Financial Services Commission

Press Release

November 29, 2021

FSC TO PROMOTE TECH FINANCING TO SUPPORT PROMISING AND INNOVATIVE SMES

The FSC announced the tech financing performance of banks for the first half of 2021 and unveiled a plan for making improvements to the current tech financing system to continue to promote lending to innovative SMEs.

BACKGROUND

Banks' tech financing for innovative SMEs that have high potential for future growth has expanded significantly since it was first introduced in January 2014. At the end of September 2021, the balance of loans extended to businesses for tech financing stood at KRW310.9 trillion, which showed on average an annual increase of more than KRW40 trillion from 2018.[1] Compared to SMEs in other sectors, tech financing recipients have shown better performance in terms of their expandability and profitability. In this regard, the financial authorities and banks have been regularly monitoring delinquency rates and working to ensure stable management of the soundness of tech financing. In addition, tech financing has led innovative changes in the banking sector by facilitating lending based on intellectual property (IP) and movable assets and making tech-based borrowing more accessible to the relatively young companies.

TECH FINANCING PERFORMANCE

The financial authorities announce semi-annual performance of tech financing in the banking sector. In the first half of 2021, the Industrial Bank of Korea and KEB Hana Bank raked high among the large-sized banks while Kyongnam Bank and Busan Bank showed outstanding records among the smaller-sized banks.

Aside from tech credit bureaus (TCBs), banks also have their own tech credit evaluation systems. The banks' tech assessment capabilities are evaluated by the authorities every six months. Currently, ten banks have their own tech credit evaluation systems and all ten banks were found to have high assessment capabilities. They have been expanding the application of their own tech credit evaluation systems by making improvements to the necessary infrastructures. As a result, the banks' own tech credit evaluation in the first half of 2021 increased by about 35 percent compared to the preceding six months.[2]

[1] KRW163.8 trillion (end of 2018) → KRW205.5 trillion (end of 2019) → KRW266.9 trillion (end of 2020) → KRW310.9 trillion (end of Sep. 2021)

[2] 11,840 cases (H2 2020) → 15,953 (H1 2021)

Plan for Improvements

a) The authorities plan to make changes to the current evaluation method to encourage banks to continue to work on expanding tech financing even for late starters by giving more weight on the relative growth rate rather than on the cumulative amount of tech financing and by expanding the evaluation criteria for IP financing and movable asset-backed lending. The revised criteria will begin to apply to the banks’ tech financing performance for the first half of 2022.

b) The authorities will help draw up a standardized tech credit assessment model to improve consistency across individual TCBs and banks and improve accountability by designating 28 key indicators as the standard criteria. The standardized tech credit assessment model will be used from January 2022 after preparing necessary electronic systems.

c) The authorities plan to establish a quality management system to ensure quality assurance of individual banks and TCBs in providing tech credit assessment services by setting up an expert review committee under the Korea Credit Information Services and providing incentives regularly according to the review outcomes. The quality management system will begin to operate from January 2022.

d) In the medium to long term, the authorities plan to gradually introduce in three stages an integrated tech-based credit assessment model through which a company’s technological prowess can have more advantageous effect on its credit standing.

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