

FSC GRANTS CB LICENSE TO KODIT TO DEVELOP BUSINESS CREDIT SCORING SYSTEM

The FSC granted a credit bureau license to the Korea Credit Guarantee Fund (KODIT) on March 18, 2020 to facilitate the development of a business credit scoring system using big data analysis. The new credit scoring system — modeled after Paydex — analyzes firms' non-financial, commercial transaction history such as the frequency of sales and purchase orders, payment histories, payment capabilities to generate their credit scores.

BACKGROUND

For SMEs and small merchants, the conventional channels of credit evaluation and financing remain difficult to access especially when they have unfavorable financial records. Against this backdrop, KODIT will develop a business credit scoring system based on non-financial and commercial transaction data of businesses to help provide an alternative credit evaluation mechanism for SMEs and small merchants.

EXPECTATION

The new business credit scoring scheme will bring innovation to the current business credit evaluation system as it opens up a new way of raising capital based on non-financial credit information.

I. FACILITATING CREDIT GUARANTEES

More SMEs and small merchants will be eligible to receive credit guarantees. Businesses that previously were unable to raise funds due to low business credit scores may be eligible for credit guarantees if their credit scores based on commercial transaction records are high.

II. FACILITATING NEW FINANCING OPPORTUNITIES

With the new business credit scoring system, it is expected that more financing opportunities will be provided to SMEs and small merchants through financial institutions and corporate credit bureaus.

- ▶ Financial institutions will be able to easily access firms' commercial credit information in diverse forms using big data analytics.

- ▶ Financial institutions are able to provide financing options to small merchants and SMEs even when they have low credit ratings.
- ▶ A fintech-based accounts receivable financing for small merchants and SMEs will be developed.

SCHEDULE

In the first half of this year, the business credit scoring scheme will be developed by KODIT, and new guarantee products using this scoring system will also be launched. At the same time, the government plans to launch a fintech-based accounts receivable financing system for small merchants using their sales transactions data.

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