SUBMISSION TO THE PRODUCTIVITY COMMISSION

Inquiry into Barriers to Business Dynamism in Australia

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Submission from First Australians Capital

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[redacted]

First Australians Capital pays our deepest respects to the Traditional Custodians of Country across Australia. We acknowledge the Traditional Custodians of the lands on which First Nations businesses are founded and operate. We acknowledge and thank our Elders who have demonstrated over 60,000 years of sustainable First Nations business. We ask our Elders to guide us on a path to a more prosperous future.

1. About First Australians Capital

First Australians Capital (FAC) is a First Nations-led and controlled organisation that backs the cultural, creative, and economic strength of First Australians to become full, free agents in driving their own economic futures. FAC was conceptualised in the early 2000s to promote and support First Nations business and enterprise as a pathway to economic independence.

Our purpose is to accelerate the First Nations economy through unlocking capital and supporting First Nations entrepreneurs to grow sustainable enterprises. The success of FAC is measured by the success of First Nations businesses, defined by each business on its own self-determined terms.

Since 2016, over 1,000 businesses have chosen to partner with First Australians Capital to strengthen their businesses through capacity support and capital, with over $55 million in capital deployed and $90 million in capital leveraged across the finance ecosystem. Of these, 80% have increased confidence since working with us.

FAC submits this response with direct, on-the-ground experience of the regulatory, administrative, and structural barriers that limit the entry, growth, and sustainability of First Nations businesses across Australia. This submission outlines those barriers and demonstrates that addressing them would unlock significant untapped economic and social value, strengthening both the First Nations business sector and Australia's broader economy.

2. Framing: First Nations Business Dynamism and Its Barriers

The Productivity Commission’s inquiry into business dynamism arrives at a moment of significant growth and aspiration within the First Nations business sector. Yet that growth is occurring despite, not because of, the regulatory and structural environment in which First Nations entrepreneurs operate.

FAC's Strategy 2031: Radical Possibilities identifies a goal of tripling the First Nations business sector by 2031, with $1 billion in mainstream capital leveraged for First Nations businesses and communities. Achieving this vision requires a regulatory, financial, and procurement environment that recognises and supports the unique strengths, aspirations, and operating contexts of First Nations businesses, enabling them to thrive at every stage of the business lifecycle.

This submission addresses the Commission's priority areas — barriers to entry, expansion, and exit; access to capital markets; administrative and regulatory burdens; and innovation ecosystems — through the specific lens of First Nations business experience. We note that the barriers faced by First Nations entrepreneurs are not marginal edge cases; they are the most well-documented instances of regulatory and structural failure in the Australian business system.

There is also a direct economic cost. When First Nations businesses are denied equitable access to capital, contracts, and investment opportunities. The result is fewer jobs are created, regional economies miss out on activity, and Australia loses the broader economic benefits that First Nations enterprises generate. First Nations businesses reinvest in their communities, create local employment, support cultural outcomes, and contribute to community wellbeing and resilience. Economic barriers to First Nations business dynamism are therefore not merely a social justice concern; they represent a concrete drag on national productivity and economic participation.

3. Barriers to Business Entry: Capital Access and Administrative Burdens

3.1 The Structural Exclusion from Capital

Access to capital is make-or-break for any business. For First Nations entrepreneurs, this access has been systematically denied through a combination of historical dispossession and ongoing structural failures within the finance sector. This is not historical context; it is the present-day operating environment.

Colonisation forcibly removed Aboriginal and Torres Strait Islander peoples from Country and excluding them from the emerging Australian economy. Land is the primary basis of wealth creation and capital leverage in Australia. Because First Nations people were dispossessed of their lands and continue to face legal and structural barriers to leveraging land-based assets, they are denied the same foundation for wealth generation and capital access that non-First Nations Australians take for granted.

3.2 The Collateral Problem

Most businesses secure finance by offering personally owned land as collateral. For many First Nations businesses, this pathway is constrained due to the limited availability of personally held, transferable assets that can be leveraged for lending. In many cases, dispossession has meant that this foundational asset for wealth creation and borrowing has not been available, contributing to reduced opportunities for asset accumulation and intergenerational wealth-building compared to other Australians.

The result is that First Nations entrepreneurs are asked to meet collateral requirements that were designed for a system from which they were deliberately excluded — and then assessed as 'not finance-ready' when they cannot comply. This is not a market failure in the conventional sense; it is a regulatory and institutional design failure. Addressing it requires deliberate reform of how financial assessment criteria define eligible security and 'investment readiness'.

3.3 Biased Risk Assessment Frameworks

Financial institutions frequently perceive First Nations businesses as higher-risk, less investment-ready, or less commercially sophisticated — perceptions that are informed by institutional assumptions rather than business fundamentals. This manifests in concrete barriers:

- Higher rates of loan rejection or less favourable loan conditions applied to First Nations business owners
- Investment readiness requirements designed around mainstream business models that fail to account for the different but legitimate pathways of First Nations enterprise
- Evaluation frameworks that assess financial capital only, ignoring the social, cultural, and intangible capital that First Nations businesses hold
- Investor timelines and return expectations incompatible with the longer, relationship-based development trajectories of First Nations businesses
- First Nations businesses choosing not to disclose their indigeneity, missing genuine opportunities specifically designed for them, due to fear of bias or stigma

Financial institutions often present these assessments as objective. However, risk frameworks are designed by people and institutions and reflect underlying assumptions about what constitutes value, security, and capability. When First Nations businesses are assessed using frameworks that fail to recognise cultural capital, community networks, First Nations governance structures, or collective asset ownership, those frameworks systematically produce outcomes that disadvantage First Nations applicants. This is a design problem that regulatory reform can address.

3.4 First Nations Specialist Expertise is Not Trusted or Resourced

A further and often overlooked barrier to entry is the institutional failure to recognise and fund First Nations expertise in investment and financial services. When First Australians Capital was established and sought support to launch, there was broad acknowledgement of the need — but a consistent refusal to act on it. Funders and institutions recognised the gap, yet the concept of a First Nation organisation receiving funds to invest into other Indigenous organisations seemed unimaginable. This pattern persists today. Large financial institutions and government agencies consistently return to familiar, established non-First Nations providers — even where those providers have a demonstrably poor record of delivering outcomes for First Nations businesses and communities. The preference for 'known players' over First Nations-led specialists is not driven by evidence of superior performance; it is driven by institutional inertia and a fundamental failure to trust First Nations people with resources to support their own communities.

From a business dynamism perspective, this suppresses the formation and growth of First Nations-led financial intermediaries, which are the entities best placed to unlock capital for First Nations businesses at scale. Supporting and funding Indigenous-led financial institutions is one of the highest-leverage interventions available to government.

4. Barriers to Business Expansion: Procurement and Market Access

4.1 The Procurement Gap: Data on Structural Inequality

Supply Nation data from FY2024–25 provides stark quantitative evidence of the barriers First Nations businesses face in accessing growth-enabling contracts. In that year, $5.8 billion was procured from First Nations businesses — a figure that appears substantial until examined closely.

The breakdown of transactions reveals the real picture:

Transactions under $1,000 (63.3% of all transactions)	**228,382**
Transactions $1,000 – $10,000 (26.9%)	**97,126**
Transactions $10,000 – $500,000 (9.4%)	**33,856**
Transactions $500,000 – $1 million (0.2%)	**842**
Transactions over $1 million (0.2%)	**829**

Approximately 90% of all transactions with First Nations businesses are low-value, with nearly two-thirds under $1,000. Only 0.4% of transactions are above $500,000. This breakdown is not unique to FY2024–25; it has been consistent across previous financial years, indicating a structural rather than cyclical problem.

From a business dynamism perspective, this data describes a procurement environment that enables First Nations businesses to form and subsist at the lowest end of the value spectrum but actively prevents them from scaling. The barriers to high-value contract access directly constrain the growth trajectory of the sector.

4.2 Second-Tiering and the Illusion of Inclusion

When it comes to major contracts, the overwhelming majority are awarded to large non-First Nations businesses. Feedback from First Nations businesses is that they rarely have the opportunity to compete for high-value contracts, not because of capability, but because procurement requirements often favour businesses with significant balance sheet strength, substantial asset holdings, and the financial capacity to absorb project costs and maintain cash flow over the life of a contract.

These requirements create a high barrier to entry for many First Nations businesses, which have had fewer opportunities to accumulate assets and working capital needed to satisfy these criteria. As a result, large prime contractors continue to win major contracts, retain the highest-value and most profitable components of the work, and subcontract smaller, lower-margin activities to First Nations businesses while reporting this as First Nations participation—a practice commonly referred to as 'second-tiering'.

This practice gives the appearance of First Nations inclusion while the highest-value work, profits, and opportunities remain with non-First Nations enterprises. While it may meet procurement reporting requirements, it does little to support the growth, sustainability, or long-term competitiveness of First Nations businesses.

Regulatory reform should address second-tiering directly, including through requirements that genuine First Nations participation be demonstrated at the prime contractor level, not merely in the sub-contracting chain.

4.3 Regulatory and Administrative Barriers to Procurement Participation

Tender requirements, compliance documentation, insurance thresholds, and reporting frameworks are designed for mainstream commercial enterprises. First Nations businesses, particularly smaller and community-based enterprises, are frequently unable to meet these requirements; not because they lack capability, but because the frameworks were not designed to accommodate their structures.

This is a regulatory design problem with a regulatory solution: procurement frameworks should be reviewed and reformed to ensure that compliance requirements do not inadvertently exclude First Nations enterprises. The Commission should examine whether Commonwealth and state procurement frameworks create disproportionate administrative burdens for First Nations businesses and recommend proportionate, fit-for-purpose adjustments.

4.4 The Relationship-Investment Deficit

First Nations businesses frequently build commercial relationships through deep, trust-based engagement that takes time to develop. This reflects a relational approach to partnership that is culturally grounded and commercially effective but requires upfront investment. Many procurement teams report they lack the resources or mandate to invest in these relationships, defaulting instead to established non-First Nations suppliers.

The consequence is that First Nations businesses are systematically excluded from the informal relationship networks through which major contracts are often awarded. This is not a neutral resource constraint — it is a structural preference for existing supply chains that is reinforced by how procurement teams are resourced and incentivised. The Commission should consider whether procurement resourcing requirements should explicitly include relationship-building with First Nations suppliers.

5. Australia’s Innovation Ecosystem: Gaps for First Nations Entrepreneurs

5.1 Cultural Capital as an Unrecognised Innovation Asset

The Commission has identified Australia’s innovation ecosystem as a priority area, including support and incentives for innovation and entrepreneurs. First Nations entrepreneurs represent a significant and currently underutilised source of innovation, particularly in sustainability, regenerative agriculture, environmental markets, native foods and botanicals, and digital technology.

FAC’s Strategy 2031 identifies these as priority growth industries for First Nations enterprise. First Nations knowledge systems, accumulated over 60,000 years of sustainable land and resource management, represent genuine intellectual and commercial capital with applications across emerging industries. Yet innovation support frameworks — including R&D incentives, accelerators, and venture capital programs — rarely accommodate or recognise this form of innovation.

5.2 Risk-Taking, Failure, and Cultural Stigma

The Commission notes that entrepreneurship requires risk-taking and that appropriate frameworks should support recovery when ventures face financial stress. For First Nations entrepreneurs, the personal and community stakes of business failure are often higher. Business failure can affect not just the individual entrepreneur but their standing in community, their relationships with investors and partners, and the broader perception of First Nations business capability.

This heightened risk environment acts as a brake on entrepreneurial risk-taking in the First Nations sector. Frameworks that reduce the personal cost of business failure — including through better insolvency pathways and stigma reduction — would have a proportionally larger positive impact on First Nations entrepreneurship than on the broader business population.

5.3 The 'Investor Readiness' Framing Problem

The dominant narrative in Australian business development focuses on whether businesses are 'investment ready'. This framing locates the problem within the business itself and implicitly positions investors and procurement officials as neutral arbiters of readiness. For First Nations businesses, this framing has been particularly damaging.

FAC's Indigenous First Impact Framework challenges this framing directly. The question is not only whether First Nations businesses are ready to receive investment — it is whether investors and institutions are ready to invest in First Nations businesses in ways that are appropriate, respectful, and effective. The Framework identifies five foundational questions investors must ask themselves:

- Do I understand the systemic and structural barriers that lock First Nations people out of economic development?
- Do I recognise the value that cultural capital brings to economic development in existing and emerging industries?
- Do I understand the role of self-determination in investment and why it must be upheld?
- How can I use my power — networks, capital, resources — to elevate the voices of First Nations enterprises?
- Who are the right First Nations people and networks to support implementation in my organisation?

From a regulatory perspective, this reframing has implications: government programs designed to improve 'investment readiness' for First Nations businesses should be complemented by programs that improve the readiness of investors and institutions to engage with First Nations enterprises on appropriate terms.

6. Right Capital – Right Support: A Framework for Reform

FAC's Indigenous First Impact Framework articulates a 'Right Capital – Right Support' approach, drawn from the traditional concept of 'Right Fire' — the practice of burning in the right conditions to achieve the best outcomes for growth and regeneration. Applied to business, it asks: what type of capital, deployed when, and with what support, will best enable a First Nations business to grow sustainably?

This framework has direct implications for the Commission's focus on capital markets and access to finance:

- Right Capital means deploying the right type of capital, or a mix of types — for the right stage of the business journey. This challenges one-size-fits-all lending and investment products that do not accommodate the staged, relationship-based growth trajectories of many First Nations enterprises.
- Right Support means ensuring that capital comes with access to resources and networks that will benefit the business — resources that would otherwise be unattainable for a First Nations business without a partner opening the door.

The finance sector has not asked what the right capital and support for First Nations businesses looks like. It has instead continued to apply western financial models, finding First Nations businesses wanting when they do not conform, and attributing the gap to the business rather than to the model. Regulatory reform can change this by requiring financial institutions to demonstrate culturally appropriate lending practices as a condition of engaging with First Nations markets.

7. Insolvency Frameworks: First Nations Considerations

The Commission has been asked to examine Australia's insolvency frameworks, including their design, operation, and integrity. FAC notes several dimensions of relevance to First Nations businesses.

7.1 Community Obligations and Financial Stress

First Nations business owners often operate within cultural systems of reciprocity, kinship, and collective responsibility that have no direct parallel in mainstream business. This may include creating employment opportunities for family and community members, contributing to community events and cultural activities, and providing support through extended kinship networks. These responsibilities are an important part of how many First Nations businesses create social, cultural, and economic value, yet they are rarely recognised within insolvency frameworks, which tend to assess only the financial position of the incorporated entity.

The result is that First Nations business owners may face personal insolvency proceedings even where the underlying business is fundamentally viable, because cash flow has been influenced by culturally embedded responsibilities and patterns of reinvestment that mainstream insolvency frameworks neither recognise nor account for. The Commission should consider whether insolvency frameworks could better reflect the operating contexts of First Nations businesses, including the role of cultural responsibility, kinship, and community investment in business decision-making.

7.2 Recovery and the Stigma of Failure

Australia's insolvency frameworks are intended to provide an orderly and efficient recovery pathway for entrepreneurs whose ventures do not succeed, enabling resources — including human capital — to be redeployed productively. For First Nations entrepreneurs, the personal and reputational stakes of business failure are particularly high.

A First Nations business owner who enters insolvency proceedings may face not only personal financial consequences but damage to their community relationships and standing, affecting their ability to build the trust-based partnerships that First Nations enterprise often depends upon. Reforms that reduce the stigma, cost, and complexity of insolvency proceedings would have a proportionally greater benefit for First Nations entrepreneurs.

7.3 Phoenixing and Supply Chain Vulnerability

The Commission has been asked to review the operation of illegal phoenixing laws. FAC notes that First Nations businesses, particularly those operating in subcontracting roles within large supply chains, may be disproportionately exposed to the adverse consequences of phoenixing by prime contractors. Where a non-First Nations prime contractor engages in illegal phoenixing, First Nations subcontractors in their supply chain may lose outstanding payments with little practical recourse.

Stronger enforcement of anti-phoenixing laws and improved creditor protections for small businesses — including First Nations enterprises in subcontracting relationships — would directly reduce a source of financial risk and instability in the First Nations business sector.

8. Recommendations

First Australians Capital respectfully makes the following recommendations to the Productivity Commission:

Recommendation 1: Reform financial assessment criteria to recognise First Nations capital

The Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC) should work closely with First Nations-led organisations to review and reform financial assessment criteria and investment readiness frameworks that systematically disadvantage First Nations businesses. Assessment frameworks should be adapted to recognise non-financial assets including cultural knowledge, social capital, community networks, and collective governance structures as legitimate forms of value and security.

Recommendation 2: Address the collateral barrier for First Nations entrepreneurs

The Commonwealth Government should develop and fund alternative security models for First Nations business lending that do not rely solely on land as collateral. This may include government-backed guarantee schemes, community-endorsed guarantees, or revenue-based lending models. Existing programs should be reviewed to assess whether collateral requirements inadvertently exclude First Nations entrepreneurs.

Recommendation 3: Direct investment in First Nations-led financial intermediaries

The Commonwealth Government should direct a meaningful proportion of its investment and grant capital through First Nations-led investment vehicles such as First Australians Capital. First Nations-led intermediaries are uniquely placed to deploy capital appropriately, assess risk accurately in context, and deliver genuine business development outcomes. Institutional preference for established non-First Nations providers should be actively challenged.

Recommendation 4: Reform Commonwealth procurement frameworks to enable First Nations business growth

The Commonwealth Government should reform its Indigenous procurement frameworks to address the concentration of transactions at low value. Specific targets should be set for First Nations participation in high-value contracts ($500,000 and above), and second-tiering practices should be explicitly prohibited or regulated. Procurement compliance requirements should be reviewed for proportionality and fitness for First Nations enterprise structures.

Recommendation 5: Fund relationship-based engagement in procurement

Government agencies and major corporations should be required to resource relationship-based engagement with First Nations businesses as a legitimate element of procurement practice. Procurement teams should have the mandate and resources to invest in building supplier relationships with First Nations businesses, not merely to transact with them.

Recommendation 6: Establish a National First Nations Business Data Framework

The Commonwealth Government should establish a framework to monitor, evaluate, and publicly report on First Nations participation across lending, investment, procurement, and business development programs. Without consistent data collection and public reporting, systemic bias remains hidden. The framework should be governed by First Nations-led oversight and include mechanisms for businesses to report experiences of discrimination and structural barriers.

Recommendation 7: Apply a First Nations lens to insolvency framework reform

The Commission's review of insolvency frameworks should take into account the circumstances in which many First Nations business owners operate, including culturally informed financial responsibilities, the reputational implications of insolvency within community contexts, and vulnerability to phoenixing practices by prime contractors. Measures that reduce the stigma, cost, and procedural complexity of insolvency proceedings would be expected to have a proportionally greater benefit for First Nations entrepreneurs.

Recommendation 8: Complement 'investment readiness' programs with 'investor readiness' programs

Government programs designed to improve business investment readiness should be matched by programs that improve the readiness of investors, lenders, and procurement officials to engage with First Nations businesses on appropriate terms. This should include mandatory cultural competency requirements and adoption of an investor readiness assessment framework as a condition of government-supported investment in First Nations markets.

9. Conclusion

First Nations businesses are growing, innovating, and succeeding — despite barriers that would constrain any business, and that have specifically and persistently targeted First Nations entrepreneurs for over two centuries. The Productivity Commission has an opportunity to recommend reforms that dismantle those barriers and unlock the latent economic dynamism within the First Nations business sector.

FAC's vision is to see a tripling of the First Nations business sector by 2031, with $1 billion in mainstream capital leveraged for First Nations businesses and communities. This is not an aspirational target disconnected from policy; it is achievable with the regulatory, financial, and procurement reforms outlined in this submission.

Reducing barriers to First Nations business dynamism is not a niche policy concern. It is one of the highest-leverage opportunities available to Australian governments seeking to improve productivity, broaden economic participation, and invest in the long-term resilience of regional and national economies. We urge the Commission to give this perspective the weight it warrants.

We welcome the opportunity to appear before the Commission to elaborate on this submission and to contribute to the development of meaningful reform.

First Australians Capital
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[redacted]

Appendix: Key References

This submission draws on the following documents and resources:

- First Australians Capital, Strategy 2031: Radical Possibilities (2021)
- First Australians Capital, Indigenous First Impact Framework (2024)
- Supply Nation, State of the Sector Report FY2024–25
- Productivity Commission, Business Set-Up, Transfer and Closure Inquiry (2015)
- House of Representatives Standing Committee on Economics, Inquiry into Promoting Economic Dynamism, Competition and Business Formation (2024)
- United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)
- University of Melbourne, Indigenous Business Sector Snapshot 1.1 (2021)
- PwC Indigenous Consulting, The Contribution of the Indigenous Business Sector (2018)
- AIATSIS, Indigenous Data Sovereignty (June 2019)
- Kado Muir, “Wealth in First Nations: Inclusive Wealth and Colonial Legacies” (2022)