

The 27th ATP 2017

Going beyond Guarantee for SMEs

*: Seeking ways to stay relevant to SMEs
in the evolving SME financing ecosystem*

Presented by SHIN, Hyeyoung

Management Strategy Department

『 Korea Federation of Credit Guarantee Foundations 』

Contents

I. Organizational Profile

II. Activities beyond Credit Guarantee

III. Tasks Ahead

I. Organizational Profile

1. Overview of KOREG & CGFs
2. Performance

I

II

III

KOREG Korea Federation of Credit Guarantee Foundations (since 2000)

CGF Credit Guarantee Foundation (since 1996)

Who We Are



Status

Government-affiliated Institution (Nonprofit special legal entity)
established under Regional Credit Guarantee Foundation Act



Objectives

- Contribute to the stability and economic growth of the region w/ guarantee assistance
- Promote the development of MSMEs by improving access to finance
- Enable CGFs to stabilize their reserves and have a better financial condition



Funding Sources

- Contributions from Government & Financial Institutions
- Guarantee Fee

Where We Are



KOREG

Headquartered in Daejeon
1 office in Seoul



CGF

16 Head offices across the nation
114 Branches

Seoul CGF

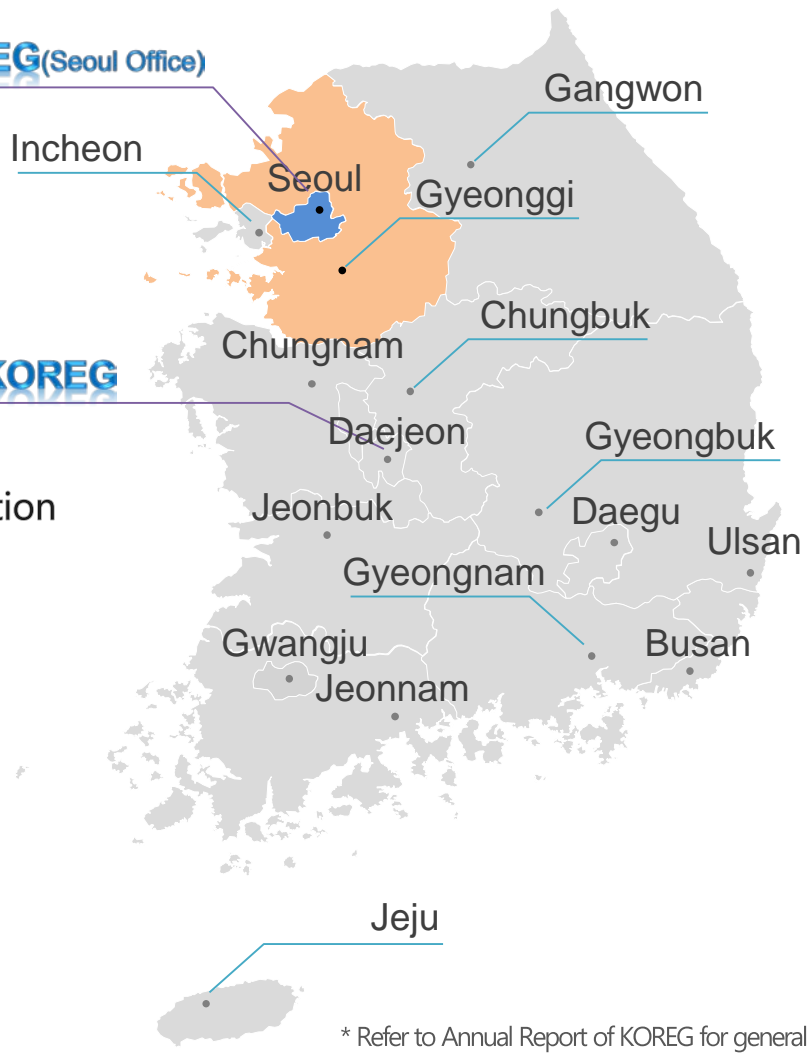
Established in 1999
18 Branches

Gyeonggi CGF

Established in 1996
20 Branches

KOREG (Seoul Office)

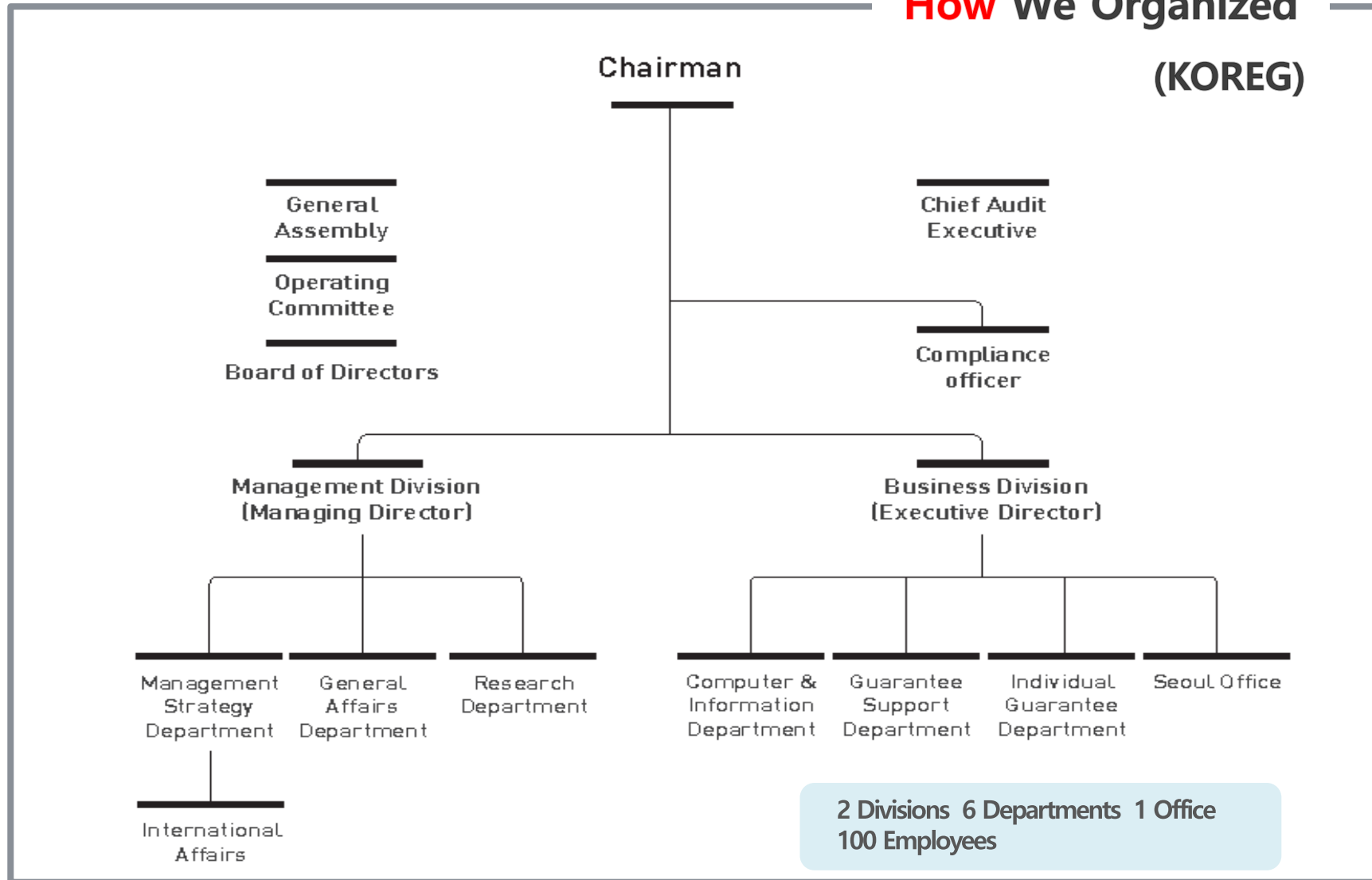
KOREG



* Refer to Annual Report of KOREG for general information on 16 CGFs

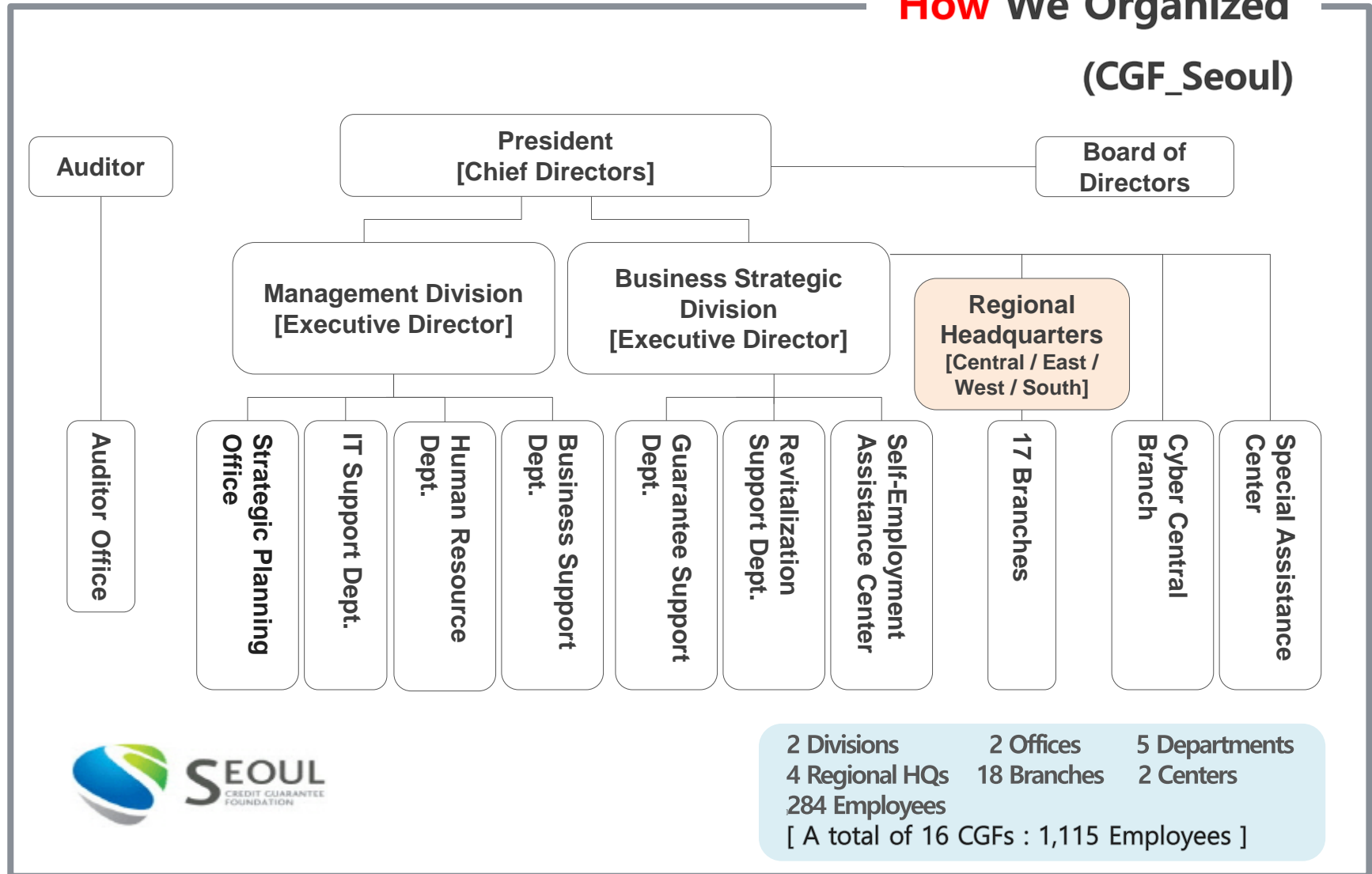
- I
- II
- III

How We Organized (KOREG)



2 Divisions 6 Departments 1 Office
100 Employees

How We Organized (CGF_Seoul)



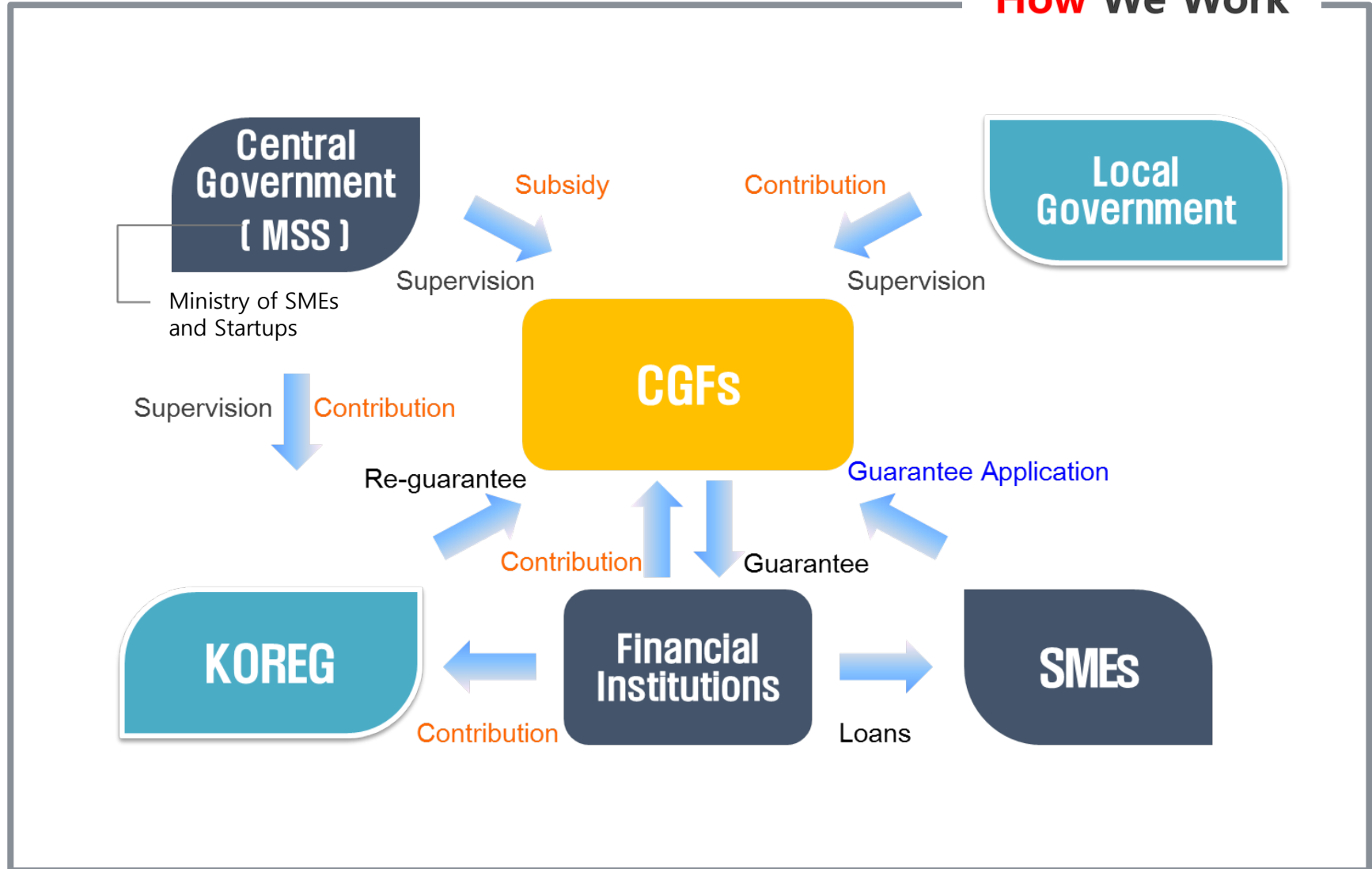
- I
- II
- III

What We Do

KOREG	CGF
Re-guarantee service for CGFs	Credit guarantee service for MSMEs
R&D on methods of credit investigation, Management of credit information, etc.	Credit investigation
Management of joint projects and programs initiated by CGFs	Credit information management
Education and Training for executives and employees of CGFs	Business consultation
Debt collection at the request of CGFs	General asset management
Cooperative work with government, financial institutions and other related organizations	Exercise of right to indemnity

- I
- II
- III

How We Work



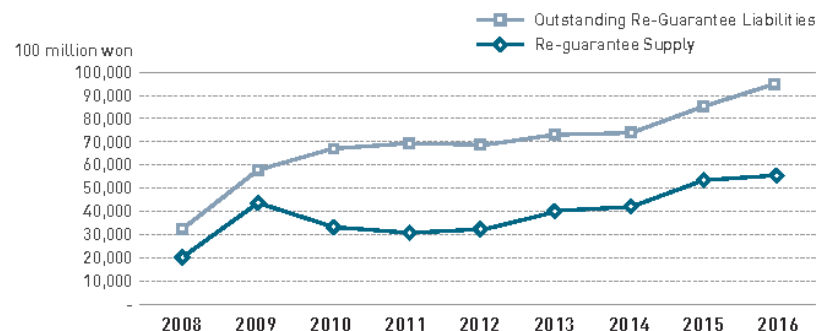
KOREG Year 2012-2016 for 16 CGFs

Re-guarantee

(In 100 millions of Korean won)

CGF	Acceptance of guarantees					Outstanding guarantee liabilities				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Gyeonggi	5,682	7,069	7,966	9,344	9,666	13,191	14,058	14,810	16,163	17,720
Gyeongnam	2,188	2,715	3,056	3,712	4,507	3,758	4,124	4,482	5,035	5,766
Gwangju	1,085	1,266	1,212	1,528	1,838	2,214	2,487	2,645	2,595	2,939
Daegu	1,923	2,244	2,225	2,952	3,941	4,061	3,989	3,821	4,598	5,650
Daejeon	648	966	1,159	1,358	1,674	1,431	1,674	1,851	2,111	2,502
Busan	4,175	4,416	4,595	5,705	6,367	5,340	5,362	5,277	6,308	7,107
Incheon	3,147	3,510	3,567	3,674	3,565	4,533	4,693	4,639	4,848	5,054
Chungnam	1,560	1,931	2,251	3,482	4,085	3,058	3,387	3,792	4,707	5,441
Chungbuk	867	1,109	1,130	1,490	1,517	1,931	2,167	2,321	2,626	2,968
Gangwon	1,035	1,294	1,492	1,995	2,158	2,023	2,067	2,097	2,627	2,864
Seoul	5,147	7,374	6,202	8,340	6,510	17,723	18,234	16,438	18,486	19,208
Ulsan	823	961	1,225	1,590	1,920	1,149	1,287	1,568	2,119	2,561
Gyeongbuk	1,239	1,714	2,023	2,644	2,743	3,365	3,772	4,006	4,659	4,921
Jeonnam	1,123	1,554	1,906	2,318	2,392	2,001	2,502	3,081	3,556	4,036
Jeonbuk	678	889	988	1,357	1,789	1,620	1,836	1,838	2,148	2,566
Jeju	519	617	685	880	966	970	1,033	1,167	1,358	1,542
Total	31,839	39,629	41,681	52,369	55,637	68,368	72,674	73,833	83,944	92,845

As of December, 2016



| Annual Re-Guarantee Supply and Balance |

Re-Guarantee Supply to CGFs in 2016
➤ **USD 491 million**

Outstanding Liabilities
➤ **USD 820 million**

* KRW 1 million ≙ USD 883

16 CGFs Year 2016 for MSMEs

The Aggregate Guarantee Supply until 2016
KRW 839,165 million
USD 741 million

Guarantee Performance (as of December, 2016)

(In 100 millions of Korean won)

CGF	Acceptance of guarantee	Outstanding guarantee liabilities	Leverage/ Gearing Ratio (Operation multiple)	Default Ratio (%)	Amount of payment under guarantee
Gyeonggi	23,873	36,354	5.17	3.42	743
Gyeongnam	8,492	10,853	5.52	2.42	168
Gwangju	3,568	5,642	4.98	3.56	130
Daegu	7,496	10,671	6.60	2.27	132
Daejeon	3,212	4,781	5.17	3.14	103
Busan	12,289	13,630	5.78	2.92	265
Incheon	6,890	9,647	5.59	3.90	218
Chungnam	7,797	10,408	5.88	1.87	117
Chungbuk	2,904	5,689	3.81	1.95	66
Gangwon	4,078	5,404	3.32	2.47	74
Seoul	12,416	36,709	6.18	2.70	604
Ulsan	3,620	4,835	4.62	2.11	65
Gyeongbuk	5,205	9,294	5.38	3.66	222
Jeonnam	4,585	7,747	5.55	2.43	121
Jeonbuk	3,520	5,011	3.87	3.17	104
Jeju	1,906	3,038	2.95	1.83	28
Total	111,849	179,713	5.27	2.87	3,160

Guarantee Supply in 2016 Outstanding Liabilities
 ➤ **USD 98 million** **USD 159 million**

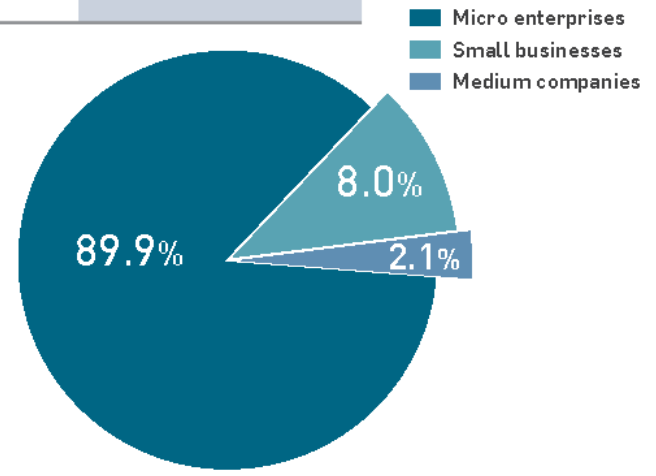
* KRW 1 million ≙ USD 883

16 CGFs Year 2015-2016 for MSMEs

| Acceptance of Guarantee by business size | (In 100 millions of Korean won)

	Micro	Small	Medium	Total
Guarantee acceptance in 2015	94,755	9,330	2,301	106,386
Guarantee acceptance in 2016	100,564	8,934	2,351	111,849
Ratio	89.9%	8.0%	2.1%	100%
Change	5,809	△396	50	5,463

Target group of Clients
 »» **Micro Enterprises**



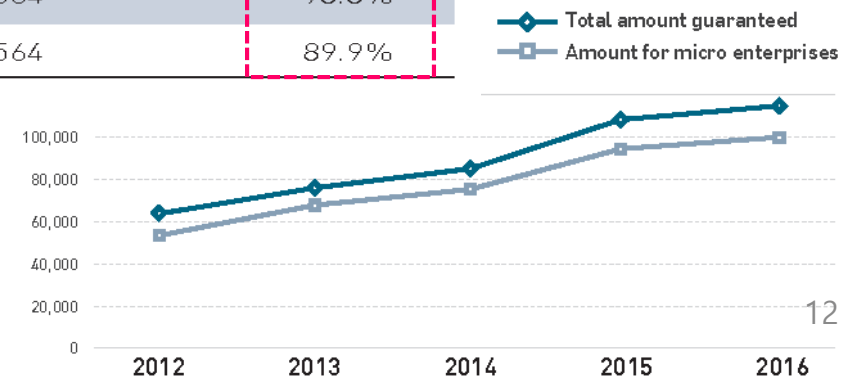
* Micro Enterprises takes up 86.4% of total businesses in Korea
 (Small 10.6%, Medium 2.9%, Large 0.1%)

16 CGFs

Year 2012-2016 for Micro Enterprises

| Guarantee for micro enterprises against total guarantee by year | (Unit: cases / In 100 millions of Korean won)

		Total guarantee	Guarantee for Micro enterprise	Ratio
2012	No. of companies	275,845	266,920	96.8%
	Amount	63,581	54,637	85.9%
2013	No. of companies	350,945	342,062	97.5%
	Amount	77,859	68,926	88.5%
2014	No. of companies	375,150	367,150	97.8%
	Amount	85,057	74,892	88.0%
2015	No. of companies	448,844	441,160	98.3%
	Amount	106,386	94,755	89.1%
2016	No. of companies	464,329	456,504	98.3%
	Amount	111,849	100,564	89.9%



II. Activities beyond Credit Guarantee

1. Small Business
Development Center
2. Financial Doctor



We provide

One-Stop Service

Comprehensive Support

Dedicated assistance to Micro & Small Businesses



at all different stages of the **Business Life Cycle**



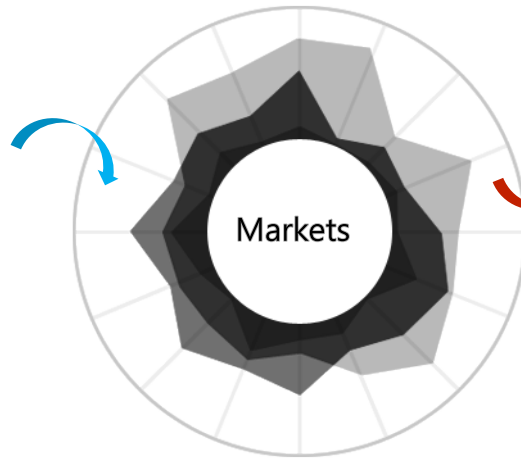
➤ Background

Micro and Small businesses in the most difficult situation ever

New

8,100 thousands

In



6,500 thousands **Out**

→ 1 out of 5

among total 3 million
Micro & Small businesses

✓ 5-Year Life Rate **29%** only



✓ **Excessive competition**

entering the market
from the old to the young

No. of private businesses as of year 2015
(changes over the past 10 years)

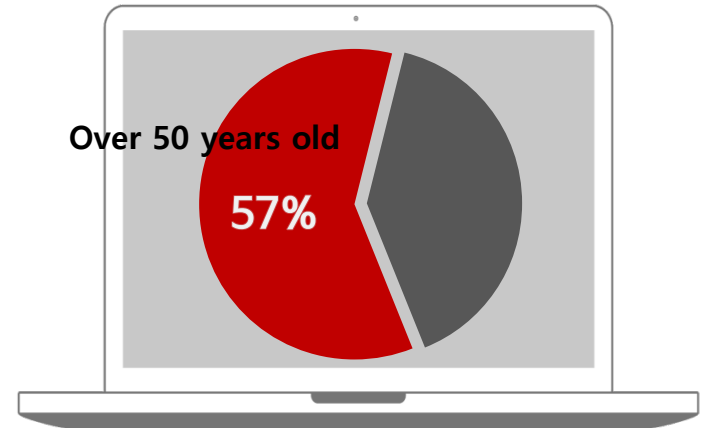
Owner's age over 50 years old
2,800 thousands (11.5% ↑)

Food & Lodging
5,800 thousands (6.7% ↑)

✓ **Economic recession**

✓ **Consumption Cliff**

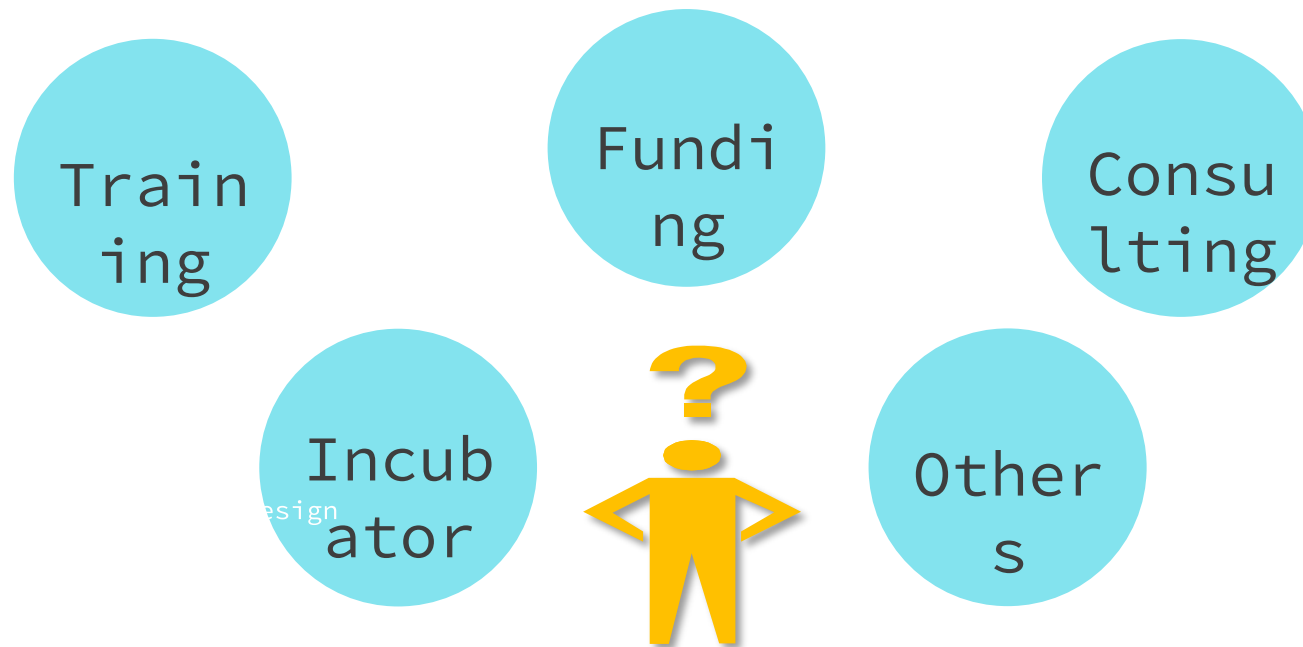
- Weak domestic demand
- Gentrification
- SSM's entry into the market



[Self-employed business owners by age]

➤ Background

Various support schemes and programs exist, spread across agencies
→ SMEs having difficulties in identifying programs available



→ Growing demand on **A Healthy Ecosystem for MSMEs**

I

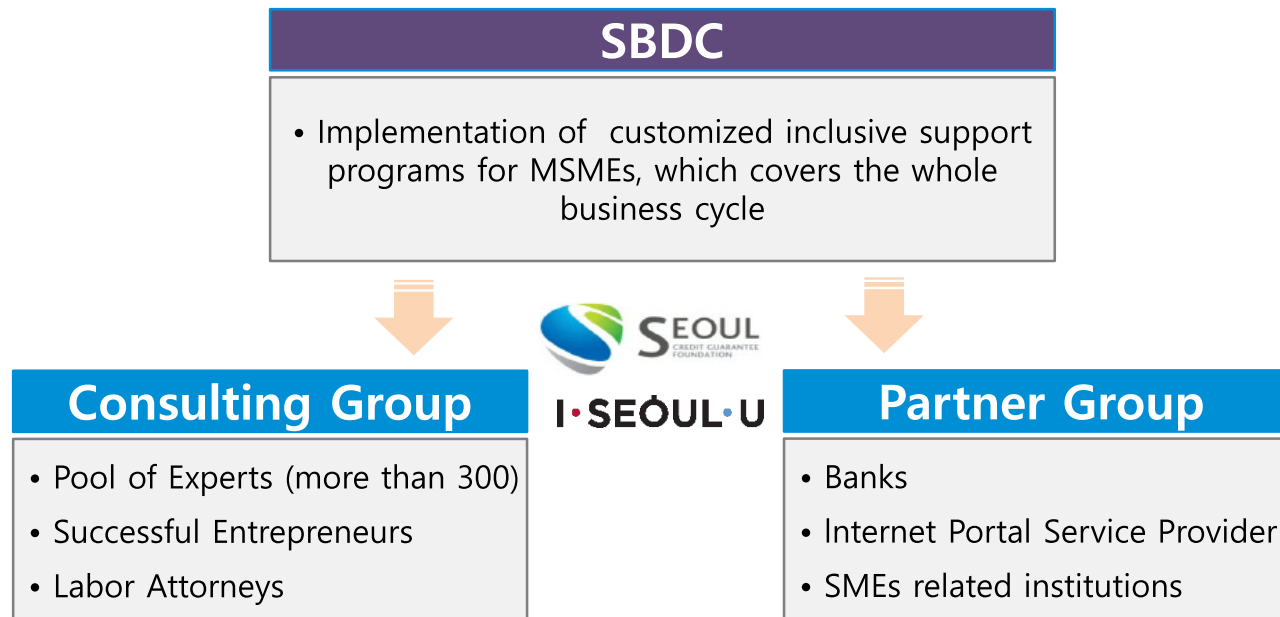
II

III

➤ Establishment (July, 2016)

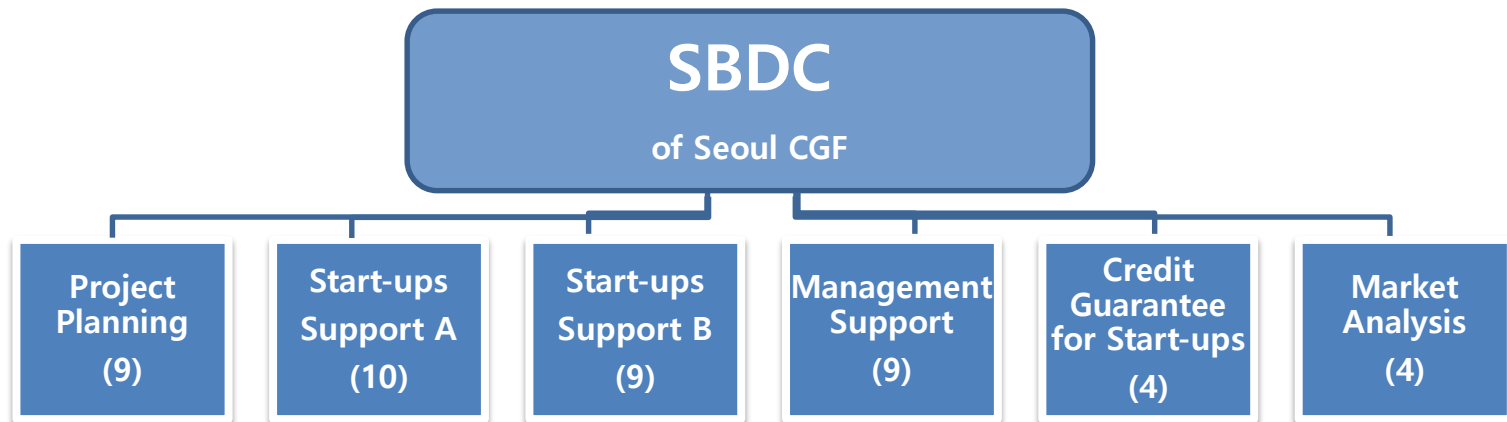
Entrusted by The Seoul Metropolitan Government (SMG)

Set up Master Planning for Comprehensive Support System



➤ Organizational Chart

6 Teams 45 Employees
* Budget for year 2017 : KRW 5.4 billion (USD 4 million)



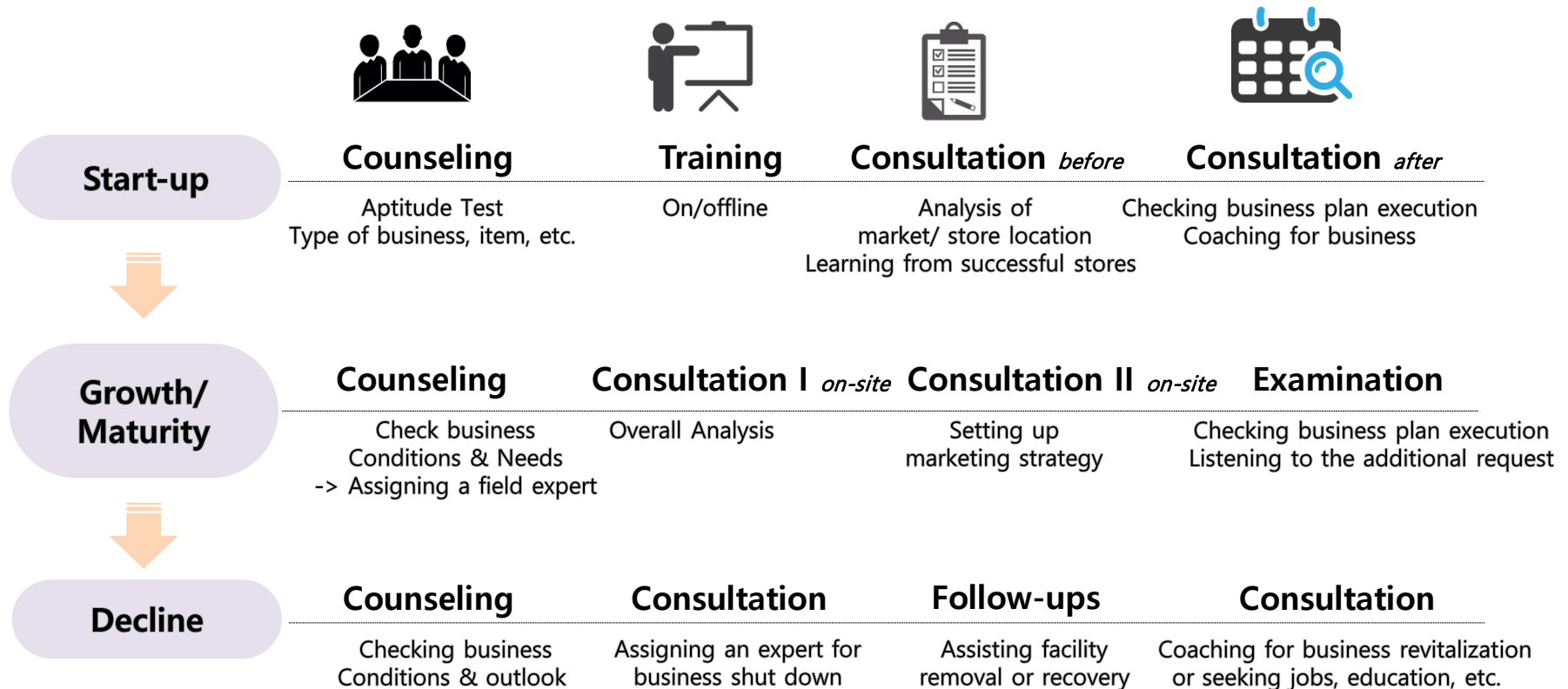
➤ Major Activities



1. Offering a multitude of services to micro and small business owners by all life cycle stages
2. Facilitating collaboration work between self-employed businesses
3. Constructing integrated network system online
[www.seoulsbdc.or.kr]
4. Providing market and business analysis using big data

Solving the Needs of Small Business

➤ Process by all life cycle stages



I

II

III

➤ Key Projects for Self-employed Businesses



	Business Consultation	Collaboration work
Eligibility	Micro & Small businesses categorized in 17 livelihood businesses of Seoul City	A group of partner companies w/ more than 3 businesses located in Seoul City
Budget	KRW 930 million (USD 818 thousand)	KRW 350 million (USD 308 thousand)
Programs	Comprehensive consultation on business environment, marketing, Legal assistance, etc.	Training , Consultation , Mentoring, Funding for facility, system, and others for joint use , Marketing , Management
Goals 2017	1,300 businesses	15 groups (50 businesses)
Performance 2016	-	15 groups (56 businesses)

We provide

Financial Assistant beyond Credit Guarantee



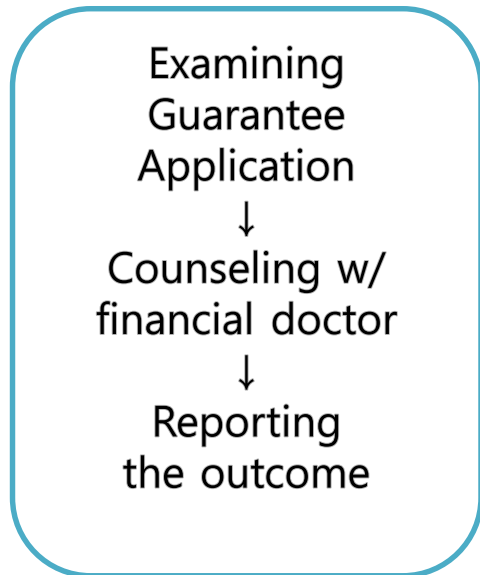
- **Start date** : October, 2015
- **Objectives** : To help SME ease of doing business by providing
 - the accurate state of its financial conditions
 - information on available credit and financing for the sustainable growth
- **Eligibility** : Businesses guaranteed by CGF
- **Provision** : Comprehensive offering of financial analysis, financing options, debt resolution, management, etc.

➤ Process



Supported **4,024 businesses**

[Jan. 2017 – Aug. 2017]

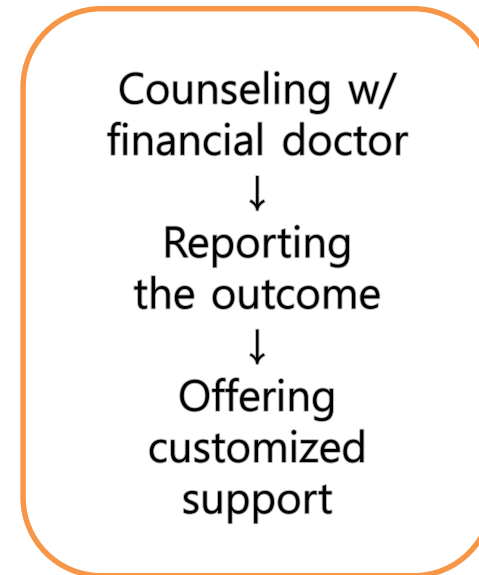


before



after

Credit Guarantee



[Financial Counseling for the all locals @ g-counseling.gcgf.or.kr]

III. Tasks Ahead

1. Issues & Challenges
2. Sharing & Expansion



❖ Changes in SME Financing Ecosystem

- ✓ Increasing number of SME-friendly banks providing higher clean loans
 - ✓ Limitation in guarantee supply and demand
 - ✓ Activation of debt reduction by government
-

→ Requires a comprehensive support system that reflects
Various needs beyond guarantee service

However,
Many CGFs' works are still limited to credit guarantee services

❖ Measures to strengthen our roles

Driving growth of activities with **Expertise & Infrastructure**

Using benefits as a financial public institution

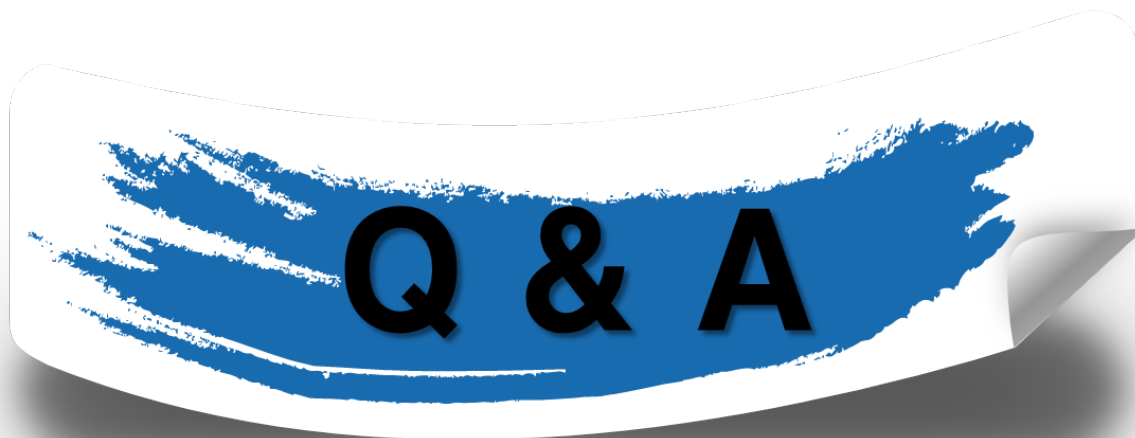
- Policy Fund execution
- Credit Guarantee linked support of Business Consultation
- Cooperation between Micro-enterprise supporting center and CGFs
- Expanding Training & Consultation work to every CGF
- Data Utilization for guarantee and other activities



Creating **New work areas**

to find ways to stay relevant to SMEs in the evolving SME financing ecosystem

- Implementing the financial affairs of local governments (e.g. Housing fund)
 - Organizing an expert team to explore new business areas
-



- **KOREG** Shin, Hyeyoung / Coordinator of Int'l Affairs, Management Strategy Dept.
infol@koreg.or.kr (www.koreg.or.kr/english)
- **SCGF** Moon, Jeonghyun / Manager, Guarantee Support Dept.
moonjh@seoulshinbo.co.kr
- **GCGF** Park, Mijin / Assistant manager, Guarantee Business Dept.
ast@gcgf.or.kr

Thank you