Financial Services Commission

Press Release

May 31, 2021

TECH FINANCING FROM BANKING SECTOR CONTINUES TO RISE FOR INNOVATIVE SMES

The FSC announced the tech financing performance of banks for the second half of 2020. Among large-sized banks, the IBK and KEB Hana bank raked high, while Kyongnam and Busan Banks showed outstanding records among small-sized banks. The result of banks' tech assessment capability also shows that the total number of banks that have completed setting up their own tech credit evaluation systems and are fully capable of extending loans based on their own tech credit assessment also increased to nine as one more bank joined the rank.[1]

Tech financing has become an important channel to raise funds for innovative SMEs that have technological prowess and future growth potential. Since its introduction in January 2014, the outstanding balance of tech financing loans continued to rise to KRW266.9 trillion as of the end of 2020.[2] With active participation from the banking sector, tech financing has become widely in use. More recently, tech financing has moved into intellectual property and movable asset-based lending[3] as well.

The authorities plan to work on making improvements to the tech financing system to continue to provide support for innovative SMEs. To improve consistency and credibility of tech credit evaluation systems between banks and TCBs, the authorities will help establish a standardized tech evaluation model during the second half of this year. The authorities also plan to gradually phase in tech credit evaluation into a comprehensive credit rating model for businesses.

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[1] Tech-based lending made possible through bank's own internal tech evaluation system without relying on an external tech credit bureau (TCB)

[2] Outstanding balance of tech financing loans (in trillion won): 163.8 (2018) → 205.5 (2019) → 266.9 (2020)

[3] IP and movable asset-based lending (in billion won): 634.5 (H2 2019) → 872.9 (H1 2020) → 1,003.9 (H2 2020)