

FSC INTRODUCES FINANCIAL SUPPORT PROGRAMS TAILORED TO THE NEEDS OF SMALL BUSINESSES

The FSC announced its plan to provide KRW41.2 trillion worth of financial support programs tailored to the needs of self-employed business owners and small merchants over two years in order to provide liquidity support, help boost their competitiveness and assist with recovery efforts.

BACKGROUND

During the COVID-19 pandemic, the debt service burden of self-employed business owners and small merchants has accumulated as those undergoing difficulties due to a slowdown in contact-based consumption and business restrictions have resorted to more borrowing. The qualitative structure of their loans also deteriorated due to an increase in borrowing from the nonbank sector and growth in the number of borrowers who have multiple debts.

The government has thus far provided financial support on an emergency and temporary basis through funding supply with low interest rate loans, maturity extension and payment deferment, etc. However, in the process of returning to normal daily activities, authorities plan to work preemptively and comprehensively to ensure that there are no financing difficulties for self-employed business owners even when the emergency and temporary pandemic era support measures come to an end.

In this regard, authorities have prepared comprehensive support packages in the amount of KRW80 trillion that are tailored to the financial needs and business situation of self-employed business owners and small merchants as shown below.

- a) **(FOR BORROWERS WITH REPAYMENT CAPABILITY)** KRW41.2 trillion in financing support for liquidity provision and to help boost their business competitiveness *(included in today's announcement)*
- b) **(FOR BORROWERS HAVING DIFFICULTIES WITH HIGH INTEREST RATES)** KRW8.5 trillion in refinancing support with low interest rate loan *(to be announced in August)*
- c) **(FOR BORROWERS WITHOUT REPAYMENT CAPABILITY ON THEIR OWN)** KRW30 trillion worth "New Start Fund" to be set up for debt adjustment support through principal payment reduction, etc. *(to be announced in August)*

KEY SUPPORT MEASURES

The government will provide KRW41.2 trillion worth of financial support programs over two years to support self-employed business owners and small merchants with liquidity injection, business competitiveness enhancement and restart efforts.

<div>Tailored funding support</div> <div>KRW41.2 trillion over two years</div>	⇒	Liquidity provision 10.5	(In trillion KRW)	
			Loan 7.2	Guarantee 3.3
	⇒	Competitiveness Enhancement 29.7	Loan 18.3	Guarantee 11.4
	⇒	Recovery Support 1.0	Loan 0.5	Guarantee 0.5

※ New administration's policy agenda I-1 "Complete recovery and restart of small merchants and self-employed business owners hit by COVID-19" and a follow-up to the 2nd emergency meeting for stabilizing people's livelihoods (chaired by President Yoon Suk Yeol) held on July 14, 2022

I. PROVISION OF NEW FUNDING SUPPORT WORTH KRW10.5 TRILLION IN COVID-19 SPECIAL GUARANTEE, INTEREST RATE BURDEN REDUCTION PROGRAMS, ETC. FOR SUPPLYING LIQUIDITY TO SELF-EMPLOYED BUSINESS OWNERS AND SMALL MERCHANTS

- a) Provide liquidity support worth KRW5.4 trillion to the pandemic-hit self-employed business owners and small merchants
- Provide KRW3.25 trillion in special guarantees (KODIT) to the self-employed and small merchants directly hit by COVID-19

<Details of COVID-19 Special Guarantee Recovery Program>

(ELIGIBILITY) Pandemic-hit* small business owners and small merchants (including mid-sized businesses with annual sales of KRW5 billion or less)

* e.g. recipients of loss recovery fund or business restriction funding support, or those with sales decline

(SUPPORT SIZE) KRW3.25 trillion

※ Supplementary Budget: KRW220 billion earmarked

(MAXIMUM SUPPORT) KRW300 million in operating expenses per business, and within required amounts for facilities expenditure

(PREFERENTIAL TREATMENT) 0.5%p reduction in guarantee fee* with application of 90% guarantee rate

* Additional 0.1%p reduction in guarantee fee offered to businesses that have received consulting from the small business industry group or KODIT

- Supply KRW2.1 trillion in liquidity support (IBK and KODIT) to businesses undergoing sales decline or deteriorating financial conditions
- Expand the maximum support amount and eligibility criteria of the lending support program for borrowers with high-credit background¹ which was introduced in January 2022 to support pandemic-hit businesses
 - ⇒ The lending support program for borrowers with high-credit standing has the maximum lending cap of KRW10 million currently, which is relatively low considering the borrower's credit score, and that its eligibility has been limited to the recipients of business restriction funding support. Thus, the maximum lending cap will be increased considerably from KRW10 million currently to

¹ Recipient of business restriction funding support & NICE personal credit score 920 or above → provide credit loan at 1.5% interest rate per annum

KRW30 million and the eligibility will be expanded to include the recipients of the loss recovery fund (introduced in May 2022).

- b) Upgrade and introduce the interest rate reduction program (IBK) to help alleviate financial burdens of self-employed business owners and small merchants
 - Supply additional KRW3 trillion for the small scale business loan program (known as “Haeneri” loan, KRW4 trillion → KRW7 trillion) and provide up to 1.2%p interest rate reduction² to those that have been hit by COVID-19 or have received consulting from the relevant small business industry association
 - Provide special support for fixed interest rates in the amount of KRW1 trillion to help ease the burden of interest rate hike through preferential rate of 1%p reduction on top fixed rate scheme
 - ⇒ Conversion to and fro between variable and fixed interest rate schemes to be allowed to offer more favorable choices for borrowers depending on market situations (every six month and no restriction on the number of times conversion can be made)
 - Offer preferential rate reduction of up to 3%p (1.3%p on average) to borrowers even when their credit standing has fallen temporarily or has been in a sharp decline if they are deemed to be capable of recovering back to normal conditions
- c) Provide a contract-less loan option (IBK and KODIT) in the amount of KRW100 billion for small scale business owners who are unable to leave their stores unattended by utilizing the IBK and KODIT’s computer network system

II. PROVISION OF NEW FUNDING SUPPORT WORTH KRW29.7 TRILLION FOR BUSINESS LAUNCHING, EXPANSION OR FACILITY INVESTMENT TO HELP BOOST THE COMPETITIVENESS OF SELF-EMPLOYED BUSINESS OWNERS AND SMALL MERCHANTS

- a) Provide KRW29.3 trillion worth of funding support to help boost business competitiveness through various programs available for different business stages (from startup to growth, maturity, etc.) and programs for specific sectors such as the service sector
 - **(IBK)** Provide KRW18.0 trillion in funding support for small merchants with low credit standing to help them with costs related to business launching, facility investment for business renewal, etc.
 - **(KODIT)** Provide KRW11.3 trillion in guarantee support for expenditures related to business operation and facility investment in line with the needs of the self-employed and small merchants such as business launching, expansion or operating service businesses
- b) Provide KRW300 billion in funding support for purchasing raw materials (IBK, KODIT and KIBO³) for businesses undergoing difficulties due to recent price hikes in raw materials⁴
- c) Seek provision of KRW100 billion in guarantee support (IBK and KODIT) using big data⁵ available within platforms for businesses that are in commercial partnership with platform service providers and have thin credit history

² (Currently) Up to 1.0%p for general preferential rate
(To be changed) Up to 1.0%p for general preferential rate and up to 1.2%p for businesses hit by COVID-19 or have received consulting from small business industry association

³ Korea Technology Finance Corporation

⁴ e.g. A wholesale or retail business importing 40% or more of its sales volume ⇒ reduction of 1%p in interest rate and 0.3%p in guarantee fee

⁵ Set up an alternative credit evaluation model based on dynamic information available on platforms such as transaction patterns, daily sales volumes, etc.

III. PROVISION OF NEW FUNDING SUPPORT WORTH KRW1 TRILLION FOR RESTARTING OR CONVERTING BUSINESSES TO HELP WITH THE SELF-EMPLOYED AND SMALL MERCHANTS' RECOVERY AND RESTART EFFORTS

- a) Provide new funding support (IBK and KODIT) for businesses restarting after experiencing business closure or those that have plans for business conversion
 - KRW220 billion in special guarantees⁶ (KODIT) offered to businesses that are reopening after a closure due to difficulties or those preparing to make a conversion into another business field
 - Introduce a business restart promotion program (IBK) offering up to 1.2%p interest rate reduction to help with quick establishment of restarting businesses (those with experience of business closure)
- b) Provide “new start” funding⁷ support for businesses that have experienced deterioration in sales or financial conditions or those that have gone through debt adjustment after reviewing their repayment capabilities

FOR INQUIRY AND APPLICATION

Detailed information about the self-employed and small merchant financial support programs and their application information can be found on the website and smartphone application of the Industrial Bank of Korea and Korea Credit Guarantee Fund, or via their branch offices or call centers.

Contact via	IBK	KODIT
Website	www.ibk.co.kr	www.kodit.co.kr
Smartphone app	IBK i-ONE Bank for business	KODIT On-Biz
Call or visit	627 branches nationwide	109 branches nationwide
Main contact number	+82.1566.2566	+82.1588.6565

FURTHER PLAN

Most of the funding support including the COVID-19 special guarantee will be made available from Monday, July 25. The programs that require a renewal in the computer network system—including (a) the lending support program for borrowers with high-credit background, (b) expanding interest rate reduction for “Haeneri” loan and (c) offering a contact-less loan option—will be made available from Monday, August 8. The guarantee support program for businesses that have commercial partnership with platform service providers will go into effect in December this year after coordinating with relevant institutions and preparing an alternative credit evaluation model for loans and guarantees.

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.

⁶ Maximum KRW100 million with 95% guarantee rate, 0.2%p guarantee fee reduction, maturity extension on existing guarantee, etc.

⁷ Among those that have gone through a debt adjustment process (by KODIT, Credit Counseling & Recovery Service or “New Start Fund” which will be introduced in Sep 2022) and making debt payments on schedule, debtors who are deemed to have repayment capabilities can apply for the “new start” funding support.