

Economic effects of SMEs credit guarantee in Korea

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We analyze macroeconomic effects of Korean credit guarantees. The resulting impulse response function analysis associated with a VAR model shows that credit guarantee plays an important role in alleviating the economic fluctuation: the supply of credit guarantee expands during the economic recession and contracts when the economic situation is relieved. The virtuous cycle regarding the macroeconomic effects of credit guarantee has been built up, i.e., "increase of credit guarantee → (increase of loans to SMEs) → expansion of investment and employment → economic upturn".

Track: 11. Financing SMEs