

MEDIA RELEASE

Australian SMEs still ignored by big banks, despite pandemic calls for help, new report find

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Australian small and medium-sized businesses (SMEs) continue to be ignored by the big banks, with one in five SMEs reporting no interaction whatsoever with their bank despite the pandemic lockdowns, a new report has found.

The 2021 SME Banking Insights Report also found that even when SMEs had had some form of contact with a banker from one of the big banks, only 15 per cent of them described interactions with their bank as high quality.

Commissioned by Judo Bank and conducted by East and Partners, the 2021 report - its third edition – was widened to include businesses with a turnover of up to \$50 million and concluded that the “funding gap” for businesses up to this size was now \$119.2 billion.

For SMEs with a turnover of between \$1 million and \$20 million, the funding gap had further widened by \$4.6 billion to \$94.3 billion since 2019, an increase of 5.1 per cent.

Judo’s Chief Financial Officer, Chris Bayliss, said the report had found that at least a quarter of SMEs looking for finance to grow their businesses were turned away by the incumbent banks.

“It’s nothing short of scandalous that despite the huge amount of small business support and stimulus made available to lenders by Canberra, our major banks have effectively shut their doors to Australian SMEs when they needed them most,” Mr Bayliss said.

“This is of serious concern not just to SME business owners looking to grow and employ more Australians, but for the economy more generally at a time when we should be doing all we can to create jobs and get the post-pandemic recovery under way.”

Mr. Bayliss said by way of contrast, Judo Bank had significantly increased lending to SMEs in 2020, with official figures from APRA showing that Judo’s lending portfolio grew by 80.6 per cent during the COVID period between March 2020 and December 2020. This compared to a 3.2 per cent decline in business lending across all banks over the same period.

Judo’s Chief Relationship Officer, Frank Versace, said the report also highlighted an ongoing decline in trust towards major banks and the inadequate service they were providing to SMEs.

“This year’s report highlighted even further declines in the trust SMEs have in the major banks, with trust ratings down to just 2.26 on a one to 10 scale” Mr. Versace said.

“This report found that more than 45 per cent of SMEs are in an expansive growth phase but the absence of bank support could be limiting their potential.

“A quarter of SMEs said one of the main reasons they would change banks was a lack of accessibility with their banker.

“This has been a major issue for customers of the big banks during COVID-19, who have had no option other than to ring 1800 numbers and hope to get through to the right person.

“And with accessibility being such a major issue for customers at the major banks, it should come as no surprise that the report found that one in four SMEs said they did not know what their business strategy focus would be post-crisis.”

The report involved direct interviews with over 1,750 SMEs nationally with an annual turnover of between \$1 million and \$50 million, with three quarters of respondents saying they banked with one of the Big Four.

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