

Assessing the role of SMEs financing policy: does it work in lowering financial access barriers in Korea

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In spite of their important role in creating new employment and economic value added in GDP, SMEs (small and medium-sized enterprises) in Korea have been suffered from financial shortage. Commercial financial institutions usually require SMEs to prepare for physical collateral or guarantees for the loan. We investigate whether the policy-supported loan system for the SMEs in Korea contributes to lower the financial access barriers to SMEs, using firm-level data. We do analyze if SMEs are getting properly assessed by commercial banks after receiving government-supported loan. It turns out that the financial support system has significant positive effects on the start-up companies and SMEs in early stages, in term of its effectiveness on financial accessibility (i.e., holding more long-term loans associated with low interest rates).

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