OPINION

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Distributional Heterogeneity of KOSDAQ-Listed Firms and Future Policy Tasks

KOSDAQ was established to support capital raising by small and venture firms and to promote the growth of innovative firms, and over the past three decades it has achieved a certain degree of success in terms of quantitative expansion and the supply of venture capital. However, given the heterogeneity of firms currently listed on KOSDAQ, it is more appropriate to understand it not as "a market exclusively for innovative growth firms," but as "a heterogeneous market that includes innovative firms." The analysis shows that KOSDAQ contains not only innovative firms with high R&D intensity and high-quality firms, but also a group of firms with weak profitability and financial soundness. In addition, while the growth of median firms has slowed relative to the past, heterogeneity within the market has intensified as both the upper tier of R&D-intensive firms and the lower tier of profitability-weak firms have expanded simultaneously. From the standpoint of industry composition as well, the increasing share of growth- and innovation-oriented industries such as IT and healthcare has preserved KOSDAQ's character as an innovative growth market, but differences across industries in profit structure and risk characteristics have also widened the spread of the market's internal distribution.

This heterogeneity has the advantage of market diversity, but unless high-quality innovative firms are clearly distinguished from vulnerable firms, it may have adverse effects on the reputation of the KOSDAQ market as a whole and on investor accessibility. Accordingly, the future policy direction for KOSDAQ should not stop at assigning a single identity of "innovative growth market" to the market as a whole. Rather, it should be designed to simultaneously elevate the standing of leading representative firms, support the sustained growth of innovative firms, and

* All opinions expressed in this paper represent the author's personal views and thus should not be interpreted as Korea Capital Market Institute's official position.

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strengthen oversight of firms at risk of distress. To that end, it is necessary to refine a segmentation framework capable of clearly identifying different groups of firms within KOSDAQ and to strengthen disclosure, listing management, and investor–information systems tailored to firm characteristics.

KOSDAQ was established to support capital raising for small and venture firms and to facilitate the growth of innovative companies. Since its launch, KOSDAQ has expanded substantially in quantitative terms, including the number of listed firms and trading volume. However, the quantitative growth of the market does not in itself imply that the market's policy objectives have been achieved. It is therefore necessary to examine separately whether KOSDAQ still maintains a structure and performance consistent with its original policy purpose as an innovative growth market, and whether KOSDAQ-listed firms can still be explained through a single market identity as small and innovative firms. In particular, as the characteristics of listed firms diversify, it becomes more difficult for the same market discipline and policy instruments to operate equally and effectively for all firms; hence, identifying heterogeneity within KOSDAQ is a starting point for evaluating the appropriateness of market functioning and institutional design.

From this perspective, this article analyzes the heterogeneity of KOSDAQ-listed firms from multiple angles—size, profitability, growth, innovation, and financial soundness—and examines why such heterogeneity has emerged or intensified. In particular, it considers whether the distributional heterogeneity of KOSDAQ-listed firms implies that KOSDAQ should still be understood as a homogeneous market centered on small and innovative firms, or instead as a heterogeneous market in which groups of firms with distinct characteristics coexist. It also compares the current KOSDAQ market with earlier periods, including the early stage of market establishment and the IT boom era, in order to assess whether today's KOSDAQ can still be managed under the same institutional framework as in the past.

Distributional Characteristics of KOSDAQ Relative to KOSPI

The distribution of key financial and market variables for KOSDAQ-listed firms was examined on a quantile basis. To mitigate the influence of a small number of large firms and extreme values, the analysis compares the location and width of the distribution by focusing on P10, P50, P90, and the quantile spread.

Table 1. Comparison of Quantiles of Key Variables: KOSDAQ vs. KOSPI

Category	Key Variable	Unit	KOSDAQ				KOSPI			
			P10	P50	P90	Gap[2)]	P10	P50	P90	Gap[2)]
Size	Market Capitalization	KRW 100 million	245	900	4,154	16.96	573	2,595	46,580	81.29
	Total Assets	KRW 100 million	277	1,138	5,715	20.63	1,526	8,994	154,526	101.26
	Sales	KRW 100 million	44	640	3,804	86.45	920	6,632	73,861	80.28
Profitability	Net Income	KRW 100 million	-193	3	222	415	-270	156	3,357	3,627
	ROA	%	-14.92	0.59	9.10	24.02	-2.53	2.93	9.41	11.94
	ROE	%	-40.38	1.57	13.23	53.61	-11.31	4.77	15.66	26.97
	Operating Margin	%	-56.64	1.38	15.61	72.25	-4.95	3.70	13.01	17.96
Financial Soundness	Interest Coverage Ratio	times	-21.13	0.39	65.24	86.37	-2.15	3.02	44.87	47.02
Valuation	PBR	times	0.44	1.10	4.61	4.17	0.27	0.63	2.61	2.34
	PER	times	5.46	17.96	99.34	93.88	4.24	12.35	54.20	49.96
Innovation	R&D Intensity[3)]	%	0.00	1.65	22.02	22.02	0.00	0.16	3.40	3.40
Growth	Sales Growth Rate	%	-18.03	4.16	38.68	56.71	-9.34	2.77	24.56	33.90
Market Accessibility	Foreign Ownership	%	0.36	1.92	9.19	8.83	0.75	4.70	27.5	26.75

Note: 1) Financial variables are calculated using the average of firm-level values for fiscal years 2024 and 2025, while market variables are calculated using the average of year-end values for 2024 and 2025.

2) For size variables, the "gap" presents the width of the distribution as a ratio, $P90/P10$. For profitability, growth, and financial-soundness variables, because negative or zero values may be included, the gap is calculated as a difference, $P90 - P10$.

3) R&D intensity is defined as

$$\text{R\&D Intensity}_{it} = \frac{\text{R\&D Expenditure}_{it} + \max(\Delta\text{Capitalized Development Costs}_{it}, 0)}{\text{Sales}_{it}}$$

Source: FnGuide; Korea Capital Market Institute.

It is confirmed that KOSDAQ is not simply a smaller market than KOSPI, but also one with a wider internal distribution. More specifically, several features emerge. First, KOSDAQ firms are smaller than KOSPI firms, and the medians of sales, assets, and market capitalization are also lower. However, the size difference between upper-tier and lower-tier firms within KOSDAQ is also pronounced, making it difficult to regard KOSDAQ simply as a market of small growth firms.

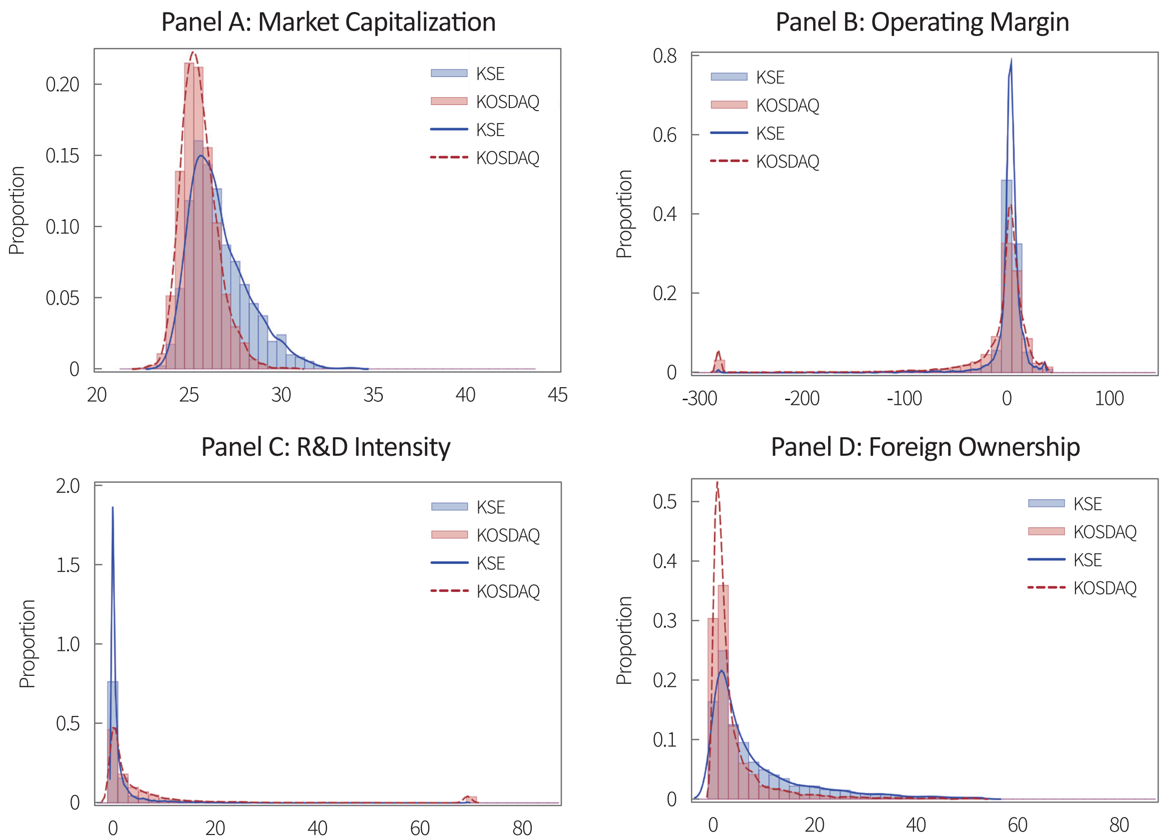
Second, the heterogeneity of KOSDAQ is especially prominent in profitability and financial-soundness indicators. The lower quantiles of ROA, ROE, operating margin, and the interest coverage ratio display substantially negative values, whereas the upper quantiles show favorable profitability and financial conditions. KOSDAQ's heterogeneity is therefore closely related not only to the presence of growth firms with stable profitability, but also to the coexistence of lower-tier distressed firms with weak operating and financial foundations and innovative firms whose profitability has not yet materialized.

Third, R&D intensity and sales growth rate are indicators of KOSDAQ's innovativeness and growth potential, but these variables also display wide distributions. The median R&D intensity of KOSDAQ is higher than that of KOSPI, which partially confirms its character as an innovative growth market. However, the fact that P10 is 0% while P90 exceeds 22% indicates that not all KOSDAQ firms can be regarded as innovative firms. In other words, KOSDAQ includes both technology- and growth-oriented firms with high R&D intensity and ordinary or vulnerable firms with only minimal R&D activity.

Heterogeneity of KOSDAQ as Seen in Cross-Sectional Distributions

Following the quantile analysis, the distributions of the key variables for KOSPI and KOSDAQ were compared directly. In this analysis, the distributional shapes of KOSPI and KOSDAQ were examined for nonfinancial listed firms over 2020–2025 using histograms and kernel density estimation.

Figure 1. Distribution of Key Variables: KOSDAQ vs. KOSPI, 2020–2025



Note: 1) Excluding financial firms; includes listed firms during 2020–2025.

2) Operating margin and R&D intensity are calculated after winsorizing the upper and lower 1% to mitigate the effect of outliers.

Source: FnGuide; Korea Capital Market Institute.

Looking first at the distribution of market capitalization, KOSDAQ is located generally to the left of KOSPI. This indicates that KOSDAQ-listed firms are, on average, smaller than KOSPI-listed firms. At the same time, however, the KOSDAQ distribution is not concentrated solely among small firms; it also has a meaningful right tail. This implies that KOSDAQ includes not only ordinary small and mid-sized firms but also firms that have grown to a considerable scale.

The heterogeneity of KOSDAQ is even more evident in profitability indicators. The distribution of operating margins shows that KOSPI has relatively high density concentrated within positive profitability ranges, whereas KOSDAQ exhibits a wider distribution and a long left tail extending into negative profitability territory. This demonstrates that KOSDAQ contains both firms with solid profitability and firms with severely low profitability.

The distribution of R&D intensity simultaneously reveals both the strengths and the limitations of KOSDAQ as an innovative growth market. KOSPI is strongly concentrated around an R&D intensity of zero, whereas KOSDAQ includes many firms near zero but also displays a relatively thick right tail. This indicates the presence within KOSDAQ of technology- and growth-oriented firms with high R&D investment relative to sales. Yet, at the same time, many KOSDAQ firms also have low or nearly nonexistent R&D intensity. It is therefore more appropriate to understand KOSDAQ not as a market uniformly composed of innovative growth firms, but as a market in which highly R&D-intensive innovative firms coexist with ordinary firms that engage in little R&D activity.

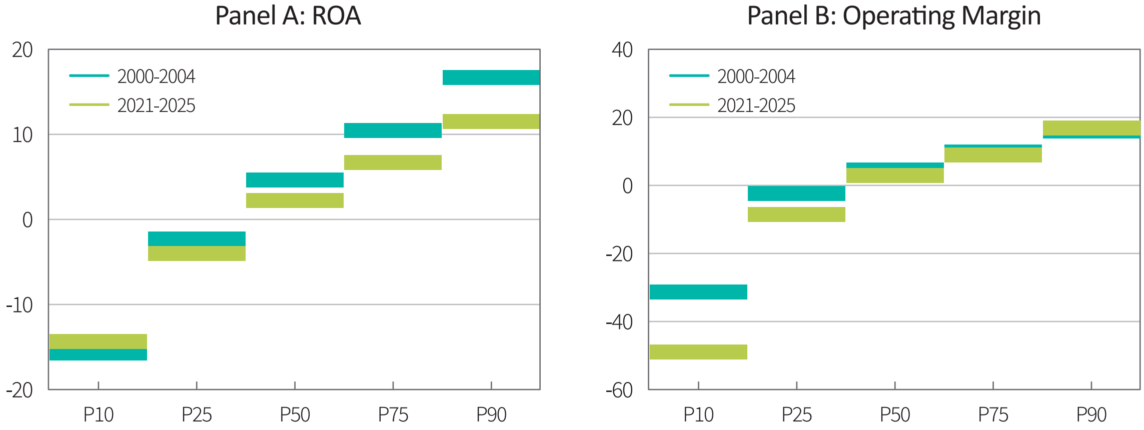
The distribution of foreign ownership illustrates differences in investor base between KOSPI and KOSDAQ. KOSDAQ is concentrated in the lower ranges of foreign ownership, and its right tail is relatively weaker than that of KOSPI. This suggests that KOSDAQ firms are less likely than KOSPI firms to be included in the investment universe of foreign investors, and that foreign holdings are concentrated only in a limited set of firms. These findings imply that sizeable differences may exist among KOSDAQ firms in information accessibility, liquidity, and the level of attention paid by institutional and foreign investors.

Taken together, KOSDAQ exhibits distributional characteristics that are clearly distinct from those of KOSPI. In terms of size, smaller firms are more central than in KOSPI; in terms of profitability and financial soundness, a lower-tier group of vulnerable firms exists; and in terms of R&D intensity, an upper-tier innovative group also exists. In other words, KOSDAQ's heterogeneity cannot be explained solely by the presence of a subset of high-growth innovative firms. KOSDAQ includes not only firms with strong growth and innovation but also firms with weak profitability and financial soundness, and the coexistence of these two groups is a core factor widening the market-wide distribution.

Changes in Profitability Since the Early Stage of Market Establishment

To assess whether profitability heterogeneity within KOSDAQ has recently intensified, the distributions of ROA and operating margin in the early stage of market establishment (2000–2004) were compared with those in the recent period (2021–2025).

Figure 2. Changes in the Distribution of Profitability: Early Stage of the KOSDAQ Market vs. the Recent Period



Note: Excluding financial firms.

Source: FnGuide; Korea Capital Market Institute.

The analysis shows that the profitability of KOSDAQ-listed firms has weakened overall relative to the past. The mean ROA declined from 2.04% during 2000–2004 to -0.31% during 2021–2025, and the median also fell from 4.28% to 1.85%. The upper quantiles likewise declined. ROA at the 90th percentile fell from 16.35% in the earlier period to 11.07% recently, indicating that even the upper-tier profitability group has weakened relative to the past. The lower quantiles remain negative, and P25 deteriorated from -2.51% to -4.22%. This means that a group of firms with low profitability or persistent losses continues to exist within KOSDAQ.

The expansion of the lower-tier vulnerable group is even more clearly visible in operating margin. The median operating margin fell sharply from -5.65% in the earlier period to -14.64% recently, while P10 declined from -31.08% to -48.45%. P25 also deteriorated from -2.97% to -8.46%. By contrast, P90 rose slightly from 15.94% to 16.75%. This indicates that although some firms in KOSDAQ still maintain sound operating profitability, operating losses have deepened among lower-tier firms. In particular, the widening of the P90–P10 spread from 47.02 percentage points to 65.20 percentage points provides evidence that the profitability gap within KOSDAQ has grown larger in recent years.

Simultaneous Expansion of Vulnerable Firms and Innovative Firms

Looking at the shares of firms at both extremes of the distribution leads to the same conclusion. Comparing the share of firms with negative ROA, the share of firms with negative operating margins, and the share of firms with R&D intensity above certain thresholds shows that, in the recent KOSDAQ market, both the group of profitability-vulnerable firms and the group of R&D-intensive firms have expanded simultaneously.

Table 2. Changes in the Share of Profitability-Vulnerable Firms and R&D-Intensive Firms in KOSDAQ

Indicator	2000–2004	2021–2025	Change
ROA < 0	29.76%	38.02%	+8.26%p
Operating Margin < 0	29.78%	37.84%	+8.06%p
R&D Intensity = 0%	32.00%	23.50%	-8.50%p
R&D Intensity ≥ 5%	15.13%	29.30%	+14.17%p
R&D Intensity ≥ 10%	6.59%	16.31%	+9.72%p

Note: Excluding financial firms.
Source: FnGuide; Korea Capital Market Institute.

The share of firms with negative ROA rose from 29.76% in the earlier period to 38.02% recently, and the share of firms with negative operating margins also increased from 29.78% to 37.84%. This indicates that the proportion of profitability-vulnerable firms within KOSDAQ has expanded in recent years. Meanwhile, the share of firms with R&D intensity of at least 5% rose from 15.13% to 29.30%, and the share with R&D intensity of at least 10% increased from 6.59% to 16.31%. In other words, the recent KOSDAQ market has seen both an expansion of profitability-vulnerable firms and an increase in innovative firms with high R&D intensity.

Thus, compared with the past, recent distributional changes in KOSDAQ do not simply indicate that the entire market has shifted toward innovative growth firms. Rather, they show simultaneous expansion of the lower-tier profitability-vulnerable group and the upper-tier R&D-intensive group. In ROA and operating margin, the presence of loss-making or low-profitability firms is pronounced, while in R&D intensity, upper-tier firms with high R&D intensity coexist with lower-tier firms with minimal R&D activity. This demonstrates that KOSDAQ is better characterized not as a uniform market of innovative growth firms, but as a heterogeneous market with substantial differences in firm characteristics.

The Coexistence of Slow-Growth and High-Growth Firms

Examining the distributions of growth and innovation among KOSDAQ-listed firms by annual quantiles confirms that KOSDAQ is not composed of a single homogeneous group of high-growth, innovative firms. Rather, it is a heterogeneous market in which upper-tier growth/innovation firms coexist with low-growth, low-innovation firms.

Table 3. Annual Quantile Trends in Sales Growth Rate for KOSDAQ

Year	Number of Firms	P10	P25	P50	P75	P90
2000	528	-16.76	4.08	21.99	54.80	112.32
2005	915	-33.32	-9.24	6.88	25.48	64.31
2011[2)]	981	-25.44	-5.14	9.25	25.35	48.77
2015	1,112	-24.57	-9.37	4.41	17.98	41.28
2020	1,420	-33.93	-13.88	0.82	18.14	47.80
2025	1,723	-25.78	-8.63	3.43	18.36	43.97

Note: 1) Excluding financial firms.
2) Sales growth rate is calculated for firms with data available for two consecutive years.
Because many observations for 2010 are missing due to the transition to K-IFRS, the 2011 value is used instead.
Source: FnGuide; Korea Capital Market Institute.

For sales growth rate, the median in 2000 was 21.99% and the 90th percentile was 112.32%, both very high. Thereafter, the distribution declined overall, and by 2025 the median had fallen to 3.43% and P90 to 43.97%. This shows that the growth of KOSDAQ-listed firms as a whole has slowed relative to the past. In particular, the sharp decline in the sales growth rate of the median firm—from 21.99% in 2000 to 0.82% in 2020 and 3.43% in 2025—provides evidence against generalizing KOSDAQ as a market centered entirely on high-growth firms.

However, the upper quantiles of sales growth remain at a meaningful level. P90 was 47.80% in 2020 and 43.97% in 2025, indicating that some upper-tier firms within KOSDAQ still retain high growth potential. By contrast, the lower quantile P10 shows sharply negative values in many years, and P25 is also negative in several years. This means that while a group of high-growth firms exists within KOSDAQ, there is also a substantial group of firms experiencing declining sales or weak growth.

Expansion of R&D-Intensive Firms and the Coexistence of Low-Innovation Firms

In the case of R&D intensity, even more pronounced heterogeneity is found with respect to innovativeness in the KOSDAQ market.

Table 4. Annual Quantile Trends in R&D Intensity for KOSDAQ

Year	Number of Firms	P10	P25	P50	P75	P90
2000	535	0.00	0.00	0.18	2.14	7.41
2005	916	0.00	0.00	0.47	2.86	6.35
2010	1,005	0.00	0.00	0.60	2.72	7.21
2015	1,128	0.00	0.00	0.95	3.97	9.49
2020	1,432	0.00	0.00	1.28	5.01	11.85
2025	1,726	0.00	0.02	1.62	6.82	20.54

Note: Excluding financial firms.
Source: FnGuide; Korea Capital Market Institute.

The 90th percentile of R&D intensity rose from 7.41% in 2000 to 9.49% in 2015, 11.85% in 2020, and 20.54% in 2025. This suggests that the upper tier of firms within KOSDAQ has become more R&D-intensive and that some firms have strengthened their characteristics as innovative growth firms. In particular, the fact that P90 exceeded 20% in 2025 indicates that a substantial share of upper-tier KOSDAQ firms is undertaking a high level of R&D investment relative to sales.

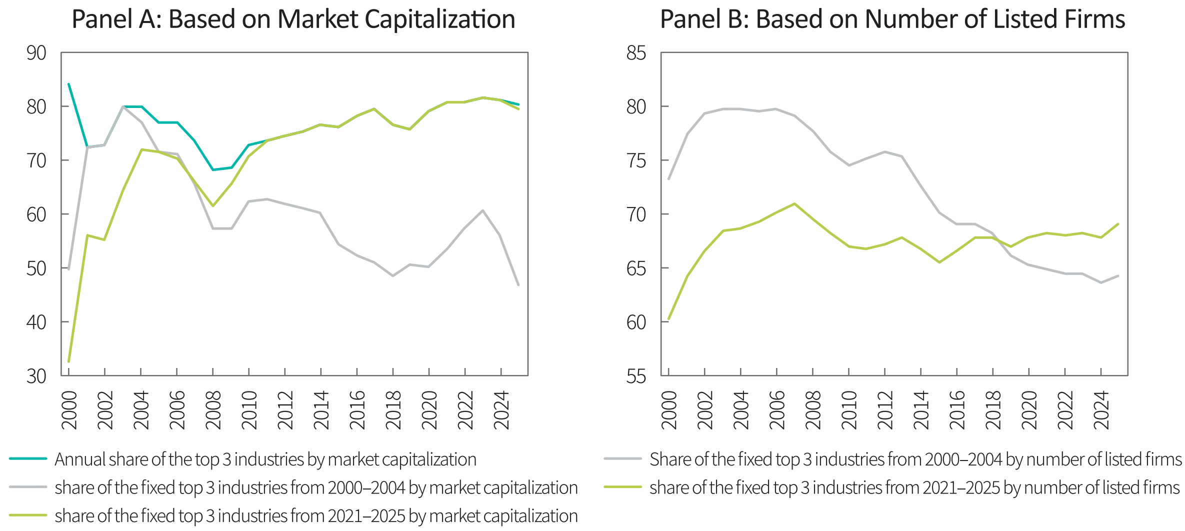
The lower quantiles of R&D intensity, however, show a very different pattern. P10 is 0.00% in every observation year, and P25 also remained at 0.00% from 2000 through 2020, reaching only 0.02% even in 2025. This means that roughly the bottom 25% of KOSDAQ-listed firms are in a group whose R&D intensity is effectively close to zero. The median did rise from 0.18% in 2000 to 1.62% in 2025, but that increase is limited relative to the much larger rise in the upper quantiles. Accordingly, the increase in R&D intensity should be interpreted not as an evenly distributed phenomenon across all KOSDAQ firms, but as a change concentrated primarily in the upper tier of R&D-intensive firms.

In other words, the quantile trends of sales growth and R&D intensity show that growth and innovation in KOSDAQ are concentrated in a subset of upper-tier firms. In sales growth, upper-tier high-growth firms still exist, but the growth of median firms has declined relative to the past, while negative growth continues to be observed among lower-tier firms. In R&D intensity, the sharp rise in upper quantiles confirms the presence of innovative firms, but the lower quantiles remain close to zero, indicating that firms with minimal R&D activity also remain widespread.

Changes in Industry Composition and Industry Concentration

The heterogeneity of KOSDAQ is not unrelated to changes in industry composition. Examining industry concentration in KOSDAQ by market capitalization and number of listed firms reveals a pronounced change in the composition of leading industry groups.

Figure 3. Trends in the Shares of the Top Three Industry Groups in KOSDAQ



Source: FnGuide; Korea Capital Market Institute.

For 2000–2004, the top three industries by market capitalization were IT, communication services, and consumer discretionary, with average shares of 38.37%, 16.40%, and 15.85%, respectively. By contrast, in 2021–2025, the top three industries were IT, healthcare, and consumer discretionary, with average shares of 43.50%, 25.94%, and 11.53%, respectively. This shows that while IT has consistently occupied a large share as a core industry within KOSDAQ, healthcare has more recently replaced the position formerly occupied by communication services. A similar change in industry composition is also observed on the basis of the number of listed firms; in particular, healthcare recently emerged as the second-largest industry group, accounting for 15.67% of listed firms.

Looking at the trends in the share of the top three industries by market capitalization, the combined share of the top three industries has generally remained high, mostly in the 70–80% range each year. This shows that KOSDAQ's market capitalization has long been concentrated in a small number of industries. At the same time, when the top three industries from the early 2000s are held fixed and tracked over time, the industries that accounted for more than 80% in the early 2000s fell to the low 50% range by the mid-to-late 2010s. Conversely, when the recent top three industries are held fixed and tracked backward, their share was relatively low in the early 2000s but rose steadily thereafter and now stands around 80%. This indicates that the industry composition of KOSDAQ has been reorganized from the formerly dominant industries toward the currently dominant industries.

These findings help explain the heterogeneity of KOSDAQ in terms of industry composition. KOSDAQ was long a market with a high share of IT-related firms, but more recently the healthcare industry has emerged as a core industry both in market capitalization and in the number of listed firms. Healthcare and biotechnology typically have high R&D intensity and strong growth expectations, but the timing of profit realization is uncertain and the share of loss-making firms can also be high. Therefore, the recent expansion in the share of the healthcare industry can be regarded as a structural factor explaining both the expansion of the upper tier of high-R&D firms and the continued presence of a group of profitability-vulnerable firms within KOSDAQ.

Effects and Limits of a Single Segment and Single Regulatory Regime

The fact that firm groups within KOSDAQ are heterogeneous does not in itself have only negative implications. The coexistence of firms with different stages of growth, industry characteristics, profitability, and innovativeness within one market can broaden the market's scope and diversity. Investors can access firms with diverse risk-return profiles, and firms can utilize the capital market according to their stage of growth.

However, when highly heterogeneous groups of firms are managed under a single market and a single regulatory regime, several limitations arise. First, if high-quality innovative firms and firms with weak profitability and financial soundness are not adequately distinguished within the same market, negative signals from the vulnerable group may affect the reputation of KOSDAQ as a whole. Investors may perceive the KOSDAQ market overall as high-risk, producing the possibility of a KOSDAQ discount, which in turn may raise the cost of capital even for high-quality firms.

Second, problems also arise from the standpoint of market management. For growth firms, it is necessary to tolerate a certain degree of risk and uncertainty while supporting capital raising and liquidity. By contrast, for firms at risk of distress, stricter oversight is needed to protect investors and maintain market confidence. Yet if both groups are placed under the same regulatory framework, the framework may operate in a manner that is excessively strict for sound growth firms and insufficiently strict for vulnerable firms.

Third, it is necessary to distinguish between KOSDAQ’s role in supporting venture firms as an IPO exit route and its role in continuously fostering and monitoring innovative growth firms after listing. KOSDAQ’s role should extend beyond merely providing listing opportunities for venture-capital exit; it should also support the sustained growth of firms after listing through functions such as growth-capital financing, price discovery, expansion of the investor base, trust formation, and the screening of innovative firms. If, however, the current market system reflects the IPO-centered entry function more strongly than it reflects post-listing changes in firms’ growth stages and qualitative differences, even high-quality innovative firms may end up sharing the same market reputation as vulnerable firms, thereby contributing to a market-wide KOSDAQ discount. That would not be a desirable way to support venture and innovative firms.

Fourth, from the investor’s perspective, a clearer internal identification framework is needed to distinguish high-quality firms from vulnerable ones. As shown above, KOSDAQ displays broad dispersion across firms in size, profitability, innovation, and financial soundness, and it includes both highly R&D-intensive innovative firms and firms with weak profitability and financial soundness. Because heterogeneous firms share a common market reputation, investors may find it difficult to distinguish intuitively between the risk-return profiles of strong and weak firms within KOSDAQ, and the risks associated with vulnerable firms may spill over negatively into the valuation of high-quality innovative firms. Enhancing investor accessibility therefore requires strengthening systems that can clearly identify strong firms and distressed firms.

Accordingly, KOSDAQ’s heterogeneity brings the benefit of market diversity, while at the same time imposing institutional burdens in terms of market reputation, investor protection, disclosure systems, listing management, and index-product design. The key is not to eliminate heterogeneity itself, but to identify and manage heterogeneity clearly within the market structure.

Future Tasks: Reorganizing KOSDAQ as a Heterogeneous Growth Market

The current KOSDAQ market is more appropriately understood not as “a market of innovative growth firms,” but as “a heterogeneous growth market that includes innovative firms.” As discussed above, KOSDAQ includes not only innovative and growth firms with high R&D intensity, but also a group of firms with weak profitability and financial soundness. Therefore, the policy priority is not to impose a single identity of “innovative growth market” on heterogeneous KOSDAQ-listed firms. Rather, it is to identify clearly those firms within KOSDAQ that truly possess innovation and growth potential and to put in place institutional distinctions and support mechanisms so that these firms can be appropriately evaluated in the market.

From this perspective, KOSDAQ’s policy objective should be redefined beyond the concept of a single innovative growth market and recast as a multi-layered growth market. Because KOSDAQ includes innovative firms, growth firms, ordinary SMEs, and financially vulnerable firms, its policy goals must balance multiple objectives: fostering innovative firms, strengthening market confidence, protecting investors, and reinforcing its role as a growth ladder. In other words, the policy direction for KOSDAQ should be designed to simultaneously achieve the goals of elevating the standing of leading representative firms, supporting the sustained growth of innovative firms, and strengthening oversight of firms facing distress risk.

From this standpoint, introducing a segmentation framework that distinguishes groups of firms within KOSDAQ appears to be a sound direction. It would be possible to consider applying listing-maintenance standards, disclosure obligations, and market-management approaches tailored to firm characteristics. Such a framework could reduce the spillover of risks from vulnerable firms into the reputation of the KOSDAQ market as a whole, while also allowing high-quality innovative firms to be more clearly distinguished and evaluated within the market.

KOSDAQ’s role should likewise not be limited to providing an IPO exit route for venture investment. When it functions as a growth platform encompassing post-listing growth financing, price discovery, expansion of the investor base, enhancement of corporate credibility, identification of high-quality innovative firms, and post-listing oversight, KOSDAQ can support innovative growth firms in the fullest sense.

In sum, the heterogeneity of KOSDAQ is both a weakness of the market and a starting point for institutional improvement. The mere fact that diverse groups of firms exist is not itself the problem. The problem is that heterogeneous groups of firms remain insufficiently distinguished while being placed under a single market reputation and a single regulatory regime. Going forward, KOSDAQ should develop not by suppressing heterogeneity, but by identifying it clearly and applying firm-group-specific regulation and support tailored to each group's characteristics. In this way, KOSDAQ can be reorganized so as to strengthen the growth foundation of innovative firms while at the same time enhancing market confidence and investor protection.