



Australian Citizens Party

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MEDIA RELEASE

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A public post office bank is just what Aussie small businesses need

The Australian banks treat small and medium enterprises (SMEs) very badly.

It is enormously difficult for small businesses to get a loan from a bank, and only those who put up their house as collateral—literally risking everything—are successful.

The banks are also pushing small businesses to go cashless, so the banks can get a cut of every transaction and can profit further from their data.

On top of it all, the banks are shutting branches all over the country, severely inconveniencing the small businesses which need to use the banks to get a cash float for their daily sales, and to safely deposit their cash takings.

The banking problems faced by small businesses can be addressed by the establishment of a government bank, like the old Commonwealth Bank, to operate through post offices, which would guarantee service to every SME in Australia, bring back local banking and local lending, and force the big private banks to again compete on service.

Starved of credit

According to data from the Reserve Bank of Australia compiled by Investment Analytics, over the past 30 years the composition of bank lending in Australia has changed dramatically.

It's clear that small businesses have been the losers in this change.

Historically, Australian banks loaned more to business than they did for housing; in 1988, this peaked at 70 per cent of bank lending for business and around 21 per cent for housing.

Since then, however, the composition has steadily inverted, so today around 63 per cent goes to housing loans and just 33 per cent to business borrowers.

The business component of this data covers all businesses—large and small—but the burden has been borne by small business.

In 2017, then-Small Business Ombudsman Kate Carnell highlighted that small businesses were being starved of reasonably priced finance.

The [2 October 2017 Sydney Morning Herald](#) reported on her submission to a Productivity Commission inquiry into banking competition, in which she explained that “unless a small business owner has a property they can mortgage, bank funding at a reasonable cost is ‘simply unavailable’ for many firms”.

Five years later, the Reserve Bank reports the problem continues.

In a 15 September 2022 article for the RBA Bulletin, “[The Current Climate for Small Business Finance](#)”, Madeleine McCowage and Laura Nunn detail the latest feedback from the RBA's annual Small Business Finance Advisory Panel:

“As in previous years, panellists reported that they find it difficult to access finance through traditional lenders with terms that suit their needs”, they wrote. “The requirement to provide personal collateral—often residential property—against a business loan continues to be the key constraint on access to finance for some SMEs.”

As this is a systemic problem, detrimentally affecting the small business sector which is the biggest employer in the economy, and discussed in identical terms five years apart, why has nothing been done about it?

The answer is the banks are only interested in maximum profit, from loans into the over-inflated housing bubble, and the politicians are too afraid to take them on.

Back in her 2017 submission, Kate Carnell made a suggestion that wasn't tried, but would have made a huge difference: establish a government-backed small business bank.

A public post office bank would fit that role perfectly.

Small business champion

An Australian post office bank would be a government-owned bank like the Commonwealth Bank before it was privatised (1912-1996), intended to operate exclusively through Australia's 4,000-plus post offices—the largest retail footprint in the nation.

Aside from being the most easily accessible bank in Australia, it would provide full banking services—deposit, loans, and payments—and be a place where small businesses and the public could always access, deposit, and process cash (offsetting the private banks' efforts to reduce cash use).

Experienced bankers would be assigned to manage a region of post office branches, and it would be their job to understand the local economy and local businesses, and approve the loan applications based on their local knowledge.

(This would be a dramatic reversal of the years of stripping local bank managers of their decision-making powers in favour of concentrating bank lending decisions in head offices in the capital cities, often by computers, as a result of which many Australian businesses were denied opportunities that a good local manager would have recognised.)

As a government bank, the post office bank's primary purpose would be the public good, not maximum profit, although it would certainly be profitable and make money for the taxpayer.

With its government-backing and low cost base (thanks to operating through post offices), it would have the financial strength and flexibility to make affordable loans to small businesses, including in agricultural and manufacturing industries, which would drive economic growth and employment in local regions all over Australia.

Perhaps most importantly, a public post office bank would finally force the Big Four banking oligopoly to truly compete.

They would have to drop their costs, including their charges and interest margins.

They would have to stop closing branches, unless they wanted to lose their customers to the government bank, and even consider reopening branches.

They would also have to lift their standards of conduct, including their basic customer service, and end the predatory misconduct that victimised thousands of small businesses after the 2008 global financial crisis and led to the 2018 banking royal commission.

Support the campaign

There is growing support for the post office bank policy, across the nation and across all political parties, and already seven local councils across Australia have passed motions endorsing the policy, with many more to follow.

Small businesses should rally behind this policy to send a message to the Albanese government that this is what small business needs.

[Click here to sign the Citizens Party's petition for a post office people's bank.](#)