

SENATE STANDING COMMITTEE ON ECONOMICS QUESTION
(Supplementary Budget Estimates 20 October – 21 October)

Question: SBT 15

Topic: Business Lending

Senator Williams asked:

Is APRA aware that bias has all but dried up business lending, business lending really meaning borrowing against real estate to use the loan proceeds in a business rather than lending against skill, acumen, and cash flow who are ranked as self-employed along with taxi drivers.

Answer:

There is no simple measure to test such a claim. As would be expected, during the global financial crisis authorised deposit-taking institutions (ADIs) tightened their lending requirements and increased the risk margin on loans in response to the increased uncertainty about the economic outlook and to the increased levels of impaired assets and higher arrears rates. This was a prudent response in face of the considerable uncertainty at the time, and applied to business borrowers both large and small. With the Australian economy regaining its momentum, there are indications that conditions for the provision of credit to business is on the improve, with risk margins beginning to decline from their peak. As the Reserve Bank of Australia noted recently, lending to small business has risen over the past year.