ACCOUNTS RECEIVABLE FACTORING SERVICE FROM KODIT TO BE AVAILABLE FOR MIDDLE MARKET ENTERPRISES

- A revision bill of the Korea Credit Guarantee Fund Act was passed by the National Assembly, which will allow middle market enterprises with annual revenue of less than KRW300 billion to have access to the accounts receivable factoring service provided by Korea Credit Guarantee Fund.

The Financial Services Commission announced that a revision bill of the Korea Credit Guarantee Fund Act was passed by the National Assembly during a plenary session held on December 20.

Under the revised law, middle market enterprises (as designated by the Special Act on the Promotion of Growth and the Strengthening of Competitiveness of Middle-standing Enterprises) will be able to receive financing support through Korea Credit Guarantee Fund (KODIT)'s accounts receivable factoring service.

KODIT's accounts receivable factoring (or invoice financing) service first became available in February 2021 for small- and medium-sized enterprises, and it helped to improve cash flows of SMEs without adding an extra burden on their debt ratios.

With the revised law, middle market enterprises will also be able to have access to KODIT's accounts receivable factoring service from 2024. However, during the early stage, the scope of middle market enterprises eligible for this service will be limited to those with annual revenue of less than KRW300 billion, which will be further specified under a revision of the enforcement decree. This threshold level may be raised in the future depending on the economic condition and support capacity.

For 2024, the government plans to make available a total of KRW150 billion in accounts receivable factoring service, an increase of KRW60 billion from this year. Even with the inclusion of middle market enterprises in 2024, KODIT plans to supply at least KRW90 billion to SMEs to ensure the availability of steady support for them.

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