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Press Release

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CONFERENCE ON “THE GLOBAL FINANCIAL CRISIS AND MICROFINANCE: CHALLENGES AND INTERNATIONAL COOPERATION”

The Financial Services Commission (FSC), the World Bank and the Korea Development Institute (KDI) co-hosted an international conference on “the Global Financial Crisis and Microcredit: Challenges and International Cooperation” on June 15.

As the first-ever conference on microfinance jointly hosted by the Korean government and an international organization, it was attended by Kwon Hyuk-Se, the Vice Chairman of the FSC, Kim Seung-Yoo, the Chairman of the Smile Microcredit Bank, Tunc Uyanik, the Sector Manager of the World Bank, and many distinguished guests. Participants had in-depth discussions on the impact of the global financial crisis on microfinance, each country's response to the financial crisis, and initiatives to strengthen international cooperation.

FSC's Vice Chairman Kwon pointed out that the global financial crisis increased the number of the poor and widened the gap between the rich and the poor, which could lead to a social conflict. Against this backdrop, he emphasized that microfinance serves as a social safety net for those who have no access to conventional financial services and an important means for overcoming the global financial crisis.

Smile Microcredit project, the Korean model of microfinance, is led by the private sector with private donations and dormant savings as funding sources. In the wake of the global financial crisis, fiscal conditions of many governments have been deteriorated. Vice Chairman Kwon said that under such circumstances, microfinance could be a viable option for each government to tackle economic polarization.

The Korean government expects the conference to contribute to expanding microfinance businesses such as Smile Microcredit. Korea will bring the issue to the G20 summit meeting to urge that microfinance could play a key role in overcoming financial crises.

For sustainable growth of Smile Microcredit, the following conditions should be met:

1. Diversify funding sources, including individuals' contributions
2. Cut operation costs by renting offices from public institutions as Smile Microcredit Bank's branches and hiring more volunteers
3. Strengthen training and consulting services to help loan recipients start a new business



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4. Build a mechanism to prevent moral hazard

Although the global financial crisis slowed down the growth of microfinance businesses worldwide, there is still high growth potential.

Among the “Principles for Innovative Financial Inclusion” suggested by the G20 expert group, the “leadership” principle is particularly important as it emphasizes governments’ strong commitment to ensure that everyone has access to financial services.

A sustainable business model of microfinance is one of key interests of microfinance institutions around the world. In order to provide microfinance services in a sustainable manner, it remains a major challenge to cut operating expenses and efficiently manage the businesses.

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