Giving credit where it's due:
The delivery of banking and financial services to Indigenous Australians in rural and remote areas

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Foreword

Over the last few years the Australian financial system has undergone major structural changes, broadly termed 'deregulation'. This process entails enhanced competitiveness and lower tolerance of the cross subsidisation of unprofitable rural and remote branches by the profitable metropolitan branches; of consumer banking by business banking; of low density branches by high density branches; and so on. There has been a growing 'mainstream' literature on the negative impacts of these changes on people in regional Australia and those in the poorer households, who are often highly dependent on welfare. Earlier this year, there was a recognition that such changes have political costs and, in a federal election year, there have been measures to 're-regulate' the sector.

Over the past two years, since Neil Westbury joined CAEPR as a Visiting Fellow and Siobhan McDonnell joined us as a researcher, there has been an ongoing focus on the issue of the delivery of banking services to Indigenous communities, populated by people who are disproportionately poor and welfare reliant and many of whom also live in remote regions. While Neil has now left CAEPR to manage the Reconciliation Foundation Inc., this Discussion Paper remains as a testament to his ongoing commitment to an important area of policy research; Siobhan remains at CAEPR to maintain their collaborative efforts in this research area, that started with research on the Grameen banking model in 1998–99.

This paper describes changes in the financial sector over the decade 1990–2000 and then documents a raft of recent policy responses to the reduction in access to financial services for rural and remote regions. The primary focus, as with most CAEPR research, is on the relatively disadvantaged Indigenous sector of this population and on some of the particular cross-cultural impacts associated with loss of access to banking facilities. As with other deregulated (or privatised or corporatised) services, it is Indigenous people, already facing socioeconomic shortfalls associated with historical exclusion and marginalisation, who are forced to face additional hurdles. An important feature of this Discussion Paper is the authors' ability to consider even the most recent changes in the financial sector; their next Discussion Paper will examine best-practice measures from Canada and the USA that might prove transportable to the Australian Indigenous situation.

Both this Discussion Paper and the next address important issues of Indigenous public policy. Access to consumer and business banking services remains a fundamental precursor to enhanced economic futures for Indigenous communities in a modern world. These papers provide convincing arguments that some fundamental, but diverse, policy responses are urgently needed to address the current banking service delivery shortfall.

Professor Jon Altman
Director, CAEPR
June 2001

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Abbreviations and acronyms

ABA	Australian Bankers' Association
ABS	Australian Bureau of Statistics
ACA	Australian Consumers' Association
AFIC	Australian Financial Institutions Commission
ALP	Australian Labor Party
ATM	Automatic Teller Machine
ATSIC	Aboriginal and Torres Strait Islander Commission
ANU	The Australian National University
ANZ	Australia and New Zealand Banking Group Ltd
CAEPR	Centre for Aboriginal Economic Policy Research
CDEP	Community Development Employment Projects
CLC	Consumer Law Centre Victoria
CPSS	Committee on Payment and Settlement Systems of the Central Banks of the Group of Ten Countries
DSS	Department of Social Security
DFACS	Department of Family and Community Services
DTRS	Department of Transport and Regional Services
EFTPOS	Electronic Funds Transfer at Point of Sale
FSI	Financial System Inquiry
HRSCEFPA	House of Representatives Standing Committee on Economics, Finance and Public Administration
NAB	National Australia Bank
NATSEM	National Centre for Social and Economic Modelling
NFF	National Farmers' Federation
PSA	Prices Surveillance Authority
PJSC	Parliamentary Joint Standing Committee (on Corporations and Securities)
RBA	Reserve Bank of Australia
RTC	Rural Transaction Centre
TAFE	(College of) Technical and Further Education
TCU	Traditional Credit Union

Summary

Australia's financial system is undergoing a period of substantial structural change. A number of interrelated factors are implicated: changes in the competitive forces within the sector, the introduction of new technology, and changing consumer demands. While these changes may have had positive impacts on most consumers, they have had a number of negative impacts, particularly for low-income consumers of financial services and for people located in rural and remote communities.

This Discussion Paper (218) and the one following (219) will analyse the proposition that an alternative model for the delivery of financial services or re-regulation of the financial sector is required to protect the interests of low-income groups and, in particular, Indigenous people. The argument is based on an understanding of the impact of the deregulation of the financial sector on the delivery of banking services to low-income groups and to people located in rural and remote communities. Indigenous people make up a significant proportion of both of these groups. It is argued that deregulation has had a profound impact on Indigenous people, both because of their historical lack of equitable access to financial services, and their comparatively low socioeconomic status.

Supply of financial services to rural and remote communities within Australia is currently in decline. This paper explores current banking and financial services in the context of Australia's financial system, the current supply of banking and financial services to rural and remote communities, and the impact that the lack of access to these services has on the relatively increasing Indigenous populations of these communities. Work by Westbury has detailed the specific problems faced by Indigenous people in the Barwon–Darling region. These include:

- the failure of financial providers to take account of the different conceptions that Indigenous people have of financial facilities;
- the problems caused by the inadequate provision of banking and financial services within the region;
- the fact that many Indigenous people do not understand either the way bank fees and charges operate, or how to minimise these fees and charges; and
- the low technical proficiency of many Indigenous people.

In addition Indigenous people want banking services to be provided on a personal, private, face-to-face basis, by Indigenous staff. If these requirements are to be met, alternatives to the current delivery of banking and financial services to rural and remote Indigenous communities will have to be considered.

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First, let me acknowledge Neil Westbury. Neil's commitment and passion to improving Indigenous access to financial services comes at a time when he no longer has formal ties with CAEPR, and is otherwise occupied in an extremely demanding job. His insightful comments on this work, and his steering of its direction have proved invaluable.

Second, to the staff at CAEPR. As this paper goes to publication CAEPR is engaged in drafting its 'mentoring policy'. While such a policy is an important initiative I feel that it is a formalisation of the caring, understanding and support that I have encountered in my time at CAEPR. In particular I must thank Jon Altman, Boyd Hunter, Anne Daly and John Taylor for their extensive comments on the final draft of this paper.

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S. McD.

Introduction

Individuals who have no access to banking services are at an economic disadvantage. Without the ability to save, individuals are denied a range of economic opportunities and, in particular, the opportunity to break out of the 'poverty trap' (Stegman 1999). This point has been recognised by the Prices Surveillance Authority (PSA), who, in conducting their inquiry into fees and charges imposed on retail accounts by banks and other financial institutions, argued that:

> Access to a financial transactions account is necessary to conduct the personal business of everyday life in a modern economy. All citizens require this access regardless of income, employment status or personal circumstance (PSA 1995: xxxvi).

Recognition of the importance of access to financial services can also be seen in a number of submissions made to the House of Representatives Standing Committee on Economics, Finance and Public Administration (HRSCEFPA) inquiry into regional banking services. In their report *Regional Banking Services: Money Too Far Away*, HRSCEFPA noted that banking services are essential services, equal in importance to clean water, health care, education and telecommunications (HRSCEFPA 1999: 30). In particular, they noted the National Farmers' Federation (NFF) submission which stated that:

> Access to financial services is an essential requirement for participation in modern society. All consumers need mechanisms for storing and saving money and for receiving and making payments to third parties. In this sense, basic banking services have much in common with central utilities such as electricity, gas and water (NFF 1997: 533).

In view of these statements, this paper will assess the impact of the deregulation of the financial system on the delivery of services to rural and remote communities. It will include an analysis of the current level of financial services provided to rural and remote communities, and the implications this level of service provision has on the Indigenous population of those communities. Since little research has been done specifically on the availability of financial services to Indigenous people, particularly those located in rural and remote communities, this paper will concentrate on extending already existing research on the provision of financial services to an Indigenous population.

In the weeks leading up to the publication of this paper a self-proclaimed 'sea change' has occurred within the banking sector. Banks which once decried the notion of social obligations are now, in conjunction with the Australian Bankers' Association (ABA), committing to a range of initiatives to improve access to financial services for low-income, and disadvantaged groups. Key initiatives disclosed by the ABA include:

- basic bank accounts that provide some fee-free services to welfare recipients who hold Commonwealth government health concession cards; and

- commitment, within a Transaction Services and Branch Closure Protocol, to ongoing face-to-face banking services in rural and remote areas (ABA 2001: 1).

These initiatives will be discussed in the context of the recommendations for service provision to Indigenous communities as raised in this paper.

One way of interpreting this dramatic shift in banking ideology is as an attempt to assuage the calls for re-regulation of the financial sector. While discussions of re-regulation are mainly confined to the second paper in this series (McDonnell & Westbury 2001), it is important to mention the recent unveiling of the Australian Labor Party's (ALP's) Banking Policy. This policy stipulates a commitment to a range of measures to ensure that a minimum standard of banking services is provided both to welfare recipients and to people located in rural and remote communities (ALP 2001). Thus, included within the policy is the recognition of banking services as essential services. Such recognition is an important starting point for any examination of the current demand for, and supply of, banking and financial services within rural and remote Indigenous communities.

The current status of the Australian financial sector: An overview

Australia's financial sector is comprised of three types of institutions: banks, which hold 49 per cent of the assets of the financial sector; other financial intermediaries, such as building societies and credit unions, which hold approximately 13 per cent; and funds managers, such as life insurance offices and superannuation funds, which hold the remaining 38 per cent (Reserve Bank of Australia (RBA) and the Committee on Payment and Settlement Systems of the Central Banks of the Group of Ten Countries (CPSS) 1999: 3).

Banking in Australia is controlled by Commonwealth legislation in the form of the *Banking Act 1959*. The Act provides for both the authorisation and the supervision of deposit-taking institutions. In December 1998 there were 46 banking groups authorised under the Act. These banks are dominated by four national banks, otherwise known as 'the big four' (Westpac, ANZ, National Australia Bank (NAB) and the Commonwealth Bank), which account for 65 per cent of deposits and 80 per cent of non-cash transactions. Other Australian-owned banks are regionally based. Of the 36 foreign-owned banks, 25 operate as branches and 11 operate as locally incorporated subsidiaries. Foreign bank branches deal mainly in foreign exchange transactions. Locally incorporated banks, by contrast, generally provide cheque and saving facilities as well as retail services. These retail services consist of credit and debit card services and access to automatic teller machines (ATMs) and electronic funds transfer at point of sale (EFTPOS) systems (RBA & CPSS 1999: 5).

Building societies and credit unions also operate under the *Banking Act*. The majority of building societies are organised on a mutual basis and mainly provide housing loans. Like building societies, credit unions are mutual organisations which provide for deposits and borrowing by their members. The majority of loans to members of credit unions are used for the purchase of consumer durables, motor vehicles and housing. Large credit unions and building societies also offer a range of retail payment services including cheques, electronic transfers, ATM and EFTPOS services. Between 1987 and 1998 the number of building societies fell from 54 to 20 as a result of mergers and conversions to bank status (RBA & CPSS 1999: 5). In December 1998 there were 234 credit unions operating in Australia (RBA & CPSS 1999: 45).

Australia's financial sector is undergoing a period of substantial structural change. In 1997 the Commonwealth Government Financial System Inquiry (FSI) (otherwise known as the Wallis Inquiry) stated that the future of the Australian financial sector is 'necessarily uncertain, and there is worldwide debate about the nature, scale and pace of change in the financial system' (FSI 1997: 11). The nature of the deregulation of the financial sector has meant that this change is influenced by a number of interrelated factors: changes in competitive forces, the introduction of new technology, and changing customer demands.

Competition

Deregulation of the Australian financial system has seen a reduction in the control that the Commonwealth government exercises over financial institutions. The process of deregulation began in the 1970s with the gradual removal of controls over bank interest rates and continued into the 1980s with the removal of further controls on banks, the freeing up of interest rates on government securities, the floating of the exchange rate and, in the mid 1980s, the opening up of the banking industry to foreign competition (RBA 2000a: 16).

In brief, while proponents of deregulation argue that the opening up of the Australian financial sector to foreign banks resulted in increased competition, opponents argue that it had the opposite effect. There are two arguments for why deregulation has failed to increase competition. First, as none of the foreign banks have established significant retail markets in Australia they have provided competition for domestic banks in only very limited markets (Quiggin 1996: 91). Second, new domestic banks have been formed through mergers with building societies that had competed with banks prior to deregulation, resulting in a decrease in competition in the domestic market (Quiggin 1996: 91–2). Thus opponents of deregulation argue that changes to the regulatory framework have resulted in an oligopolistic financial sector.

Regardless of the stance taken on deregulation, it is clear that there have been many negative impacts on low-income groups as a result of the removal of cross-subsidised services. The banking industry argues that one outcome of increased competition within the post-deregulation financial sector is that banks are no longer able to cross-subsidise retail services (RBA 2000a: 20; Walker, Corby & Murphy 1997). In the past many banking services were provided free or at low cost, as they were subsidised by the wide interest margins earned by banks in lending (RBA 1999: 1). Takac (1997) estimates that, in 1997, the average bank earned approximately 60 per cent of profits from 4 per cent of its clientele, and that this profit was used to cross-subsidise the services provided to the remaining customers. Since the early 1980s the interest margins of the major banks have fallen from 5 per cent to 3 per cent, reducing their scope for using the profit margins earned from traditional lending to cross-subsidise other, non-lending, services (RBA 1999: 2). Further, there has been a tendency for new financial institutions entering the market to compete selectively with banks for more profitable banking activities (such as housing loans), leaving established banks to provide for a disproportionate share of the low-profit or loss-making services (RBA 1999: 2). Thus, increased competition has led to decreased profit margins for banks (as opposed to decreases in profits), resulting in a steady increase in fees for customers. Fee increases are particularly evident in the previously subsidised transaction services (Walker, Corby & Murphy: 1997).

Increases in fees and charges across a range of financial services can be seen in RBA reports on bank fees (RBA: 1999, 2000a, 2000b). Table 1 is a summary of the RBA's findings on the changes in fees charged by banks in the 1990s. 'Fees charged' are an average of fees charged by the four major banks—Westpac, ANZ, NAB, and the Commonwealth Bank.

Table 1. Fees ($) charged by the four major banks, as at 2000[a]

Year	1991	1995	1998	1999	2000
Account servicing (per month)	0.00	2.00	4.00	4.00	5.00
Transaction fees at:					
own bank's ATM	0.30	0.40	0.55	0.60	0.60
other bank's ATM	0.30	0.40	1.05	1.30	1.40
EFTPOS	0.30	0.40	0.45	0.50	0.50
cheques	0.50	0.70	0.65	0.75	0.75
counter withdrawal	0.50	1.00	2.00	2.15	2.15
telephone	-	-	0.30	0.35	0.35
Internet	-	-	0.15	0.00	0.00
No. of free transactions (monthly)	11	11	8	8	8
Minimum balance required to waive account-servicing fees ($)	0–500	300–500	300–500	500–1000	500–2000

Note: (a) Information based on ANZ Bank Access Account, Commonwealth Bank Streamline Account, NAB National FlexiAccount and Westpac Classic Account, or comparable accounts in previous years.

Sources: RBA 2000a, 2000b.

Table 1 indicates that, overall, bank fees have increased substantially from the early 1990s. These increases can be divided into five major categories: account-keeping fees, transaction fees (with over-the-counter fees considered as a separate category), fee-exempt transactions, and additional fees.

Account-keeping fees, introduced in the early 1990s, have increased from zero in 1991 to $5.00 per month in 2000. Simultaneously, there has been an increase in the minimum balance required to waive account-keeping fees to between $500.00 and $2000.00. This increased minimum balance has a disproportionate impact on low-income groups who find it difficult to generate any savings, let alone savings of between $500.00 and $2000.00. Further, while some banks offer exemptions to these fees for certain groups, such as old age pensioners, a survey by the Australian Consumers' Association (ACA) found that these exemptions are poorly understood by these groups and are often not promoted by banks (ACA 1998).

Charges incurred through withdrawing funds from a customer's own bank's ATMs have increased from $0.30 in 1991 to $0.60 in 2000. Charges incurred through withdrawing from another (otherwise known as a 'foreign') bank's ATMs have increased even more substantially from $0.30 in 1991 to $1.40 in 2000. These increases in charges mean that transactions on a customer's own bank's ATM or foreign ATM remain more expensive than those made by EFTPOS (recorded at $0.50 in 2000). However, transactions made at a customer's own bank's ATM remain cheaper than using a chequing account ($0.75 per cheque in 2000).

Criticism of the fees levied by banks for use of foreign ATMs was raised in the recent Parliamentary Joint Standing Committee on Corporations and Securities (PJSC). The PJSC noted that the cost of withdrawals from foreign ATMs, 'unlike the cost of other electronic banking transactions, bears no relationship to the marginal cost of providing the service' (PJSC 2001: 34). The Report notes the concern of the PJSC that financial institutions are making abnormal or supranormal profits on foreign ATMs and that this 'may be due to collusive activity between financial institutions or, at the very least, lack of competition' (PJSC 2001: 34). Moreover, the PJSC also noted the potential for financial institutions to make excess profits in areas of electronic and telephone banking.

The cost of over-the-counter transactions has increased markedly, from $0.50 in 1991 to $2.15 in 2000. This change impacts disproportionately on people who are less technically literate and who value face-to-face service provision, such as the elderly, people with English as a second language, and Indigenous people (this point will be discussed in greater detail below). The number of free transactions per month has decreased from 11 in 1991 to 8 in 2000. This change has particular implications for Indigenous people who, if unaware of their account balance, tend to make a number of transactions one after the other for decreasing amounts (this practice is detailed by Westbury (2000) and discussed later). Finally, financial services fees are not limited to transactions and account servicing. Fees are also paid on credit cards and other loan accounts (RBA 1999: 3–4). In 1998 the total of all fees levied from households by Australia's six largest banks was $1.48 billion (RBA 1999: 4).

Evidence indicates that fee restructuring has been used by banks to retain 'high value' and remove 'low value' customers. The PJSC Report noted that '[bank] fees do not apply equitably, with high value customers given exemptions while high transaction and low balance customers pay disproportionately more for what is fundamentally an essential service' (PJSC 2001: 9). Customers who fall into this constituency are clearly low-income earners. Further, Walker, Corby and Murphy (1997) suggest that small regional centres often fall into this category due to low profit margins. Quiggin interprets the increase in fees charged by banks to retail customers as an example of oligopolistic market power and the relatively inelastic demand for bank services by consumers. Thus he argues that the losers from deregulation have, and will continue to be, low-risk borrowers and small depositors (1996: 95).

Recently the ABA, in conjunction with its ten member retail banks (which include Westpac, ANZ, NAB, and the Commonwealth Bank) has attempted to answer concerns relating to the impact of bank fees on low income groups, by instituting a ‘basic bank account’. Features of this account include no account keeping fees, six free non-deposit transactions a month including up to three free over-the-counter withdrawals per month, no minimum monthly balance required, and unlimited free deposits (ABA 2001: 2). While this represents an important change in the ideology which informs banking within Australia, it by no means meets the financial needs of welfare recipients. In particular the provision of three free over-the-counter transactions should be interpreted in the context of the ABA’s own estimates of the number of transactions the average consumer makes per month, which is between 10 and 20 transactions (Hansard, Wednesday 23 August, 2000). The ABA also noted that an important feature of most bank accounts was a number of fee-free transactions a month (usually 8) (PJSC 2001: 4). Further, banks have not released information about how much over-the-counter transactions, above those offered by the ‘basic account’, will cost.

Consumer groups have commented of the ‘basic bank account’ that in many cases it is just an expansion by banks of already existing low-fee or ‘fee-free’ accounts. These pre-existing accounts were under-utilised by low-income groups who were either unaware of their existence, or of the conditions imposed upon them. Similarly, many of the advantages of the ‘basic bank account’ will remain under-utilised if it is not complemented by a financial literacy program which teaches people how to minimise account keeping fees. The provision of financial literacy programs will be discussed in greater detail in the second Discussion Paper in this series (McDonnell & Westbury 2001). In that paper it will be argued that it is the responsibility of government institutions such as the RBA and Treasury to provide such programs.

Finally, questions must be raised about whether the banks will comply with the ABA’s agenda since it is not legally binding on them. One incentive that may operate to ensure compliance by the banks is the threat of re-regulation of the financial sector if they do not better meet the needs of low-income and rural and remote consumers. Such a threat is evident in the ALP’s Banking Policy. This policy will be discussed in greater detail in the context of re-regulation (in the second Discussion Paper), but, it is timely to note the following passage:

> If the banks refuse to negotiate an acceptable Social Charter, a Labor Government will impose a Social Charter through legislation ... If a Social Charter cannot be negotiated, and Labor is forced to legislate to create one,

> Labor will establish a Bank Social Obligations Fund (BSOF), to which the banks would be then be required to contribute (ALP 2001: 2–3).

The idea of a possible future government requiring an unspecified financial contribution from banks must operate as a strong incentive for banks to comply with the ABA agenda.

Technology

Proponents of deregulation argue that one of the positive effects associated with increased competition in the financial sector is that, in an effort to reduce costs, it has provided an impetus for the introduction of new technology. If properly utilised, this technology could provide a range of additional banking and financial services to rural and remote Australia. The importance of changes in technology within the financial sector is noted by Walker, Corby and Murphy, who state that '[t]echnology has been an essential ingredient in both the development of new products and the efficient delivery of financial services in a growing economy' (1997: 3).

Arguments that deregulation has resulted in increased competition, thereby providing an impetus for technological change, have received critical attention from academics. For example, Quiggin (1996) argues that the changes in services that are due to technological change would have occurred without deregulation. In particular, he argues that the introduction of ATMs into the financial sector occurred before deregulation, and that the introduction of new technology, such as EFTPOS, was not constrained by regulatory barriers and would have occurred as a result of technological change, or changes in market conditions (1996: 92–3).

Technology within the Australian financial sector is now predominantly electronic. The pace of technological innovation within the sector has been ensured by the willingness of the Australian consumer to adopt new technology. The most visible advances in technology in the last decade have been the introduction of EFTPOS, ATMs and giroPost (an initiative of Australia Post which offers card-based deposit, withdrawal and inquiry services). The rapid adoption of new technology is evidenced by the twenty-fold increase in the number of EFTPOS outlets in the period June 1990 to June 2000 (see Table 2). Similarly, figures released by Eftnet, a supplier of EFTPOS, show a 460 per cent increase in machines in the period between 1994 and 1998, the fastest increase in all industrialised countries surveyed (Boreham 2000). It is estimated that the value of EFTPOS transactions in Australia rose from $12.6 billion in 1994 to $31.1 billion in 1998 (see Table 2).

The numbers of ATM and giroPost outlets available in Australia have also risen, but not so dramatically. The number of ATM points of access has increased by 230 per cent between 1990 and 2000 (see Table 2). The value of ATM transactions rose from $52.8 billion in 1994 to $74.4 billion in 1998. Finally, the number of giroPost points of access has increased by just over 10 per cent in four years of operation.

Table 2. Growth in the number and volume of transactions by EFTPOS, ATM, and giroPost in Australia, 1990–2000[a]

	Number of outlets			Volume of transactions ($ million)	
Year	EFTPOS	ATM	GiroPost	EFTPOS	ATM
1990	15,514	4,636			
1991	22,752	4,956			
1992	26,260	5,314			
1993	30,486	5,483			
1994	38,875	5,848		12,585	52,800
1995	62,975	6,249		16,078	58,800
1996	107,702	7,178	2,557	20,854	67,200
1997	164,199	8,182	2,627	25,834	64,800
1998	218,330	8,814	2,720	31,098	74,400
1999	265,391	9,387	2,724		
2000	320,372	10,818	2,814		

Note: (a) All figures as at 30 June in the year in question.

Source: RBA *Bulletin*.

Changes in consumer demand

Changes in consumer demand for financial services have also provided an impetus for technological innovation. The aging Australian population and the decline in long-term employment security have led to increases in demand for asset management services from financial institutions. In addition, longer working hours have meant that consumers have demanded alternative methods of financial services delivery which are flexible and low-cost (Walker, Corby & Murphy 1997). While financial institutions argue that it is these changes in consumer demands that have prompted the move to electronic banking, consumer advocacy groups argue that it is the banks, rather than changed consumer demands, that have instigated the push towards electronic banking (Consumer Law Centre Victoria (CLC) 2000). Thus they argue that '[o]ver the last ten years there has been a concerted effort by financial institutions to change the banking habits of consumers' (CLC 2000: 260). This has involved discouraging consumers from using over-the-counter banking services by increasing fees on these services relative to electronic banking services.

The move of consumers to electronic banking technology has created large savings for financial institutions because electronic services are considerably cheaper than conventional cash and cheque handling services. Estimates from the Wallis Inquiry (FSI 1997) suggest that if a cash transaction is to be indexed at a cost of 100 for five Australian banks, then comparable costs for cheque, ATM and EFTPOS transactions are in the range of 80–121, 25–59 and 18–29 respectively. These cost estimates demonstrate the significant advantages to financial service providers of encouraging consumers to use electronic technology.

Future technological developments

Discussion of service provision would be incomplete without analysis of possible future technological developments. Trends in technology appear to be towards self-service methods of banking. These would include yet more use of ATMs and EFTPOS, and rapid acceleration in the use of telephone and Internet banking. While the majority of financial transactions currently taking place on the Internet involve the use of credit cards, trials of electronic cash systems are taking place around the world (FSI 1997: 105). These new forms of technology could provide benefits to rural and remote consumers by increasing the type and number of outlets, increasing access to banking services at home, and lengthening the hours during which consumers can use banking and like services (HRSCEFPA 1999: 25). Finally, electronic services are cheaper to deliver for banks and thus potentially cheaper for customers (HRSCEFPA 1999: 26). Importantly, most forms of technological innovation within the financial sector are contingent upon access to telecommunications infrastructure. If the people in rural and remote Australia are to harness the benefits of these resources they must have access to affordable telecommunications infrastructure.

Australia’s telecommunications infrastructure is undergoing rapid change as a result of the current roll-out of hybrid optical fibre and coaxil cable networks. While this should enable an upgrading of telecommunications services within rural and remote regions, a number of problems remain. First, as noted by the Wallis Inquiry, ‘the roll-out of a higher capacity optical fibre network is better suited to higher density population areas’ (FSI 1997: 99). Second, investment in these systems is considered high risk, providing a possible justification for not making such investments in remote regions (Walker, Corby & Murphy 1997). Third, access to the Internet requires a user to subscribe to an Internet service provider, which then links the user to the Internet. In urban areas dialing an Internet service provider costs the price of a local call. However, in many rural and remote areas there are no Internet service providers and consumers pay for Internet access at STD rates (Regional Financial Services Taskforce 1997: 1).

Finally, making use of technological innovation within the financial sector also requires a high degree of technical literacy. Recent work by the National Centre for Social and Economic Modelling (NATSEM) suggests that the most important factor in determining whether Australians use the Internet is level of education, followed by income. NATSEM data also indicates that between 1998 and March 2000 the gap between metropolitan and non-metropolitan areas in the number of adults with Internet access at home increased from 8.7 per cent to 10 per cent (NATSEM 2000: 14).

A range of dramatic changes to the delivery of services within the Australian banking and financial market have occurred since deregulation. It is clear that technological change, in the form of the introduction of electronic banking services, has the potential to deliver benefits to rural and remote communities. However, the realisation of these benefits will depend on an amalgam of political will and the actions of banking and financial service providers. The resolve to act may be hampered by the cost of upgrading all phone lines to 64 kilobits per second (the optimal speed for internet connections), which is estimated by the Australian Communications Authority at $26 billion (Alston 1998: 5).

Banking and financial services in rural and remote communities

In the context of a rapidly changing Australian financial sector, evidence is emerging that the availability of banking and financial services in rural and remote Australia is on the decline. The HRSCEFPA Report made the following comments on the current supply of banking and financial services within Australia:

> The Australian financial system is undergoing a period of substantial change, the impact of which is transforming the delivery of banking and like services. The changes include an increase in the number of players and types of organisations involved in the delivery of financial services. They also include a significant increase in the number of alternative channels available for the delivery of services … most of … [which] are electronically based (HRSCEFPA 1999: 7).

Further, the introduction of these services has been accompanied by 'a process of the rationalisation of the traditional bank branch network', a process for which the 'impact has been particularly serious in regional and remote communities' as a result of a 'loss of banking or like services' (HRSCEFPA 1999: 7). The removal of banking services from remote and rural communities has particular implications for the relatively large, and increasing, Indigenous population of these communities.

'Non-metropolitan' bank branches: A story of decline

Decline in financial services nationally is measured, somewhat crudely, by a decline in bank branch numbers. Statistics obtained from the RBA for the HRSCEFPA Report show that of the almost 7,000 branches in operation in 1990, just over 5,000 remained in operation in 2000—a 28 per cent decline (see Table 3). Research by Argent and Rolley (1998) indicates that between 1981 and 1998, within New South Wales, branches declined by 22.9 per cent in rural regions and 30 per cent in remote regions. The decline in branch agencies has been even more acute. Of the 7,712 agencies in operation in 1990, only 5,043 or 65 per cent were still in operation in 2000 (Table 3).

An evaluation of the decline in metropolitan and non-metropolitan bank branches by State shows that in all States and Territories (bar the Northern Territory) the number of bank branches declined in the period 1993 to 2000 (see Table 4). In addition, in New South Wales, Victoria and Western Australia the decline was equal to, or greater, in non-metropolitan than in metropolitan areas. The decline in the provision of non-metropolitan bank branches between 1993 and 2000 ranged from a 7 per cent decline in Queensland and South Australia to an 80 per cent decline in Tasmania.

Table 3. Number and location of bank branches and agencies, 1990–2000[a]

Year	Branches: metropolitan[b]	Branches: elsewhere	Agencies: metropolitan	Agencies: elsewhere
1990	4028	2893	3506	4206
1991	4049	2868	3126	4174
1992	4032	2888	2736	3846
1993	4118	2946	2563	3725
1994	4075	2672	3136	2590
1995	3990	2665	3302	2595
1996	3879	2629	3599	3351
1997	3499	2662	3652	3367
1998	3190	2425	3232	3135
1999	3047	2311	2036	2686
2000	2838	2165	2091	2952

Notes: (a) All figures as at 30 June.
(b) Metropolitan branches are defined as those in capital cities and surrounding suburbs.

Source: RBA *Bulletin*.

Table 4. Bank branches, 'metropolitan' and 'elsewhere' by State, 1993 and 2000[a]

	NSW		VIC		QLD		SA		WA	
	1993	2000	1993	2000	1993	2000	1993	2000	1993	2000
Metropolitan	1397	979	1294	759	542	416	338	229	402	303
Elsewhere	1042	731	689	458	576	537	239	197	242	157
Total	2439	1710	1983	1217	1118	953	577	426	644	460
% change:										
Metropolitan[b]	-30%		-41%		-23%		-32%		-24%	
Elsewhere	-30%		-34%		-7%		-7%		-35%	
Total	-30%		-39%		-15%		-26%		-29%	

	TAS		NT		ACT	
	1993	2000	1993	2000	1993	2000
Metropolitan	60	101	19	23	106	78
Elsewhere	102	21	15	17	1	4
Total	162	122	24	40	107	82
% change:						
Metropolitan	+68%		+135%		-27%	
Elsewhere	-80%		+113%		+400%	
Total	-25%		+66 %		-23%	

Notes: (a) .All figures as at 30 June of the year in question.
(b) Metropolitan branches are defined as those in capital cities and surrounding suburbs.

Source: RBA *Bulletin*.

Tables 5 and 6 chart the decline in the provision of services by the major banks. The number of bank branches and agencies of the ANZ, Commonwealth, NAB, and Westpac banks fell by 982 bank branches and 1,968 agencies in the decade from 1990. Of the major banks, the bank with the greatest decrease in number of branches was Westpac, with a 46 per cent decrease between 1990 and 2000. It is notable that in the same period the Commonwealth Bank actually increased the number of its branches by 15 per cent. The major bank with the greatest reduction in the number of agencies was the ANZ, with an 88 per cent reduction between 1990 and 2000. The decrease in the number of agencies owned by each bank between 1990 and 2000 surpassed the decrease in branches.

Table 5. Number of major bank branches in Australia, 1990 and 2000[a]

Year	ANZ	CBA	NAB	WBC	Major banks: total	All banks: total
1990	1092	936	1286	1301	4615	6575
2000	800	1076	1053	704	3633	5003
Net change (no.)	-292	+140	-233	-597	-982	-1572
Net change (%)	26	15	18	46	21	24

Note: (a) All figures as at 30 June.
Source: RBA *Bulletin*.

Table 6. Number of major bank agencies in Australia, 1990 and 2000[a]

Year	ANZ	CBA	NAB	WBC	Major banks: total	All banks: total
1990	625	5121	159	318	6223	8072
2000	77	3935	93	150	4255	5043
Net change (no.)	-548	-1186	-66	-168	-1968	-3029
Net change (%)	88	23	42	53	32	38

Note: (a) All figures as at 30 June.
Source: RBA *Bulletin*.

The implicit assumption that these statistics are adduced to support is that a decline in bank branches equals a decline in the availability of financial services. It could be asked, however, whether the previous level of services (the level that existed before the advent of new technologies) represented an oversupply. There are two responses to such a query. First, there are certain groups within society who view the provision of traditional banking services as essential. Second, if it were true that the decline in bank branches and agencies had produced a sustainable level of service delivery, then there would not be the demand for these services in rural and remote communities. Alternative service providers, such as the Bendigo Bank, would not have a market if the current number of bank branches and agencies was sustainable.

The HRSCEFPA Report notes the difficulty in obtaining reliable statistics for the numbers of agency and branch closures in the last decade (HRSCEFPA 1999: 7). In particular, bank mergers distort available statistics: they allow banks to acquire networks of branches which increases the apparent number of bank branches, giving 'a false impression that only a small number of branches are closed' (HRSCEFPA 1999: 8; see also Walker, Corby & Murphy 1997). Available statistics are further complicated by the fact that often 'new entrants' appear to increase branch numbers and supposedly represent an increase in provision of financial services. In reality, however, many of the new banks formed since 1990 were already in existence as building societies, with extensive branch networks. The shift from society to bank does not increase the number of branches available. Evidence of this problem can be seen in the creation of the St George Bank in 1993 which had the effect of increasing bank branches by 280, without altering the total number of financial service provider branches (Walker, Corby & Murphy 1997).

A further criticism of the reliability of bank branch statistics is based on the 'metropolitan/non-metropolitan' distinction included within the statistics. The definitions of 'metropolitan' and 'non-metropolitan' employed by the RBA seem, at best, idiosyncratic, and they differ greatly from definitions employed by the Australian Bureau of Statistics (ABS). The RBA itself concedes that caution should be used in interpreting the data based on metropolitan/non-metropolitan distinctions (RBA 1996: 2). ABS definitions are made up of three locality types: major urban (which includes all urban centres with a population of 100,000 and over), other urban (all urban centres with a population of 1,000 to 99,000) and rural (all population clusters of 200 to 999 people) (ABS 1996: 213). By contrast, the RBA category 'metropolitan' excludes major metropolitan areas such as Woolongong, Newcastle and Cairns, opting instead for a definition that includes only capital cities and surrounding suburbs. Writers such as Argent and Rolley (1998), and Ralston and Beal (1997b) argue that the official metropolitan/non-metropolitan distinction used in bank statistics disguises the real trend of rural and remote bank closure. Research conducted by Argent and Rolley (1998: 10–12) shows that the metropolitan/non-metropolitan distinction used in RBA statistics overstates actual rural branch numbers by between 300 and 350.

Finally, statistics that detail the overall numbers of branches located in rural or non-metropolitan areas do not reflect the acute problems faced by rural and remote communities when they are left without access to a financial institution. In their submission to the HRSCEFPA Inquiry the NFF (NFF 1997) estimated that approximately 600 rural and remote communities did not have a financial institution. Similarly, figures detailed by the HRSCEFPA Inquiry show that towns of a population of less than 1,000 account for 63 per cent of towns where banks have closed their only branch in town, and of these, towns with populations of less than 600 account for almost 44 per cent. By contrast, only 10 per cent of recorded closures of bank branches occurred in towns with populations greater than 2000 (HRSCEFPA 1999: 12).

Data on towns left without financial services can be interpreted in relation to the distribution of the Indigenous population. Nationally, Indigenous people make up approximately 12 per cent of people in towns with populations of less than 1,000. However, this general statistic underestimates the impact of branch closures in the Northern Territory and Western Australia where the proportion of the population that is Indigenous (in towns of less than 600 people) is 81 per cent and 18 per cent respectively. If, as the statistics indicate, the majority of final branch closures have happened in towns of less than 1,000 or 600, it would appear that Indigenous communities, and particularly those in the Northern Territory, have therefore been particularly disadvantaged. It is possible that the large Indigenous population represented by these communities has no access to financial services. This situation is probably most acute in the Northern Territory and is perhaps the impetus behind the development of an Indigenous credit union, the Traditional Credit Union (TCU), in Arnhem Land.

Case studies demonstrate the dramatic effect of bank closures on rural economies. Impacts of branch closures include difficulties in cash handling, a decline in consumer spending, and a decline in business and housing investment within the surrounding region (Ralston & Beal 1997a). One of the contributing factors to these trends was that shopping habits changed. Populations in towns where banks closed began to shop where they did their banking, out of town (Ralston & Beal 1999: 182, 2000: 90–2). The direct costs on rural and remote economies resulting from bank closures has been estimated by Ralston and Beal (2000: 92) as a decrease in expenditure in the local economy of about $450.00 per person.

The impact of rural bank closures on businesses and individuals within rural and remote areas is also dramatic. Impacts on businesses include (HRSCEFPA 1999: 28):

- an increased demand for cheque-cashing services;
- the loss of cash sales (due to consumers shopping in towns which have better facilities);
- the accumulation of excess cash (due to a loss of deposit facilities);
- an increase in unpaid debts, made necessary by the need to extend credit to customers;
- increased security concerns due to a lack of adequate security facilities and unsuitable vehicles for transferring money (such as private cars); and,
- difficulties in obtaining small change.

Individuals in rural and remote communities face a number of problems caused by bank closures (HRSCEFPA 1999: 27):

- inconvenience, because they have to travel further to do their banking (thereby also adding extra fuel and time costs to the cost of banking);
- reduced savings due to the disruption of regular savings patterns and the increased costs associated with banking;
- security implications caused by the need to withdraw much larger sums of money when banking;
- loss of investment income;

- difficulties in cashing cheques; and
- lack of access to financial advice.

Particular groups of individuals face even more acute problems. The elderly may not be able to afford to travel to other towns and may find the adoption of new technology more of a barrier. Elderly persons are also more likely to face physical disabilities, such as vision impairment, which makes face-to-face service provision essential. Low income earners and people on welfare payments will similarly be disadvantaged by the additional costs incurred in travelling to other places to access banking services (HRSCEFPA 1999: 27). Finally, as this paper argues, Indigenous people are another group that will be acutely affected by the removal of banking and financial services from rural and remote communities.

The trend of decline in rural and remote financial and banking services is partly offset by the establishment of alternative financial services such as those delivered by giroPost, credit unions and community banks, and by the increased availability of self-service methods of banking such as EFTPOS, telephone, and Internet banking. Research conducted for the ABA on the impact of branch closures on rural communities indicates that while 'the initial impact of branch closure was significant to the economy of the [six] towns examined, changes over the intervening period appear to have been for the better as communities make the transition to living without a bank branch' (Centre for Australian Financial Institutions 1999: 28). However, it is important to note that within the six towns studied, only two towns were left with no financial service provider. Three had attracted credit unions, one had a building society, and one had retained a bank branch (HRSCEFPA 1999: 15). The study did not examine the acute problems faced by the rapidly growing number of small Australian towns that are left without any traditional banking facilities, nor did it raise the question of whether or not such replacement of services is typical.

Credit unions: A feasible substitute?

Findings of the ABA report were reinforced in a study conducted by Ralston and Beal (1999) for Credit Care. Between 1995 and 1998 Credit Care aided 45 communities to establish credit unions or building societies. Ralston and Beal's study of four rural communities in which credit unions had opened following the closure of the town's last bank, found that 68 per cent of survey respondents were members of their local credit union (1999: 177). Factors influencing the level of credit union membership pulled in two directions: on the one hand, the cost and inconvenience of switching financial institutions and the limited range of services and opening hours; on the other, the distance to another town with full banking services, the period of time the community had been without financial services, and the support engendered within the community for the venture (Ralston & Beal 1999: 177). The interplay of these factors has meant that credit unions have not created the same kind of monopoly in rural communities that was previously enjoyed by banks. On average, 71 per cent of respondents also maintained a financial relationship with another institution (Ralston & Beal 1999: 178).

Responses to Ralston and Beal's survey indicate that over-the-counter withdrawal remained the most common way of obtaining cash, with over 57 per cent of people adopting this method (Ralston & Beal 1999: 179). This finding seems to demonstrate the preference for face-to-face, or over-the-counter, service provision among people in rural communities. The importance of face-to-face service provision is also demonstrated by the response to questions on what kind of banking services were preferred, with over two-thirds of respondents indicating a preference for branch banking (Ralston & Beal 1999: 180). Further, nearly all of those who indicated a preference for branch banking preferred it because of the personal contact involved (Ralston & Beal 1999: 178). Such responses seem to challenge the notion that self-service modes of banking operate as an acceptable substitute for bank branches in rural communities.

Among respondents to the survey conducted by Ralston and Beal, the most popular services were saving and investment accounts (used by an average of 87% of the clientele), and transaction services such as deposits and withdrawals. By contrast, business loans were only accessed by 36 per cent of surveyed businesses (Ralston & Beal 1999: 181). The authors posit a number of reasons for the low rate of access to business loans. They argue that a number of businesses may have been 'locked into' loans prior to the credit union opening, and that a number of financial services required by farming enterprises, such as business financial planning, foreign exchange contracts, and forward rate agreements, were not provided (Ralston & Beal 1999: 178, 181).

The inability, or unwillingness, of credit unions to provide the wide range of financial services demanded by farmers seems to challenge the idea that credit unions can operate as a substitute for bank branches in rural and remote communities. More generally, the role of credit unions in providing replacement services seems contradicted by figures collated by the Australian Financial Institutions Commission (AFIC), which show a steady decline in the number of credit union branches and agencies. Between 1993 and 1998 these declined from 1,439 to 813, and 610 to 392, respectively (AFIC 1998: 4). Finally, there are practical barriers to the operation of credit unions in rural areas, including high set-up costs, particularly the cost of acquiring premises, and the inability of credit unions to attract loans due to the high costs incurred by customers in transferring accounts (Ralston & Beal 1999: 184).

Community banks: A response from the grass roots?

In response to the removal of financial services a number of rural and remote communities have invested in community banks. Devised by the Bendigo Bank in Victoria, the community banking model is based on a franchise-type arrangement (Ralston & Beal 2000: 82). Between June 1998 and December 2000, 33 communities located in New South Wales, Western Australia, South Australia, and Victoria have opened community banks in conjunction with the

Bendigo Bank (Bendigo Bank 2001). Under the community banking model, the Bendigo Bank provides technology in the form of systems and training, business development, and continuing support, while the community provides commitment to the concept through continual business, the provision of premises, and approximately $250,000 in seed funds (Ralston & Beal 2000: 82–3). The community and the Bendigo Bank then share profits in accordance with a predetermined ratio (Ralston & Beal 2000: 83). The provision of a premises by the local community seems to overcome one of the barriers to establishing credit unions identified by Ralston and Beal (1999: 184), and discussed above. At present discussions are underway about operating a Bendigo Bank community bank on Thursday Island in the Torres Strait (*Torres News* 2001: 13), indicating that there is interest from at least one Indigenous community in pursuing this model.

Another version of the community banking model is where a community operates a franchise, or agency, of an established bank. This model has been developed by several financial institutions, including the Colonial State Bank and Westpac (Ralston & Beal 2000: 83). Colonial State Bank has a program whereby communities can either purchase the right to run a Colonial State Bank agency with a dedicated staff member, or opt to run a smaller cash transaction operation which is based in a local business (Ralston & Beal 2000: 83). Under both options Colonial provides computer and security systems, as well as training and marketing (Ralston & Beal 2000: 83). Westpac runs a similar program to the Colonial cash transaction operation (Ralston & Beal 2000: 83).

Credit unions and community banks: A long-term solution?

Most community banks have not been in operation long enough to determine whether they will prove to be financially viable in the longer term. Writers such as Walker, Corby and Murphy (1997), and Ralston and Beal (1999) caution that a number of problems exist in viewing credit unions and community banks as a substitute for bank services in rural and remote communities. As noted above, credit unions are not experienced in providing the full range of banking services. Specifically, they are not experienced in the delivery of rural sector farming and business lending and so may not be prepared to provide such services (Ralston & Beal 1999; Walker, Corby & Murphy 1997). Service provision thus becomes an issue of how much credit unions are able to meet the demands of both businesses and individuals in rural and remote communities.

Walker, Corby and Murphy (1997) argue that the same cost pressures that were faced by banks in providing over-the-counter services in rural and remote communities will be faced by credit unions and community banks. While this is true in terms of costs such as infrastructure, it is not true in terms of the cost structure faced by credit unions and community banks, relative to traditional banks. The corporate structure of banks entails that shareholder value and overall profits dictate bank behaviour. Since credit unions and community banks operate with a different corporate structure it may well be that their operations will be determined to be 'profitable' where a bank's would not be. In addition, by setting up operations in communities which have previously lost their financial services, community banks and credit unions garner a customer loyalty which, if it can be maintained in the long term, will work to bolster financial viability.

Electronic service provision

Concerns about the ability of credit unions and community banks to replace traditional bank services have prompted analysts such as Walker to argue for electronic service provision in rural and remote regions (Walker, Corby & Murphy 1997). One electronic-based service is giroPost. As indicated in Table 2 there has been a steady increase in giroPost services Australia-wide, from 2,557 agencies in 1996 to 2,814 in 2000. However, the increasing number of giroPost services also raises important questions about the extent to which the services provided by agencies can substitute for those provided by branches of full-scale banks (Walker, Corby & Murphy 1997). GiroPost does not offer a full range of financial services and even this limited service provision may not be viable within remote communities. In particular, giroPost does not provide any business transaction services.

Problems caused by the decline in bank branches in rural and remote communities may be partially offset by the provision of ATM and EFTPOS facilities. The number of ATM and EFTPOS machines has increased dramatically in Australia over the last decade (see Table 2). The Wallis Inquiry reported that in September 1996 use of ATM and EFTPOS made up 23 and 19 per cent respectively of all financial transactions (FSI 1997). Despite these figures, much evidence exists to suggest that these services are not as widely distributed or utilised in regional and remote areas as they are in metropolitan areas (ABA 1999: 106; Regional Financial Services Taskforce 1997: 12).

A number of other concerns have also been raised about the capacity of electronic services to replace traditional banking services. Throughout the HRSCEFPA Inquiry mention was made of the importance of the provision of face-to-face banking and financial services to people in rural and remote communities. In particular the NFF (1997: 6–7) stipulated the cyclical (as well as seasonal and uncertain) nature of agriculture as a reason why people in rural and remote communities require a long-term relationship with their financial institution which, in turn, requires the fostering of personal relationships with bank staff. Thus the NFF argues that 'rural people are not keen to use electronic banking facilities because they are perceived to have an adverse effect on people's relationships with their banks and place local branches at risk of closure' (1997: 6). It is clear then, that, electronic services cannot be viewed as a substitute for traditional banking services.

Rural Transaction Centres

At a political level, the recognition of the problems caused by a lack of access to credit within rural and remote communities has lead to the establishment, by government, of Rural Transaction Centres (RTCs). Funded from the sale of Telstra, the $70 million RTC program is designed to provide funds to help small rural communities (with a population of less than 3000 people) establish centres to provide access to basic banking, postal, Medicare claim, phone, fax and Internet services (Department of Transport and Regional Services (DTRS) 2001). The RTC program is also available if a community can show that there is a strong case for assistance. Examples of such cases are where there is a high proportion of elderly or disabled people within the population who are unable to travel or use public transport; but presumably they would also include Indigenous communities which have special needs. Under the eligibility criteria, priority is also given to communities where basic services are not currently provided and are unlikely to be provided without government assistance (DTRS 2001).

Recognition of the role that RTCs can play in improving the welfare of individuals in rural and remote areas can be seen in the recent McClure Report into welfare reform (McClure 2000). McClure notes that 'the RTC program is a good example of the way disadvantaged communities can be supported in providing services that would otherwise not be available' (2000: 47). Key to this understanding is the important role of access to financial services in disadvantaged communities.

It is envisaged that banking services provided by RTCs will include personal banking, some elements of business banking, ATMs and giroPost (DTRS 2001). Two types of funding are available under the RTC scheme—project assistance and business planning assistance—both of which are designed to create self-sustaining RTCs. The program will thus fund the capital costs of setting up the RTC, and initial funding will be made available (during early years of operation) to cover running costs (DTRS 2001).

By January 2001, there were 19 operational RTCs, with a further 290 either having been approved for funding or having received funding towards investigating their establishment (DTRS 2001). Of these 290 approved or prospective RTCs, 22 are located in Indigenous communities (see Table 7). The total government outlay to date on developing RTCs in Indigenous communities is just less than $1 million. Most of the Indigenous communities in which full scale RTCs have been approved are located in the Northern Territory and one is located in Western Australia at Halls Creek. Of the RTCs located in Indigenous communities in the Northern Territory all except one have the TCU as their banking services provider. The partnership between RTCs and credit unions such as the TCU seems particularly effective: RTCs will significantly reduce capital costs to financial service providers by providing the necessary premises. Thus it appears that within the Northern Territory the operation of RTCs in Indigenous communities, in conjunction with the TCU, may go some of the way to meeting the banking needs of Indigenous people in those communities.

At present, it is unclear how RTCs will manage to be self-sustaining in the provision of banking and financial services when commercial banks have failed to be, and it is too early to determine how effective RTCs will be in providing banking and financial services to remote communities, and, in particular, remote Indigenous communities. Nevertheless it is clear that they represent an important initiative.

Table 7. Location and details of funded Indigenous RTC programs, February 2001

Location	Payee	RTC status	Business planning status	Business planning cost ($)	Project assistance ($)	Total per project ($)	Banking services provider
NT							
Maningrida	Maningrida Council Inc	Approved		10,000	152, 955	162, 955	TCU
Mataranka	Mataranka Community Govt Council	Approved			162,800	162,800	
Numbulwar	Numbulwar Numburindi Community Govt Council	Approved		15,000	139,800	154,800	TCU
Oenpelli	Kunbarllanjnja Community Govt Council	Approved			142,300	142,300	TCU
Ramingining	Yuyung Nyanung Aboriginal Corporation	Applicant			181,000	181,000	TCU
Timber Creek	Ngaliwurru-Wuli Association	Applicant		5900		5900	
Ti Tree	Anmatjere Community Govt Council		Approved	7500		7500	
Tiwi	Nguiu Community Govt Council		Approved	9400		9400	
QLD							
Bamaga	Bamaga Island Council		Approved	5900		5900	
Darnley Island	Saylor Clan Torres Strait Islander Corp		Applicant				
Dauan	Dauan Island		Approved	4350		4350	
SA							
Penneshaw	Penneshaw Progress Association		Approved	6500		6500	
Point Pearce	Yorke Penninsula		Applicant	7400		7400	
WA							
Fitzroy Crossing	Marra Worra Worra Aboriginal Corporation		Approved	15,000		15,000	
Goomalling	Shire of Goomalling		Applicant	8900		8900	
Halls Creek	Halls Creek Shire Council	Approved		15,000	230,000	245,000	
Jurien	Shire of Dandaragan		Approved	9350		9350	

Table 7. Location and details of funded Indigenous RTC programs, February 2001, contd.

Location	Payee	RTC status	Business planning status	Business planning cost ($)	Project assistance ($)	Total per project ($)	Banking services provider
Mulga Queen	Nurra Kurramunoo Aboriginal Corp	Applicant					
Newdegate	Lake Grace		Approved	9346		9346	
Onslow	Ashburton Shire Council		Approved	10,150		10,150	
Warburton	Ngaanyatjarra Council Aboriginal Corp		Approved	25,000		25,000	
Total outlays to date ($):						965, 915	

Source: RTC Program.

Another recent initiative put forward by the government to provide financial services to rural and remote communities is a joint Australia Post–Commonwealth Bank business banking pilot program. Launched in May 2000 it is envisaged that the program will provide banking services to 30 communities in Australia (Anderson 2000a). Features of the business banking service include cash and cheque deposits, overnight credits to customers' accounts, withdrawals, and 'one-stop convenience for bill payments, business and personal banking and all postal needs' (Anderson 2000a). Significantly, this initiative recognises the importance of the provision of face-to-face banking services to rural and remote communities. In addition it appears that, unlike giroPost, this initiative may be capable of providing a wide range of banking services, and, in particular, business banking. Such a service would prove extremely valuable to regional and remote communities.

A case study of service provision in rural communities

The interplay of many of the factors discussed above can be seen in a case study conducted by Ralston and Beal (2000) of six towns: Jandowae and Wandoan in Queensland, and Ashford, Bundarra, Urana and Oaklands in New South Wales. Each of the towns had a range of banking facilities available locally, providing services in cash withdrawal, bill payment and personal deposits (Ralston & Beal 2000: 83). In addition, residents in all but one of the towns had access to investment services, and loans and financial planning via a bank, credit union or building society (2000: 83). On the basis of a survey of 2,000 people in each of the communities, Ralston and Beal drew a number of conclusions about the types of services provided and demanded by populations in rural areas.

Over 90 per cent of respondents reported using a financial service provider for the purpose of saving and investment; major banks remained the major service providers, with 76 per cent of the market (Ralston & Beal 2000: 84). In spite of this high figure, it appears that credit unions and building societies have captured market shares in all the towns, ranging for credit unions from 5 per cent in Wandoan to 58 per cent in Urana (2000: 85). Reasons cited for banking with one of the major banks were 'always banked there', convenience of location, and lower fees and charges.

Banks remained the major provider of transaction services (77%), followed by credit unions (24%) and building societies (19%) (Ralston & Beal 2000: 86). Further analysis suggests that almost 80 per cent of respondents regularly used a branch or agency for banking transactions (2000: 86). The main reasons given for this usage were ease of access and preference for personal, face-to-face, contact (2000: 86).

Amongst the respondents surveyed the most popular methods for obtaining cash was over-the-counter-withdrawals (52%), followed by EFTPOS (43%), cheques (41%) and ATMs (38%). Ralston and Beal conclude that these proportions are comparable with national figures on modes of obtaining cash. In addition, they argue that, 'EFTPOS has become an increasingly important means of cash withdrawal in small towns which do not have the volume of transactions to support the maintenance of an ATM' (2000: 87). In their discussion of cheque withdrawals, Ralston and Beal point out that this type of transaction is usually very costly to consumers, depending on their account conditions and their transaction histories. Cheque withdrawal is also costly in terms of financial efficiency: it is estimated that cheque-based transactions cost up to ten times more than electronic debit and credit transactions (FSI 1997: 392). In spite of these high costs, cheques remain a favoured mode of cash withdrawal in country areas where they 'have traditionally been used as an "informal float" and where there may still be a lack of suitable alternatives' (Ralston & Beal 2000: 88).

Survey results also indicate that approximately half of the respondents use self-service delivery methods on a regular basis. The majority of respondents have used ATMs, half have used EFTPOS, and 28 per cent have used telephone banking (Ralston & Beal 2000: 88). Those who do not regularly use self-service methods stated that this was because they have not used the technology before, it offers a limited range of services and 'they don't trust technology' (2000: 88). These responses seem to indicate both that technological literacy has a large effect on take-up rates of self-service banking methods, and that consumers are acutely aware of the limitations of this kind of technology as compared with traditional banking services. Finally, while 29 per cent of respondents used a Commonwealth Bank agency in a local post office, only a very small proportion of these users (7%) accessed giroPost (2000: 88). Ralston and Beal argue that it is possible that this low usage is due to a failure by banks and Australia Post to promote the method as well as to the fact that the financial institutions involved were urban-oriented (2000: 88).

In terms of access to loans, 64 per cent of respondents reported having some form of loan from a financial service provider. Banks provided 86 per cent of these loans (Ralston & Beal 2000: 88). Thus, in the towns surveyed, the loans markets showed much less diversity, in terms of finance providers, than did the savings and investment or transactions markets. Ralston and Beal argue that this suggests either that respondents have a high degree of satisfaction with their bank as a loan provider; or that there are structural barriers, such as switching costs, which prevent people moving between loan providers; or that other providers do not offer the necessary services (2000: 88). This last point becomes particularly relevant when taking into account the fact that almost all loans are used for business purposes, and that nearly all of these businesses were farms (Ralston & Beal 2000: 88). Loans for primary production are not traditionally provided by non-bank financiers.

Ralston and Beal's survey of residents' perceptions about how changes in delivery of financial services had affected the convenience of access to them indicates that 40 per cent of respondents felt services had remained the same, 33 per cent reported they were worse, and 14 per cent thought they were better. In terms of the cost of financial services, nearly 60 per cent of respondents felt that the cost was worse and only 8 per cent thought it was better.

Finally, Ralston and Beal's findings on the impact on rural economies of bank closure indicate that, over time, the effect of residents doing banking and shopping in another town may lessen (2000: 90–2). They report that in 2000 approximately 20 per cent of respondents were making the trip to other towns to do banking and shopping more than once a month, as compared with 66 per cent in 1996 (2000: 91–2). This is possibly due to the introduction of electronic banking facilities. However, respondents reported spending on average about $450 while shopping on these trips. Had a branch been maintained, this money would have been spent in their home town (2000: 92).

This section has attempted to highlight the importance of the provision of traditional, face-to-face banking services to rural and remote communities. Further, it has been argued that self-service technology must be regarded as an addendum to, rather than a substitute for, these services. The banking industry is showing some signs that it is aware of these issues. In a recently released 'Transaction Services and Branch Closure Protocol' the ABA stipulates that,

> the Transaction Services and Branch Closure Protocol for rural and remote areas has been adopted, committing the industry to providing, to broader rural Australia, on-going face-to-face banking services for personal and small business customers *after branch closure* (ABA 2001: 3–4, emphasis added).

The Protocol also includes an increase of the notice period, from 6 weeks to 3 months, for rural and remote communities which are having their bank branches closed.

The Protocol is not legally binding on banks, nor does it express a commitment to maintaining already existing rural and remote branches, nor to expanding these services to communities that do not currently have access to financial services (including a large number of Indigenous communities). What it does do, however, is explicitly recognise the importance of face-to-face banking services to rural and remote communities. In relation to this point:

> The banks are promising to leave face-to-face banking services in virtually all towns through Australia Post, community banks, agency arrangements in local businesses like newsagencies and chemists and through initiatives like in-store facilities (ABA 2001: 3).

Clearly these initiatives are important. They also go much further towards meeting the banking needs of people located in rural and remote communities than does the provision of electronic banking services alone. The degree to which these services are able to substitute for a removal of traditional banking services remains to be seen.

Despite these initiatives, it is clear that the banks are still refusing to adopt the view that banking is an essential service. Adopting such a view would require banks to address the needs of communities, and, in particular, Indigenous communities, by providing traditional, face-to-face banking services. The ABA Protocol is irrelevant in relation to these communities: it only applies to communities in which traditional banking services have been removed (see emphasis added in the quotation above). While it may not be 'economically rational' to expect banks to adopt such a perspective, their failure to do so provides government with the impetus to legislate.

Banking and financial services to rural and remote Indigenous communities: Demand and supply

Little research has been done specifically on the availability of financial services to Indigenous people, particularly those located in rural and remote communities. There remain unanswered questions as to the type and range of banking financial services currently supplied to Indigenous people in these communities. It is clear that a detailed analysis of these issues requires empirical data on banking service provision and usage in Indigenous communities. This section will prepare the ground for such analysis by highlighting a number of demand and supply issues relating to the provision of credit that have been identified by Indigenous people themselves.

At a broad regional level, Indigenous people represent a steadily growing share of the population and economy of remote Australia. Statistical analysis shows that between 1981 and 1996 the Indigenous share of the population of remote Australia increased from 12.7 per cent to 17.8 per cent (Taylor 2000). Thus the lack of availability of banking and other financial institutions in rural and remote communities has potentially serious ramifications for the Indigenous populations of these communities.

In some respects, Indigenous people suffer the same disadvantages as low-income people in general. Factors that impact on their ability to adapt to electronic banking systems include language barriers, age, level of education, literacy, technical literacy, unreliable phone or internet access, and disabilities—particularly intellectual disabilities, deafness, and blindness. It is arguable that a significant proportion of Indigenous people suffer from one or more of these disadvantages, and that therefore Indigenous people should be recognised as a special group that is reliant on the provision of traditional banking services.

Within Indigenous communities a lack of access to banking services, combined with cheque-based welfare payments, means that individuals have to rely on informal finance providers. For example, Indigenous people in many communities are dependent on cheque-cashing outlets which charge high fees. In such circumstances the income of Indigenous people becomes a captive market for informal service providers, such as hotels, stores, hawkers, and taxi drivers (Taylor & Westbury 2000: 48).

'Bookdown' services are another aspect of informal cheque-cashing facilities. Community stores often operate 'bookdown' arrangements, whereby they cash cheques on the basis that the proceeds will used to buy supplies. Since a large proportion of the welfare-recipient Indigenous population in the Northern Territory still receives cheque-based welfare payments, these people are also vulnerable to 'bookdown' arrangements. The Commonwealth Banking Ombudsman noted that:

> There are instances of storekeepers in remote areas in town being the address point for Department of Social Security (DSS) cheques. In some instances this has created a 'capture' situation in that Aboriginal customers are extended a line of credit and storekeepers insisted on signing over DSS cheques to meet accumulated debts. This had led to exploitative pricing of goods by some storekeepers and customers being prevented from purchasing elsewhere … It appears that social problems are not simply a factor of insufficient or poorly distributed income but also the of fact that a significant proportion of income is 'ripped off' (1997: 11–12).

Evidence indicates that even where mainstream banking services are available in towns such as Alice Springs and Katherine, bookdown practices are still widespread (Commonwealth of Australia Banking Ombudsman 1997). Since bookdown practices may occur even where other financial services are available, it is clear that they will be exacerbated where there is a lack of access to banking services, as cheque recipients are forced either to cash their complete entitlements or to enter into bookdown arrangements with traders (Taylor & Westbury 2000: 48).

Problems caused by a lack of access to financial services and cheque-based welfare payments may operate as further incentives for Centrelink to move to electronic-based welfare payments. However, such a move will only prove effective in improving Indigenous welfare if it is accompanied by a comprehensive education program. Such a program must show an awareness of the role that culture plays in Indigenous conceptions of money, which may differ from the mainstream (these points will be discussed in McDonnell & Westbury 2001).

A lack of banking services creates a savings deficit in Indigenous communities, which in turn means that these communities are unable to acquire assets. The importance of generating a savings regime as a means of escaping the poverty trap has been discussed at a government level, in the McClure Report (2000). In particular, the Report discusses the establishment of a 'participation support account' designed to aid the development of a savings regime for welfare recipients (McClure 2000: 29). The proposed account would operate so that people could accumulate a sum of money by being paid a supplement (of approximately $20.00 per fortnight) in addition to their usual welfare payment. This supplement could then be used to compensate individuals for some of the costs associated with labour market participation. For example, savings generated could be used to fund education and training or part-time work, or to invest in a small business or job searching which takes place outside a person's local labour market (McClure 2000: 29).

One initiative that may encourage Indigenous welfare recipients to generate a savings regime is Centrepay—a voluntary deduction service available to all welfare recipients (except family welfare recipients). It operates to deduct a proportion of a person's welfare payment towards payment for services received (Centrelink 2001). In all Centrepay transfers the receiving company pays the $1.00 transaction fee for the transfer and there is no cost to the welfare recipient. Payment for Centrepay services is viewed as beneficial to a company in that it guarantees a steady income stream and saves the time and administrative costs involved in chasing bill payments. Within Indigenous communities a number of land councils have, along with welfare recipients, worked to utilise Centrepay's services for payments such as rent. The Centrepay payment scheme is utilised, for example, by the Aboriginal Hostels Association (pers. comm. Geoff Edwards, Centrepay, February 2001). As of 23 March 2001, over 2,900 organisations and 21,327 customers were involved in Centrepay. Of these, 7,000 customers were making payments to the providers of Indigenous community housing (pers. comm. Geoff Edwards, Centrepay, March 2001).

While initially Centrepay was oriented towards utility company transfers such as rent, electricity, gas, or water, more recently it has expanded to include payments for housing, ambulance, homecare, court fines, education expenses, funeral expenses, and short-term accommodation services (pers. comm. Geoff Edwards, Centrepay, February 2001). In addition Centrepay includes a number of interesting initiatives which relate directly to Indigenous people. One currently under trial in Queensland is a partnership between the Aboriginal Community Benefits Fund and Centrelink to allow Indigenous welfare recipients to save for their own, or their relatives', funerals (pers. comm. Geoff Edwards, Centrepay, February 2001). Another trial currently underway is located at Queensland and Kimberly TAFEs and is designed to allow students to pay their education expenses. A third trial operates in conjunction with the Queensland Justice Department and the State Penalties Entitlement Register. Its aim is to allow Indigenous people a means of paying fines so as to stay out of jail (pers. comm. Geoff Edwards, Centrepay, February 2001).

Indigenous entrepreneurs can face problems in accessing credit if they have limited credit records and no collateral (McDonnell 1999). Moreover, some Indigenous entrepreneurs lack the technical literacy to access the range of electronic, telephone and Internet-based banking and financial services that are available. Most Indigenous communities lack savings, Commonwealth and State legislation prohibits the use of communal Aboriginal land as collateral, and Indigenous people have few employment opportunities in rural areas from which to accumulate equity (Aboriginal and Torres Strait Islander Commission (ATSIC) 1998: 22–3).

Additional barriers to the provision of credit are presented by the fact that Indigenous communities often lack the infrastructure needed to support banking and financial services and there is a high cost in both delivering and accessing financial services in remote communities (Westbury 1999: 13). Further, research indicates that much of the wealth generated within Indigenous communities is spent outside the communities, resulting in the loss of the multiplier effect, which in turn creates an inability to generate savings.

Another reason for the lack of access to credit is that financial institutions have limited information on Indigenous businesses and borrowers, and are unaccustomed to dealing with them. For example, there is no bank protocol for dealing with the problems of 'proof of identity' often faced by Indigenous people (Westbury 1999: 20). Often, there are no Indigenous bank employees to assist with overcoming language and cultural barriers, and bank staff lack adequate cross-cultural training (Westbury 1999: 20). This creates serious problems for financial institutions in attempting to determine the credit-worthiness of Indigenous borrowers. As a result, they find it unprofitable to bear the risks of lending to Indigenous people, with Indigenous borrowers being viewed as a 'burden' that falls disproportionately on certain banks (Westbury 1999: 20).

Anecdotal evidence exists of the credit access problems faced by Indigenous borrowers. Westbury (2000: 40) claims that despite having long-term employment histories with either Indigenous organisations or Community Development Employment Projects (CDEP) schemes, individuals reported significant problems in their attempts to access loans from local banks, and that Indigenous people were often redirected away from applying for loan-based finance and towards using credit cards. Indigenous people objected to this practice as it presented difficulties in terms of managing repayments with a relatively high rate of interest whilst on a low income. Indigenous people felt that loan finance, by contrast, offered a set amount of debt which could be repaid via payroll deductions and was thus preferable (Westbury 2000: 40). Westbury argues that this preference for small loan finance can be seen in the take-up rates of Centrelink's advance facility, which offers an interest-free advance of up to $500.00 per annum for individual Centrelink recipients and is reportedly utilised by up to 90 per cent of Indigenous welfare recipients. These loans are then used to meet irregular costs such as car registration, medical expenses, paying bail for family members, or holidays (Westbury 2000: 40).

Westbury suggests that Indigenous organisations may also experience serious difficulties in obtaining access to credit. In relation to this point he states that:

> Despite an ongoing and assured funding cycle and a secure capital base some organisations argued that they experienced problems in raising short and long term loan finance from existing banks to pursue expanded activities (2000: 42).

Thus it appears that not only Indigenous entrepreneurs and businesses, but also Indigenous organisations may experience difficulties in accessing credit from formal financial providers. The final section of this paper reports on a case study (Westbury 2000) which highlights many of the points raised above, and which provided a forum for Indigenous people to raise their concerns and opinions about issues of credit provision.

The Barwon–Darling region: Problems caused by a lack of supply of credit

The local Barwon–Darling Indigenous community had a number of problems with the provision of credit by banking and other financial institutions in the region. These were caused by differing conceptions of the role of banks and financial institutions. Westbury notes that 'for many Indigenous people, bank accounts were primarily a means to cash out their wage or welfare entitlements and not viewed or utilised as a service to generate savings' (2000: 36). For example, some Indigenous pensioners use electronic key cards as de facto passbook accounts. They are kept in safe custody by the bank and used by people to draw out money progressively over the fortnight until the next welfare payment is made (Westbury 2000: 36).

Inadequate provision of banking and other financial institution services in the Barwon–Darling region has also created a number of problems for Indigenous people. They noted the following impacts on the provision of services as a result of the changes caused by financial deregulation:

- the replacement of Centrelink cheque payments with electronic funds transfers;
- a reduction in bank branch and agency services;
- a significant increase in bank charges; and
- the introduction of new technology in the form of electronic key card and EFTPOS services (Westbury 2000: 36).

Age, education, and employment status were significant factors in the ability of Indigenous people to adapt to new banking technology (Westbury 2000: 36). Unsurprisingly, Indigenous people who held educational qualifications and secure employment positions adapted more readily to changes in technology (Westbury 2000: 38).

Many Indigenous people do not understand the way in which bank transaction charges and account keeping fees operate. Indigenous people reported reductions in anticipated bank balances due to unexplained fees. These misunderstandings prompt Westbury to argue that Indigenous people are not taking advantage of the options available to minimise bank charges (2000: 37).

A specific example of the problems caused by the inadequate provision of financial services in the Barwon–Darling region can be seen in the area of Goodooga. There are no branch or ATM facilities in Goodooga, and people have to rely on giroPost services delivered through the local post office (Westbury 2000: 36). The only way that Indigenous people who live in Goodooga can check their account balance is by telephone. Westbury states that this is problematic:

> Many Indigenous people neither have ready access to a telephone nor are they familiar with the requirements involved in accessing automated telephone banking. They are forced to effectively guess their account balance and often make several attempts to withdraw monies via the giroPost facility until they reach an amount that is small enough to be authorised (Westbury 2000: 37).

One of the major demands of Indigenous people in relation to banking is that services be provided on a personal, or face-to-face, basis (see e.g. Arthur 1998: 7). This demand was also noted by Westbury who states that 'a common issue raised was the importance Indigenous people attached to being able to access services on a face-to-face basis', and these services are even more valued if provided by Indigenous staff. Westbury notes that:

> In Brewarrina in particular, people raised the added advantage that two Indigenous people were employed as tellers … They argued that this resulted in people being more comfortable and confident in accessing services because they were able to deal with people who were familiar with, and understood, their individual situations (2000: 41).

Such a response is not surprising for, if language and cultural barriers are impediments to Indigenous people in accessing credit, then hiring Indigenous staff will work to combat these impediments. As will be discussed in the second paper in this series (McDonnell & Westbury 2001), the strategy of hiring Indigenous staff to aid in the provision of financial services in Indigenous communities has been pursued extensively in Canada and the USA.

Indigenous people would also prefer it if financial services were provided in a private context. Westbury (2000: 41) notes that a number of Indigenous people surveyed felt uncomfortable about the fact that where banking services were located in stores or newsagents they were forced to conduct transactions in public. This proved particularly embarrassing in cases where people were unsure of their account balance and so had to conduct a number of transactions.

In response to these Indigenous demands, and to the lack of supply of credit to Indigenous people, Indigenous organisations in the Barwon–Darling region have begun to operate as informal credit providers. A number of Indigenous organisations (funded under the CDEP scheme) provide a range of banking and financial services to their employees. These services include the provision of loans which are repaid through weekly wage reductions, periodic reductions in wage payments to meet external commitments (including rental and public utility payments), and contributions to Christmas Club accounts which are sponsored by the individual organisations themselves. In relation to periodic deduction services, Westbury notes that:

> people were very supportive of the need for this facility, not just for rental repayments but other deductions as well, because it meant that their ultimate take home pay had already accounted for such payments, thus making it easier to budget overall (2000: 38).

While the provision of a limited number of services by Indigenous organisations may meet some of the short-term credit needs of Indigenous people, it is clear that a number of problems remain in terms of Indigenous access to credit in rural and remote communities. These problems exist not only because of the withdrawal of banking and financial services in rural and remote areas, but also because of a number of impediments, specific to Indigenous people, that impact upon their access to credit. Informal credit services provided by Indigenous organisations do not represent a viable long-term solution. However, potentially useful long-term options may be garnered from best-practice initiatives that have been put in place in Canada and the USA to improve the credit access of Indigenous people. These initiatives are the subject of *CAEPR Discussion Paper 219* (McDonnell & Westbury 2001).

Conclusion

Australia's financial system is undergoing a period of substantial structural change. A number of interrelated factors are implicated: changes in the competitive forces within the sector, the introduction of new technology, and changing consumer demands. While these changes may have had positive impacts on most consumers, particularly in providing an impetus for the introduction of new technology, they have also had a number of negative impacts, particularly for low-income consumers of financial services and for people located in rural and remote communities.

Supply of financial services to rural and remote communities within Australia is currently in decline. RBA statistics show that of the almost 7,000 branches in operation in 1990, only just over 5,000 were in operation in 2000. However, statistics that detail the overall numbers of bank branches do not show the disproportionate problems faced by rural and remote communities which are left without a bank. Towns with a population of less than 1,000 account for 63 per cent of towns where the only existing bank's branch has closed, and of these, towns with populations of less than 600 account for almost 44 per cent. Case studies demonstrate the dramatic effect of closures of banks on rural economies and on individuals located within those economies. Further, in many respects credit unions, community banks, and electronic based banking systems do not provide an adequate substitute for services lost by communities when banks close. Self-service technology should be viewed as a supplement to, rather than a substitute for, traditional banking services.

Removal of banking services from rural and remote communities has particular implications for the relatively large, and increasing, Indigenous population of these communities. The general problems faced by Indigenous people in their attempts to access credit require further empirical investigation. Work by Westbury has detailed the specific problems faced by Indigenous people in the Barwon–Darling region. These include:

- the failure of financial providers to take account of the different conceptions that Indigenous people have of financial facilities;
- the problems caused by the inadequate provision of banking and financial services within the region;
- the fact that many Indigenous people do not understand either the way bank fees and charges operate, or how to minimise these fees and charges; and
- the low technical proficiency of many Indigenous people.

In addition Indigenous people want banking services to be provided on a personal, private, face-to-face basis, by Indigenous staff. If these requirements are to be met, alternatives to the current delivery of banking and financial services to rural and remote Indigenous communities will have to be considered. Such alternatives might include:

- regulatory reform to ensure that low-income groups, and, in particular, Indigenous people, have access to financial services;
- the development of Indigenous owned banks and credit unions, as well as of Indigenously oriented bank programs; and,
- the provision of Indigenous community owned loan funds that place an emphasis on the delivery of micro-credit.

The viability of each of these alternatives, and their use in Canada and the USA, will be discussed in the second Discussion Paper in this series.

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