

Head of Secretariat  
Financial System Inquiry  
The Treasury  
Langton Crescent  
PARKES ACT 2600

30 March, 2014

Email: [fsi@treasury.gov.au](mailto:fsi@treasury.gov.au)

Dear Sir/Madam

I write in my current capacity as the Owner of Flexible Resources Pty Ltd, a Management and Negotiation Consultancy business, and from my experience as the former inaugural NSW Small Business Commissioner (2011 to January 2014)

I would like to take the opportunity to comment on a number of points regarding the Government's Financial System Inquiry in relation to small businesses (SME's) based on my practical experience.

- As centralisation and automation of credit applications with all parts of the banking sector become the norm, the ability SME's owned by a younger demographic to access finance will become increasingly difficult. This generation of owners will not own a home they can use as security, in fact often their only asset is their business, the value of which is significantly discounted in any credit assessment. Hence this will become a policy issue in the future unless other forms of security are considered.
- Automation and centralisation of credit assessments often means that one of the key reasons that SME's succeed or fail – the calibre of the owners/management is not adequately considered.
- SME's are able to access payment terms for the payment of their taxation liability from the Australian Taxation Office (ATO). This can be done automatically by phone prompt without even having to speak with an ATO official for liabilities under a certain threshold. While this is a significant benefit for the SME's cash flow, they are unaware that if they use this option, the major Banks all deem this as evidence of the business being in distress and it automatically negates their credit application.
- Wider opportunities for small business to access finance outside of the traditional banking system need to be considered. Facilitating SME access to public corporate bonds, superannuation funds, and establishing sound regulatory frameworks for crowdfunding and peer to peer lending, as a matter of priority should be developed.
- SME's pay disproportionately high bank fees. As evidenced by the Reserve Bank of Australia's Payment System Board, Annual Report 2013, SME's pay up to 10 times more in bank fees than big business. Similarly they pay significantly more in interchange fees for transactions compared to larger businesses. Thus not only is it difficult for SME's to access finance, it is also expensive.

Small businesses represent 96 per cent of the Australian economy. It is therefore important the financial system allows this section of the economy to operate to efficiently and effectively to allow SME's to deliver the flexibility and innovation that is critical to a growing Australian economy.

Should you wish to discuss any of the issues I have raised, I am available on.

Yours Sincerely

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