



**“OUR AVERAGE GUARANTEE ISSUED TRIPLED FROM RM1.8 BILLION TO RM5.2 BILLION. THIS TREND CONTINUED IN 2023, WHEN THE TOTAL APPROVALS FOR GUARANTEE AND FINANCING SCHEMES REACHED RM5.1 BILLION, EXCEEDING OUR TARGET BY 125% AS WE CONTINUED WITH OUR COUNTERCYCLICAL ROLE.”**

**DATUK MOHD ZAMREE  
MOHD ISHAK**  
President &  
Chief Executive Officer

# **PRESIDENT & CHIEF EXECUTIVE OFFICER'S OVERVIEW**



## DEAR SHAREHOLDERS,

In CGC’s 2022 Annual Report, I reaffirmed the Corporation’s commitment to continuing to deliver our mandate by providing both financial and non-financial assistance to the unserved and underserved Malaysian MSMEs as we continue to play a pivotal role in Malaysia’s economic growth and development, job creation and poverty reduction.

In this 2023 Annual Report, I wish to highlight that we continued to fulfil this important mandate both in good times as well as in challenging times. We ensured that MSMEs had access to financial assistance during the most challenging time in recent history and this was shown when our average guarantee issued tripled from RM1.8 billion to RM5.2 billion. This trend continued in 2023, when the total approvals for guarantee and financing schemes reached RM5.1 billion, exceeding our target by 125% as we continued with our countercyclical role.

CGC is dedicated to empowering MSMEs, in recognition of their vital role in the Malaysian economic landscape. In July last year, the Malaysian Department of Statistics (DOSM) reported that MSMEs comprised 97.4% of registered businesses, employed 48.2% of the workforce, and contributed 38.4% to GDP. Therefore, success of our Malaysian MSMEs is essential for our nation’s prosperity and ensuing economic growth.

In this annual report, we feature several MSME stories. I personally had the opportunity to meet Zainab Asrie, founder of Benoni Textile Enterprise in Papar, Sabah who, against all odds,

ensured her business thrived during the pandemic. To meet market needs, she pivoted immediately from selling carpets and textiles to selling essential goods online. Upon receiving cash-on-delivery orders online, she and her team delivered to her clients, with relevant authorities providing approval during the Movement Control Order (MCO) periods. She was also grateful

that CGC granted a 6-month moratorium on her 2019 BizWanita-i financing for her Sahabat 1 Enterprise mini market in Kinarut.

Zainab’s story is an inspiring one. Of someone who started a business during the pandemic, pivoting to selling essential goods online, obtained clearance to deliver goods during MCO and was provided with a 6-month moratorium to navigate the pandemic. When I met her recently, she told me that her business was more resilient than before. With her second financing, CGC BizMula-i (start-up direct financing) approved in September 2022, she bought more fabric and sewing machines for her small factory that produces bedsheets and blankets, adding volume to her diverse products, for retail and wholesale customers. For us in CGC, Zainab epitomises a forward-thinking, adaptable and resilient MSME owner, and we are honoured to be a part of her business journey.



Meeting Benoni Textile Enterprise founder in Papar, Sabah



## PRESIDENT & CHIEF EXECUTIVE OFFICER'S OVERVIEW

### PERFORMANCE 2023

#### Q1 Reflecting on the year, what were the Corporation's most noteworthy achievements?

My colleagues and I take pride in assisting unserved and underserved MSMEs and, in 2023, we provided financial assistance to over 10,000 MSMEs, and non-financial assistance to over 8,800 MSMEs.

With 2023 marking the third year of the 5-Year Strategic Plan 2021-2025 (5SP+) for its four Headline Targets, CGC recorded a 90% achievement in Guarantee & Financing Base of the set target of RM24.7 billion. Guarantee Reserve Ratio recorded a 100% achievement in meeting its 2023 target. The Cost-to-income Ratio recorded an achievement of 123% against its yearly target.

A review of the 5SP+ was conducted in mid-2023, focusing on four key areas. These are: Business, House of CGC, Strategic Initiatives, and Headline Targets, with special attention to Group Operating Model and introduction of

Strategic Enablers. Following the comprehensive 5SP Mid-Term Review, efforts will be focused on fulfilling the remainder of the plan and enhancing our business trajectory. CGC is set to transition gradually toward a digital operating model, with CGC Digital spearheading the broader digital transformation within CGC.

In swiftly adapting to market dynamics in 2023, the House of CGC and strategic objectives were refined to emphasise collaboration and to leverage partners' platforms for assisting MSMEs. The addition of S.O. 4, focusing on sustainability, and revisions to Headline Targets, incorporating ESG-linked guarantees and segmenting customers for targeted developmental support and financial assistance, reinforce our commitment to a holistic approach. Strategic Initiatives have been honed down to eight, complemented by eight Strategic Enablers, streamlining focus for the successful realisation of our 5SP+, while reaffirming our dedication to innovation, collaboration, sustainability, and digital transformation.

In order to achieve the RM1 billion ESG-linked guarantee target by 2025, RM100 million PG ESG was launched in 2023 on top of the commitment to support the Green Technology Financing Scheme (GTFS 4.0) and the Low Carbon Transition Facility (LCTF). Over 43,600 MSMEs have been assisted via targeted developmental support, besides 65,218 MSMEs via financial assistance mentioned earlier. Key Strategic Enablers have been developed to support the implementation of 5SP, including Strategic Workforce Planning, Guarantee Management System and Enterprise Data Warehouse.

#### Q2 How have CGC's key countercyclical measures played a role in contributing to economic development during economic setbacks?

In his statement, CGC Chairman Dato' Mohammed Hussein spoke about our countercyclical role, the not unexpected outcome, and reaffirmed our unwavering support for MSMEs in need of assistance. We do so by facilitating MSME financing through our credit guarantee mechanism, aiding businesses in both good as well as challenging economic times. MSMEs resilience is gauged by CGC's claim payments to financial institutions in MSMEs default scenarios.

From 2015 to 2023, the claim payment ratio (claim payment as a percentage of guarantee fee earned) averaged 69%. Post-Covid, MSMEs face ongoing recovery challenges, reflected in increased claim payments. In 2023, CGC's claim payment ratio surged to 98%, surpassing the 9-year average.

Our core belief centres on playing a countercyclical role, providing vital support to MSMEs in accessing financing during challenging periods. This, in turn, contributes significantly to the nation's economic development.



International engagement with Korea Credit Guarantee Fund during the 35<sup>th</sup> ACSIC Conference in Ulaanbaatar, Mongolia (7 August 2023)

**FULFILLING OUR MANDATE**

**Q3 What specific strategies or plans were executed in 2023 to broaden market reach or to access new segments?**

In 2023, we led with an expansion strategy, to elevate our market reach and tap into new segments through our strategic initiatives and collaborations. This resulted in our total approvals for the guarantee and financing scheme exceeding our target by 125%.

Firstly, we fortified our presence in the PG digital domain by introducing the RM600 million PG SME Online with several Participating Financial Institutions (PFIs). Secondly, we initiated PG totalling RM10 million with peer-to-peer (P2P) players. Thirdly, we intensified our CGC Developmental Programme®, covering both financial and non-financial advisory services, to include networking sessions, which strategically connected MSMEs with industry players within the MSME ecosystem. The programme enabled over 2,000 businesses to secure financing successfully. Finally, CGC Digital's Feasibility Project was specifically designed to support unserved and underserved MSMEs, catering to the needs of digital native partners.

These strategic moves underscore our dedication to innovation, collaboration, and a comprehensive approach to market expansion.

**Q4 What key risks and challenges did CGC encounter in executing planned initiatives in 2023?**

In compounding the prevailing uncertainty in both global and domestic economic conditions, geopolitical events such as international conflicts continue to impact global supply chains. These events lead to disruptions of essential resources for MSMEs.

Key challenges posed a formidable hurdle, impacting asset quality and leading to the tightening of credit for specific segments. Furthermore, we encountered challenges related to concerns in entering higher-risk MSME segments, such as the gig/sharing economy and food security. Consequent to our countercyclical roles, CGC experienced higher Expected Credit Loss in 2023 because of deteriorating asset quality. This was evident through higher Claim Ratio in 2023 of 98.1%, as compared to 66.9% in 2022. Notwithstanding this, our capital base remains strong with Guarantee Reserve Ratio of 1.7x and Capital Adequacy Ratio of 39.6% in 2023, supporting CGC in withstanding potential business and operational losses, as well as pay claims on our guarantees. Further, the Claim Ratio showed a downward trend in Q1 2024.

In relation to the above trend, CGC continually enhances its Enterprise Risk Management (ERM) Framework to further fortify both its risk management capabilities and its governance structure. We enhanced our business continuity plan enabling continuous provision of critical business functions, while protecting staff and customer health and well-being.

As we continue with our digital transformation journey, we remain vigilant against cybersecurity risks emerging from teleworking arrangements due to greater reliance on digital platforms, and risk of data and information leakage from conducting operations in home-based environments. We continuously reassess our cybersecurity risk profiles and IT strategies to manage digital risk, while key risks are closely monitored. In addition, we keep abreast of regulatory and legal requirements to comply with all applicable laws, regulations and guidelines issued by regulators.

**Q5 What specific mitigation strategies did CGC employ to address these obstacles and ensure successful implementation?**

We collaborate closely with our strategic partners, working together to proactively manage asset quality amid economic uncertainty. Acknowledging the necessity for strategic growth, we worked on new partnerships and collaborations within the MSME ecosystem. This approach aims to enhance our outreach and enter into the higher-risk MSME segments. On the ground, our 16 branches nationwide have been instrumental in assisting MSMEs at every business stage, such as referring them to our partner financial institutions and/or partner developmental financial institutions through CGC Branch Referral Programme. Further, we augmented our branch role by offering enhanced financial advisory and personalised consultation services to MSMEs. This not only supported MSMEs

“ WE ENHANCED OUR BUSINESS CONTINUITY PLAN ENABLING CONTINUOUS PROVISION OF CRITICAL BUSINESS FUNCTIONS, WHILE PROTECTING STAFF AND CUSTOMER HEALTH AND WELL-BEING. ”

## PRESIDENT & CHIEF EXECUTIVE OFFICER'S OVERVIEW

in their rehabilitation efforts, but also strengthened our commitment to providing comprehensive, tailored solutions. To address the market gap for underserved contractors, our branches intensified their efforts to promote Tabung Projek Usahawan Bumiputera-i (TPUB-i), which resulted in total financing approval of over RM110 million for projects awarded by the government, GLCs and reputable PLCs.

### EXPANDING POTENTIAL

**Q6 Detailing 2023 initiatives, how did CGC strategically strengthen its internal capacity to ensure operational readiness and adaptability?**

Our strategic focus to enhance our internal capacity was to meticulously focus on People, Process (inclusive of risk management), Data and Technology to guide our approach. We heightened internal capability through targeted employee training in critical areas such as cybersecurity, digitalisation, sustainability, credit family, and leadership.

In 2023, we focused on continuous learning through cross-training, job rotation, and microlearning to advance adaptable skill sets, along with mobility and nurturing potential talent to create pathways for leadership roles. Reflecting the positive work environment and organisational stability, the attrition rate has reduced significantly from the previous year. Furthermore, recognition from Graduan Brand Awards as one of the top 50 in Malaysia's Most Preferred Employer 2023 highlights our commitment to fostering a workplace that attracts and retains top talent.

For Process, Data and Technology, we successfully implemented Enterprise Data Warehouse (EDW) infrastructure enabling us to create value from centralised data management. Our Portfolio Guarantee Application

Programming Interface (API) was successfully deployed with several partner banks throughout 2023 to enhance operational efficiency. This has resulted in a swifter and a more streamlined guarantee and financing approval process.

As the cybersecurity threat landscape evolves, CGC builds resilience by continually reviewing and improving our cybersecurity posture and practices. We work with reputable cybersecurity service providers to monitor our environment, while adopting Bank Negara Malaysia's Risk Management in Technology (RMiT) Guidelines to minimise the risk of cyberattack. CGC is also improving our capability to prevent and to recover quickly in the unfortunate event of a cyberattack.

**Q7 Which significant partnerships or collaborations in 2023 would you highlight, in terms of their contribution to the Corporation's objectives?**

During CGC Digital's foundational stage, we engaged extensively with key stakeholders in the digital ecosystem to identify areas for collaboration to advance our commitment to the financial

inclusion mandate. As a start-up, CGC Digital has progressed well and, on 3 January 2024, CGC Digital jointly with Khazanah Nasional Berhad announced a strategic investment in Funding Societies to broaden access to financing for MSMEs. Funding Societies is Southeast Asia's largest unified MSME digital finance platform, which has disbursed over RM16 billion to over 100,000 MSMEs across Malaysia, Indonesia, Singapore, Thailand and Vietnam. Given the future potential of this collaboration, I am excited about this strategic investment, a launch pad to assist thin-file MSMEs with access to financing.

Another significant collaboration that I wish to share is the partnership on ESG Jumpstart for MSMEs, which was announced during the Joint Committee on Climate Change (JC3) Journey to Zero Conference, to accelerate both climate action and the shift of MSMEs to low-carbon practices. There are two initiatives in this collaboration, which is coordinated by the SME Focus Group under the JC3, namely the Environment Social and Governance (ESG) Jumpstart Portal and RM1 billion CGC Portfolio Guarantee Scheme ESG financing for MSMEs.



ESG Jumpstart for SMEs



**REMAINING RELEVANT**

**Q8** As forecasts indicate another challenging year for the economy in 2024, what strategies can CGC and the MSMEs it supports employ to remain relevant?

In 2024, we all will continue to face challenges amid global uncertainties. Thus, it is important that we continue to embrace digital transformation, use technology and big data, and adopt generative Artificial Intelligence (AI) to execute strategies to better serve the market’s needs and requirements. The winners will be those who execute and implement their strategy well. The usage of AI reshapes operations, and highlights the importance of human skills like emotional intelligence and collaborative problem-solving. CGC’s HR strategy prioritises a high-performing, future-ready culture, employing data-driven evaluations and competency-based training. Emphasising emotional intelligence and collaboration, CGC aims for personal and professional growth. Recruitment and data-driven performance management will elevate organisational capabilities. This approach ensures that CGC remains dynamic, fosters continuous growth, and is better prepared for the future.

The road ahead requires MSMEs to be adaptable, innovative, and socially and environmentally conscious to thrive. Embracing the data economy becomes crucial for strategic decision-making, customer understanding, and operational improvements. The trajectory of businesses hinges on integrating digital transformation through technology, big data, and adopting Generative AI. For us, this approach allows for market-centric strategies that complement our steadfast commitment to spearheading initiatives that level up not only CGC, but also the MSMEs we serve.

**WHAT’S NEXT?**

**Q9** How does CGC foresee imSME’s transformation with CGC Digital, leveraging technology to meet evolving MSME needs in a dynamic environment?

In view of the rapidly evolving global landscape influenced by technological progress, it was vital for us to transform imSME, Malaysia’s first online SME financing/loan referral platform, launched in February 2018. From its inception to the end of December 2023, the imSME platform received more than 2.5 million unique visitors, with more than 78,000 registered MSMEs. With the inception of CGC Digital, we are actively leading imSME’s evolution into a marketplace with the first initiative of platform refresh to facilitate future scalability and flexibility, which went live on 31 March 2024.

imSME, embedded in Malaysia’s New Industrial Master Plan (NIMP) 2030, serves as an essential enabler (NIMP Enabler 1.6), consolidating data on government grants, capital markets, and industry assistance programmes. This facilitates MSMEs’ access to financing, supporting the NIMP 2030 aim of boosting the manufacturing industry and its related services to be competitive on a global level.

Among the transformative enhancements that imSME is poised to undergo is its scalability, ensuring unparalleled service to MSMEs, designed with focus on MSMEs, fostering personalised service through intuitive interfaces to strengthen customer experience. With focus on actionable insights, the platform will revolutionise data collection and analysis, empowering us to make informed decisions, as well as anticipate market shifts and opportunities. With CGC Digital championing a digital-first approach, the enhanced imSME will facilitate an integrated work environment, cross-functional teamwork and increased innovation potential within CGC.

**“ WITH THE INCEPTION OF CGC DIGITAL, WE ARE ACTIVELY LEADING imSME’S EVOLUTION INTO A MARKETPLACE WITH THE FIRST INITIATIVE OF PLATFORM REFRESH TO FACILITATE FUTURE SCALABILITY AND FLEXIBILITY, WHICH WENT LIVE ON 31 MARCH 2024. ”**

# PRESIDENT & CHIEF EXECUTIVE OFFICER'S OVERVIEW

## Q10 What are CGC's Key Focus Areas in 2024?

Our primary focus remains on our core offerings, expanding our outreach through product innovation, and cultivating new partnerships, exploring avenues for integration with emerging platforms within our ecosystem.

We are prioritising initiatives aimed at driving significant impact in what we term 'Needle Movers'. These deliberate efforts slated for initiation this year are strategically designed to deliver tangible results, both medium and long-term.

All-encompassing key enablers are critical to support these business strategies. In alignment with our steadfast commitment to resilience, resources will be directed towards enhancing operational efficiency and technological prowess. This includes bolstering defences against cybersecurity threats while harnessing the transformative potential of artificial intelligence and data analytics.

CGC will continuously leverage our workforce potential, nurturing personal development, to ultimately elevate overall performance. The focus will be on fostering a culture of high performance, aligning roles with our 5SP+ Strategic Objectives and facilitating impactful learning experiences.

Lastly, our unwavering dedication to sustainability underscores our efforts to strengthen governance in the Corporation. Apart from managing our greenhouse gas (GHG) emissions, more effort will be dedicated to supporting MSMEs on their own sustainability journey.

## ACKNOWLEDGEMENTS

As we navigate the future, let us all collectively recognise the importance of effective collaboration and leveraging among all stakeholders in our MSMEs ecosystem. It is incumbent upon each of us to play our part with diligence and efficiency to ensure our MSMEs' enduring success, the premise of our economic vitality.

In closing, I wish to extend my profound gratitude to all our esteemed stakeholders, namely our valued MSMEs, Federal and State Governments, Bank Negara Malaysia, and our strategic partners in our MSME ecosystem. My sincere appreciation goes to our insightful Board of Directors for their wise counsel and guidance. Heartfelt thanks to my dedicated colleagues in CGC for their unrelenting commitment. Together, we forge ahead, building a sustainable and resilient CGC in Fulfilling Our Mandate to serve Malaysian MSMEs in both good and challenging times.

**DATUK MOHD ZAMREE MOHD ISHAK**  
President & Chief Executive Officer

