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BANKING IN THE BUSH (1993–2003): A DECADE OF CHANGE

by

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Financial-services delivery in Australia has undergone rapid change in the last two decades with the closure of full-service face-to-face branch outlets being a particular facet of change in the last decade. The brunt of these closures has been borne by residents of non-metropolitan and more remote areas. The research described in this paper has investigated how Australians living in regional and moderately remote areas have adjusted to changes in financial-services delivery. Respondents to a survey reported the decreased use of cheques, in common with national trends, and increasing use of electronic delivery methods. However, abandoning cheques in favour of other methods has not been taken up as rapidly as is practically possible. Respondents reported being most satisfied with saving and investing services and least satisfied with business-banking services.

Key words: Financial-services delivery, Electronic banking

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1 Introduction

In 1993, the number of banking outlets in Australia reached a peak with 7 064 bank branches, 1 519 non-bank branches, 6 288 bank agencies and 2 645 non-bank agencies (RBA, 2004). This large financial-services distribution network, which supplied variously transactional services, loans, financial investments and advice, supplemented with limited services offered by the Commonwealth Bank of Australia through its agency arrangements with Australia Post, gave quite small towns some financial-services delivery. Although financial-services providers have opened and closed branches and agencies continually as part of their normal service supply management and reaction to changing population levels and demand, outlet closures have exceeded openings in most years in the decade since 1993.

The trend of outlet closures started slowly. By 1996, the aggregate number of the four types of outlets given above had only decreased by 2.5% (RBA, 2004). However, hidden within these data was the reality that the number of bank branches had decreased

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by 7.9% and non-bank agencies had decreased by 21.2% (RBA, 2004). Banks had decreased the number of their full-service branches and had substituted or opened more agencies (up by 10.5%) (RBA, 2004). The non-bank financial institutions had closed numerous agencies and withdrawn service delivery from many areas.

As can be readily appreciated, in their quest for efficiency the financial-service providers withdrew from smaller centres of population. The drop in the number of the four major banks' branches in non-metropolitan areas, for example, was 13.9% in the 1993−1996 period, with Victoria and South Australia losing 23.5% and 27.8% of their numbers respectively (RBA, unpublished data quoted by Beal and Ralston, 1998). In NSW and Western Australia, the percentage decreases were not so large at 15.8% and 9.3% respectively, and in Queensland there was a small increase in the number of non-metropolitan branches. However, the explanation for this apparent incongruity lies in the definition of 'non-metropolitan'. The decentralised nature of Queensland's infrastructure and population growth has meant that central places are prospering along the coastline, and the opening of financial-services outlets there has masked the closure of outlets in the 'bush', a generic term for non-metropolitan and smaller population centres. On this point, the Hawker Inquiry (1999, para. 2.17) reported that 44% of closures of the only branch of a bank in town occurred in towns of less than 600 population; 19% occurred in towns of 600−1000 people; 17% occurred in towns of 1000–1500 people; and 10% occurred in towns of 1500–2000 people. Thus 90% of closures happened in towns of less than 2000 people.

In the seven years after 1996, the trend of closures continued. The number of bank branches in 2003 was down to 4853, a decrease of 25.4% over the 1996 total, and the number of non-bank branches was down to 1247, a decrease of 18.8% over the 1996 total (RBA, 2004). While the publication of agency data ceased in June 2000, the aggregated bank and non-bank agency numbers at that time were 34.4% lower than the 1996 numbers (RBA, 2004).

This paper reports the third of a series of survey-based studies that have examined how Australians in rural areas have adjusted to the changes which have occurred in the last decade in financial-services delivery. As well as the closure of face-to-face outlets, these changes have included a major expansion of payment methods, changes in loan sales and origination methods, and changes in the traditional roles of 'banks' and 'non-banks'. To this end, Section 2 reviews the Hawker Inquiry (1999) and the two previous studies mentioned above. Section 3 briefly recounts the development of alternative delivery channels and Section 4 explains the method used for the collection of data. The following section reports the findings while Section 6 discusses the findings and concludes the paper.

2 The Hawker Inquiry and the Two Previous Studies

The Hawker Inquiry (1999) stemmed from the Wallis Inquiry (1997) into the Australian financial system, which clearly showed a financial system in transition from over-regulation to a new focus on competition and allocative, operational, and dynamic efficiency. The results of this change in focus included the closure of high-cost delivery channels such as traditional branches staffed by largely-indivisible sets of employees regardless of turnover and the cessation of cross-subsidisation of expensive services through inflated interest margins. The Hawker Committee was charged with looking into "alternative means of providing banking and like services to rural, regional and remote Australia to those delivered by the traditional bank branch" (Hawker Inquiry, 1999, para. 1.3).

Hawker (1999) received 157 submissions, held public hearings, and issued 21 recommendations. The recommendations included several that relate to this study. They are:

- that the Code of Banking Practice be amended to ensure customers are given written notice of the transfer of accounts between locations without permission (para. 2.52);
- that fees be waived for early repayment of loans or closure of accounts at branch closures (para. 5.39);
- that a branch-closure protocol be developed to inform and consult local communities (para. 5.51);
- that the Victorian Government amend its legislation preventing shire councils from banking with non-bank financial institutions (para. 3.42);
- that the Rural Transaction Centres program be expedited (para. 3.56);
- that giroPost services be expanded to include business banking (para. 3.108);
- that internet services be extended (para. 4.59);
- that governments provide stamp-duty exemptions on mortgage-loan transfers as a result of branch closures (para. 5.40).

The necessity to make these recommendations shows that these were the issues that the Committee found were of concern to the Australian community at the time. The Committee heard evidence that accounts had been transferred without permission and without notice, that fees had been charged regardless of the providers' own behaviour precipitating the need for action on the part of customers, and that communities had been treated insensitively over an issue of vital local importance. The final five recommendations given above were measures the Committee thought could be taken by the public sector to help alleviate the pain of transition.

Beal and Ralston (1998) reported an early study of this broad issue: the 1996 survey of householders living in or near seven rural centres in NSW and Queensland. The study examined the economic and social effects of branch closures. The NSW centres were Mungindi, Ashford and Bundarra in the north, and Urana and Oaklands in the south-west. The Queensland towns were Jandowae and Wandoan, both south-western centres.

The towns were selected because their last remaining bank branch had either closed or was rumoured to close. The availability of banking services in each surveyed town and district varied from minimal to those offered by one still-open branch, which anecdotally enjoyed only a minor share of the local banking market and was expected to close. Australia Post provided the minimal services by means of bill-paying for some utilities, insurances, and taxes. Additionally, the giroPost service, where available, offered cash withdrawals of up to $800 per day and access to accounts held with the Commonwealth Bank and about six of the second-tier banks. EFTPOS (electronic funds transfer point of sale) outlets added to the range of consumer services in five of the seven towns by allowing people to purchase goods with payments by credit/debit cards and to withdraw small amounts of extra cash. The number of EFTPOS outlets in each town was limited, most towns having only one and Bundarra and Oaklands having none.

This research investigated the impacts of financial-services withdrawal on individuals, businesses and the communities as a whole. The impacts on individuals mainly centred on the need to obtain cash and the enforced changes in spending patterns. People forced to travel to larger centres to do their banking inevitably tended to shop there as well, to gain advantage of larger ranges of goods, better prices, and fresher food. Local businesses thus immediately felt the impacts of these changes. Turnovers decreased, customers requested banking services such as cashing cheques, and there were difficulties with keeping appropriate levels and denominations of change. From their own financial management point of view, many business operators found lost sales were not the only path to decreased profitability. Delays in banking and the need for extra security measures also increased costs and reduced profits.

Apart from the effects at the individual and business level, there were impacts on each community. Without looking at the flow-on effects of reduced expenditure locally, most of the towns reported lost expenditure of between $500,000 and $1 million annually. In addition, there was a severe loss of confidence and approximately 90% of respondents reported they felt pessimistic about their town's future. Nearly 40% of these people said they would leave their town if they could sell their property without incurring too large a financial penalty.

Two years later in 1998, Ralston and Beal (2000) conducted a further study to ascertain how people in these communities had adjusted during the interim to life without their 'traditional' suppliers of financial services. The channels of financial-service delivery had become much more diverse with more EFTPOS connections, telephone and internet banking, increased giroPost services, and the entry of some new providers such as non-bank financial institutions. In addition to identifying what services members of each community bought from their financial-services providers, how they gained access to cash and why they chose particular providers, the study asked respondents to rate their overall satisfaction with their current providers. Just over 26% of respondents rated the current range of services better than before, 8% thought costs more acceptable (and nearly 58% thought costs worse), and nearly 14% thought convenience had improved.

This study showed that communities could adjust to change and make effective transitions from one set of circumstances to another. A particularly encouraging sign for the future of these towns was that 29% of respondents reported taking out new loans. The respondents' long-term outlooks appeared to be better than two years previously and the anticipated negative impacts of branch closures on confidence as reported in the 1996 study may have been overstated. Additionally, although there was evidence to suggest that towns still lost retail spending by those who travel to bank, the number of trips made for this purpose had declined substantially. In towns that more strongly recognised the need to support local commercial activity, residents travelled to bank and shop much less frequently than across the total sample. It was evident that the awareness and behaviour of residents are vitally important for the future of rural communities.

3 Alternative Delivery Channels

A feature of financial-service delivery in Australia during the 1990s and the four years since has been the growth in electronic delivery methods and a corresponding sharp decline in the use of cheques. While electronic delivery may mean the use of the telephone (either fixed service or mobile) or internet (either fixed or WAP) to enquire about or even commit to a loan, it is the area of transaction-facilitation that electronic channels have been indisputably successful.

Individuals may now obtain cash through ATMs provided by their own or other financial institutions or generic providers such as Cashcard, and they may also get additional cash with purchases made in stores equipped with EFTPOS. EFTPOS allows access to both credit-card accounts or own funds by means of debit cards. Since 1998, when the second study in this series was undertaken, the number of EFTPOS terminals has just about doubled and there are more such outlets available 'in the bush'. Table 1 gives the numbers of ATMs and EFTPOS outlets at 30 June for each year from 1993 to 2003 and the percentage growth in outlets each year. The annual average compound growth rates over the period for ATMs and EFTPOS outlets are 14.7% and 30.4% respectively. However, reliable data are not available on numbers of electronic outlets located in regional areas. (The Australian Prudential Regulation Authority [APRA] publishes data on banking points of presence classified by the degree of accessibility or remoteness of location [the ARIA system], but these data are only available for the years 2001−2003, and the electronic data are acknowledged to be incomplete www.apra.gov.au/Statistics/Points-of-Presence.cfm, accessed June 2004.) Details of the ARIA system may be found at www.health.gov.au/ari/aria.htm, accessed June 2004.

TABLE 1

GROWTH IN ATMS AND EFTPOS OUTLETS, AUSTRALIA, 1993−2003

Year	No. ATMs	Growth p.a. (%)	No. EFTPOS	Growth p.a. (%)
1993	5 483		30 486	
1994	5 910	7.8	51 707	69.6
1995	6 422	8.7	88 082	70.3
1996	7 465	16.2	123 984	40.8
1997	8 670	16.1	177 766	43.4
1998	9 472	9.3	230 573	29.7
1999	10 089	6.5	278 238	20.7
2000	11 819	17.1	333 739	19.9
2001	13 289	12.4	375 883	12.6
2002	16 398	23.4	415 167	10.5
2003	20 339	24.0	433 640	44.5

Source: RBA (2004), *Reserve Bank of Australia Bulletin,* June, Table C5.

The growth in ATM installations has mainly been in city shopping centres and other places where people tend to congregate, because ATMs are relatively expensive to maintain and service. In order to cut costs, most providers outsource the regular servicing of these machines to the specialist security firms and placement of machines outside substantial centres tends to be sparse. However, rural and remote areas have benefited from the growth in EFTPOS outlets as businesses in these areas have realised the benefits to be gained in their own financial management by having revenue from sales directly deposited to their accounts by electronic means. Additionally, providing 'cash out' facilities can assist with the management of excess cash.

Another aspect of the growth in electronic delivery channels has been the sharp growth in direct entry (both debits and credits) and the decline in the use of cheques. As the RBA noted, "the most important payment systems for consumers and businesses in Australia in terms of total expenditures are the electronic direct entry system and the familiar paper cheque. These two methods accounted for more than 95% of the total value of retail payments in 2002, excluding cash" (RBA, 2003, p. 1). However, over the period 1995–2002, while the use of direct entry increased from less than 15% by value of payments to about 70%, the use of cheques decreased from more than 80% by value in 1995 to about 26% in 2002 (RBA, 2003, p. 2).

Rural individuals and businesses have shared in this trend, the only exceptions being in some quite remote areas. Individuals mostly receive government transfer payments and salaries and wages by direct entry. (Some small firms with few employees and employees with varying wage payments still pay in cash or by cheque.) Businesses such as primary producers receive many of their revenue payments such as cattle-sale and grain-sale proceeds by direct entry. The number of businesses using direct credits has increased by about 18% p.a. over the last five years (RBA, 2003, p. 6).

On the expenditure side, individuals and businesses now have greater opportunity to effect transactions by means of direct debit, credit card and debit card, as well as by telephone and internet. The number of businesses offering direct debit as a means of payment by their customers has increased by nearly 30% p.a. over the last five years (RBA, 2003, p. 6). Moreover, the RBA has estimated that in 2002 consumers paid about 20% of household consumption expenditures by cash, just over 10% by debit card and more than 25% by credit card (RBA, 2003, p. 2). The use of credit cards has been rising steeply, but this may slow now that the credit-card reforms instituted by the RBA have come into effect.

Rural people have almost the same capability to use these channels as their city counterparts, the only exception being that the use of the internet may be more costly and slower to use in some rural areas. An examination of internet sites shows, for example, that utility bills may be paid by authorised direct debit, by credit or debit card, by phone or by BPay through the internet. Similarly, many shire councils now accept rates payments by telephone or by the BPay and the internet. This later service has often been facilitated by state governments.

The post office in Australia has long been part of the payments system, initially as agent of the Commonwealth Bank transacting passbook-account business and as issuer of postal notes and money orders for third-party payments. Drawing on a European model of financial-services delivery, Australia Post developed giroPost in 1995. GiroPost is a personal banking network with services available in 2003 at 2990 electronically-linked outlets. The service allows consumers to withdraw and deposit funds, check balances and open personal accounts with two of the major banks, eight of the second-tier banks, five building societies, RAMS Home Loans and 60 credit unions (RBA, 2004, S98). In addition, giroPost outlets accept payments for accounts, for example, for electricity, gas, vehicle registration, telephone and the Australian Taxation Office. The establishment of giroPost has filled a vital need for payment services for individuals but does not provide a full range of banking services.

As a result of public demand and perhaps also because of the Hawker Inquiry (1999, para. 3.108) recommendation that giroPost offer business banking, it was announced in 2001 that the service would include business payment services on a trial basis to 150 selected areas. According to the Australia Post website (www.austpost.com.au, accessed June 2003), there are four participating financial institutions (two major and two second-tier banks) whose customers may use this service. Any number and amounts of cheque deposits are accepted but cash deposits are limited.

Just as the aggregation of service delivery within the post office is one solution to the problem of provision of services to areas with small populations in cost-conscious times, this service-aggregation model has been transferred and expanded by means of the Rural Transaction Centre (RTC) Program. RTCs provide services not otherwise available in communities up to 3000 people and may offer financial services, communications, Medicare and Centrelink services, secretarial services, facilities for visiting professionals, and other government services such as vehicle registration. Expansion of the RTC program was recommended by Hawker (1999, para. 3.56) and funds were allocated in the 1999 Budget to establish centres and subsidise their early operational costs. The Government allocated up to $70 million from the sale of the second tranche of Telstra for this program. Communities are expected to help themselves by organising a local group to establish and manage the centres (www.dotars.gov.au/rtc/info/index.htm, accessed June 2003).

Organising local committees and getting proposals finalised all take time. By the end of June 2003, there were 49 operational RTCs in Australia, 13 in Queensland, 18 in NSW, seven in Victoria, five in South Australia and six elsewhere. Additionally, there were 643 approved applications. Of the towns involved in this study, Ashford has established an RTC with a grant of $154 000 (www.dotars.gov.au/rtc/info/index.htm, accessed June 2003).

Finally, as part of the RTC program, the government has recognised the opportunity to enhance services in the bush by making an alliance with Australia Post. Australia Post has faced the same pressures to cut costs as the banks and other organisations that previously maintained outposts in less-populated areas. Accordingly, many official post offices have been closed and licensed post offices (LPOs) established under agency arrangements in their stead. To extend services, the government is subsidising the installation of Australia Post's electronic point of sale (EPOS) technology in LPOs so that more centres are connected to the giroPost network. Under this scheme, a further 101 centres, which qualified by having processed more than 5,000 transactions p.a. at June 2001, have been connected. The second phase of this program is to connect further centres to the giroPost network where current financial services are provided only in an off-line manner (www.dotars.gov.au/rtc/epos, accessed June 2003).

4 Data Collection

Five towns were selected for this study. These are the five larger towns of the seven included in the 1996 survey and, under the ARIA definitions, are classified as accessible, moderately accessible, and remote. The towns are Jandowae (accessible) and Wandoan (remote) in Queensland, and Urana (accessible), Ashford (moderately accessible) and Mungindi (remote) in New South Wales.[1] All of the towns have some banking facilities available locally, with Jandowae possibly being the best served with a branch of one of the four major banks still operating there and giroPost. Ashford has a credit union office and an RTC. All the other towns have giroPost.

Data were collected by survey of individuals and businesses. The survey instrument contained 25 questions of which 22 asked about banking practices and three were demographic in nature. The banking questions asked about the mechanics of receiving income and making payments, how cash is obtained, the use of electronic delivery channels, the type of financial institution used, any changes in main financial institution in the last three years, and how loans were arranged. In addition, a suite of questions explored business financial-service delivery, and a further set dealt with consumers' satisfaction with financial-service needs. The instrument was pilot-tested with university staff and residents of a nearby rural area. Many of the questions were similar to, or based on, questions used successfully in past surveys.

In order to contain costs and to ensure that privacy legislation was not breached, the survey instrument was delivered by means of Australia Post's unaddressed 'householder delivery' service. This service costs only 22% of ordinary mail charges, but it has the disadvantage that lower response rates than those achieved with personalised mail are to be expected. Approximately 2000 survey instruments were delivered to the selected communities, the numbers being based on Australia Post's records of numbers of addressees in each location: 550 to Jandowae, 400 to Wandoan, 400 to Mungindi, 380 to Ashford and 270 to Urana. The post offices concerned were requested to deliver to town addresses and to residents living along local rural mail services.

The apparent response rate was 10.75% as 215 useful responses were received. This response rate was satisfactory, in the current climate of drought and stress in rural areas, the use of unpersonalised mail, and the lack of high community anger such as had existed in 1996 when a 21% response rate was achieved (Beal and Ralston, 1998). Using mailing without personal address normally achieves a significantly lower response rate, but the lower cost allows research funding to be allocated to a greater number of projects. The responses may be considered random in the sense that the authors had no control over who responded with the only systematic bias being, as with all voluntary surveys, that the respondents were people who respond to surveys.

Table 2 gives demographic information on the respondents. Instructions on the survey instrument suggested the best person to complete the questionnaire in each household was the adult who looks after finances. In country areas and especially on farms (almost half of the respondents operate farming businesses), the bookkeeper, finance manager and banking manager is the adult female member of the household. Accordingly, a majority of respondents were female.

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[1] To give readers greater understanding of the ARIA classification, capital cities and large regional towns such as Toowoomba and Orange are classified as 'highly accessible', towns such as Moree, Dubbo and Chinchilla are 'accessible', Roma and Coonabarabran are 'moderately accessible', Mitchell and Nyngan are 'remote', and Bourke, Cunnamulla and Charleville are 'very remote'.

TABLE 2
DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Characteristic		Proportion of total respondents (%)
Gender:	Male	38.1
	Female	61.9
Household status:	one person	15.2
	family with dependants	48.3
	family with no dependants	36.5
Age:	<30 years	8.4
	31–39 years	16.4
	40–54 years	37.4
	55–69 years	26.2
	70 and over	11.7
Business operators: (58.4% of the sample)	primary industry	48.9
	other low-cash handling	3.8
	high cash-handling	3.8
	professional services	1.9

5 Findings

In common with the trends discussed above for Australians as a whole, the majority of this group (83.2%) received the bulk of their income by direct entry to their accounts at their financial institutions, even though more than half of the respondents operated businesses. Some primary producers and operators of high cash-handling businesses still received a significant number of cheques. Of the people who received cheques, 54.5% are still able to bank them in their nearest town which averaged 37 km distant (range 0–120 km) and 17.5% bank in another town further away. The average distance of these towns was 69 km with a range of 30–180 km. About 21.5% of the sample were forced to post cheques back to their financial institutions and 6.7% cashed cheques with local businesses. The majority of respondents now receive 10 or fewer cheques each year.

TABLE 3
PERCENTAGES OF RESPONDENTS USING SELECTED PAYMENT METHODS (%)

Good/service	Cash	Credit card	Debit card	Cheque	BPay	Direct debit
Food	**38.3**	23.4	26.0	11.5		
Clothing	30.1	**32.7**	31.4	5.3		
Household goods	22.5	**31.2**	25.5	19.9		
Car fuel	**31.6**	21.9	14.0	29.3		2.8
Car repairs	25.4	**35.1**	9.6	27.2		2.6
Utilities	13.6	9.4	4.2	**50.2**	18.3	4.2
Rates	13.2	5.9	2.0	**67.8**	7.8	2.9
Credit card	11.9		7.3	**38.4**	15.9	26.5

Respondents were asked how they normally paid for common consumer requirements. Table 3 gives this information in terms of the method of payment most often used for each type of good or service. The most used payment method is highlighted in bold.

TABLE 4
PERCENTAGES OF RESPONDENTS USING SELECTED ELECTRONIC CHANNELS (%)

Use	Internet	Call centres	Touch-phone
A/c balances, etc.	28.6	10.8	36.6
BPay payments	17.4	6.1	19.2
Product inquiries	9.9	13.1	11.3

The use of electronic delivery channels was further investigated by asking a question regarding the normal use of the internet and telephone banking. Table 4 gives the results for this question in terms of percentages of all respondents. About 25%, 58% and 66% of respondents respectively did not normally use internet or telephone banking for any of the tasks listed.

Respondents gained their supplies of cash by a number of methods, the most popular being 'cash-out' with debit cards (21.6% of respondents), withdrawal at own financial institutions' ATMs (20.0%), over-the-counter withdrawal at own financial institutions (17.8%), withdrawal at any financial institutions' ATMs (15.9%), cashing cheques (13.3%), over-the-counter withdrawal at giroPost or RTC (7.9%) and 'cash-out' with credit-card purchases (3.5%).

Even though the closure of branches of banks, as opposed to branches of other types of financial institutions, precipitated the outcry against the dislocation and inconvenience suffered in rural areas during the 1990s, 67.5% of these respondents still patronised banks as their main personal-banking financial institutions. A further 19.4% used credit unions, 10.5% used building societies and 2.6% patronised community banks. Nearly 30% of respondents had one or more non-business loans and, even though the number of financial institutions branches has contracted in the last few years, 77.8% of these loans were arranged at a branch. Only 22.2% had been arranged by other means, chiefly by telephone.

Nearly 23% of respondents had changed their main financial institutions in the last three years, chiefly because of location (24.1%), fees (24.1%), attitudes towards customers (20.5%), interest rates charged on loans or paid on deposits (17.9%) and overall quality of service (13.4%). The majority of these respondents now banked with a non-bank financial institution or a community bank. Just over 20% of respondents used a different financial institution for their business banking from their private banking. The chief reasons for this were better products being available (50%) and being locked in with given institutions through loan-contract conditions (22.7%). Numerous other reasons were given, such as the need for privacy, lack of suitable products, partnership arrangements, or habit. One respondent patronised a credit union as well as a bank 'on principle'.

Just as the nature of personal banking has changed over the last few years, so too has business banking. The continuing growth of direct entry, as noted above, has reduced the number of cheques received. Half of the business respondents reported their numbers of cheques received had decreased by an average of nearly 53% and almost 44% of respondents reported their own writing of cheques had reduced by an average of 48%. The range of reductions in writing and receiving cheques was wide, but for most business respondents the reduction in the numbers of cheques received was greater than the reduction in cheques written. This pattern of reductions reflects the greater adoption rate of direct entry by large organisations as compared with small businesses. Very few respondents reported the reduction pattern the other way around, where the decrease in cheques written exceeded the reduction in cheques received. In the place of writing cheques for purchases, business respondents reported using their credit cards (56.1%), using debit cards (35.8%), using BPay (33.3%), and using direct debit (27.6%).

TABLE 5
REPORTED SATISFACTION WITH AVAILABLE FINANCIAL PRODUCTS (% OF RESPONDENTS)

Opinion	Saving/investing	Loans	Business services
Better*	21.8	16.9	18.4
Same*	50.3	55.2	44.7
Worse*	27.9	27.9	36.8
Bank - Better	13.6	13.1	14.0
Same	52.8	55.1	43.9
Worse	33.6	31.8	42.1
Building society - Better	37.5	6.7	20.0
Same	50.0	86.6	60.0
Worse	12.5	6.7	20.0
Credit union - Better	50.0	34.6	31.8
Same	36.7	38.5	40.9
Worse	13.3	26.9	27.3

* Proportion of total respondents.

The final group of questions asked respondents about how well their financial needs were being met and how satisfied they were regarding aspects of financial-service delivery, compared with services 5–8 years ago. Overall results were disaggregated by current reported financial institution. Table 5 gives these results. The specific financial-institution data are proportions of total respondents using those institutions.

Respondents were also asked to rate their overall satisfaction with range, cost, and convenience of services offered. Table 6 gives both the total and disaggregated results. Nearly half the respondents reported the range of financial services had improved over the last 5–8 years, but predictably a large majority (especially bank customers) were not satisfied with the cost of services. Regarding convenience, about half thought it had deteriorated and one quarter thought it had improved. All three classes of financial institutions were thought by large proportions of their customers to have improved their ranges of services. Credit union customers were especially impressed by the convenience offered by these institutions. The specific financial-institution data are proportions of total respondents using those institutions.

TABLE 6
REPORTED OVERALL SATISFACTION WITH FINANCIAL SERVICES (% OF RESPONDENTS)

Opinion	Range	Cost	Convenience
Better*	46.6	10.5	23.9
Same*	32.5	16.0	27.9
Worse*	20.9	73.5	48.2
Bank - Better	43.5	6.4	15.7
Same	32.0	12.1	28.6
Worse	24.5	81.6	55.7
Building society - Better	44.4	15.8	36.8
Same	38.9	26.3	31.6
Worse	16.7	57.9	31.6
Credit union - Better	58.8	22.6	51.6
Same	29.4	29.0	19.4
Worse	11.8	48.4	29.0

* Proportion of total respondents.

6 Discussion and Conclusion

The Australian financial-services industry in the last two decades or so has been an industry in transition. Increased competitive pressures and fear of take-over or merger have forced managements to control and decrease costs at a time when spectacular cost reductions are possible through the use of ever-expanding new technology. The public disquiet in the middle 1990s was due, in part, to cost-controlling branch closures occurring perhaps too early in time and before communities had been adequately informed and prepared for the new delivery channels.

RBA (2003, p. 3) data show the use of cheques for payments has decreased dramatically, at a rate of about 8% p.a. in the last few years. Rural people have shared in this trend. The number of cheques received has dropped for the majority to fewer than 10 each year. Even so, distance still exerts its traditional price. Although a majority of respondents are able to bank cheques in their nearest town (and traditionally no better solution than this was available), just under 20% are forced to bank them in another more-distant town (on average 69 km away) and a little more than 20% are forced to post cheques ‘outside’ to their financial institutions. A payment process whereby a cheque is drawn and posted to a payee who then must post the cheque back to 'civilisation' for incorporation into the payments system is a symptom of a financial system not yet working in an optimal manner, especially when one considers that the postal delivery services may only operate once or twice each week.

Similarly, both the private individual and business-operator respondents in this survey still write cheques in circumstances where other payment mechanisms are currently available. Private individuals write cheques for all manner of goods and services, and surprisingly cheques were reported to be the most popular payment mechanism for utility bills and rates. (This suggests the internet-banking and direct-debit solutions have not been adequately marketed to these customers.) Additionally, although almost half the business respondents reported substantial reductions in cheques written, further reduction is no doubt currently possible, but full advantage is not being made of alternative cheaper options, for one reason or another.

The retail financial system will operate much more smoothly once cheques are substantially no longer issued. However, the ultimate abolition of cheques is still likely to be some time off, because a payment mechanism apart from cash is still needed for transactions between small business operators and their customers. When communications infrastructure, public education and the cost of EFTPOS equipment is such that all small businesses including opportunist merchants such as occasional crop-residue sellers or part-time consultants are able to accept credit or debit cards, then the residual volume of cheque-facilitated transactions will be quite small and demand for physical banking capacity also small.

The increase in the use of credit cards in the last few years has been spectacular. RBA (2003, p. 3) data show credit-card use to have increased by 24% on average annually for the period 1997–2001. Again, these rural respondents have shared in this trend. Credit cards were reported to be the payment vehicle of choice by the majority for clothing, household goods, and car repairs. Additionally, more than 56% of business respondents now use credit cards to pay business expenses. Only a few years ago, this practice was seldom considered. Moreover, internet and phone banking have become increasingly accepted and used, such that nearly one-third of respondents normally use the internet to check account balances or transaction histories and slightly more normally use phone banking.

The change in the way people obtain their supplies of cash provides an informative example of one aspect of the transformation of financial-service delivery. The most popular method reported to obtain cash was 'cash out' with debit cards while making purchases (21.6% of respondents), followed by own financial institutions ATMs (20.0%) and over-the-counter at own financial institutions (17.8%). Less popular were the use of any ATM (15.9%), because the fees are higher, cashing cheques at non-bank businesses (13.3%), over-the-counter withdrawal at giroPost or RTC (7.9%) and 'cash out' with credit card. Again, there are financial penalties in withdrawing cash from a credit-card account, unless the account is in surplus. In contrast, the Ralston and Beal (2000) study found the majority of respondents (52%) non-exclusively used over-the-counter withdrawals, cashed cheques (41%), used EFTPOS (42%) and used ATMs (37%).

Changes in shopping habits and loss of local expenditure and business opportunities were again reported in this study, just as they were in the previous two studies. The average decrease of local spending was $830 per month per respondent. This estimation of the average decrease is larger than those estimated in the previous studies. The larger current estimate is due to the effects of inflation on individuals' expenditure estimates and the presence of some large business expenditures. After allowing for those households that reported no change in shopping habits, the loss of local turnover amounts to about $1.25 million p.a. for 300-household districts and $1.65 million p.a. for 400-household regions.

Regarding their satisfaction with their current financial services, three types of services were specifically asked about. Respondents were most satisfied with saving and investing services and least satisfied with business-banking services. Respondents were generally unhappy with banks' services, with about 80% of bank-customer respondents reporting their services being the same or worse. Building society-customer respondents thought their services generally were the same or better, whilst credit union-customer respondents thought their services were better or the same. These results do not suggest anything new in public attitudes towards financial institutions. For at least the last two decades, banks in Australia have been fighting a public-relations war, and problems and behaviour highlighted by the Hawker Inquiry (1999) did not endear the banks generally to their customers. In contrast, the non-profit and mutual-ownership characteristics of credit unions and some building societies governed different policies and behaviours which resulted in vastly different public affection.

Financial institutions' large investments in electronic technologies in the last few years are reflected in the public's perception of the range and convenience of financial services. Rural people have shared in these advances. In this survey, the range of services was judged to be better by 46.6% of respondents and convenience by 23.9% of respondents. With respect to range of services, the banks were able to overcome public antipathy to the extent that their customers' opinions closely mirrored those of all customers. Building societies fared similarly, while credit unions were well rated as usual. Convenience was judged to have improved by 23.9% of respondents. Of the three types of financial institutions, credit unions received the best ratings, followed by building societies and then banks.

Although the findings of this and the previous survey may not be directly comparable, it is apparent that the efforts made by all financial institutions, especially the banks, in expanding the range and convenience of services offered have been recognised and acknowledged by their customers. Compared with the results of the Ralston and Beal (2000) study, the proportion of respondents in this study who thought the range and convenience of services now offered is better has almost doubled.

In conclusion, human beings have demonstrated over the years an almost infinite capacity to adjust to new circumstances. Regarding the delivery of financial services, rural Australians were generally hard hit by the sudden closure of 'their' banks, often without warning and often carried out in a disruptive and insensitive way (Hawker 1999, para. 5.15). But time moves on and circumstances change. People have reduced their reliance on cheques and increased their use of electronic media. Greater adoption of the use of the internet for payment services and telephone banking will smooth financial-service delivery even further. A study completed at the end of another half decade will no doubt record more dramatic changes.

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