

## **SARD-Finance SG joint webinar**

### **The Roles of Guarantee Insurance Scheme in SME businesses the Case of the Republic of Korea**

14:00~15:15, Friday, 25 June 2021

#### **Opening Remarks**

Good afternoon everyone and welcome to this webinar on guarantee insurance schemes, a joint effort between the Finance Sector Group in SDCC and the South Asia Regional Department. Today we will look at the meaningful role of guarantee insurance schemes in small and medium-sized enterprises (SMEs) and examine an example from the Republic of Korea.

SMEs are crucial to economic development, as we all know, and account for more than 90% of all firms and more than half of employment around the world.<sup>1</sup>

Yet these SMEs struggle to find the finance they need to grow their businesses in emerging and developed economies alike.<sup>2</sup> To improve SME finance, many governments have been establishing credit guarantee funds and specialized public SME banks, as discussed in previous Finance Sector Group webinars.

Today, we will look at guarantee insurance schemes as another measure to support SMEs. These schemes cover credit risks that arise in various transactions, reducing them and facilitating the economic activities of SMEs by protecting beneficiaries against non-performance. Guarantee insurance also deals with a wider spectrum of transactions, with products such as loan insurance, trade credit insurance, and surety

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<sup>1</sup> Small and Medium Enterprises (SMEs) Finance. World Bank, <https://www.worldbank.org/en/topic/smefinance>

<sup>2</sup> Small and Medium Enterprises (SMEs) Finance. World Bank, <https://www.worldbank.org/en/topic/smefinance>

bonds.<sup>3 4</sup>

- First, loan insurance, such as that provided by Singapore's Loan Insurance Scheme, helps SMEs secure loans by providing insurance to financial institutions against borrower default.
- Second, trade credit insurance facilitates wider trade and economic activity as it insures the receivables of a seller against buyer's default.
- Finally, surety bonds protect against contract non-performance. The bonds facilitate SME development as they allow low-credit suppliers greater credibility during project procurement.

In the webinar, the Seoul Guarantee Insurance Company will share with us the details of the role, its successful guarantee insurance schemes and products played in Korea's economic development and how such schemes can be applied to Asia's other developing countries.

The presentation will share the status of the Asian guarantee insurance market, the legal foundation, and necessary infrastructure for establishing the guarantee insurance system. It will look at SGI's experience introducing a guarantee insurance scheme in Viet Nam. In addition, it will help ADB operations departments find ways to utilize guarantee insurance products in their own projects to provide SMEs needed credit support or greater financial security.

As we all struggle with the strains created by COVID-19, measures to support SMEs have become particularly important. The lockdowns and other containment measures to control the coronavirus have slashed sales, caused lay-offs, and disrupted supply chains. The damaging effects have severely impaired SME business operations.

I have no doubt that today's webinar will provide ample food for thought about how to use guarantee insurance schemes to support SMEs in

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<sup>3</sup> BIS. 2003. Credit risk transfer. <https://www.bis.org/publ/cgfs20.pdf>

<sup>4</sup> Wulff, R. 2021. Credit Insurance Schemes: Helping Asian SMEs through the COVID-19 Pandemic. ADB.

these difficult times.

I hope today's examination of the credit guarantee scheme can provide a useful operational tool to ADB's finance operations for SMEs, in particular to the South Asia Department, our joint host.

Thank you to our colleagues for preparing the webinar and to all of you for joining us! I wish you a fruitful discussion.