

## **SMALL AND MEDIUM-SIZED ENTERPRISES DEVELOPMENT IN SOUTH KOREA**

South Korea is one of the most well-known examples of economic success. Focusing on small business development has played a vital part in an impetuous growth of this country. We assume, that South Korea may be considered as outstanding example for Ukraine how to promote SMEs to provide national economic growth.

In the early 1950s South Korea had a lot of economic and political problems. After dividing Korea into North Korea and South Korea most scientific and technical capacity has left in its north side. Consequently, South Korea had been characterized by growth backwardness. However, this event was initial stage for creation of South Korea's stable and heads-up economy.

In the 1960s Korean government had established import substitution or "adequacy of economy" policy, later export orientation policy. At once Park Chung-hee's military government had stimulated and supported the growth of chaebols (a large family-owned business conglomerates). Besides, control of large business-groups under business environment had given the opportunities to regulate economic processes by state institutions. Thus, companies were provided with financial and material resources.

The chaebols became an important instrument of The Republic's national business support and formation under conditions of a limited internal capital market, undeveloped stock market and restrictions for foreign investors' activity [1].

Until 1971 the large companies such as LG Electronics, Daehan, Samsung and Daewoo had already operated in South Korea. The government set companies a task connected with transition from a simple construction to creation of the national firms with full production cycle. The own production of baseline components and IT-technologies were significant targets [1].

However, the steady development of a big business resulted into financial crisis. A lot of cash investments were needed by the large companies. Therefore, they had taken out the loans for outputs increasing. In 1997 the banks put an end to credit the companies and massively go to bankruptcy because of huge debt. After financial crisis in 1997-1998 South Korea as well as other Asia countries, paid attention to SMEs, realizing its role in economic growth [1].

Since 2000 the Republic of Korea had implemented 10-years program of SMEs development. It resulted into export rising of industrial outputs from 37% to 50%. Also an employment increased to 80% [1].

Small and Medium Business Administration was found in 1996 and conducts the government assists in SMEs financially. For example, it has established the lowest interest rate regime on credits for these firms [1].

The SMEs contribution policy has several directions. The beginner-companies have the opportunity to obtain a credit for 8 years with a low interest rate, which is 3% lower than

basic rate. Also the government develops and installs up-and-coming technologies for a small business growth [1].

A lot of assistance programs are financed by Korea Small & Medium Business Corporation (SBC). SBC provides assistance with trade, long-term, stabilizing loans and grants for the SMEs growth in South Korea's provincial regions.

Moreover, all companies have the ability to raffle. The main idea of lotteries is expansion of different businesses. The companies will get additional financial support if their production is up to the world-wide requirements of quality.

Such careful attention to small business is conditioned by aspiration for attraction of private sector to provide with the innovative growth system of scientific and technical the Republic Korea's competitiveness. This plan is implemented within "The long-term vision of science and technics 2025" program that was accepted in 1999 [1].

The Korean government confirmed special assistance plan for small and medium-sized businesses and "startups" in order to support the innovative ability increasing. The perspective companies, which are able to innovative development and marked as "Inno Biz", get an opportunity of the simplest assistance measures, such as technology insurance and preferred tax treatment. Moreover, the government has emphasized on directions 5% of scientific general budget to this project. In 2003 600 million dollars were spent on program realization, in 2005 – 920 million dollars, in 2008 – 1,4 billion dollars, in 2009 – more than 1,5 billion dollars. An increasing tendency of facilities spending remains in the following years [2].

Decreasing of unemployment, budget replenishment and increasing of GDP are took place thanks to increasing quantity of the SMEs. More than a million companies, which include 98% of all industry, provide jobs to 60% of economic active population. Besides, million small businesses make up over 50% of national GDP and 45% of export [2].

Thus, since the 1950s South Korea has transferred emphasis radically from stimulation of cheabols to small and medium-sized businesses development. In return that's caused a rash development of an innovative and scientific production. In addition, South Korea's SMEs provides half of all amount of jobs in domestic economy.

### **References:**

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