

KRW11 TRILLION-PLUS IN CORPORATE FINANCING SUPPORT FROM THE BANKING SECTOR TO BE PROVIDED TO MMEs AND SMEs

- KRW6 trillion in low interest rate financing program to be made available for MMEs in new growth sectors.
 - KRW5 trillion in interest support program to be made available for SMEs experiencing temporary decline in sales.
 - Prompt liquidity support from the banking sector to be operated on an expanded basis.
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The Financial Services Commission announced that corporate financing support programs for middle market enterprises (MMEs) and small and medium-sized enterprises (SMEs) will begin to be provided from the banking sector from April 1. This is a part of the total KRW76 trillion-plus corporate financing measures announced in last February, made available by close cooperation between policy financial institutions and five major commercial banks.

First, the Korea Development Bank (KDB) and five major commercial banks will provide KRW6 trillion in low interest rate loans exclusively for MMEs that are attempting to enter into new growth sectors and expand their business operation. Qualified MMEs are eligible to receive up to KRW150 billion per business for facilities investment, funding for research and development, and operating costs with the benefit of 1%p reduction in interest rates. Qualified MMEs should meet the industry and/or production requirement specified by the common criteria for innovative growth, which lay out specific industry areas and products qualified for policy funding support for innovative growth.

Second, the Industrial Bank of Korea (IBK) and five major commercial banks will provide about KRW5 trillion in interest support program for SMEs that are operating on a normal financial condition but are having difficulties with heavy interest burdens. In this regard, qualified SMEs—those with loans with interest rates of more than 5.0 percent—are eligible to receive up to 5 percent reduction in interest rates for one year. When qualified SMEs apply for this interest support program with their lenders, their qualification will be verified by the lender, and they can choose to receive the interest reduction benefit for one year either immediately or from the time of refinancing.

Third, the prompt liquidity support program made available for SMEs from the banking sector will be operated on an expanded basis. The liquidity support program was first introduced by the banking sector in 2008 to help prevent excessive credit crunch for SMEs. Under this program, SMEs that face the risk of undergoing a temporary liquidity shortfall may be eligible to receive deferment on loan payments as well as reduction in interest rates.

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