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CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD (CGC): AN OVERVIEW

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INTRODUCTION

Credit Guarantee Corporation Malaysia Berhad (CGC) has existed in Malaysia's financial system for half of a century. Forty-eight years to be exact. Monitored and supervised by the central bank of Malaysia known as Bank Negara Malaysia (BNM). CGC was established initially to support small businesses obtaining a credit facility, especially from the commercial bank by providing a loan guarantee. The loan guarantee is given to any eligible borrower in which the loan was packaged under specific CGC guarantee schemes by the participated financial institutions. Since the formation of the CGC, there are nearly fifty guarantee schemes have been introduced to the market. Some of the guarantee schemes have been discontinued over time and replaced by the new guarantee schemes which are more relevant to the need of the current market and the dynamic change of the Micro, Small, and Medium Enterprises (MSMEs). Currently, CGC offers eight guarantee schemes initiates by the financial institutions, four direct guarantee schemes which originated by CGC branches, and three government-backed guarantee schemes.

Since the inception of the CGC, all of the guarantee products are promoted and packaged by the financial institutions. As such, the CGC operating income and company growth is not substantially increased. Furthermore, there is an untapped market segment the CGC wants to look into and be paralleled with other financial institutions in providing credit facilities. After nearly three decades in operations, in the year 2000, the corporation started opening its branches nationwide including Sabah and Sarawak. Instead of fully depending on financial institutions, the CGC is able to mobilize its branches in promoting and generating more guarantees and subsequently creating more business opportunities. Currently, it has 16 branches nationwide.

MODUS OPERANDI

CGC provides a guarantee cover to the eligible borrower based on the respective guarantee scheme. The guarantee cover amount is based on a pre-determined percentage on the total loan approved. This predetermined percentage is varies depending on the guarantee scheme. CGC generates loan guarantee in two ways; via financial institutions and its branches. The guarantee cover for any scheme that is directly initiated by the CGC branches would have higher percentage coverage compared to the guarantee scheme process by the financial institutions

Thru Financial Institution

For this type of guarantee scheme, the loan application is processed, initiated, and evaluated by the bank's credit officer and packaged under the respective guarantee scheme based on the specific terms and conditions. The processed loan application will go through the bank's approval authority. Once approved by the bank's management, the bank will request for guarantee cover from CGC. CGC will evaluate the application. If approved by the CGC's management, the guarantee cover will be issued. The respective financial institution will do all the necessary documentation and disbursement of the loan is made once everything is in order.

Thru CGC Branches

As the loan application is originated from the branches, marketing, processing, and evaluation is done by the officer at the branch level. The application will be packaged based on the respective guarantee scheme and submitted for management approval. Once approved, the guarantee cover will be issued and send it to the financial institution. The respective financial institution will do all necessaries documentation and disbursement of the loan is made once everything is in order.

CGC AND COVID- 19

Businesses in Malaysia especially the small-medium enterprises (SME) being severely affected following the Covid-19 pandemic. There were limited business activities permitted to open during the Movement Control Order (MCO) period. The instruction to close some of the business sectors resulted in losses suffered by the SME. The government has announced Economic Stimulus Package Prihatin Rakyat (PRIHATIN) worth RM250 billion on 27 March 2020 to address this issue. Another rescue package was then, announced on 6 April 2020 as additional measures for PRIHATIN or PRIHATIN PLUS seeing RM10 billion pumped in for the SME industry.

As a financial provider for the SME, CGC plays a vital role in ensuring the financial incentives provided by the government can be well absorbed by its customers. Following the announcement of BNM on a moratorium, CGC like other financial institutions has provided an automatic Moratorium on a 6-month deferred payment to all of its direct financing customers effective on 1 April 2020. The deferred payment will give ample time for the business operators to recover from a substantial loss they incurred recently. In addition to this, CGC has introduced a direct financing scheme, BizBina-i specifically to meet the need of businesses that are affected by COVID-19 pandemic. The working capital financing which ranges between RM20,000 to RM200,000 is offered to its existing financing customers. CGC is offering more financial assistance through BizJamin SRF and BizJamin-i SRF under its Special Relief Facility (SRF) financing package. The SRF financing facility offers up to RM1mil loan/financing with a maximum interest/profit rate of 3.5% per annum. The financing packages help the SME to ease their cash flow burden and to ensure their sustainability during this trying time.

CONCLUSION

CGC had successfully performed its role and displayed such a high commitment in making itself visible for SME financing and to become a prominent guarantee provider in Malaysia. In the year 2018 alone, CGC had recorded a total income of RM471,572,000. Now it geared itself to become a high-performance organization. It is interesting to look at the post-pandemic performance of the CGC in one to three years to come.

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