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Dr Kathleen Dermody
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Room SG.64
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

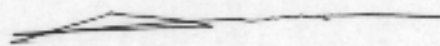
Pleased find enclosed a submission, which outlines the Department of Family and Community Services (FaCS) and Centrelink's views on issues relating to level of banking and financial services in rural, regional and remote areas of Australia. The submission provides examples of the work being undertaken by both agencies.

In particular, I would like to draw the Committee's attention to FaCS' partnerships with Indigenous communities on banking, financial literacy and investment opportunities, and the technological solutions around service delivery being explored through Centrelink. Our initiatives in these areas are both innovative and looking to develop best practice.

Please contact Ms Patricia James, A/g Director, Community Policy and Research, Community Branch on 6212 9275 or by email: Patricia.James@facs.gov.au, if you wish to discuss the submission.

I look forward to learning about the outcomes of the Inquiry.

Yours sincerely


Mark Sullivan
Secretary

17 September 2002

Enc.

**Submission by
The Department of Family and Community Services and
Centrelink**

to the

**Parliamentary Joint Committee on Corporations and
Financial Service**

**Inquiry into the level of banking and financial services
in rural, regional and remote areas of Australia**

17 **September 2002**

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INTRODUCTION

Portfolio Overview

The Department of Family and Community Services (FaCS) portfolio is responsible for a broad range of social policy issues affecting Australian society and the living standards of Australian families, communities and individuals. Information about the portfolio is contained at **Attachment A**.

BACKGROUND AND GENERAL COMMENTS

FaCS and Centrelink have a long-standing interest in the banking and financial issues affecting people living in rural, regional and remote areas of Australia. For example, the Department previously administered the successful Creditcare program, which established credit unions in some towns around Australia where bank branches had closed. (Ralston & Beal: 1999:173)

Centrelink has contributed to House of Representatives Standing Committee on Financial Institutions and Public Administration *Inquiry into alternative means of providing banking and like services in regional and remote Australia to those currently being delivered through the traditional bank branch network* (1998). The former Department of Social Security made a submission to the Prices Surveillance Authority *Enquiry into the fees and charges imposed on retail transaction accounts by banks and other financial institutions* (1995).

This submission considers the issues raised by emerging technological changes in banking and finance, comments on the level of service available in rural, regional and remote Australia and provides examples of the portfolio's activities which contribute to improved access to banking and financial services in rural and remote Australia. In particular, the needs of Indigenous Australians and people from diverse cultural and linguistic backgrounds are examined.

FaCS and Centrelink seek to work with rural, regional and remote communities so they are able to deal with the impacts of social and economic change, build on their assets and infrastructure and identify and develop opportunities. Declining assets and resources in a community may reduce that community's capacity to act and produce positive outcomes for its members. Subsequently individuals and families are also affected. The ability to budget well, especially on a low income, is critical to family well-being. Equally, access to financial services and products is essential if people are to build economic capital.

Governments in Australia and internationally are recognising that the ability of low-income groups to save and create an asset base has a number of positive benefits to society. The report, *Participation Support for a More Equitable Society* (also known as the McClure report) (2001:29) identified the importance of generating a savings regime as a means of escaping the poverty trap.

Those without access to a savings account are unable to save for a house deposit or other purposes. Families that do not maintain savings often have poor or non-existent

credit ratings or debt-to-income ratios that exclude them from mainstream forms of credit. Such households have no financial margin for safety, and even temporary disruptions in family income or unforeseen expenditures can create serious hardship. (Smith, 2000)

The House of Representatives Standing Committee on Economics, Finance and Public Administration, in its report titled *Regional Banking Services – Money Too Far Away* (1998) endorsed the National Farmers' Federation submission 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.

The Prices Surveillance Authority in 1995 also argued that

Access to a financial transactions account is necessary to conduct personal business of everyday life in a modern economy.

Individuals without access to banking services are not able to fully participate in our modern society and are, therefore, 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) Studying those without access to banking services ("unbanked") in the USA, Stegman notes that

Banking status has profound implications for long-term family self-sufficiency.

In 1998, for example, the median value of all assets held by "unbanked" families was just \$US2,300 compared with \$US136,000 for all banked families. (Stegman, 2001:23)

In examining issues relating to rural and remote banking and finance, the Department is particularly interested in initiatives relating to Aboriginal and Torres Strait Islander people and people with disabilities.

The following comments highlight issues specific to individual groups, however in some respects common issues affect all these groups' access to banking and financial services:

Indigenous access to banking and financial services: It is acknowledged that Indigenous people are the most disadvantaged group within Australian society on almost all economic and social indicators of well-being. This disadvantage is exacerbated for remote Indigenous communities by a widespread lack of understanding of the financial system, money management and a lack of access to appropriate financial services. Without financial literacy, basic money management skills and access to banking service many remote Indigenous people struggle to make ends meet.

In many respects, Indigenous people suffer the same disadvantages as low-income people in general. Factors that impact on Indigenous people's ability to manage their money to cover food, rent, clothes and bills as well as accumulating savings include

lack of economic knowledge, language barriers, low levels of literacy, technical illiteracy, disability and lack access to banking facilities. (S. McDonnell and N. Westbury, CAEPR, 2001)

Westbury (1999) also points out that "In terms of the wider community, there is failure to fully understand the cultural imperatives that shape Indigenous peoples lives and their resultant perceptions of the cash economy The lack of access to culturally appropriate financial counselling and support works against the development of a savings culture". Hence, the need to support the development of appropriate financial services so that Indigenous people, particularly those living in remote areas, are able to make the transition towards economic independence and self-reliance rather than contributing to further disempowerment and welfare dependency. The development of appropriate financial services must be supported by the delivery of culturally sensitive income support services and a concerted effort to increase the levels of financial literacy amongst Indigenous people, particularly in remote areas.

Access to banking and appropriate financial services is critical to Indigenous people's participation in positive economic and social transactions. Without access to these services it is hard to envisage any real gains being made in facilitating financial independence and self-reliance.

Attachment B provides further details on the background issues regarding Indigenous people's access to banking and financial services.

DCALB access to banking and financial services: The numbers of people of diverse cultural and linguistic backgrounds living in rural, regional and remote areas of Australia is relatively low. There is evidence to support the premise that older people prefer to use the services of a bank on a personal one-to-one basis. (In the more established ethnic communities, a high proportion of each community is made up of older people. For example, according to the latest ABS figures, around 65 per cent of those people born in Italy are 55 years of age or older. For those born in Greece, the percentage is 59 per cent).

The banking and financial service needs of DCALB customers has not been well researched, however, there is some limited international and Australian evidence to suggest that this group may be at risk of financial exclusion. (Connolly and Hajaj: 2001:18 & 21)

People with disabilities: The Australian Bankers' Association has made considerable efforts to address the needs of people with disabilities, particularly in relation to new voluntary standards for *e-commerce* and it is noted that these have been well received by individuals and their support organisations. Innovations, such as, talking ATMs to help visually impaired people; operating features at a height accessible for wheelchair access; and clearer instructions on telephone transactions create greater independence for people with disabilities, and older Australians.

ISSUES RAISED BY THE PARLIAMENTARY JOINT COMMITTEE

(a) Options for making additional banking services available to rural and regional communities, including the potential for shared banking facilities

In relation to Indigenous access to banking and financial services the department is particularly interested in:

- working with the Aboriginal and Torres Strait Islander Commission and Department of Transport and Regional Services (DoTaRS) on other possible ways of providing banking facilities in remote areas (eg, via GiroPost outlets, Rural Transaction Centres (RTCs)); and
- working with communities, State/Local Government Departments and financial institutions to improve access to banking services.

Centrelink has identified that there is a critical need for its customers to better access banking and financial services in rural, regional and remote areas. Without the capacity or ability to manage their financial needs, many customers and communities capacity building efforts are limited. It also impacts upon their ability to participate socially and economically and improve their circumstances.

In addition, the account options of people on low or fixed incomes (eg, concession card holders, self-funded retirees and welfare recipients) need further examination. The limited number of free non-deposit transactions may create budgeting or cash flow problems for people on low or fixed incomes. The interest free account option, while more attractive in terms of lower fees, could create disincentives for people to save for more expensive items (although an ability to do so on low, fixed incomes is often limited). While difficult to quantify, disincentives to save may have implications for the income support system, such as payment advances and emergency relief payments.

While not directly involved in the provision of banking services Centrelink does manage the following programs, which are designed to assist customers with the management of their finances:

Centrelink's Financial Information Service (FIS), which is a free and independent service available to anyone. People have different financial needs at different stages of their lives and the FIS can help provide information appropriate to the needs of individuals. FIS officers can provide people with expert information in a friendly environment so that they are better equipped to:

- recognise and pursue their financial options
 - make better financial decisions
 - approach/undertake their own financial planning
- understand social security payments and provisions as they may affect individuals.

Centrepay, which assists Centrelink customers in managing their finances, through having regular amounts deducted from their social security payments for various

purposes, such as rent, gas, water, rates or electricity. Participation in Centrepay is voluntary and is provided free of charge to customers.

Rent Deduction Scheme, which allows Centrelink customers in public housing to have their housing payments (such as rent, loan repayments and arrears) deducted from their social security payments and sent directly to the Housing Authority in their State or Territory. These deduction facilities are of particular benefit to rural, regional and remote customers as they automate the payment of these regular bills thereby reducing both the customers cash requirements and the necessity of making trips to the nearest banking facility merely to pay accounts in person. These services are well received by service providers as they help to stabilise cash flow by regularising payments. Both customers and service providers benefit from reducing the potential for large debts to accumulate.

(b) Options for expansion of banking facilities through non-traditional channels including new technologies

In relation to Indigenous access to new technologies (eg, computers, internet and video conferencing), these offer many remote and isolated communities opportunities to improve their access to employment, business, health, education and family services. The study informing the *Telecommunications Action Plan for Remote Indigenous Communities* (TAPRIC) identified telecommunications as an important tool for the economic development and self-sufficiency of remote Indigenous communities, which can assist Indigenous people achieve their social and business aspirations. (DCITA: 2202: 5) However, the study also found, that in order to realise the opportunities offered by new technologies, the key issues of affordability and availability need to be addressed. (ibid)

FaCS and Centrelink strongly support efforts to address the telecommunication needs of remote Indigenous communities. The Department of Communications, Information Technology and the Arts, FaCS and Centrelink are involved in ongoing discussions about approaches and partnerships that may emerge from TAPRIC.

It should be noted that confident use of *e-banking* rests on minimum levels of literacy, technical ability, manual dexterity, sight and affordable access to information technology. The Traditional Credit Union (based in the Northern Territory) experience is that Indigenous people may need face-to-face service and lengthy time spent with them to feel confident in using the technology.

Under its *Family and Community Networks Initiative*, FaCS and Centrelink has been working closely with Westpac and the Tangentyere Council (in Alice Springs) to assist Indigenous customers develop skills in electronic banking and a range of other financial management issues (see **Attachment C** – Banking Trial project).

FaCS research (conducted through the former Community Information Network project) indicates that generally most people could take up opportunities offered by new technologies provided time is spent giving them the capacity through practice and hands-on teaching.

While the adoption of voluntary e-commerce industry standards is a good first step, it is a concern that a significant number of households, particularly those in rural, remote and regional Australia, do not have effective access to Internet banking, ATMs etc and that new technologies provide both opportunities and barriers to access.

In relation to low-income people with disabilities, FaCS considers that access to telephone and internet banking and the minimum/maximum charges that might relate to this as part of the Basic Bank Account could be investigated. Phone banking is a very viable option for people with mobility or other restrictions, particularly when bank branches lack amenities to provide people with disabilities appropriate access. There may be a case for no or low fee phone or internet banking for these customers given that many banks are now encouraging phone and internet banking as they can be less staff intensive than over-the-counter transactions.

Similar consideration could be given to the needs of people in rural and remote communities where branch closures have occurred and carers (ie, people caring for children, people with disabilities or the elderly) may have limited opportunities to physically access their financial institutions.

FaCS and Centrelink note that the Australian Prudential Regulation Authority (APRA), in response to a request from the House Standing Committee on Economic and Public Administration, has started to collect detailed information about electronic service points. However, the analysis of this collection is up to individual users. There may be some benefit in APRA (or another identified agency) developing a more coordinated approach to analysis for these data that could be used by governments, banking and other financial institutions.

Underpinning the business priority to improve access to, and quality of, services in rural, regional and remote Australia, Centrelink contracts host organisations and community councils to deliver services on their behalf. Centrelink has an extensive network of more than 320 Centrelink Agents (providing face-to-face service, answering general enquiries with phone, fax and Internet facilities, including Centrelink forms) and 116 Access Points (providing self-help facilities for customers to access Centrelink services through phone and fax, including Centrelink forms).

On 1 July 2002, Centrelink implemented the *Integrated Centrelink Agent and Access Point Servicing Model* which:

- provides equity in service delivery arrangement, regardless of location;
- aligns service delivery expectations to client agency business agreements and Centrelink service delivery strategies;
- establishes a set of national program standards (eg, remuneration, training, equipment etc);
- aligns service delivery, including partnerships with other Commonwealth and State Government agencies (eg, RTCs and WA Telecentres); and
- consolidates Centrelink service delivery operations to around 750 sites across Australia, constituting the most significant Government presence.

As part of the implementation of the new servicing model, Centrelink has established national telecommunication and IT equipment standards. For Centrelink Agents this includes the provision of an internet enabled personal computer (where infrastructure

allows). At this stage the equipment is to be used for Centrelink business, which includes job search activities, or providing a facility for customers to prepare and present their resumes in a professional manner.

Subject to the satisfactory resolution of privacy, technical and legal issues it is possible that the current arrangements could be enhanced so that the equipment at a Centrelink Agent site could also be used by customers for making financial transactions using internet banking. The issues to be resolved include, but are not limited to:

- verifying that confidential customer details do not remain on the PC; and
- that liability/"duty of care" concerns about customers' and agents rights and responsibilities in providing the equipment for customers use as a personal banking facility are clarified.

Another possibility Centrelink may explore is whether the Centrelink Agent site could house equipment from a financial institution, where it can be properly secured and monitored.

(c) The level of service currently available to rural and regional residents

FaCS and Centrelink are involved in a number of action learning projects, which in partnership with Indigenous communities, ATSIC and its regional councils, other levels of government, banking and financial service providers, attempt to address issues in relation to the level of services currently available to Indigenous people. The initiatives, which are contained in more detail at Attachment C, are the:

- Weekly Payments Trial;
- Family and Community Networks Initiative Banking Trial;
- Tangentyere Council Nutrition Account;
- Cape York Family Income Management Project;
- Enhancement of Centrepay; and the
- Traditional Credit Union.

FaCS is also interested in pursuing work in the following areas, which will assist in increasing Indigenous people's awareness and understanding of financial issues:

- financial literacy (including consumer education) and budgeting skills;
- money management tools;
- access to banking services; and
- asset-building/housing tenure.

The following issues have been identified as important to address in relation to the level of service currently available to DCALB customers:

- lack of physical availability of a bank;
- lack of language skills;
- lack of technological skills and access to technology; and
- limited community networks.

In addition, the issue of interpreting services available to customers of non-English speaking backgrounds requires further attention. While recognising that costs are an

important consideration, telephone interpreting services may not be the optimal way to help DCALB communities.

For a wide range of reasons including cost, accountability, management and fraud control Centrelink's business model is to make payments to all customers by direct credit to their account rather than making alternative arrangements (such as cheque or cash payments). In many remote communities customers use high cost alternative providers (including local shop keepers) rather than mainstream financial institutions to convert payments into cash.

The issues of accessibility and adequacy of current financial and banking services are exacerbated for a broad spectrum of Centrelink's customer base because they have particular issues in accessing these services. Affected customers include those with disabilities, from indigenous and those from diverse cultural and linguistic backgrounds.

Another issue is the capacity of financial advisory services in rural, regional and remote Australia to respond in times of crisis eg, flood and drought. The Flood Assistance Package of late 2000 and early 2001 highlighted the pressure that crisis situations can place on the financial infrastructure of rural and regional communities. Some customers experienced significant delays in receiving information from financial advisors to support their claims for assistance.

While Centrelink participates in DoTaRS' RTC program to the extent of using the RTC as a "host organisation" for the provision of Centrelink Access Point or Agent services, it is more appropriate for DoTaRS to provide comment about the program's contribution to rural, regional and remote banking and financial services.

(d) International experiences and policies designed to enhance and improve the quality of rural banking services

While FaCS and Centrelink are not directly engaged in work relating to international banking experiences and policies relating to the quality of rural banking services, there is a body of international research around financial exclusion that is relevant to the Inquiry. In particular, the United Kingdom has developed a comprehensive policy platform on the issue of financial exclusion and the Government has established a universal bank by expanding banking facilities through post offices. (Connolly and Hajaj: 2001:30). Other useful international examples can be found in the work occurring in Canada and the United States.

FaCS is also looking towards international experience in developing policies around Indigenous banking and finance eg, exploring new policies for individual or family development accounts, based on international initiatives such as Individual Development Accounts.

CONCLUSIONS

FaCS' key concern is that disadvantaged groups, which may lack access to banking and financial services, are more at risk of being socially excluded, that is, they may

fail to participate fully in economic and social structures. Research has identified that many of this portfolio's clients are more likely to be at risk including:

- people on low incomes;
- people receiving welfare payments;
- households and individuals who have not had a secure job;
- people with limited education;
- single parent households;
- people from diverse cultural and linguistic backgrounds;
- elderly people; and
- young people and households that have not yet made use of financial services. (Connolly and Hajaj: 2001:10)

Research indicates that location can also contribute to financial exclusion with people living in economically depressed areas and rural and regional areas most affected. (ibid)

Centrelink is specifically concerned with the effect that a lack of access to banking facilities has on its customer base attempting to convert direct deposits of benefits into cash.

It is encouraging that evidence indicates that some rural communities are adapting to the changing financial environment through the take up other service providers, such as, credit unions, the RTCs and Giropost. (Ralston & Beal: op.cit:184) However, it is critical that we continue to monitor the access of and affordability to banking and financial services in rural and remote areas to ensure that communities, or specific groups within communities, do not become marginalised from these services.

Related Issue: Microfinance

Portfolio initiatives under the Stronger Families and Communities Strategy

The *Stronger Families and Communities Strategy* is about bringing people together in partnerships to develop local projects that will help families and communities become stronger. These partnerships can be made up of different levels of government, service providers, community organisations, businesses and others involved in family and community issues. A major emphasis of the Strategy is that prevention and early intervention in family and community issues is much more effective than dealing with crises, or situations where behaviours or patterns have become entrenched.

The Strategy recognises that an important role for government is as a broker or facilitator not always a service purchaser or provider and that effective support for families and communities requires 'bottom-up' development and delivery. It encourages innovation and cooperation and it only engages with family and community projects that demonstrate strong community support.

This capacity building approach is particularly relevant to families and communities in rural and remote areas, including Indigenous communities. About 50 per cent of approved projects are in these areas and more than 20 per cent directly benefit Indigenous communities.

Strategy initiatives addressing microfinance are described at **Attachment D**. The projects are aimed at assisting communities to develop partnership approaches with organisations, such as the banks, to improve access to loans; to create the financial capital to underpin the economy and revitalise small communities; and to improve financial literacy and budget management.

PORFOLIO RESPONSIBILITIES

Family and Community Services

The portfolio consists of:

- the Department of Family and Community Services (FaCS), which incorporates the Child Support Agency and the Social Security Appeals Tribunal;
- Centrelink, which delivers income support payments and services on FaCS' behalf; and
- The Australian Institute of Family Studies.

Department responsibilities include: income support; housing policy; community support; disability services; childcare services; and family issues (including family payments, child support and family relationships).

The portfolio has two ministers. The Minister for Family and Community Services is Senator the Hon Amanda Vanstone and the Minister for Children and Youth Affairs is the Hon Larry Anthony, MP. Ross Cameron, MP, as the Parliamentary Secretary, assists the Minister for Family and Community Services. Centrelink is a statutory authority and is responsible, through its Board, to Minister Vanstone.

FaCS has identified three key social policy outcomes. These are:

- *Families are strong*: recognising the contribution of families to the overall health and well-being of individuals and society, FaCS will assist families to build their capacity and resilience; and that children and young people get the best start in life;
- *Communities are strong*: building on the capabilities of communities, FaCS will encourage the development of community capacity for self-help; and facilitating partnerships between business, community groups and governments; and
- *Individuals reach their full potential*: to maximise the engagement of all Australians in society, FaCS will encourage people to participate actively in economic and community life; people work to their capacity; people can access a responsive and sustainable safety net; and people fully develop their capabilities.

Centrelink

Centrelink is a government agency delivering a range of Commonwealth services to the Australian community. Centrelink is set up so people can get more of the help they need in one place. Centrelink offers a range of services on behalf of client government departments including: FaCS; Employment and Workplace Relations; Transport and Regional Services; Veterans Affairs; Health and Ageing; Agriculture, Fisheries and Forestry – Australia; Immigration, Multicultural and Indigenous Affairs; Communication, Information Technology and the Arts; Education, Science and Training, Foreign Affairs and Trade, and each of the State and Territory Housing Authorities.

Centrelink's customers include retired people, families, sole parents, people looking for work, people with disabilities, illnesses or injuries, carers, widows, primary producers, students, young people, Indigenous peoples, and people from diverse cultural and linguistic backgrounds.. Centrelink continues to improve the way it provides support and assistance for people. In its ongoing drive to deliver better services for its customers, Centrelink:

- Has simplified arrangements through an integrated network of Call Centres, Customer Service Centres, Agents and Access Points across Australia, including remote visiting teams;
- Has developed a more streamlined and customer focused approach to service;
- Is offering a variety of ways to do business, including office interviews by appointment, telephone, online computer services and home visits; and
- Is actively promoting the Centrelink customer charter.

Centrelink's new Service Delivery Model provides a high quality and holistic service to customers. The key underlying principle is that customers are not be expected to know or name the various products or services to which they may be entitled when they access Centrelink services. Customers will now need only to advise Centrelink of the personal circumstance(s) they may be experiencing. Centrelink calls this the 'life events' approach. The current 'life events' is detailed below:

- Are you looking for work?
- Are you self employed or responsible for a farm?
- Are you planning to study or undertake training (or currently studying or training)?
- Are you a parent or a guardian?
- Have you recently separated or divorced?
- Are you in a crisis or needing special help?
- Are you someone who is ill, injured or has a disability?
- Are you caring for someone who is frail aged, ill or who has a disability?
- Are you needing help after someone has died?
- Are you planning for or needing help in retirement?
- Have you recently moved to Australia to settle?

Improving access to, and quality of, services in rural, regional and remote Australia is a key priority, reflected in Centrelink's Business Plan 2002-2005 *'Delivery Today, Transforming Tomorrow'*.

Centrelink's Indigenous Servicing Strategy 2001-2004 is focussed around:

- Improving services, access and information;
- Creating opportunities to increase social and economic well-being; and
- Build strong families and communities;

Two key initiatives for Indigenous customers and their communities being:

- Work to improve cash and financial management services; and
- Improve banking and financial services.

ATTACHMENT B

Indigenous Access to Banking and Financial Services

The following issues have been identified as impediments to Aboriginal and Torres Strait Islander people's access to banking and financial services:

Lack of financial literacy: Lack of financial literacy often results in remote Indigenous people being vulnerable to exploitation. The problems arising from the disparity in financial knowledge and lack of informed consumerism is best illustrated by the 'book up system' that involves Indigenous clients leaving their keycard and number with storekeepers who can insist on the signing over of social security cheques to meet the accumulated debts that have already been booked up. Historically, the book up system has led to the "exploitative pricing of goods by some shopkeepers and customers being prevented from purchasing elsewhere.....it appears that social problems are not simply an issue of insufficient or poorly distributed income but also the fact that a significant proportion of income is 'ripped off' ". (Westbury, CAEPR, 1999) Evidence indicates that even when mainstream banking facilities are available in towns such as Alice Springs and Katherine, book up practices are still widespread. (Commonwealth of Australia Banking Ombudsman 1997) Individuals can then become more vulnerable to the cycle of debt, food deprivation and often homelessness.

In 2002, the Commonwealth Government initiated an investigation by the Australian Competition and Consumer Commission (ACCC) into the practice of book up which resulted in the production of a voluntary *Storecharter*. The charter, supported by all Commonwealth and State and Territory consumer agencies, ATSIIC, national consumer groups and business organisations, will help store operators and staff comply with relevant laws and encourage higher trading standards. It will also give Indigenous communities confidence that stores displaying the *Storecharter* logo will respect their rights.

Remoteness from financial services: Using 1996 census data, it appears that over 80,000 Indigenous Australians (more than one fifth of the population) are physically remote from banking and financial services, where remoteness is measured as being at least 80kms from the nearest bank, credit union or post office. (Taylor, 2002) Approximately 45 per cent of these are in the Northern Territory, 27 per cent in Queensland, and 20 per cent in Western Australia. Census data indicates that as much as 10 per cent of Indigenous populations in regional centres such as Darwin and Alice Springs are temporary residents from smaller communities. (Taylor, 1998) The actual numbers are probably higher, as anecdotal information from several remote communities indicates that census data significantly undercounts actual population numbers due to the difficulty of obtaining fully completed census forms from all remote Indigenous people. This separation of Indigenous people from services generates substantial population mobility in order to access the services available in urban centres.

Indigenous reliance on informal banking: Research by Westbury (1999) and McDonnell and Westbury (2001) describes the lack of informed access to services that is reflected in continued Indigenous reliance on welfare payments from Centrelink being paid by cheque across Northern Australia. This research also points to the fact that even in Alice Springs, where all mainstream banks are represented,

large numbers of passbooks and electronic keycards are held under the counter because of various factors that mitigate against Indigenous customers successfully transferring to electronic banking. (It should be acknowledged that while this can result in exploitation, many of these arrangements reflect a long history of Indigenous people experiencing "book-down" credit as normal and essential to their well-being).

Cultural factors: Cultural practices such as demand sharing, and distortions of this practice such as 'humbugging', can be more problematic for people unable to store money in regulated accounts, since they have more ready cash available for dispersal. (Even if the cash was immediately spent on buying enough food supplies for a fortnight - difficult if there is no refrigerator - the food is also subject to demand sharing). This leads to a 'feast and famine' cycle whereby fortnightly income is spent or dispersed within a few days of receipt, leaving the family with little to sustain them until next payday. Some communities even have a term for this - no food day - which in practice can be several days.

Current portfolio initiatives relating to Indigenous banking and financial services

Weekly Payments Trial

A trial of weekly payment of income support entitlements has been operating at Tangentyere Council, Alice Springs since September 2001. The trial was initiated in response to the recommendations arising out of the Centre for Aboriginal Economic Policy Research (CAEPR) Report, *Improving Indigenous access to the delivery of banking services in Central Australia* by Neil Westbury in 1999. A formal evaluation of the trial commenced in June 2002, with preliminary findings indicating very positive results in terms of assisting Indigenous clients to better manage their money, break the 'feast and famine' cycle and reduce debt accumulation.

Main project findings are:

- Ninety four per cent of Indigenous participants surveyed reported that weekly payments was palya (good) as they did not have to wait too long to receive their payments;
- Weekly payments trial has had a positive impact on participants' eating patterns, 81 per cent reported a change in their budgeting practices which resulted in them either buying more food or buying more food more often;
- Weekly payments trial has had a positive impact on the number of days that Indigenous participants went without food. Before weekly payments 88 per cent of participants reported going without food, while only 9 per cent reported going without food while receiving weekly payments; and
- Weekly payments limited the amount of money available to buy alcohol in one sitting contributing to a reduction in potential alcohol intake amongst Indigenous customers who binge drink. The trial can be viewed as a harm minimisation strategy.

Family and Community Networks Initiative (FCNI) Banking Trial

Funded through the *Family and Community Networks Initiative*, FaCS in partnership with Westpac has supported Tangentyere Council to develop a banking trial in response to Centrelink ceasing cheque payment of income support payments. The project activities include: employing and training four Indigenous Bank Liaison Officers; producing learning materials; transferring existing Tangentyere Bank Agency customers from cheque to direct credit payments; training customers in the use of *estpos*, electronic banking, ATM operations; and the Centrepay system.

The project commenced in May 2001 and has opened bank accounts for 579 people, 368 of who have requested keycards (as at 31 March 2002).

Tangentyere Council Nutrition Account

With Indigenous people transferring to electronic banking a new food voucher system was required as using keycards allowed customers to access their money without first paying their debts.

The former food voucher system worked in debit with Tangentyere Council reclaiming the value of food vouchers provided when people cashed their cheque payments. Under the new system, called the Nutrition Account, people elect to have a

portion of their income support payment transferred, using Centrepay, into a trust account operated by Tangentyere Council. When people want a food voucher a cheque, made payable to the local supermarket, is drawn from the trust account. Under this new system people are using their own money to buy food vouchers rather than going into debt.

The local supermarket enforces a 'no-grog' rule on the use of food vouchers so the Nutrition Account also helps families manage alcohol abuse. Holding a food voucher instead of cash provides clients with some protection from pestering by drunken family members and, in some instances, alcoholics (when sober) will give permission for a family member to draw food vouchers on their account. There are 294 people currently signed up to the Nutrition Account.

Cape York Family Income Management Project

This project involves assisting family groups to maximise their group income for improvements in living standards and strengthening family relationships to enable social and economic participation. The project is being implemented in Aurukun, Coen and Mossman Gorge in Queensland and is being run in partnership with the Westpac bank.

Enhancement of Centrepay

Centrepay enhancements are being explored as a mechanism for assisting Indigenous Centrelink customers to manage their finances and to improve the take-up rate of the Centrepay facility by Indigenous community housing organisations and tenants for rent collections.

Traditional Credit Union

The TCU is one of the few banking organisations expanding its services to remote communities. It has a very high percentage of Indigenous employees who have undergone financial training and are able to speak local languages. FaCS is exploring how the TCU's expertise may promote the advantages of banking to Indigenous people living in remote communities.

Related issues: banking and microfinance projects

Under FaCS' Stronger Families and Communities Strategy a number of community-initiated projects relating to microfinance are being supported. They are:

Northern Country Regions Interest Free Loan Scheme

Strategy funding is contributing to the extension of the Northern Country Regions Interest Free Loan Scheme in South Australia. The project provides small interest-free loans (generally up to \$800) to individuals and families for household goods and other essential items in the northern rural and remote areas of SA, including Whyalla, Port Lincoln, Port Augusta, Port Pirie, Ceduna and Coober Pedy and the far north. The recipients of the loans are individuals and families who are experiencing domestic violence, or gambling problems, or potential or actual homelessness, or child protection issues. Indigenous people comprise about 40 per cent of current recipients. Repayments are scheduled over 15 months through the Commonwealth Bank with a number of recipients choosing to have payments to the bank directed from their Centrelink payments.

Expected outcomes include:

- improved responsiveness to the needs of the most disadvantaged in the northern regions communities; and
- access to loans by families and individuals unable to get affordable finance.

These loans support families and individuals to:

- establish themselves thereby enhancing their capacity to take control through achieving attainable goals, and improve their self-esteem and self-worth through increased ability to meet their own needs; and
- reduce the level of debt to finance agents.

South West Financial Solutions

The Stronger Families and Communities Strategy is contributing to funding for the South West Financial Solutions project in Western Australia. This project aims to contribute to the revitalisation of rural communities and reduce the economic leakage that weakens small towns by providing information and support around microfinance schemes. The project is:

- establishing a databank of microfinance examples which involves networking and linking with other successful microfinance projects;
- publicising and explaining the concepts and potential of microfinance through conducting workshops in targeted areas;
- working at the local level to identify communities that want to explore and evaluate concepts of microfinance with the aim of implementing these approaches in their communities;
- working at the micro level in communities to develop the skills of key community members to use community building processes to commence individual projects; and
- evaluating approaches using principles of action research.

This is a partnership project with Edith Cowan University, Curtin University, Centrelink, the South West Development Commission and Commerce and Trade and Agriculture WA.

The long-term objective of this project is that communities use microfinance methods to create financial capital to underpin the economy of small communities and thereby support the creation of employment.

Kyabra Community Association – Community Finance Initiative

(While this project is not in a rural and regional area, it is a good example of a partnership approach to helping communities develop their own local responses to local issues).

The Community Finance Initiative in Brisbane, Queensland is establishing microfinance schemes for individuals and families who are financially vulnerable and less connected to the community. An example of a microfinance project is a group of people contributing a small amount of money each week to an emergency fund – if one of the contributors finds themselves facing an emergency, he or she is able to borrow money from the fund on an interest free basis. Opportunity International, foundations such as the Nebraska Community Foundation and community banking are other examples of microfinance projects.

The project aims to help individuals and families to explore different ways to be non-reliant on crisis support and advance their own management capacities by learning ways to save money and acquire assets. It involves liaison with local service delivery agencies to develop referral protocols, to develop an integrated support framework and to encourage participation.

Expected outcomes include:

- increased capacity of individuals and families on low incomes to become self-sufficient and less dependent on crisis support and high risk loans;
- development of healthy connections and relationships between participants and the broader community and within family units;
- improved family relationships due to decreased financial stress and improved skills in such areas as conflict resolution;
- self-managed and self sustaining microfinance enterprises established and operating;
- community leaders that have skills and capacity to support their local community and pursue potential links for future partnerships and enterprises within the community; and
- strong connections between individuals and support agencies to provide integrated support into the future.

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