

### Expanding market segment for alternative financing

- Growing Islamic alternative financing market

Islamic ECF and P2P financing markets as an emerging asset class is gaining significant traction. Characterised by its adherence to Islamic principles, ethical and socially responsible investing, this Shariah-compliant asset class appeals to a diverse range of investors.

In efforts to spur the growth of the capital market and help support the country’s economic recovery, the SC opened registration for new ECF and P2P market operators with Shariah solutions and value proposition late in 2022. The initiatives mentioned move towards a ‘liberalisation of the capital market’ to allow MSMEs and MTCs to have better access to funding to grow their businesses. Since the announcement, the SC has approved two new ECF platform operators that focused on Shariah-compliant value propositions. This is in addition to the nine existing ECF and P2P market operators, providing conventional and Shariah-compliant alternative financing solutions.

- Expanding P2P financing for mid-tier companies

While Malaysia has a developed bond market, it remains largely confined to serve large issuers and institutional investors. In contrast, MTCs which have a sizeable contribution to Malaysia’s GDP have been primarily self-reliant in financing their business growth especially if they have outgrown existing financing avenues for MSMEs but are still too small for the traditional public market.

In line with this, the SC has allowed the registration of new P2P financing platforms to offer debt-based financing for MTCs as compared to existing P2P operators who are predominantly serving the financing needs of MSMEs. To be eligible for this new registration, interested applicants must demonstrate their ability to facilitate larger issuances (of no less than RM5 million) and long-term financing (of over 12 months).

The new registration has attracted positive interests from potential market operators, with one new P2P-MTC operator being registered by the SC.

### SCxSC GROW: Expanding Alternative Financing for the Food Security Agenda

SCxSC GROW is a new collaborative programme under the SC’s fintech flagship initiative ‘Synergistic Collaboration by the SC’ (SCxSC). The SCxSC GROW embodies a collaborative effort with ecosystem partners to harness the potential of alternative financing digital platforms to meet the needs of MSMEs in strategic sectors.

The year 2023 marks the inaugural edition of the SCxSC GROW initiative, focusing on the crucial agricultural sector. Despite its economic significance, many agri-based MSMEs encounter hurdles in financing for growth and sustainability. This funding gap directly affects food security since these enterprises are fundamental contributors to the food supply chain. The first edition of SCxSC GROW endeavours to enable agricultural expansion through inclusive and innovative financing, recognising food security as a shared responsibility.

Alternative financing avenues such as ECF and P2P financing can play a key role in this respect. This form of financing democratises access to financing through innovative credit assessment and bespoke financing instruments, offering crucial support to early-stage, small-holder agribusinesses and agripreneurs striving to modernise agriculture. Since its inception, ECF and P2P financing have notably supported over 2,000 agri-related MSMEs across the entire value chain – spanning upstream, mid-stream, and downstream sectors with raising over RM800 million.



#### Four Main Objectives

#### GROW

Grow, nurture and revitalise targeted segments

#### REACH

Reach out to wider pool of MSMEs, ecosystem players and relevant stakeholders by enhancing awareness

#### OPEN

Open and explore opportunities for further innovation and competition to better serve targeted segments

#### WIDEN

Widen the pool of investor base to cater to different needs of specific targeted segments

### Key milestones achieved in 2023

Series of SCxSC GROW collaborative interactions and dialogues with essential stakeholders and innovators locally and globally.

SCxSC GROW Fintech Conference on 31 May 2023 attracted a total of 800 physical attendees and 1,000 virtual attendees.

1<sup>st</sup> Nationwide SCxSC GROW Workshop with Ministry of Agriculture and Food Security of Malaysia (KPKM) on 24 August 2023  
 > 60 participants from KPKM including *Lembaga Pertubuhan Peladang*, Department of Agriculture, *Jabatan Perikanan Malaysia*, Federal Agricultural Marketing Authority.

1<sup>st</sup> SCxSC GROW & Bioeconomy Corp. Joint Workshop on 4 October 2023.



#### Quarter 1

- Garnered greater awareness on ECF and P2P financing.
- Identified key challenges and ideas to expand ECF/P2P financing for agri-sector.



#### Quarter 2

- Shed light on fintech and AgTech trends while fostering discussions and collaborations that has the potential to finance, build and implement new technologies or financial products tailored to the agricultural sector's specific needs.
- Kicked off focus on food security.



#### Quarter 3

- Deeper dive into ECF/P2P financing with agri-related agencies.



#### Quarter 4

