

GOVERNMENT AND FINANCIAL INDUSTRY ANNOUNCE PROGRAMS TO HELP REDUCE INTEREST RATE BURDEN ON SMALL MERCHANTS

- Banks and nonbanks will provide interest rate support for small merchants in the amount totaling KRW2.1 trillion and KRW300 billion, respectively.
 - Authorities will make more small business loans eligible for the low interest rate refinancing program with additional cost reduction of up to 1.2 percent for borrowers.
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The Financial Services Commission announced that the government and the financial industry will provide interest rate support programs to help small merchants.

First, banks will begin to offer refunds on interest payments to small merchants from February 5. A total of KRW1.36 trillion in interest refunds will be given to about 1.87 million small merchants who made interest payments at over 4 percent interest rates in the year of 2023. The amount of refund expected to be given to each small merchant on average is about KRW730,000. There is no need to apply for interest refunds as individual banks will contact small merchants with details. The first round of refunds will take place between February 5 and 8. Combined with the quarterly interest refunds of about KRW0.14 trillion, banks will be able to return about KRW1.5 trillion in interest refunds in total. Aside from this, banks are planning to offer KRW0.6 trillion in support for vulnerable groups, specific plans for which will be finalized at the end of March.

Small merchants who borrowed from savings banks, mutual finance unions and specialized credit finance businesses can also receive interest refunds if they have business loans from nonbanks with interest rates between 5 percent and 7 percent. It is expected that about 400,000 individuals will be eligible to receive interest refunds amounting to maximum KRW1.5 million per individual. The nonbanks' interest refund program will open in mid-March and begin providing refunds from March 29.

Since September 30, 2022, the FSC and Korea Credit Guarantee Fund (KODIT) have been operating a low interest rate refinancing program for small merchants. Through this program, small merchants were able to refinance their business loans at much lower interest rates, switching from about 10.06 percent interest rate previously to 5.48 percent on average. Previously, this program was designed to provide support for switching small business loans that were issued on or before the last day of May, 2022. However, given that there were lingering effects of the coronavirus pandemic into the year of 2023, authorities will extend the eligibility to small business loans issued on or before the last day of May 2023. Also, for the first year, the program will offer an additional 1.2 percent cost reduction in interest rate and guarantee fee. The revamped version of the program will be set up for operation in the first quarter.

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