



AUSTRALIAN CHAMBER OF  
COMMERCE AND INDUSTRY

# MEDIA RELEASE

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## PRICE AND AVAILABILITY OF FINANCE A CONSTRAINT ON BUSINESS EXPANSION & ECONOMIC GROWTH

Statement by Mr Greg Evans, Director of Economics and Industry Policy

The Australian Chamber of Commerce and Industry (ACCI) remains concerned that businesses, especially small and medium sized enterprises, are continuing to face difficulties accessing finance, with many of those that are successful, subject to the application of unreasonable margins.

As means of providing more focus on the problems associated with the provision of small business finance, ACCI is again calling on the Australian Government to ask the Productivity Commission to examine issues including the state of competition in the market, changes in the cost and availability of finance and relevant international comparisons.

Recent ACCI small business survey results confirm that raising loans from financial institutions, and associated charges, remain a constraint on overall business investment.

In relation to loan pricing ACCI acknowledges that in the aftermath of the global financial crisis overall funding costs have risen, however it is clear from Reserve Bank analysis that actual lending rates have more than fully offset these increases, to the extent that net interest margins in late 2009 were 20 to 25 basis points above pre-crisis levels.

However while pricing is clearly very important, access to finance for SME's remains very difficult with the imposition of much stricter credit criteria applying throughout the banking sector. Business is not suggesting that marginal lending should somehow be artificially propped up, however our analysis suggests even sound credit proposals with appropriate security arrangements are often declined as they fall outside arbitrary credit controls.

In the area of business lending the diversity of funding sources has narrowed markedly, with a consequent diminishing of competition. The exiting of some foreign banks, the diminished role of non-bank lenders (especially in the area of asset financing) and the relative market position of smaller and regional banks have reduced competitive choices for business.

ACCI believes sooner rather than later Australia's banks need to get back to the business of lending to the small to middle ranking enterprises and they need to re-skill their workforces so they understand risk assessment and are able to make sound judgements about the capacity of a borrower to service and repay a loan.

For further information:

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*ACCI represents over 350,000 businesses in every State and Territory and all industries. Our network employs around 4 million employees, ranging from the top 100 companies to tens of thousands of small and medium businesses.*

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