



BUSINESS | Issue No. 13 | *Traditional banks desert the SME market*

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The fallout of the GFC and the uncertainty surrounding world markets is also leading major banks in Australia to move away from providing funding to the SME market. Unless the facilities can be supported with real property to a maximum lend of 50% of the value, they are not interested.

There is currently a vacuum developing within the marketplace and opportunity for investors to enter this market. In the construction market for apartments and other commercial activity there has already developed mezzanine funding alternatives to rescue the developers.

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In addition, in relation to the SME market, there is now the emergence of the high net worth family businesses that are seriously looking at filling the gap in providing funding to the SME market. For the SME market, it is not a question of what interest rate the SME market may pay, but more the availability of funding in the first place as it is not otherwise available.

We are still awaiting the IPO of Scottish Pacific which is due at some point this month; this will test the market's appetite for this type of venture. In any event, there are already new entrants in the funding market that are emerging which need to be seriously looked at by the SME market.

The major banks may, in the future, rue the day that they did not seriously engage in looking after the SME market. Institutional private equity is concentrating at the big end of the market where they are looking at takeovers of underperforming public companies, therefore there is an enormous gap in the true private equity model that is built upon family business wealth. This opportunity may become a major contributor to the Australian Capital Markets in the near future.

Watch this space!



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