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Attn: Parliamentary Joint Committee on  
Corporations and Financial Services  
Via email

## Submission: Supply Chain Financing

The Council of Small Business Australia (COSBOA) is the national peak body exclusively representing the interests of small businesses.

In submitting this statement, COSBOA doesn't have specific case studies, we have the collective voice of small business through our membership of professional associations who in turn, represent in excess of 800,000 businesses in Australia.

In relation to supply chain financing, COSBOA's biggest concerns for small business is in the area of payment times, a huge and ongoing issue for small businesses. Payment times are shrinking but this is largely due to efforts by small businesses managing their bookkeeping through effective software platforms which take away the manual labour associated with chasing payments. In some instances global corporates push out payment times far beyond that's reasonable and then offer that same small businesses loans to keep them afloat. When a large corporate recognises a small business supplier is in distress they in the past have taken advantage and offered finance products.

In 2020 COSBOA welcomed Payment Times Reporting Scheme legislation which required large companies to report on their payment times. COSBOA also worked collaboratively with the Business Council of Australia to reduce these payment times through a voluntary scheme.

Invoice financing is popular as a support mechanism and can encourage faster payment times in between suppliers and clients. But as long as they're not used to justify or even lengthen standard payment times. It shouldn't be a stop gap measure nor as an incentive for the large business to pay on time.

All businesses should pay in 30 days or less and with instant banking, improved accuracy with invoicing and e-invoicing there is no excuse for not paying invoices on time for goods and services which are delivered, particularly for the small business owner. Unless you're relying on small business to be a line item on your balance sheet. You're improving the cash flow of big at the expense of small.

So we ask, what are we trying to fix? Fundamentally more needs to be done to reduce payment times, negating the need for supply chain financing in the invoicing space.

In COSBOA's view the Govt has done what it can to support through schemes such as the Securitisation Fund & Start Up Business Fund and we welcome such initiatives. COSBOA welcomes the opportunity to work with Government to continue the regulation protects small businesses.

What we're hearing from our members... is this can be an issue which is complex for small business people who, without the background in finance, have trouble understanding these concepts. So, when there is confusion we turn to experts, advisors like finance brokers to assist. COSBOA, as an organisation works together with the Government to minimise the confusion and make it simpler for small business to understand financial regulations and what their role and responsibilities are when dealing with the financial services sector.

## Banks and Smaller Lenders

We don't see any broad concerns for small business in relation to this issue but to give it a small business lens: Small businesses are affected further down the supply chain, in the traditional, retail lending space where we are customers of the banks selling us financial products directly to us.

In the experience of small business the big banks' objectives are to standardise their risk profile, be more risk adverse and this is where small businesses are, as the end of the finance supply chain, subject to the consequences. Small businesses are difficult to pigeon hole or categorise because we are so diverse in structure, size, profitability etc. For banks it's easy/safe to standardised a product like home loans but in business you can't standardised us. The risk profiles are ever changing.

In the wholesale market small businesses are once again the end user. Logically, this does makes sense. In responding to the shareholders' demands banks spread the risk through warehousing finance and again, small businesses are at the end of the supply chain.

In relation to smaller lenders, there is a perception that small businesses are being pushed to non-bank funders but they are also filling a gap in the market – they bring an alternative for small businesses who may wish to find a different provider other than a traditional, retail finance product they're used to dealing with. Having a variety of schemes enables small businesses to have choice – as long as it's clear what they're getting involved with.