



MEDIA RELEASE

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

28 April 2011

Inquiry into access for small and medium business to finance

Mr Bernie Ripoll MP, Chair of the Parliamentary Joint Committee on Corporations and Financial Services, today tabled the committee's report on access for small and medium business to finance.

The Parliamentary Joint Committee on Corporations and Financial Services inquired into the availability and terms of finance for small and medium enterprises (SMEs) in Australia. The committee considered the types of finance available to SMEs, the degree of competition in SME lending, and the impact of prudential regulation on the availability of finance.

While Australia weathered the global financial crisis, the crisis reduced the number of providers and increased the cost of finance. The committee found that SMEs have access to finance, albeit on terms less favourable than prior to the global financial crisis.

"Small and medium businesses are a fundamental part of Australia's economy. Access to finance on terms that are fair and reasonable is vital for the growth and productivity of the SME sector. As the main source of finance for SMEs, access to debt funding from lending institutions is essential." Mr Ripoll said.

The committee recommends that the Government assess the value of developing uniform definitions of 'micro', 'small' and 'medium' business to be applied for data gathering, policy development and analysis by Commonwealth and state agencies.

"The review highlighted that there are multiple definitions of small and medium enterprises. The understanding of what is a small or a medium enterprise differs across the finance sector, even across the same banking group. A business could be classified as a small or medium business under one definition, but not meet the criteria of another."

"A lack of standard definitions means a lack of standardised data. It can also lead to misunderstandings when interpreting that data. Consistent definitions would assist analysis of the health of the SME sector and promote more informed policy and practice and solutions tailored to the challenges faced by each kind of SME." Mr Ripoll said.

The committee also recommends:

- the Reserve Bank of Australia specifically track the impact of the introduction of Basel III on the cost of small and medium business finance and residential mortgages

- the Code of Banking Practice and the Mutual Banking Code of Practice be amended to include a standardised notice period for notifying business borrowers of changes to loan terms and conditions that may be materially adverse for them, and
- the government undertake further work to explore policy measures which may strengthen the mutual sector as a 'fifth pillar' of the banking system and thereby promote competition.

The committee's report is available on the committee's website at:

http://www.aph.gov.au/Senate/committee/corporations_ctte/index.htm

or from the committee secretariat on 02 6277 3543.

For further information, contact the committee chair, Mr Bernie Ripoll MP, on 02 6277 4934.