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Australian alternative finance market grew by 53% in 2016: Report

MARTIN KOVACS / Wednesday, October 11, 2017



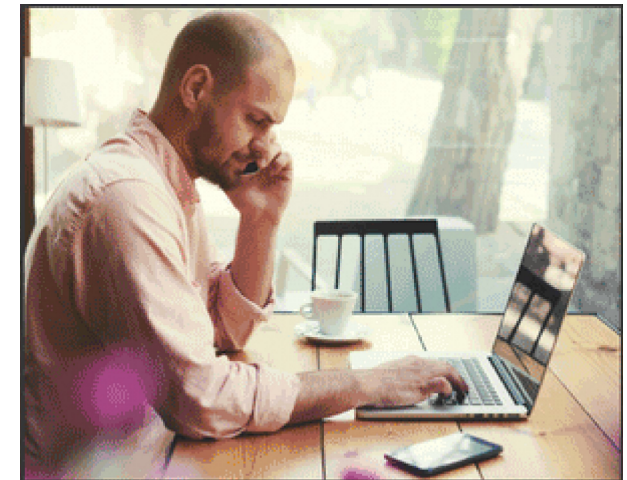


The Australian alternative finance (alt-fi) market grew by 53% in 2016, despite declines in equity crowdfunding activity in the face of regulatory uncertainty, according to a study released in September.

The study was undertaken by the Cambridge Centre for Alternative Finance, the Tsinghua University Graduate School, the Australian Centre for Financial Studies at Monash Business School and KPMG. It found that the Australian alt-fi market has grown 53% over the past 12 months.

According to the *Cultivating Growth: The 2nd Asia Pacific Alternative Finance Industry Report*, which surveyed 628 alt-fi companies, Australia overtook Japan in 2016 to become the second largest alt-fi market in the Asia Pacific, with a market volume of \$US609.6 million (\$780 million), up 53% on 2015.

Leading all comers, the report found China continues its global dominance in the space, with a market volume of \$US243.28 billion in 2016.



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“Whilst alternative finance remains small as a proportion of overall credit outstanding in the financial system of many countries, it is growing rapidly,” said Ian Pollari, KPMG fintech practice global co-lead.

“Australia is fast becoming a regional leader, behind China — the global leader accounting for as much as 85% of the total worldwide alt-fi sector. The strong growth of the Australian sector is tangible evidence of the ability of the financial services industry to innovate and embrace new ways of doing business”.

According to the research, balance sheet business lending (up 80% to \$US217.34 million in 2016) made up the largest market volume of alternative lending in Australia. This was followed by marketplace/peer-to-peer consumer lending (up 153% to \$US158.23 million) and invoice trading (up 24% to \$US129.91 million).

Peer-to-peer property lending accounted for \$US36 million and the volume of peer-to-peer business lending was \$US6.93 million last year.

Meanwhile, the market volume of equity-based crowdfunding dropped from US\$56 million in 2015 to US\$10.51 million last year, in the face of continued uncertainty about the regulatory environment.

The first phase of the federal government’s equity crowdfunding regime is now in effect for public unlisted companies, with plans to extend the framework to proprietary companies also underway.

“Regulation can have a profound impact on the development of the sector,” Pollari stated.

“For example, the uncertain regulatory environment for equity crowdfunding, ahead of legislation taking ... [effect] this year, no doubt contributed to a notable drop in activity in 2016.



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“This underscores the vulnerabilities that might impede future growth, which need to be identified, understood and prudently managed for the long-term viability of Australia’s alternative finance industry.”

The report additionally found that 65% of alternative finance platforms believe existing regulations are adequate and appropriate, while 53% of platforms agreed proposed new regulations are also adequate and appropriate.

Professor Edward Buckingham, Australian Centre for Financial Studies executive director, said emerging alternative finance forms “will profoundly shape our economies for decades to come”.

“Fintech-enabled alternative finance has triggered diverse policy and entrepreneurial responses,” Buckingham commented.

“While the alternative finance market in Australia was slower to take off than in some other global jurisdictions, the 2014 *Financial System Inquiry* made a number of recommendations directed at increasing innovation in the financial services.

“The new policy environment is helping to fuel growth in the sector, and played a major role in helping Australia become the largest alt-fi market in the region, after China.”

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