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## **Network loans for SMEs' mutual growth to provide financial assistance to SMEs to ease difficulties in working capital**

The loan will provide short-term, low-interest working capital based on purchase orders to SMEs that cooperate with ordering companies under an agreement for mutual growth to enhance production and growth.

The loan is expected to enhance the local supply chain and promote a virtuous cycle of mutual cooperation.

**Sejong, April 5, 2024** – The Ministry of SMEs and Startups (MSS, Minister OH Youngju) will launch a network loan for mutual growth for SMEs in 2024. This loan program aims to overcome the financing challenges that SMEs encounter after signing a supply contract. Applications for the program will be accepted starting on April 2.

Small and medium-sized enterprises (SMEs) often experience delays in the production process, leading to longer periods between ordering a product and receiving payment. This makes it crucial for SMEs to secure production funding, including the purchase price of raw materials. Unfortunately, high-interest rates and loan restrictions have made it difficult for SMEs to obtain financing, resulting in an increased demand for short-term financial support.

MSS has launched a loan program called "Network Loan for Mutual Growth" to improve the supply chain. This program is designed to provide low-interest, short-term production funds to small and medium-sized enterprises (SMEs) by creating a cooperative ecosystem between large companies and SMEs. The loan amount for this program will be KRW 100 billion in 2024.

The Network Loan for Mutual Growth offers short-term production financing of up to 80% of the order amount. This financing is based on the purchase order made between ordering companies, which include local anchor companies such as large companies, middle-standing companies, blue-chip SMEs, and supplier SMEs recommended by the ordering companies. Ordering companies must sign an agreement for mutual growth with the Korea SMEs and Startups Agency (KOSME) to qualify for this financing. The ordering company is responsible for repaying the loan after delivery.

< Support Structure of SMEs Network Loan for Mutual Growth >



SMEs that have done business with the ordering company in the past one year are eligible to apply. These companies can receive funding that matches 1/3 (1/2 for manufacturing companies) of their latest financial statement sales, up to a maximum of KRW 1.5 billion. Furthermore, ordering companies can suggest partner SMEs for support of up to KRW 10 billion.

Flexible loan periods are available, ranging from 30 to 365 days, composed of 15-day increments upon agreement between the ordering company and the order-taking companies (up to one year), considering payment terms and financial conditions. However, if the loan period exceeds 180 days, the period from the delivery date on the order to the loan maturity date must not exceed 90 days.

In addition, the loan provides production funds at a lower interest rate than commercial banks, reducing the financial burden on SMEs. Since the ordering company is obligated to repay the loan after delivery, the order-taking SMEs can freely manage funds without worrying about funding difficulties resulting from customers' defaults.

SMEs can apply for the Network Loan for Mutual Growth online without the need for face-to-face interaction. This allows SMEs to receive quick support within five business days from application to receiving the loan, relieving their financing challenges.

More information on the criteria, eligibility, and application process can be found on the websites of the MSS ([www.mss.go.kr](http://www.mss.go.kr)) and the KOSME ([www.kosmes.or.kr](http://www.kosmes.or.kr)).

CHOI Won-young, Director General for Global Growth Policy, stated, "Small and medium-sized enterprises still face challenges in production and business due to high interest rates and prices." He added, "We hope that the Network Loan for Mutual Growth will assist small and medium-sized enterprises in obtaining quick and easy financing for their production needs at an early stage. This will help them produce goods without any obstacles and promote a positive cycle of improving their supply chains and fostering mutually beneficial partnerships at the local level."