



**AUSTRALIAN BANKERS' ASSOCIATION INC.**

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11 February 2011

Committee Secretary  
Parliamentary Joint Committee on  
Corporations and Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Email: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

Dear Sir,

**Parliamentary Joint Committee on Corporations and Financial Services  
Inquiry into Access for Small and Medium Business to Finance**

Please find attached the updated Small Business section of our submission to the Senate Standing Committee on Economics, Inquiry into Competition within the Australian Banking Sector. This material also summarises information provided in the ABA's submission to the Senate Inquiry into Access of Small Business to Finance.

The ABA agrees with the observations made by the Reserve Banks submission to this Inquiry. This includes:

- Lending to small businesses has increased slightly over 2009 and 2010, after growing steadily over the decade prior. The slowdown reflects both reduced demand from businesses and a reassessment by banks of business lending risk. Small businesses in most industries have been able to access funding throughout the financial crisis, albeit on less favourable terms than previously.
- Higher funding costs and a reassessment of risk have resulted in an increase in the spread between the rates that lenders charge on business loans and the cash rate. The Reserve Bank Board has taken this into account in its monetary policy decisions, and the cash rate remains below its average since the end of 1996. Lending fees have risen, though for most businesses, these represent a small part of the overall cost of a loan.

Fees charged on deposit accounts have fallen as banks compete more aggressively for this source of funding.

- Competition in the small business lending market eased following the onset of the financial crisis, but there are some early signs that competitive pressures are again beginning to intensify in some segments of the business lending market. This should continue as the economy continues to strengthen.

Further to this ABA agrees with the RBA comment that competition in lending is cyclical. During periods of strong economic growth, banks tend to compete more aggressively for business lending by cutting their margins and relaxing their lending standards. When the economic and business outlook is uncertain and loan losses are rising, banks are inclined to take a more conservative approach, as has been the case over the past couple of years.

I have also attached for your information the latest ABA Data Sheet on Small Business Lending.

If the Inquiry requires further industry information, the ABA would be happy to assist.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steven Münchenberg', is written over a horizontal line. The signature is fluid and cursive, with a large, sweeping flourish at the end that extends below the line.

**Steven Münchenberg**