

SC-WORLD BANK CONFERENCE 2024
WELCOME REMARKS
PUAN SHARIFATUL HANIZAH SAID ALI
EXECUTIVE DIRECTOR, ISLAMIC CAPITAL MARKET
SECURITIES COMMISSION MALAYSIA
9.00 AM – 9.10 AM | 15 OCTOBER 2024

[Salutation]

Bismillahirrahmanirrahim

Yang Berhormat Tuan Liew Chin Tong, Deputy Minister of Investment, Trade, and Industry of Malaysia

Dr. Zafer Mustafaoğlu, Country Director for the Philippines, Malaysia and Brunei of The World Bank

Distinguished speakers,

Members of the media,

Esteemed guests,

Ladies and Gentlemen.

Assalamualaikum and a very good morning.

1. Welcome to the Securities Commission Malaysia, and the SC-World Bank Conference 2024. We are delighted to host a diverse gathering of experts and stakeholders, recognizing the invaluable perspectives each of you bring.
2. I would like to begin by extending our gratitude to the World Bank, our collaborative partner since 2017. The commitment and support are what has also brought us today to the 5th edition of the conference.
3. We are also especially honoured to have Yang Berhormat Tuan Liew Chin Tong, Deputy Minister of Investment, Trade, and Industry, to deliver the keynote address and to officiate the launch of the SC-World Bank ESG Disclosure Report today.

YB and honored guests - I would also like to convey warmest regards from the SC Chairman Dato' Faiz who is unable to join us this morning as he has to be in Putrajaya for a meeting. He wishes all a successful day ahead.

4. This conference has become one of the SC's key platforms for thought leadership, bringing together industry leaders, regulators, and communities to tackle critical issues, such as climate change, financial inclusion, and highlight the role of the Islamic Capital Market (ICM) in mobilizing funds for equitable economic growth. Our aim has always been to bridge market gaps through partnerships and collaborations, to achieve the country's Sustainable Developmental Goals (SDGs).
5. From past discourse to today, this conference has addressed the evolving intersections of finance, sustainability, and societal progress. And today – the theme, **Empowering MSMEs: Cultivating Compassionate Growth through the Capital Market**, progresses another conversation that highlights the critical role of MSMEs in driving economic growth and inclusive development.

Ladies and gentlemen,

6. MSMEs are the backbone of the economy. In 2023, they made up 96.9% of all businesses in Malaysia, contributing 39.1% to our GDP, and employing 48.5% of the workforce¹. Globally, high-income nations like the US, UK, China, and Germany all have SME-driven economies, where SMEs employ nearly 90% of the workforce².
7. One of the biggest challenges MSMEs typically face is access to financing. The International Finance Corporation (IFC) estimates that 40% of formal MSMEs in developing countries face an unmet financing gap of USD\$5.2 trillion annually³. The Malaysia's National Industrial Masterplan 2030 or (NIMP 2030) announced in September 2023 also highlights the need to improve financing access, strengthen entrepreneurship ecosystems, and foster sustainable practices for SMEs⁴.
8. In this sense, access to diverse funding options — such as through capital markets, financial institutions, and public channels — will enable SMEs to seize growth opportunities, expand operations, and remain competitive in the manufacturing and services sectors.

¹ DOSM, "Positive Growth Data Indicate MSME Sector has Scaled Up." Link: <https://tinyurl.com/382vrfa3>

² ICMR, Market-based Financing for SMEs in Malaysia: Issues, Challenges, and Way Forward

³ IFC, MSME Finance Gap Report (2018)

⁴ National Industrial Masterplan 2030 (NIMP 2030)

9. We must therefore strive to narrow the funding gaps across the MSME lifecycle, addressing their distinct funding needs: risk capital for startups, growth capital for scaling businesses, and late-stage capital for mature MSMEs. By ensuring access to the right capital at the right time, MSMEs can innovate and thrive, in turn benefitting the economy.

SC's Role in Promoting MSMEs

10. For the SC, we place emphasis on enabling and facilitating financing opportunities across the business spectrum, from larger corporations to MSMEs. While larger corporations are vital to our capital market, we also emphasize creating avenues for smaller enterprises, too.
11. Our capital market size has reached RM4.1 trillion as of July 2024, with the ICM contributing to 63% or RM2.6 trillion of the market. It grew 10% year-on-year and has proven resilient amidst strong GDP growth of 5.9%. In 2023, RM6.3 billion was raised by MSMEs and Mid-Tier Companies (MTCs) through public markets, venture capital, and private equity⁵, including platforms like LEAP and ACE Markets, where circa 80% of companies in these markets are Shariah-compliant⁶.
12. Recognizing that these platforms primarily cater to more established and scaled enterprises, we are actively bridging the gap through digital platforms and alternative funding avenues for example regulated market operators (RMOs), ensuring inclusive and innovative fundraising solutions for smaller businesses.
13. Since 2015, we have promoted the structured development of alternative platforms, including through issuance of the Guidelines for RMOs and the opening of the registration window for Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) financing with Islamic solutions.
14. We now have over 40 RMOs providing fund raising avenues. Notably, more than RM2 billion was raised last year through ECF and P2P platforms. Islamic ECF and P2P have shown remarkable growth, raising RM524.8 million in 2023, more than quadrupling the previous year's numbers of (2022: RM140.8 million). This represents 24% of total funds raised through ECF and P2P platforms, up from just 8% the previous year⁵.

⁵ SC's 5-Year Roadmap for Catalysing MSME & MTC Access to the Capital Market (2024-2028)

⁶ SC data

15. As we focus on improving access to capital for MSMEs, we must recognize technology as a key enabler. Additionally, strategic partnerships between larger corporations and MSMEs can facilitate access to funding. These collaborations empower smaller enterprises while providing larger firms with innovation and local expertise. To foster these partnerships, we must also address potential risks to attract larger institutional investors and create a more inclusive financial environment.
16. The recent launch in May of the SC **5-Year Roadmap for Catalysing MSME & MTC Access to the Capital Market (2024-2028)** aims to grow the MSME capital market to RM40 billion in 2028, promoting inclusivity, innovation, and sustainable development. The Roadmap outlines 36 initiatives built upon 5 guiding principles and 9 strategies to enhance MSME and MTC access to the capital market. Specifically, for the ICM, the SC also will prioritize initiatives including developing waqf assets through ECF and P2P platforms, promoting Shariah-compliant financing options, and facilitating sukuk issuance for MSME and MTC.

Empowering MSMEs through Islamic Finance and the Maqasid al-Shariah

Ladies and Gentlemen,

17. As you may recall, it was also at last year's SC- World Bank Conference that the SC issued the *Maqasid Al-Shariah Guidance for Islamic Capital Market Malaysia*. It was timely as we enter the next phase of the ICM, ensuring it remains resilient, and impactful. It provides clarity on adopting ethical principles to navigate today's challenges and meet the needs of investors looking for an even higher order of adherence. Our goal is to transform the ICM into an instrument for advancing human welfare, aligning profit-seeking activities with societal well-being in accordance with the objectives of Islamic finance.
18. The *Maqasid al-Shariah Guidance* is pivotal in this journey, encouraging larger corporations and MSMEs to collaborate and share in the benefits of sustainable growth. Moving forward, we hope to see increased integration of social responsibility into capital market practices, ensuring that as the economy grows, it does so in a way that uplifts both large corporations and smaller enterprises.
19. Over the past year, we have seen strong adoption of these principles within the broader ICM. Our focus now must extend to promoting ethical practices and responsible financing that benefit both MSMEs and the broader economy.

Building a Compassionate and Inclusive Economy

20. MSMEs are not just drivers of economic growth but also catalysts for social mobility and shared prosperity. Better-funded MSMEs can contribute to fair wages and social equity, helping lift communities out of the middle-income trap. Supporting MSMEs will empower them to be more resilient, to innovate, adopt innovative technologies, and deliver value-added products that benefit society.
21. Take, for example, ZUS Coffee which we will hear their story, challenges faced and how this home-grown brand has grown rapidly in the local F&B industry. ZUS exemplifies how MSMEs can integrate social responsibility into their business through ethical sourcing, fostering an inclusive work environment, and contributing to the community, demonstrating that success and social impact can go hand in hand.
22. Towards building a compassionate economy, larger corporations play a key role in leading ESG practices by adopting and reporting under standards such as IFRS S1 and S2. Collaboration between large and small enterprises will also be crucial to ensure ESG adoption goes beyond regulatory compliance and becomes a shared value across the ecosystem and the value chain.

Conclusion

23. Before I conclude, we also look forward to the launch of the **SC-World Bank ESG Disclosure Report**, after this. This joint report reflects our ongoing commitment to fostering a more sustainable capital market. Improved ESG disclosure practices are expected to strengthen investor confidence and ensure that our market remains competitive and future ready.
24. This conference is an opportunity to shape the future of our economy. For corporations, this is a chance to lead in building an ecosystem that empowers smaller businesses, not just as partners but as engines of innovation. For MSMEs, this is your time to leverage the resources and partnerships available to you, scale up, and drive inclusive growth.
25. Before I end, I would like to thank once again, Yang Berhormat Tuan Liew Chin Tong, our partner, the World Bank, the speakers, and guests for being here today. I wish you all a productive session ahead.