

AVAILABILITY OF GOVERNMENT-BACKED LENDING SUPPORT FOR SMALL MERCHANTS EXTENDED

The FSC announced the extended availability of the government-backed lending support programs for small merchants on March 24 in light of the six-month extension of the maturity extension and payment deferment programs for SMEs and small merchants announced a day earlier.

BACKGROUND

The government has been providing financial supports to small merchants who are in need of emergency funds through financial support programs based on fiscal expenditure and guarantees in the amount of about KRW36.4 trillion.¹ With the spread of the coronavirus variants weighing down on the business condition of small merchants, lending institutions in the private sector reached a final decision to provide a six-month extension on the availability of maturity extension and payment deferment yesterday.² In this regard, the government-backed financial support programs for small merchants will also be extended for those scheduled to reach maturity this year.

KEY DETAILS

For the small merchant interest rate support program introduced on April 1, 2020 (KRW2.4 trillion in balance) and is scheduled to reach maturity beginning from April this year, a one-year maturity extension will be provided to help induce a soft-landing of payment burdens with the preferential interest rate adjusted from 1.5 percent to 2.5 percent.

For the consignment guarantee program for small merchants introduced on May 25, 2020 (KRW6.6 trillion in balance), an up to one year extension of the forbearance period will be provided to help ease the burden of principal payment on loans with a grace period ending in May this year.

The temporary postponement (until maturity) of insolvency proceedings³ including

¹ 1st phase support program: KRW16.4 trillion in interest rate support (local banks), low interest rate loans (IBK) and business stability funds (Small Enterprise and Market Service)

2nd phase support program: KRW10.0 trillion in consignment guarantees (local banks) and special guarantees for businesses hit by social distancing measures, etc.

3rd phase support program: KRW10.0 trillion in interest rate support (local banks), special guarantees (regional guarantee foundations) and low interest rate loans (SEMAS)

² Please click [here](#) to see the press release dated March 23, 2022.

³ Prior to the introduction of the temporary postponement, insolvency proceedings including debt collection took place when small merchants went through a business closure. However, with the temporary postponement in place, if a small merchant undergoing business shutdown continues to make principal and interest payments, insolvency proceedings are postponed until the loan reaches its maturity.

debt collection granted to small merchants who are undergoing business closure but are making principal and interest payments on business loans guaranteed by the Korea Credit Guarantee Fund will be available for six more months until the end of September this year.

EXPECTATION

The extended availability of the government-backed lending support programs and temporary postponement of insolvency proceedings for small merchants whose businesses have closed down are expected to help reduce the principal and interest payment burdens of small merchants who are struggling through the coronavirus pandemic.

The FSC will continue to make efforts to help ease financial difficulties faced by SMEs and small merchants through liquidity provision in coordination with relevant institutions.

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