

## FSC CHAIRMAN SPEAKS ON THE SIGNIFICANCE OF NEW MICROLOAN SERVICE PROVIDED BY BANKS

FSC Chairman Eun Sung-soo attended the MOU signing ceremony between the Korea Inclusive Finance Agency, Korea Federation of Banks and thirteen banks on July 1 for the launching of a new microloan service offered through banks. As banks will begin to make contributions to the pool of microfinance funds starting from October 9 this year pursuant to the revised Microfinance Support Act,<sup>1</sup> the Korea Inclusive Finance Agency and thirteen participating banks signed an MOU establishing a cooperative working relationship between them with regard to the launching of a new microloan service available through participating banks.

The new microloan service provided by banks is aimed at providing microfinance opportunities of up to KRW20 million to individuals with low income and low credit scores<sup>2</sup> who have been using other types of microloan services for more than a year and have demonstrated improvements in terms of the level of debt or credit score. It will be available at the Industrial Bank of Korea, NH Bank, Jeonbuk Bank and BNK Kyongnam Bank from July 26 with other banks scheduled to launch within this year.

At the MOU signing ceremony, FSC Chairman Eun Sung-soo spoke about the significance of the new microloan service becoming available in the banking sector and stressed the need to effectively manage household debt.

**(MICROLOAN SERVICE PROVIDED BY BANKS)** The government has been working to reduce burdens and improve access to financing opportunities for lower income households. As part of this effort, the newly launched microloan product will provide individuals with low income and low credit scores an opportunity to access banks for microloan services. With its launch at the end of July, the new microloan product offered through banks has a target of providing a total of about KRW300 billion by the end of this year. As such, banks and the Korea Inclusive Financial Agency should work to ensure effective implementation.

**(HOUSEHOLD DEBT MANAGEMENT)** The growth in household debt amid COVID-19 poses potential risks to the Korean economy. With the possibility of interest rate hikes in near future, it is crucial to manage household debt and be prepared for risks. To this end, it is necessary for the government, borrowers and lenders to all work on ways to spread and share the burden of interest rate hikes.

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<sup>1</sup> Please click [here](#) to see the press release dated May 21, 2021.

<sup>2</sup> Annual income of KRW35 million or less, or credit scores in the lower 20<sup>th</sup> percentile with annual income of KRW45 million or less