# CHAPTER 13

THE POTENTIAL OF ELECTRONIC BANKING

13.1   Advances in technology were expected to bring great benefits to consumers in meeting their banking needs. Indeed, many consumers have enthusiastically adopted the new ways of conducting banking and welcomed the ease, convenience and safety it offers them. A recent guide to e-commerce for Australians living in rural and regional Australia announced:

> Rural and regional Australians in particular stand to reap significant social and economic benefits from e-commerce as it helps to overcome 'the tyranny of distance' which so often isolates rural and regional communities from larger domestic and international markets.[1]

Overcoming the 'tyranny of distance'[2]
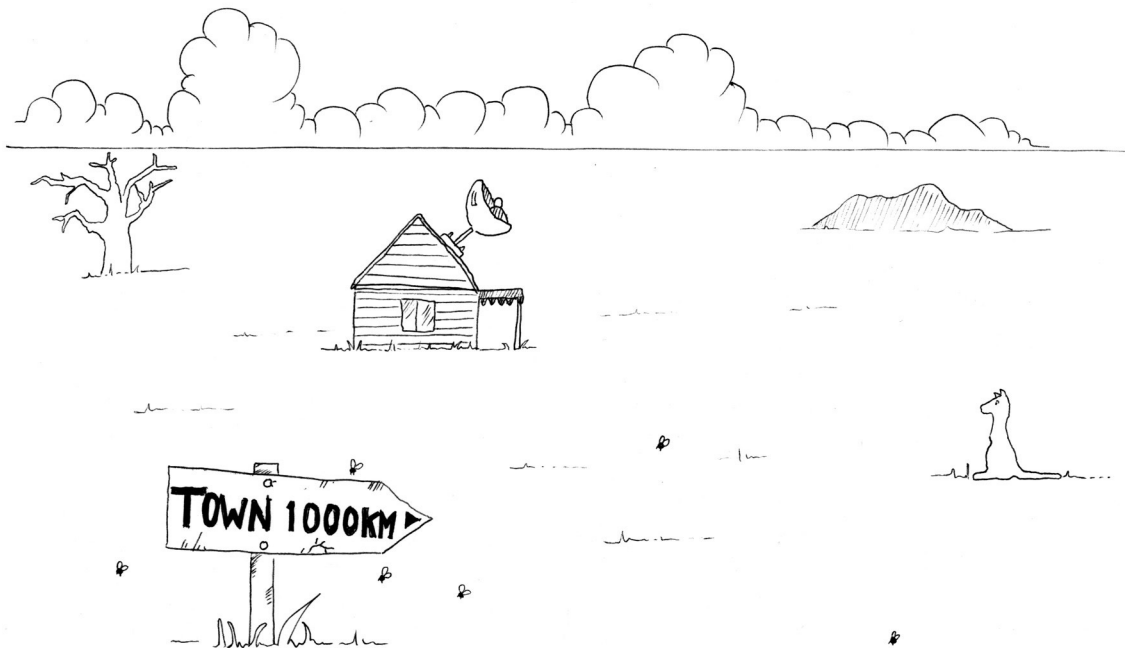
The spacious shopping aisles of the online shopper

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1   Robert Parker and Franco Papandrea, The Rural Industries Research and Development Corporation, *The Rural and Regional Guide to E-Commerce*, Canberra, May 2002, p. xiii.

2   Illustration taken from Robert Parker and Franco Papandrea, *The Rural and Regional Guide to E-Commerce,* the Rural Industries Research and Development Corporation, Canberra, 2002, and reproduced with the kind permission of the Rural Industries Research and Development Corporation.

13.2   Ironically, although advances in technology have enabled people to transact basic banking business at any hour of the day and from the comfort of their own home or office, it has also effectively erected barriers between the bank and some of its customers. As noted in chapter 3, one of the major concerns expressed by witnesses was the loss of personal service. In many ways, this sense of distance between the bank and the customer has been exacerbated by new technology.

13.3   The challenge for the banks is to meet the growing consumer demand for new service channels while ensuring that the growing reliance on electronic banking does not effectively sever important links between customers and their bank. The following section touches on the potential for new technology to enhance and strengthen ties by using technology to extend the reach of financial services providers to those living in remote districts. It also goes beyond exploring the provision of basic banking transactions to consider the broader issue of using new technology to provide financial assistance and advice to people in regional, rural and remote Australia.

Using technology to bridge the divide

13.4   Some Councils are taking on the dual responsibility not only of making available the necessary equipment but also providing a friendly reassuring environment in which people can experiment with and finally use the internet for banking purposes. A simple example of this practical and sensitive approach came from the Rosalie Shire Council whose mobile library provides Internet and email services to all areas of the shire. Mr Weber explained:

> I come back to our flagship, our mobile library. We have recently established Internet connections in all of these towns—Acland, Bowenville, Cooyar, those kinds of places. Again, the populations in those areas are older. We found in the beginning that people came to use the library and take the books as they always had done; it has taken them a while to realise that the computer that is sitting in the corner is something that they can use to talk to their sons and daughters who are wherever in the world. Usage has been slow to take off, but we have pushed it over the last 12 to 18 months and acceptance is increasing.
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> …
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> Our librarian provides them with training and shows them how to use it. It is not formalised, and we did not intend to formalise it, from the beginning, but certainly he does provide training. Acceptance has been excellent.[3]

13.5   The council is considering ways to 'piggyback on that service' to deliver banking services to its community.[4]

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3   Clinton Weber, *Committee Hansard*, 22 May 2003, p. 463.

4   Clinton Weber, *Committee Hansard*, 22 May 2003, p. 453.

13.6   Along similar lines, the Upper Murray Regional Library is taking advantage of a service already in place to improve banking services to regional communities. The library operates two mobile libraries to service the remote localities in the district. It noted that many of the areas covered by the mobile library service do not have the telecommunications infrastructure to provide online access to services. In September 2001, the Library launched a pilot program using two-way mobile satellite telecommunications that provide the rural and remote communities with online access to the same services as delivered in their 12 static branches. It found that the pilot project indicates that:

> …online services can be delivered to communities that do not have online access via standard telecommunications infrastructure. This offers the possibility of introducing innovative delivery of other services than online information and library services.[5]

13.7   It has been pursuing the idea of a Mobile Rural Transaction Centre that would include banking services among the other services it would deliver. It concluded:

> It is possible for these services to be delivered via a vehicle similar to (but not as large as) that delivering Library and Information Services from Upper Murray Regional Library. This is one option for the expansion of banking facilities through non-traditional channels including the new technology being piloted by Upper Murray Regional Library. The benefit being that for one financial outlay a number of communities can have the same services as provided by static Rural Transaction Centres.[6]

13.8   The idea of the mobile rural transaction centre is an innovative approach to addressing the problem of enabling people to conduct basic banking transactions. The ground-breaking work in this area in South Africa with their mobile ATM scheme provides a practical example of how technology can be used to provide people in outlying areas with an effective combination of over-the-counter and self-service banking services (see Chapter 7, para 7.37) The Committee is of the view that such schemes warrant government support and further consideration should be given to the wider implementation of such schemes. Moreover, the Committee believes that the banking industry should be spearheading innovation in this area.

Recommendation 16

The Committee recommends that the review as suggested in recommendation 10 include consideration of the more innovative ways that RTCs may be involved in delivering banking services to the remote areas of Australia including the concept of a mobile RTC.

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5   *Submission* 37, p. 2.

6   *Submission* 37, p. 2.

Electronic banking and customer relationships

13.9   The possibility of disenfranchisement from the banking and finance world highlights the importance of providing all Australians with access to new ways of banking. The innovative use of technology such as mobile rural transaction centres are designed to assist consumers better manage basic banking services. A number of submissions noted that physical access to a facility or equipment is not the only matter of concern when considering the adequacy of banking services. The Gunning Shire Council submitted that personal contact should not be underestimated and that electronic options fail to recognise the importance of the social interaction that is associated with banking transactions.[7]

13.10   For example, the Uniting Church Synod of South Australia which often intercedes on the part of people who feel they have been treated unfairly or inappropriately by banks highlighted some of the difficulties experienced by people without access to over-the-counter services. It noted:

> The removal of face-to-face banking services in rural areas has meant that advocacy work is relegated to phone communication. Ministers have found their ability to confront bank staff with a problem and to resolve it over the phone is more difficult than previously.[8]

13.11   The Shire of Dandaragan maintained that, 'people want to be able to communicate with their local bank branch and its officers, not to go through metropolitan areas.' It maintained that 'local decision making is required as queries/decisions are directed to a centralised location which cannot necessarily have the local knowledge to deal with a specific request'.[9] It highlighted a few simple improvements that would help to compensate for the lack of personalised customer service. It suggested the need 'to have direct phone contact to individual bank branches and not to have to go through major capital cities'.[10]

13.12   Dr David Morgan highlighted the difficulties that electronic banking can generate for bank customers. He stated:

> And the real problem is not just because the ATMs are sometimes down, or the branch computers have a hiccup or the lines are busy on telephone banking. Yes, these are the points of considerable irritation, but more importantly they highlight the deficit of understanding the technology creates. Technology might empower people but it also adds to the feeling of powerlessness. It has dehumanised what has been a very human business.

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7   *Submission* 56, p. 2.

8   *Submission* 84, p. 6.

9   *Submission* 125, pp. 2–3.

10   *Submission* 125, p. 2.

And it adds up, I've little doubt, to a perceived lack of recognition and respect.[11]

13.13   The business sector in particular finds that the centralisation of banking facilities by some major financial institutions makes it difficult for them to discuss their banking and business needs with professional staff or the bank manager. The Gosford City Council noted that while 'reliance on technology may assist some businesses with the efficiency of transactions, the issue of access to professional banking staff also needs to be considered'.[12]

13.14   The Committee believes that the increasing trend toward the centralisation of services and the reliance on electronic banking has not been accompanied by appropriate measures by banks to ensure that they retain and foster personal relationships with their customers. The Australian Bankers' Association Industry Standards for both Automated Telephone Banking and Internet Banking offer valuable guidance for banks on how to make these services more accessible to their customers. For example a standard set down in the industry standard for automated telephone banking requires:

> Users who are having difficulty in navigating or comprehending the automated service shall, during the hours operators are normally available, be given the option to speak with an operator in order to carry out their transactions.[13]

13.15   Although such standards are definitely a step in the right direction they do not adequately address this issue of the quality of communication between the customer and their bank. Evidence to the Committee shows that people, especially business people, want to be able to converse with an officer who has an understanding of their affairs and an appreciation of the local economy. Measures including dedicated phone lines and designated account managers are going some way to restoring better personal relationship between customers in regional, rural and remote Australia and their banks. The Committee believes, however, that the people fulfilling these roles must have more local community knowledge then currently appears to be the case.

Recommendation 17

The Committee recommends that banks have trained officers available in their regional centres to look after the banking needs of customers in country Australia who do not have face-to-face access to trained bank staff. These designated officers would have responsibility for customers from a particular

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11   David Morgan, 'Banks and the Bigger Picture', *Business and Financial Services*, December 2000, p. 9.

12   *Submission* 74, p. 2.

13   Australian Bankers' Association, Industry Standard: Automated Telephone Banking, para. 11.4.4

geographic area and have direct knowledge of the local community and businesses in the district.

The broader issue of access to financial advice and assistance

13.16   The focus on the delivery of the more elementary aspects of banking should not eclipse the much broader issue of the provision of advice and assistance across a range of financial services. According to many witnesses, modern technology has not compensated for the loss of face-to-face banking. They argued that while communities in rural, regional and remote Australia may generally have access to transaction services, many do not have access to comprehensive financial services.[14] The Committee has discussed the importance of the personal relationship between the customer and the bank. The following section broadens the scope of this examination to include a wider range of financial services.

13.17   The Finance Sector Union of Australia made the point that there is a clear distinction between transaction banking and comprehensive financial services and suggested that all initiatives 'must aim to provide comprehensive financial services to rural, regional and remote communities, not just transaction services'.[15]

13.18   A recent survey highlighted the importance of addressing all aspects of banking and financial services not just basic banking transactions when considering the adequacy of banking and financial services in country Australia. It found that generally, there was a strong demand for further education in banking and financial matters, with only 14 per cent of respondents considering that they did not need further education in relation to finance.[16] On presenting the survey, Mr John MacFarlane, CEO of ANZ, stated:

> While this survey indicates Australia has a good foundation of basic skills it is very clear there are challenges. These include increasing understanding in the areas of investment, superannuation and retirement planning and in assisting the most vulnerable sections of the community many of whom are struggling with financial skills.
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> By empowering people with the appropriate financial skills, knowledge and information they are better placed to make informed decisions about their money and avoid being mislead on financial matters.[17]

13.19   Of particular relevance to this inquiry was the survey's finding that people living in country areas are slightly overrepresented in the lowest financial literacy

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14   Finance Sector Union of Australia, *Submission* 69, p. 9.

15   *Submission* 69, p. 11.

16   ANZ, *ANZ Survey of Adult Literacy in Australia: Final Report*, prepared by Roy Morgan for the ANZ Banking Group, May 2003.

17   ANZ, Media Release, 'ÁNZ releases Australia's first financial literacy survey', 2 May 2003.

quintile and under-represented in the highest financial literacy quintile.[18] This lower level of financial literacy coupled with more difficult access to banking and financial services, particularly face-to-face service, makes the task of 'empowering people with the appropriate financial skills, knowledge and information' more of a challenge.

13.20   The findings of this financial literacy survey underscored the importance of ensuring that people in regional, rural and remote Australia have access to the full range of banking services. Where over-the-counter service is not a commercially viable option, the innovative use of technology can assist people with their banking needs and put them in closer contact with their bank. The Committee believes that the potential of technology to enhance communication between banks and their customers has not been adequately tapped.

13.21   A number of the problems could be solved partly by service providers informing themselves of their customers needs, taking account of their requirements and using technology to engage their customers not disconnect them. Rather than alienate the customer, the Committee believes that the clever use of technology and sensible communication initiatives could be used to bridge the divide.

Use of video conferencing

13.22   The Community Teleservices Australia (Inc) (CTSA) is a national association representing rural and regional Telecentres, RTCs, Online Access Centres and any other community-based Teleservice Centres. These centres are community owned and operate service facilities based mainly in small rural towns throughout Australia. Each Centre serves the unique needs of its community. Overall, however, they share many common objectives and capabilities, including community development, information provision, technology-based training, distance education, email and internet access, secretarial, financial and desktop publishing services.[19]

13.23   Teleservice Centres are found throughout rural and remote Australia in places that have a population ranging from 200 to 5000 people. CTSA believes that these Teleservice Centres already provide a structure that may be used 'to develop banking services to rural areas with minimal establishment costs, providing that ongoing issues of funding for personnel and communications access (cost and speed) can be addressed'.[20]

13.24   A number of other submissions also saw the potential for new technology to be used to deliver banking and financial services. The Guyra Shire Council suggested the use of video technology to assist in providing face-to-face contact with an appropriate person of authority in the bank who may be located in another town. It submitted:

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18   ANZ, *ANZ Survey of Adult Literacy in Australia: Final Report*, prepared by Roy Morgan for the ANZ Banking Group, May 2003, pp. 15 and 17.

19   *Submission* 113, p. 1.

20   *Submission* 113, p. 3.

A separate booth or room could be set up for video conferencing in each branch. A similar facility may be able to be shared between the various banks in the same town. Relevant documents could also be faxed between the locations and if done professionally, every thing that could be carried out at a face to face meeting could be carried out via interactive video conferencing.[21]

13.25   The Shire of Victoria Plains suggested that if services such as online banking, advice access and technological advantages could be provided through agencies then the services offered could be the same as those offered by the actual bank branch to a major extent. It acknowledged, however, that the cost of the installation would be a significant barrier to any organisation contemplating installing such facilities in regional Australia.[22]

13.26   Mr Brittain, CEO, Nanango Shire Council, who has experience with the technology, agreed with the view that videoconferencing could restore the personal interaction between the bank and customers in towns without a bank branch. He observed, however, that 'as an operator of an RTC, I do not want to be wearing the cost of operating a videoconferencing centre in Blackbutt'.[23]

13.27   Although the use of technology such as videoconferencing hinges on costs which at the moment are a major obstacle, the Committee believes that there is scope for improvement and increasing use. Again it would like to see the ADIs take a leading role in experimenting with this type of technology as a means to enhance their relationship with their customers.

Conclusion

13.28   This report has shown that e-commerce has the potential to break down the geographical barriers and allow people living in the more remote areas of Australia easy access to a range of banking and financial services. For all the advantages that modern technology brings to consumers, however, it also creates difficulties for some people. This is particularly so in the case where a consumer lives or works in an area that does not provide full banking services and who, therefore, must rely on new service channels as a substitute.

13.29   Although some submissions argued that new technologies would not provide sufficient services to meet residents' needs,[24] the Committee believes that the banking sector has not done enough to facilitate access to new technology and most importantly has failed to ensure that their clients have the opportunities and are encouraged to use new technology. It would like to see the banking sector work more

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21   *Submission* 50, p. 2.

22   *Submission* 49, p. 2.

23   *Committee Hansard*, 22 May 2003, p. 478.

24   *Submission* 55, p. 1.

closely with community organisations especially with funding for projects such as computers in libraries and the mobile library concept.

13.30   The Committee also urges the banking industry to consider how best they can use new technology to cultivate a far more positive environment in which country people could conduct their banking business. It has already mentioned adopting communication methods that are easier to use and less intimidating and establishing travelling or mobile banking units to make personal contact with customers. Better training of staff in agencies and more constructive use of the Post Offices would also assist ADIs build stronger links with their customers.

13.31   It clearly sees a role for government in partnership with the banking industry and community groups to ensure that the opportunities offered by new technology are fully exploited. The RTC program and Australia Post present scope for testing a range of projects designed to explore the potential of new technology.

13.32   The practical difficulties of gaining access to a reliable and affordable telecommunications service are not the only barriers to the use of electronic banking. Attitudes towards the technology and the ability to use it effectively can influence the use of modern technology. The following chapter looks at matters such as competency and confidence in using electronic banking and examines them in the context of the needs and experiences of older Australians.

Part III

Groups in rural, regional and remote Australia facing particular difficulties in accessing banking and financial services

The report so far has discussed the difficulties experienced by some sectors of the community with the changing dynamics of banking. It notes that the withdrawal of over-the-counter services and the growing expectation that customers will use modern technology as a substitute for face-to-face banking places some groups in the community at a distinct disadvantage.

Part III looks at two groups that have particular problems gaining access to banking and financial services and in adjusting to the rapid changes taking place in the banking industry—older Australians and Indigenous Australians. By concentrating on just these two groups, the report hopes to identify problems likely to be experienced by other groups in the community, such as the unemployed, those on fixed low incomes, welfare recipients, and the disabled.