer-to-peer lending), and Reward-Based Crowdfunding (Qard Hassan). The Adjusted R Square value of 0.146 further refines this estimate by accounting for the number of predictors in the model, reflecting a slightly lower explanatory power when considering the model's complexity. Additionally, the standard error of the estimate is 2.63454, which indicates the average distance that the observed values fall from the regression line. The Durbin-Watson statistic of 2.320 suggests a relatively low level of autocorrelation in the residuals, as values close to 2 indicate no autocorrelation. Overall, these results indicate a modest predictive capacity of the model while highlighting the need for further exploration of additional factors influencing SSEs incubation.

Table 5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	207.045	4	51.761	7.458	0.000[b]
	Residual	1020.297	147	6.941		
	Total	1227.342	151			

Note: a. Dependent Variable: SSEs Incubation. b. Predictors: (Constant), Equity-Based Crowdfunding Adoption, Donation/Charity-Based Crowd Funding (Waqf) Adoption, Lending-based crowdfunding (peer-to-peer lending) Adoption, Reward-Based Crowdfunding (Qard Hassan) Adoption
Source: Author's Computation

Table 5 presents the Analysis of Variance (ANOVA) results for the regression model examining the relationship between different crowdfunding adoption methods and SSEs incubation. The ANOVA results indicate a significant overall model fit, with an F-statistic of 7.458 and a p-value (Sig.) of 0.000, which is less than the conventional threshold of 0.05. This significance suggests that at least one of the independent variables—Equity-Based Crowdfunding, Donation/Charity-Based Crowdfunding (Waqf), Lending-Based Crowdfunding (peer-to-peer lending), or Reward-Based Crowdfunding (Qard Hassan)—has a statistically significant effect on SSEs incubation. The regression sum of squares is 207.045, reflecting the variation explained by the model, while the residual sum of squares is 1020.297, indicating the variation not explained by the model. With a total sum of squares of 1227.342, the model accounts for a notable portion of the variability in the dependent variable. Overall, the findings highlight the model's adequacy in explaining the influences of various crowdfunding approaches on the incubation of small and medium enterprises.

Hypothesis Testing

Table 6 provide the result of the study hypothesis testing.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	19.767	1.853		10.665	0.000
Reward-Based Crowdfunding (Qard Hassan) Adoption	-0.112	0.041	-0.223	-2.726	0.007
Donation/Charity-Based Crowd Funding (Waqf) Adoption	0.034	0.064	0.041	0.535	0.593
Lending-based crowdfunding (peer-to-peer lending) Adoption	0.140	0.048	0.232	2.891	0.004
Equity-Based Crowdfunding Adoption	0.108	0.043	0.191	2.541	0.012

Note: a. Dependent Variable: SSEs Incubation
Source: Author's Computation

The results presented in Table 6 provide valuable insights into how different types of crowdfunding influence the incubation of small and medium enterprises (SSEs). The significant constant term indicates a strong foundational impact on the incubation process, suggesting that external factors not accounted for in this model may also play a crucial role in supporting SSE growth. This baseline effect emphasizes the importance of recognizing the multifaceted nature of entrepreneurship and how various elements beyond crowdfunding can influence the success of emerging businesses.

Among the independent variables, Reward-Based Crowdfunding (Qard Hassan) Adoption exhibits a negative and statistically significant relationship with the incubation of small and medium enterprises (SSEs), indicated by a coefficient of -0.112 ($t = -2.726$, $p = 0.007$). This suggests that as the adoption of this crowdfunding model increases, it may adversely affect the incubation efforts aimed at supporting these businesses in Niger State, Nigeria. One possible explanation for this counterintuitive outcome could be the misalignment between the expectations of entrepreneurs and the actual benefits derived from Qard Hassan funding; entrepreneurs might become overly reliant on this model without adequately developing the necessary business acumen or operational frameworks needed for sustainable growth. Furthermore, this reliance might lead to a lack of critical investment in business infrastructure and strategic planning, thereby hindering their ability to scale effectively. Consequently, this finding leads to the rejection of the null hypothesis, which posits no effect of Qard Hassan on SSEs incubation, and the acceptance of the alternative hypothesis, indicating that increased adoption of this model could indeed have detrimental consequences on the growth and development of small and medium enterprises within the region. This underscores the importance of carefully considering the implications of various crowdfunding models and their alignment with the unique needs of businesses in Niger State.

In contrast, the analysis reveals that Lending-Based Crowdfunding (peer-to-peer lending) Adoption has a positive and statistically significant effect on the incubation of small and medium enterprises (SSEs) in Niger State, Nigeria, as evidenced by a coefficient of 0.140 ($t = 2.891$, $p = 0.004$). This finding indicates that an increase in the adoption of peer-to-peer lending correlates with enhanced incubation efforts for SSEs, suggesting that this model effectively provides the financial support and flexibility that these businesses need to thrive. Peer-to-peer lending often allows entrepreneurs to access funds without the stringent requirements typically imposed by traditional banks, fostering an environment where they can invest in growth initiatives, improve operational efficiencies, and scale their ventures more effectively. This accessibility to capital can be crucial for SSEs, particularly in regions where conventional financing options are limited. The positive impact of this crowdfunding model highlights its potential as a valuable resource for nurturing entrepreneurship and driving economic development in Niger State. Consequently, the findings lead to the rejection of the null hypothesis, which suggests no relationship between lending-based crowdfunding adoption and SSEs incubation, and the acceptance of the alternative hypothesis, confirming that increased adoption of this model indeed contributes positively to the growth and sustainability of small and medium enterprises in the region.

Similarly, the results indicate that Equity-Based Crowdfunding Adoption has a positive association with the incubation of small and medium enterprises (SSEs) in Niger State, Nigeria, reflected in a coefficient of 0.108 ($t = 2.541$, $p = 0.012$). This finding suggests that as more entrepreneurs and businesses engage with equity crowdfunding platforms, they are better positioned to secure the capital necessary for growth and innovation. By allowing investors to acquire ownership stakes in businesses in exchange for their financial contributions, equity crowdfunding not only provides vital funding but also fosters a sense of partnership and shared success between entrepreneurs and investors. This collaborative model encourages investors to take an active interest in the performance of the businesses they support, potentially leading to additional resources, mentorship, and networking opportunities. The significance of this relationship underscores the effectiveness of equity crowdfunding as a strategic tool for enhancing SSEs' incubation processes, particularly in a region where traditional funding avenues may be limited or overly restrictive. Consequently, this leads to the rejection of the null hypothesis, which posits no impact of equity-based crowdfunding on SSEs incubation, and supports the acceptance of the alternative hypothesis, affirming that increased adoption of this crowdfunding model significantly contributes to the nurturing and development of small and medium enterprises in Niger State.

However, the findings reveal that Donation/Charity-Based Crowdfunding (Waqf) Adoption does not exhibit a statistically significant effect on the incubation of small and medium enterprises (SSEs) in Niger State, Nigeria, as indicated by a coefficient of 0.034 ($t = 0.535$, $p = 0.593$). This lack of significance suggests that, unlike other crowdfunding models, Waqf may not provide the necessary financial impetus or operational support needed for effective SSE incubation in the region. Several factors could contribute to this outcome, including the possibility that Waqf donations are often directed toward specific charitable causes rather than business ventures, thereby limiting their availability for enterprise development. Additionally, the traditional nature of Waqf may not align with the contemporary needs of entrepreneurs seeking dynamic and flexible funding solutions. Consequently, the acceptance of the null hypothesis reinforces the idea that while Waqf plays an essential role in philanthropic efforts, its current model may not be adequately positioned to foster the growth and sustainability of SSEs in Niger State. This finding encourages further exploration into the mechanisms and strategies by which Waqf could be restructured or adapted to better support entrepreneurial Initiatives In The Future.

5. Conclusion and Recommendations

This study examined the impact of various crowdfunding models on the incubation of small and medium enterprises (SSEs) in Niger State, Nigeria. The findings revealed that while Reward-Based Crowdfunding (Qard Hassan) Adoption negatively affects SSEs incubation, Lending-Based Crowdfunding (peer-to-peer lending) and Equity-Based Crowdfunding Adoption have a positive influence. In contrast, Donation/Charity-Based Crowdfunding (Waqf) Adoption did not show a significant effect. These results indicate a complex landscape in which different types of crowdfunding can either support or hinder the growth of SSEs, emphasizing the need for strategic approaches in utilizing these financial models for effective business incubation.

Given the study's findings, it is imperative for various stakeholders—including policymakers, financial institutions, incubators, and entrepreneurs—to collaboratively cultivate an environment conducive to effective crowdfunding strategies that support small and medium enterprises (SSEs). Policymakers should prioritize the establishment of regulatory frameworks that enhance the positive aspects of lending and equity crowdfunding models, ensuring they are accessible and beneficial for SSEs. Furthermore, incubators play a pivotal role by offering targeted training and resources that empower entrepreneurs to navigate the complexities of crowdfunding successfully, enhancing their skills in developing compelling pitches and managing investor relationships. Financial institutions should also be proactive by designing tailored financial products and services that align with the unique needs of SSEs utilizing these crowdfunding methods, thereby bridging the gap between entrepreneurs and potential investors. Additionally, fostering partnerships among stakeholders can create synergies that enhance the overall efficacy of crowdfunding initiatives, enabling a more robust ecosystem that not only supports the financial sustainability of SSEs but also contributes to broader economic growth in the region. Through this collaborative approach, crowdfunding can be leveraged as a powerful tool for driving innovation and entrepreneurship, ultimately leading to a more vibrant and resilient business landscape in Niger State.

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