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## **Khazanah Nasional Berhad and CGC Digital announce strategic investment in Funding Societies to broaden financing access to MSMEs**

**Kuala Lumpur, Malaysia, 3 January 2024** – Khazanah Nasional Berhad (“Khazanah”) and CGC Digital Sdn Bhd (“CGC Digital”) announced an investment into the largest unified small and medium enterprise digital finance platform in Southeast Asia, Funding Societies | Modalku (“Funding Societies”), to broaden financing access to unserved and underserved businesses.

Funding Societies is a regional financial technology (“FinTech”) company that provides financing to micro, small and medium enterprises (“MSMEs”), especially micro and small businesses currently unserved by existing financial institutions. Since its inception, Funding Societies has disbursed over US\$3.5 billion (RM16 billion)<sup>1</sup> in business financing through five (5) million transactions, positively impacting over 100,000 businesses across its five (5) markets in Southeast Asia, namely Malaysia, Singapore, Indonesia, Thailand and Vietnam.

In the context of Malaysia, Funding Societies aims to address the RM90 billion<sup>2</sup> (US\$19 billion) funding gap for MSMEs. Established in 2015, Funding Societies was one of the first companies to be registered as a Recognised Market Operator by the Securities Commission Malaysia.

With this investment, Funding Societies aims to expand its Malaysian coverage to areas beyond Kuala Lumpur, Selangor, Penang, and Johor. By the end of 2025, it targets to serve more than 25,000 MSMEs across Malaysia, thereby improving MSME’s access to financing, growth, and scalability while fostering job creation and income development for those employed by these businesses.

Moreover, the company intends to widen the reach of its Islamic financing solutions introduced in Malaysia earlier this year. Since its launch in May 2023, it has disbursed over RM100 million in Shariah-compliant financing in Malaysia.

Khazanah’s investment falls under its Dana Impak mandate, a fundamental pillar under its Advancing Malaysia strategy. The investment complements the government’s aspiration of enhancing MSMEs’ performance through greater access to financing, creating opportunities and promoting socioeconomic growth for rural, semi-urban and underserved communities with limited access to financial services.

In order to create a greater impact on the Malaysian MSME ecosystem, Khazanah’s investment in Funding Societies is made alongside CGC Digital. CGC Digital aims to advance financial inclusion through the development of innovative digital guarantee products as well as its own guarantee credit scoring model that can close the gap and address the pain points in micro and small businesses’ demand for financing. These nation-building initiatives target

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<sup>1,2</sup> US\$1 = RM4.62



to level the playing field for MSMEs, especially thin-file MSMEs. To reinforce the partnership, Funding Societies will continue to collaborate with CGC Digital to provide digital guarantee products on its platform, which will further aid Malaysian micro and small businesses in getting financing in the long term. A digital-first approach through its digital guarantee product leveraging alternative data will allow micro and small businesses broader and more affordable access to financing.

**Khazanah's Managing Director, Dato' Amirul Feisal Wan Zahir, said,** "The investment in Funding Societies reflects our commitment to fostering financial inclusion and bridging the funding gap, especially within the MSME community. Being the backbone of Malaysia's economy and contributing nearly half of the nation's employment, MSMEs are both critical and critically underserved. Hence, this investment aligns with our mission of contributing to nation-building and socioeconomic growth".

Feisal added that by supporting innovative platforms like Funding Societies together with CGC Digital, Khazanah aims to empower the MSME community, unlocking new opportunities to propel the nation in line with the MADANI Economy vision of improving socioeconomic outcomes for all.

Khazanah's impact thesis was driven by the role of digital finance platforms, such as Funding Societies, in leading the delivery of comprehensive digital financing solutions to underserved MSMEs in Southeast Asia, enabling improved access to capital and fostering financial inclusion throughout the region.

Particularly for the Malaysian market, with Dana Impak's investment, Funding Societies aims to have more than 50% of its annual loan disbursements from Shariah-compliant financing by 2025 – in line with the aspiration to support the growth of Bumiputera MSMEs.

**Yushida Husin, CEO of CGC Digital, said,** "CGC Digital sees this investment as a strategic win for Malaysian MSMEs. We share Dana Impak's vision and believe that, by working together with Khazanah, CGC Digital can advance financial inclusion among underserved and unserved MSMEs in the digital ecosystem. CGC Digital seeks to push the envelope by developing a suite of innovative digital guarantee products for thin-file MSMEs that can be offered together with Funding Societies' financing products to increase their chance of obtaining much-needed financing."

The investment also follows the success of CGC Digital's partnership with Funding Societies earlier this year, where a new guarantee product was developed via a pilot programme. The product provides Credit Guarantee Corporation Malaysia Berhad's guarantee at the transactional level of Funding Societies' digital supply chain financing, thereby directly supporting the business activities of MSMEs and advancing financial inclusion.

**Datuk Mohd Zamree Mohd Ishak, Board Member of CGC Digital and the President and CEO of CGC Digital's parent company, Credit Guarantee Corporation Malaysia Berhad,** echoed the sentiment, saying, "By joining forces with Khazanah and Funding Societies, this strategic investment by CGC Digital shows CGC Group's commitment to taking Malaysian MSMEs, especially thin-file MSMEs, to the next level."



**Co-founder and Group CEO of Funding Societies, Kelvin Teo**, said, “We are honoured to receive support from Khazanah and CGC Digital, who share our conviction to impact and MSMEs. This is a testament to our commitment towards extending credit to reach more underserved MSMEs. We would also progressively offer MSMEs more cash flow management solutions to power their growth.”

He added that while MSMEs represent 97% of business establishments in Malaysia and contribute 38% to the gross domestic product (GDP)<sup>3</sup>, this group still faces significant challenges in obtaining credit, as evidenced by the RM90 billion financing gap in Malaysia<sup>4</sup>.

“This is where Funding Societies seeks to step in by serving the region’s MSMEs’ cash management challenges and needs with our extensive reach and broad range of short-term financing solutions,” Teo added.

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#### **About Khazanah Nasional Berhad**

Khazanah is the sovereign wealth fund of Malaysia entrusted to deliver sustainable value for Malaysians. In line with its long-term strategy of Advancing Malaysia, Khazanah aims to deliver its purpose by investing in catalytic sectors, creating value through active stewardship, increasing its global presence, as well as building capacity and vibrant communities for the benefit of Malaysians.

For more information on Khazanah, visit [www.khazanah.com.my](http://www.khazanah.com.my)

#### **About Dana Impak**

Dana Impak, or impact fund, is an initiative by Khazanah and a key pillar under Khazanah’s Advancing Malaysia strategy to support investments that will increase the nation’s competitiveness and resilience in the evolving global environment, prioritising the creation of long-term societal value for Malaysians.

#### **About CGC Digital**

CGC Digital is a FinTech company, established as the digital arm of Credit Guarantee Corporation Malaysia Berhad. Registered in July 2022, our primary goal is to empower Micro, Small, and Medium Enterprises (MSMEs) by creating a simpler and more seamless financing experience in the digital ecosystem.

For more information about CGC Digital, please visit [www.cgcdigital.com.my](http://www.cgcdigital.com.my).

#### **About Funding Societies**

Funding Societies | Modalku is the largest unified SME digital finance platform in Southeast Asia. It is registered with the Securities Commission Malaysia (SC), as well as licensed in Singapore, Indonesia, and Thailand, and operates in Vietnam. It is backed by SoftBank Vision Fund 2, SoftBank Ventures Asia, Sequoia Capital India, Alpha JWC Ventures, SMBC Bank, Samsung Ventures, BRI Ventures, Endeavor, SGIInnovate, Qualgro, Golden Gate Ventures, and Penjana Kapital amongst others. The

<sup>3</sup> Department of Statistics, Malaysia (2022)

<sup>4</sup> Capital Masterplan 3, Securities Commission Malaysia



FinTech company provides business financing to micro, small and medium-sized enterprises (MSMEs), which are funded by individual and institutional investors.

It was given the Digitalizing Services for Retail Participations award by the Securities Commission Malaysia during the INVESTSMART® FEST 2019, the Monetary Authority of Singapore (MAS) FinTech Award in 2016, the Global SME Excellence Award at the United Nations' ITU Telecom World in 2017, KPMG Fintech100 in 2018, Brands for Good in 2019, and ASEAN Startup of the Year by Global Startup Awards in 2020. In 2021, it was honourably mentioned as Responsible Digital Innovator of the Year by the World Bank IFC SME Finance Forum and won the MAS ASEAN Fintech award for the second time. Most recently, it was awarded the Top Lending/Financing Startup at the Fintech Frontiers Awards Malaysia 2023.

For more information on Funding Societies Malaysia, please visit <https://fundingsocieties.com.my>.

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