

As part of the ongoing evolution of the alternative financing landscape, efforts in 2024 were focused on expanding into new market segments and enhancing investor participation, in alignment with the SC's MSME and MTC 5-Year Roadmap.

Growing market segments

1. **Widening financing options for MSMEs and small contractors participating in government contracts**

In line with efforts to enhance financing accessibility for MSMEs, the SC has facilitated the participation of P2P financing in the government procurement financing scheme. The scheme will enable P2P financing platform operators registered with the SC to provide financing to MSMEs and small contractors involved in government contracts. Traditionally, businesses participating in government contracts rely primarily on banks and factoring houses for financing. This new scheme, which came into effect on 1 January 2025, aims to diversify financing avenues and better address the working capital needs of smaller businesses, particularly for those fulfilling government contracts under the scope of supplies, services or contract works.

The scheme is tailored to cater to specific financing requirements faced by MSMEs and small contractors. It offers two primary financing options: invoice financing, which supports cash flow post-contract delivery and financing for contract implementation (pre-financing). By addressing both types of financing needs, it provides a comprehensive solution to improve cash flow for contractors engaged in government projects.

Nine P2P platform operators will participate in this scheme, with seven of them offering Shariah-compliant financing options. This initiative represents a significant step in broadening the financing ecosystem for MSMEs and small contractors, enhancing their ability to secure necessary funding and contribute more effectively to government-led projects.

2. **Continuous growth of ECF and P2P segments with the entrance of new market operators**

ECF and P2P markets have garnered considerable interest from applicants looking to offer niche financing solutions to further diversify the financing and investment landscape in Malaysia. In 2024, three newly registered market operators commenced operations to offer Shariah-compliant financing and debt-based financing for MTCs, providing issuers and investors with access to a broader range of diversified offerings in the alternative financing space.

Mobilising capital to support entrepreneurial and business financing needs

1. **Driving greater institutional investor participation in the P2P financing market**

With the increasing demand from businesses for alternative financing, the SC has observed greater diversification of the investor base to meet these expanding needs, fuelled in part by the growing participation of institutional investors in the P2P financing segment. Greater institutional investor participation can lead to a more robust, scalable, and resilient P2P financing market, benefiting all participants in the ecosystem.

To facilitate greater involvement of institutional investors in the P2P financing segment, the SC organised a focus group discussion that brought together key stakeholders from the P2P financing, fund management and trustee segments. Attended by over 40 participants, this initiative aimed to identify challenges and collaboratively explore solutions to facilitate greater institutional participation in the P2P financing market. Among others, participants emphasised the importance of establishing standardised valuation methodologies across various P2P products for fair pricing and discussed preferred investment vehicles to facilitate P2P investments. The session also underscored the ongoing need to raise awareness of P2P financing among institutional investors to further broaden market participation.

SPECIAL FEATURE 2

MALAYSIA CO-INVESTMENT FUND (MyCIF):
SPURRING GROWTH AND ENHANCING
COMPETITIVENESS OF MSMEs

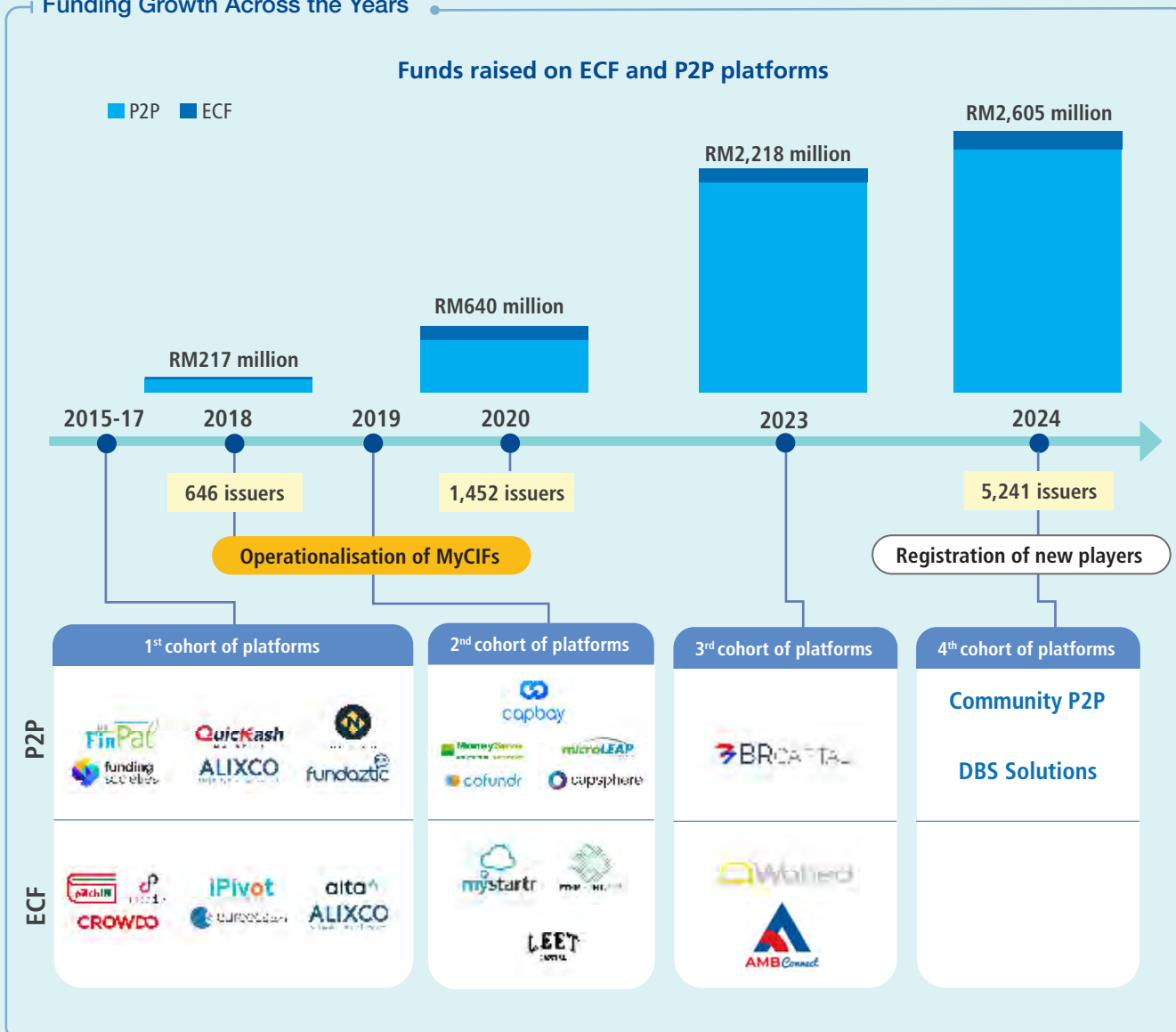
Celebrating MyCIF's 5-Year Journey

Introduction

Established in 2019, MyCIF has been a game-changer in financing for Malaysian MSMEs, through co-investing in ECF and P2P campaigns. MyCIF serves as a catalyst to the alternative financing space, bridging the funding gap for MSMEs and fostering growth across Malaysia.

INFOGRAPHIC 1

Funding Growth Across the Years

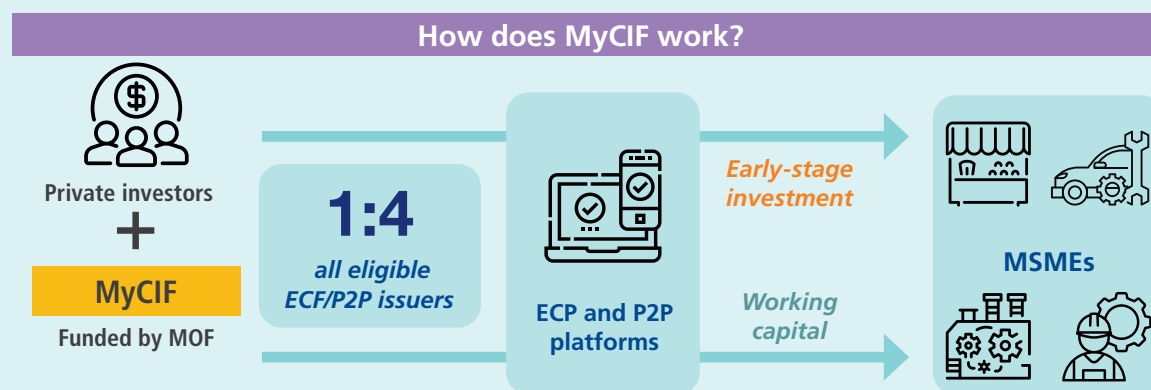


Co-Investment Mechanism as a Strategic Policy Tool

MyCIF's co-investment model is designed to incentivise growth in strategic segments, channelling investments to where they are needed most. By adjusting its co-investment ratio, MyCIF has supported strategic segments, such as food security and environmental, social and governance (ESG)-related industries. From 2020 to 2023, these sectors benefitted from enhanced ratios of 1:1 or 1:2 compared to the general 1:4¹.

INFOGRAPHIC 2

Co-Investment Ratios Tailored for Impact



Allocation of funds through strategic co-investment ratios



KEY STATS	Shoring Up Investor Confidence	
	4.1x Private investment growth from 2020-2024.	MyCIF passive co-investment model leverages public funds to drive private-sector involvement, with amplified impact. Government co-investing alongside the crowd boosts confidence and encourages private investments in MSMEs.
9,523 MSMEs benefitted since inception	Confidence in local MSMEs. Malaysian government has skin-in-game in the growth of local MSMEs.	Sustainable Funds Capital and returns are reinvested back into MyCIF for other MSMEs. RM1 from MyCIF is re-invested 9 times on P2P platforms.
	P2P	9x

¹ 1:4 ratio = MyCIF will invest RM1 for every RM4 successfully raised from private investors on the MyCIF participants' platforms.

Resilience Amid Crisis

Vital 'buoy' to empower MSMEs to stay afloat

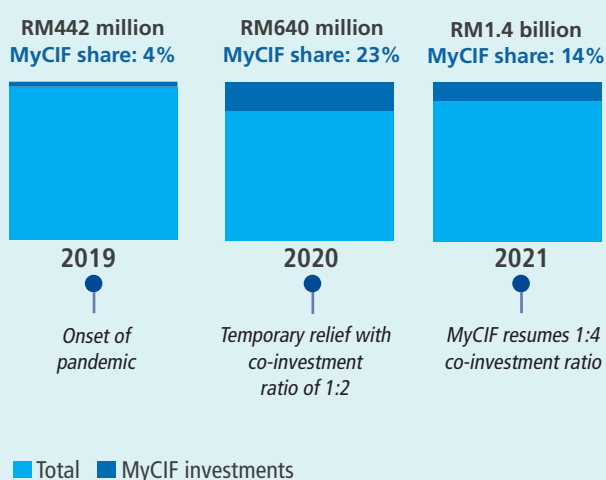
The pandemic posed unprecedented challenges to MSMEs, many of which struggled to stay afloat. In response to urgent needs, MyCIF stepped in to provide temporary relief by adjusting its co-investment ratio from 1:4 to 1:2, doubling its co-investment size. MyCIF support has provided MSMEs with much-needed financial lifelines, enabling them to weather the crisis and rebuild for a more sustainable future.

INFOGRAPHIC 3

Temporary relief addressing MSME financing needs during pandemic

MyCIF stepped in during the pandemic to support continued business growth and enable digital pivots by providing a temporary relief co-investment ratio of 1:2, doubling its co-investment size.

Share of MyCIF investments over total funds raised



Supporting continued business growth

"During the initial days of MCO, survival was our top priority as we set aside our growth plans. We are grateful for the support of Funding Societies and the MyCIF Social Enterprise programme, which provided us with lower-cost financing during the pandemic."

– Christopher Lim, iHandal Energy Solutions

"MyCIF via CapBay was crucial to us during the pandemic, fuelling our growth as an IT solutions company."

– Rajasekhar Gummadi, Nityo Infotech Malaysia


Enabling digital pivot during the pandemic

A brick and mortar 'pan mee' business, Meet Mee, pivoted to digital sales of instant pan mee. To support this shift, they fundraised approximately RM1.6 million via ECF and MyStartr.

A *pisang goreng* stall, Bunpah, which fundraised RM15 thousand via P2P on microLEAP, expanded to cater for online food delivery – after which, sales increased by 30%.

Aligning Investments with Strategic Growth Pillars

Through preferential co-investment ratios, MyCIF has guided investments into key national priority areas, such as food security, environmental and social impact segments. Notable businesses benefitting from MyCIF's preferential ratio include Aliyah Rizq Farm, with its successful expansion from 25 to 200 acres, tripling its livestock production. Likewise, iHandal Energy Solutions weathered pandemic challenges by leveraging MyCIF-backed investments for cost-effective operations, underscoring the fund's role in supporting businesses with sustainability goals.

Food Security	Social Enterprises	Environment (ESG)
8x Increase in agri issuers invested by MyCIF after implementation of 1:2 special ratio	7.1 million Amount (RM) co-invested in social enterprises by MyCIF since inception	Environmental-impact companies co-invested by MyCIF 

"MyCIF Strategic Schemes and Initiatives – Over the years, we have defined strategic allocation developed to cater to underserved and strategic segments to national development agenda."

– Dr. Wong Huei Ching, Chairperson, MyCIF Committee

Bridge to Future Funding and New Growth Horizons

MyCIF has helped to fuel the growth journey of 307 start-ups



Start-ups which started with MyCIF gained confidence for subsequent fundraising rounds on ECF.

16

companies secured multiple rounds of funding via MyCIF



MyCIF beneficiaries in ECF gained visibility from other investors including Venture Capital (VC).

39

companies obtained additional funding via VCs



MyCIF helps companies grow beyond domestic markets, establishing regional presence.

83

companies have regional presence



Speedrent Technology, a rental property platform, and Uni Enrol, a digital scholarship matching service, both went on to subsequent ECF fundraising rounds.



PolicyStreet, an insurtech startup, and Fefifo, an agritech startup, secured more than RM67 million and US\$3.1 million in additional VC funding respectively.



Angkasa X, a tech-social inclusion company, with presence across ASEAN, filed for listing on Nasdaq in 2023.

MyCIF Notable Divestments in ECF

Capital gains from notable exits are reinvested back into other MSMEs



LAPASAR
.COM

LAPASAR
2021
21.4%



NU VENDING®

NU VENDING
2023
19.7%



Wilstech®

WILSTECH
2024
174%

MyCIF has provided vital support for budding startups, bridging the gap to future funding and growth opportunities. It has enabled MSMEs to reach new markets, diversify revenue streams, and attract attention from larger investors, including VCs and PE firms. This enhanced visibility and credibility have paved the way for sustained expansion and innovation for MSMEs.

MyCIF Open Day 2024

To commemorate its five-year anniversary, a MyCIF Open Day, titled 'Genesis, Contribution and Future of MyCIF', was held on 8 April 2024 at the Asian Institute of Chartered Bankers (AICB) building. The event, which was graced by Senator Datuk Seri Amir Hamzah Azizan (Minister of Finance II), Datuk Johan Mahmood Merican (Secretary General of Treasury) and the SC Chairman, featured seven digital boards on a gallery walk with curated speakers guiding attendees through MyCIF's five-year contribution to the MSMEs. The event also unveiled two new incentives aimed at boosting MSMEs in the upstream segments of the agriculture and bio-economy sectors in support of the food security agenda.

Under the new incentives, effective from April 2024 until the end of 2025, MyCIF will:

- Invest at 0% financing rate in eligible P2P campaigns; and
- Forego dividend income from investments in eligible ECF campaigns.

The implementation of these incentives has led to a 105% increase in co-investments in the agriculture sector compared to the previous year. To support fundraising of *waqf* development via ECF and P2P financing platforms, new MyCIF incentives were also announced by Prime Minister Dato' Seri Anwar Ibrahim at the Global Forum on Islamic Economics and Finance (GFIEF) on 28 May 2024. This is to benefit MSMEs, undertaking *waqf*-related projects, especially in the development of *waqf* land in the upstream agriculture and bio-economy segments.



Release of MyCIF's Impact Investing Framework and Toolkit

As part of Budget 2024, MOF allocated RM100 million to MyCIF for a period of three years for impact investing in the focus areas of food security, environment, community, education and healthcare. This also includes funding development projects of *waqf* assets in these focus areas.



This strategic allocation forms part of a new MyCIF scheme, called the Environmental and Social Impact (ESI) scheme, which supersedes the earlier ESG Scheme launched in 2023 with a broader range of focus areas. The MyCIF Impact Investment Framework (Impact Framework) was subsequently released in July 2024 to facilitate MyCIF investments into ECF and P2P financing businesses that qualify under this ESI scheme. The Impact Framework sets out impact goals to be achieved in MyCIF focus areas, supported by a toolkit to help ECF and P2P financing businesses to measure their impact contribution.

Following the release of the ESI scheme, there were three campaigns that had successfully raised funds on ECF platforms with MyCIF co-investing a total of RM1.2 million.

 <p>EDUCATION & COMMUNITY</p> <p>DIA Academy Sdn Bhd (DIA – Dialogues Includes All) Experiential training centre offering dialogue in the dark exhibitions and training workshops, from the perspectives of individuals with special abilities. Its mission is to help future employers recognise unique strengths and challenges of these individuals.</p>	 <p>HEALTHCARE</p> <p>Ascension Innovation Sdn Bhd Champions accessibility, inclusivity and economic empowerment by rectifying systemic inefficiencies prevalent within public and private sectors of healthcare delivery. Its flagship product, aiCMS, employs technology to optimise clinical management processes for patient engagement and retention.</p>	 <p>ENVIRONMENT</p> <p>Telcov Sdn Bhd Offers innovative e-waste recycling solutions, including a proprietary mobile app that streamlines e-waste collection and rewards users with recovered precious metals. Telcov is authorised by the Department of Environment (DOE) to handle, treat and dispose 300 tons per month of e-waste materials.</p>
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MyCIF Strategies Schemes in 2024

Fortifying food security and creating environment and social impact.

Ongoing MyCIF initiatives		Schemes Implemented in 2024	
Announced in 2022	Agriculture Scheme	Enhanced initiative	Food Security Scheme
 <p>1:2 co-investment ratio to support ECF and P2P campaigns in agriculture-sector</p> <p>Primary agriculture activities as defined by SME Corp including crops, livestock, fishing and aquaculture.</p>		<p>From April 2024 to end of 2025, following additional incentives for upstream agriculture and bio-economy businesses:</p> <ol style="list-style-type: none"> 0% financing rate in eligible P2P campaigns; and Forego dividend income in eligible ECF campaigns <p>This includes fundraising campaigns for <i>waqf</i> asset development.</p>	
Announced in 2023	ESG Scheme	ESG Scheme replaced	Environmental and Social Impact Scheme
 <p>1:2 co-investment ratio to support ECF campaigns in strategic sustainability sectors</p> <ol style="list-style-type: none"> Renewable energy. Waste and water management. Circular economy. 		<p>Launched in July 2024, 1:2 co-investment ratio to support impact businesses in focus sectors (Environment, community, food security, education and healthcare)</p> <p>Also partnering with State Islamic Religious Councils (SIRCs) to fund development projects of <i>waqf</i> assets in focus sectors.</p>	

MyCIF's Significant Achievements

With a total allocation of RM260 million from the government since the inception of the fund, MyCIF has successfully co-invested RM1.19 billion in over 9,000 MSMEs, achieving a remarkable 4.1 times multiplier effect. This has attracted a total of RM4.92 billion in private investments, bringing the overall funds raised with MyCIF's support to RM6.11 billion.

From its inception, MyCIF had invested approximately RM126 million in 308 ECF campaigns and RM1.06 billion in 69,977 P2P campaigns.

2. **Facilitating a conducive tax environment for greater individual participation in the ECF market**

As part of efforts to incentivise investments into ECF by individuals, the government had announced in Budget 2021 that individual investors be given an income tax exemption (ECF Tax Exemption), subject to the following:

- Investment must be made through ECF platforms from 2021 to 2023;
- Exempted amount is equivalent to 50% of investments made, capped at RM50,000 for each year of assessment (YA);
- Exempted amount is limited to 10% of aggregate income for each YA;
- Investment is not allowed to be disposed of within two years from the date of investment; and
- The investor, investee company and amount of investment must be verified by the SC.

On 20 February 2024, the SC submitted the first ECF investment annual data reporting to *Lembaga Hasil Dalam Negeri Malaysia* (LHDN). This served as a reference for LHDN to verify the first tax filing for ECF Tax Exemptions in ECF companies by individuals since the tax order became effective.

To further encourage individual investments in ECF, the government has extended the ECF Tax Exemption for another three years, until 31 December 2026 as part of the Federal Budget 2024 announcement. The scope has also been expanded to permit individual ECF investors investing through nominee limited liability partnership to benefit from the tax exemption. Previously, the ECF Tax Exemption was limited to individuals investing in the investee companies via ECF platforms, directly or through nominee companies. These measures allow more individual investors who are investing through ECF platforms to benefit from the ongoing ECF Tax Exemption.

3. **Enhancing opportunities for retail investors in the ECF market**

ECF has empowered retail investors to participate in start-ups and early-stage business investments, traditionally only accessible to institutions and high-net-worth individuals. This has democratised investment opportunities, enabling a broader population to benefit from entrepreneurial success.

Since ECF was introduced in 2015, the RM5,000 retail investment cap has remained unchanged despite evolving economic conditions. As the ECF market matures, there is growing demand for a higher cap that aligns with investor appetite and expanding opportunities. Raising this limit would better align with the increasingly larger size of ECF deals, fostering a more responsive and dynamic investment environment.

In this regard, the SC has liberalised the ECF retail investment limit from RM5,000 to RM10,000. This liberalisation, which came into effect on 6 January 2025, will provide greater flexibility for retail investors with higher investment capacity to participate in high potential ECF ventures. In addition, it supports a more inclusive investment framework, promoting a thriving entrepreneurial nation, in tandem with the *Ekonomi MADANI* framework and objectives of the *KL20 Action Plan*.

4. **Facilitating investor liquidity and exit mechanisms through ECF and P2P secondary markets**

The introduction of secondary markets within the ECF and P2P financing landscape represents a significant milestone, enhancing liquidity for investors. This initiative enables the trading of ECF shares and P2P investment notes, providing new investors with diverse investment opportunities.

To date, four registered market operators have received approval from the SC to operationalise secondary markets. Of these, two P2P financing and one ECF platform are now fully operationalised.

The SC launches GROWMatch and signs MOU with MDEC, Sidec, UPM, and Impact Circle

On 16 August 2024, the SC launched GROWMatch, a new matching initiative that allows agri-business entrepreneurs to showcase their ventures and attract necessary funding from alternative financing. The Minister of Digital, Gobind Singh Deo delivered the keynote address at the event.

Supported by 17 partners, including venture capital firms and government agencies, GROWMatch combines diverse expertise to support food security innovators, particularly small companies facing funding challenges. GROWMatch taps into ECF and P2P platforms to support MSMEs in strategic and underserved sectors.

The programme achieves two main outcomes: first, it provides agripreneurs with exposure to the investment community, from digital funding platforms to VC/PE firms, expanding their access to essential capital and mentorship. Second, it offers investors valuable insights into the unique risks and opportunities within tech-driven agri and food security sectors, fostering more informed, strategic investments.

At the GROWMatch pitching session, 20 outstanding entrepreneurs showcased innovative solutions, vying for diverse financing opportunities from alternative funding providers. Selected from over 70 applicants for their strong track records, business models, and execution strategies, these participants exemplified the high calibre of the GROWMatch cohort. Post-programme, several issuers are progressing toward securing financing, with some already attracting investments, highlighting the programme's effectiveness in fostering impactful financial connections.

At the same event, the SC also signed a Memorandum of Understanding (MOU) with the Malaysia Digital Economy Corporation (MDEC), Selangor Information Technology and Digital Economy Corporation (Sidec), Universiti Putra Malaysia (UPM) and Impact Circle.

The MOU seeks to promote food security self-sufficiency through alternative financing. It combines diverse expertise to develop, incubate and finance opportunities that support agripreneurs scale their business and contribute to the overall goal of achieving food security. Partners within the GROWMatch ecosystem, including the MOU signatories, have contributed to nearly 70% of GROWMatch applications and played a key role in preparing these ventures for investment.



These promising developments are set to enhance the attractiveness of the ECF and P2P markets, benefiting both issuers and investors. Furthermore, they will also contribute towards fostering a more dynamic and accessible capital market.

Establishment of the Malaysian Innovation Agri-Financing Steering Committee (MIAF)

As part of GROW, MIAF was established by the SC and the Ministry of Agriculture and Food Security (KPKM) to foster greater adoption of alternative financing among agropreneurs in support of the country's food security agenda. MIAF is a collaborative initiative that includes KPKM, Agrobank, Malaysia Digital Economy Corporation (MDEC) and the SC. The committee aims to leverage the expertise and resources of its members to increase the agriculture sector's understanding and adoption of alternative financing (ECF and P2P financing) and technology, as well as facilitate the growth of investment-ready agribusinesses.

The inaugural MIAF meeting, held on 8 February 2024, explored a range of initiatives to bolster the agri-financing ecosystem. These initiatives focused on advancing agri-financing solutions by fostering connections between agribusinesses and alternative financing sources to support innovation, growth and sustainability in Malaysia's agriculture sector.

MOBILISING PRIVATE AND PHILANTHROPIC CAPITAL VIA THE SOCIAL EXCHANGE

Enhancing the Social Finance Ecosystem in Malaysia

On 28 May 2024, Prime Minister Dato' Seri Anwar Ibrahim officially announced the establishment of Malaysia's first Social Exchange at the GFIEF. This significant development underscores the government's commitment to fostering social innovation and addressing pressing societal challenges through collaborative efforts.

The SC proudly spearheads this groundbreaking initiative, marking a significant step towards enhancing the social finance ecosystem in Malaysia. This innovative fundraising platform is the first regulator-led initiative of its kind in the country, aimed at driving impactful social change by facilitating the flow of private and philanthropic capital into impactful projects that deliver positive social outcomes and foster sustainable development. This initiative not only demonstrates the SC's commitment to social innovation but also sets a precedent for collaborative efforts in addressing societal challenges.

Aligning with Ekonomi MADANI Aspirations and Sustainable Development Goals

The establishment of the Social Exchange is expected to foster collaborative solutions and empower societal development, aligning seamlessly with the aspirations of the *Ekonomi MADANI* framework aiming for a just, equitable, and sustainable economy. This initiative reflects a strategic move to integrate social finance mechanisms into Malaysia's broader economic development plans, promoting shared prosperity and social justice.

In addition, the Social Exchange focuses on funding eligible projects that encompass diverse themes aligned with the United Nations Sustainable Development Goals (SDGs). By aligning with these global goals, the Social Exchange aims to create meaningful impact on communities and contribute to Malaysia's sustainable development agenda.

Key areas include:



Social Welfare: Initiatives that improve the quality of life for disadvantaged communities.



Quality Education: Programmes that enhance educational access and outcomes.



Capacity Building: Projects that strengthen skills and competencies within communities.



Good Health and Wellbeing: Efforts aimed at improving healthcare services and promoting healthy lifestyles.