



**DEPARTMENT OF IMMIGRATION AND MULTICULTURAL  
AND INDIGENOUS AFFAIRS**

**Office of Aboriginal  
and Torres Strait  
Islander Affairs**

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



Dear Secretary

**SUBMISSION TO THE INQUIRY INTO THE LEVEL OF BANKING AND  
FINANCIAL SERVICES IN RURAL, REGIONAL AND REMOTE AREAS OF  
AUSTRALIA**

Thank you for granting the Office of Aboriginal and Torres Strait Islander Affairs (OATSIA) additional time to provide a submission to the inquiry into the level of banking and financial services in rural, regional and remote areas of Australia. Our submission is attached.

Please direct any enquires about this submission to Mr Bryan Palmer, Senior Adviser, Service Delivery and Performance, OATSIA, on 6264 4692 or by e-mail to [bryan.palmer@immi.gov.au](mailto:bryan.palmer@immi.gov.au).

Yours sincerely

Stephen Oxley  
Assistant Secretary  
Social Programs and Reconciliation Branch

22 October 2002



**Submission by the  
Office of Aboriginal and Torres Strait Islander Affairs**

**to the Parliamentary Joint Committee on  
Corporations and Financial Services Inquiry**

**Options for Banking and Financial Services In  
Rural, Regional and Remote Areas of Australia**

**October 2002**



**Introduction**

This submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the level of Banking and Financial Services in Rural and Regional Areas of Australia has been prepared by the Office of Aboriginal and Torres Strait Islander Affairs (OATSIA).

The purpose of this submission is to highlight key issues Indigenous Australians face in respect of banking and financial services, particularly in remote locations. The submission begins with an overview of OATSIA before exploring the nature of the Indigenous population in regional, rural and remote Australia. It then tackles four critical issues in respect of banking and financial services for Indigenous people:

- barriers to using existing services;
- alternatives to traditional banking services;
- issues with telecommunications and information technology; and
- home purchase financing and home ownership.

**The Office of Aboriginal and Torres Strait Islander Affairs**

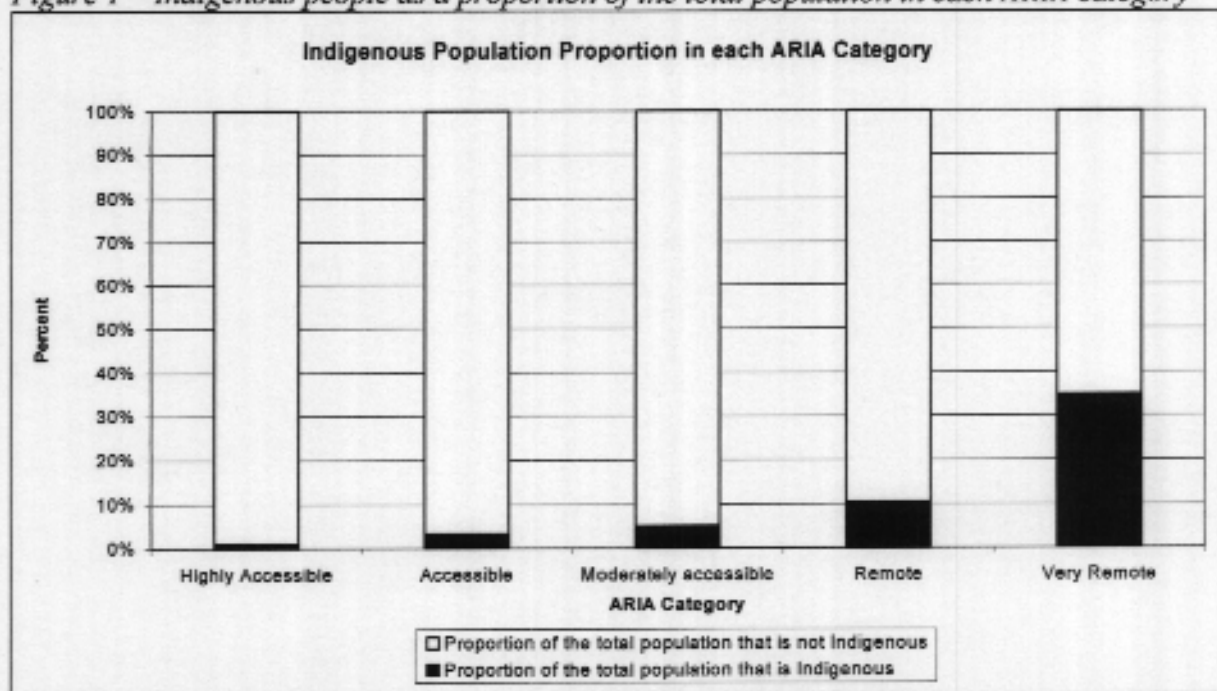
OATSIA is located within the Department of Immigration and Multicultural and Indigenous Affairs. It was established to provide high level advice to the Minister for Immigration and Multicultural and Indigenous Affairs, the Hon Philip Ruddock MP. OATSIA provides assistance and support to the Minister in his ministerial and parliamentary duties. It develops and evaluates policy and promotes better outcomes from government programs for Indigenous people. OATSIA works closely with other Commonwealth agencies responsible for Indigenous affairs, notably the Aboriginal and Torres Strait Islander Commission.

**Indigenous peoples in regional, rural and remote Australia.**

Based on the 2001 census, the Australian Bureau of Statistics estimated an Indigenous population of 460,000, which represents 2.4% of the Australian population. However,

compared with other Australians, a significantly larger proportion of Indigenous people live in the rural, regional and remote areas of Australia.

Figure 1 – Indigenous people as a proportion of the total population in each ARIA category



The geographic distribution of the Australian population at the time of the 2001 Census using the Accessibility and Remoteness Index of Australia (ARIA) has not yet been published. However, the results from the 1996 Census (using the count on census night rather than the estimated resident population) show that a little over a quarter of the indigenous population lived in remote and very remote locations, whereas at that time only 2% of non-indigenous Australians lived in these locations. In addition to the 1996 point-in-time data, the trend data for the period 1981 to 1996 suggests that the Indigenous proportion of the Australian population living in very remote locations is increasing. In part, this increased proportion can be attributed to migration from these areas by non-Indigenous people. It is also attributable to the higher fertility rate of Australia's Indigenous population.

Typically, the low incomes and reliance on welfare payments by proportionately more Indigenous people, particularly in rural and remote locations, have contributed to a limited interaction with banking and financial services. These interactions have typically centred around accessing Centrelink benefits or Community Development Employment Projects (CDEP) wages that have been transferred electronically to the customer's bank account or paid by cheque.

Beyond savings accounts and EFTPOS facilities, many Indigenous people receive few banking and financial services (and even these are not readily accessible to many Indigenous people). Access to an affordable home loan is often impossible to achieve, in part flowing from bank eligibility criteria and in part as a consequence of the low income status of many Indigenous people.



Many Indigenous people in rural and remote locations lack budgeting and financial literacy skills. They are not familiar with the other financial services offered by banks, credit unions and other financial service providers.

### **Critical issues**

Access to financial services is an essential requirement for full social and economic participation in our society. Everyone needs a mechanism for storing and saving money and for making payments to third parties. Basic banking services are a fundamental utility like electricity, gas, water, sewerage and roads.

In our analysis of the impact of financial and banking services on Indigenous people in rural, regional and remote Australia we have identified four areas of concern we believe the Parliamentary Joint Committee on Corporations and Financial Services should consider and address in its deliberations:

- Barriers to using existing services;
  - Poor levels of financial literacy and financial management skills among Indigenous people;
  - Identification requirements;
- Economics of scale dictate that traditional banking services will not be viable on existing commercial terms in remote Indigenous communities, and this suggests the need to find viable alternatives;
- Telecommunications and information technology are emerging areas of disadvantage for Indigenous people, yet they also present significant opportunities (for example telephone and Internet banking) for people to manage the decline in and absence of traditional banking services; and
- Home ownership and home purchase financing.

### **Barriers: financial literacy and financial management skills**

The ability of Indigenous people to manage and budget their income, make payments to others, purchase goods and services, and maintain economic independence relies in part on their ability to access appropriate banking and financial services. Access to appropriate banking and financial services is critical to government strategies to reduce the high levels of economic and social disadvantage experienced by Indigenous Australians.

While banks and financial services are an essential component of the nation's economic infrastructure, access can be limited for both reasons of demand and supply. While we anticipate that many submissions to this inquiry will focus on supply-side issues, demand-side issues are also a significant barrier to access for many Indigenous people, particularly in rural and remote communities.

Many Indigenous customers do not access banking and financial services because they do not have the necessary financial literacy and financial management skills. Related barriers include the confidence and capacity to access mainstream services and master new technology and the flexibility of the banks to respond in addressing these issues. Education is a critical element to addressing demand side barriers to accessing banking and financial services.

If banking and financial services are supplied/provided to regional, rural and remote Indigenous communities, it is also necessary that training be given to the people who will most use them (whether or not these services are face to face, by Automatic Teller Machine (ATM), or Internet or phone banking). Improving financial literacy was a major theme to emerge from the Indigenous Banking Workshop facilitated by Reconciliation Australia in May 2002.

While there are some good community programs, such as *Money Story*, that help individuals and communities build their financial literacy and financial management skills, there is substantial scope for banks and financial institutions to be more involved in the development and delivery of these types of programs. By way of example, the Canadian Banking Association has sponsored a training package (*The Entrepreneurial Spirit*) for Indian people to consider the skills they need to get into business. This 12 hour module is delivered by Indian trainers and is proving very successful. This is just one of a number of products the Canadian banks have developed for customers to improve financial understanding.

Westpac is involved in a number of Indigenous initiatives that should be noted. In Cape York, Westpac is working with the Indigenous Enterprise Partnership to support initiatives designed by local communities to build financial independence. The Aurukun, Mossman Gorge and Coen communities on Cape York Peninsula are pioneering the Family Income Management Scheme (FIMS). It is an important new strategy for ensuring that payments from government agencies to indigenous people can be used to accumulate savings, investments and greater prosperity for families. Under FIMS, the various individual incomes in the household are pooled and managed collectively to in accord with an agreed budget. The objective of FIMS is to provide the family unit with the capacity to meet joint costs, such as food, the purchase of white-goods, vehicle or enterprise loans and savings for education, from the aggregated family income, while allowing the remaining funds to be allocated amongst individuals on an agreed basis. Intrinsic to FIMS is the development of a high degree of intra-family and intra-community reciprocity. Westpac assists families in the development and monitoring of budgets.

Westpac is also working with the Tangentyere Aboriginal community (near Alice Springs), ATSIC, Centrelink and the Department of Family and Community Services. The project provides tailored financial literacy training in the form of oral and visual aides, instructing the use of ATM's, key card operation, and the importance of the PIN. Westpac's agency arrangements with the Tangentyere Council have also been extended through the installation of a merchant ATM in the community.

Low income does not necessarily mean high risk and banking and financial institutions that build financial literacy training into their loan products have the capacity to achieve expanded market share among Indigenous Australians in regional, rural and remote Australia.

The Traditional Credit Union (operating in the Northern Territory) has demonstrated that when Indigenous people on comparatively low incomes gain access to appropriate services they will and can save. However, the provision of electronic banking facilities alone is not enough to create a pattern of planning and saving within an Indigenous community. This change needs to be accompanied by a focus on the delivery of culturally informed financial literacy and budgeting skills.

### **Barriers: Identification requirements**

There is anecdotal evidence that the proof of identification and points system required to establish bank accounts is discouraging Indigenous people from becoming banking customers. For example, many Indigenous Australians in remote locations do not possess a birth certificate or other forms of identification sufficient to satisfy legislated points requirements.

Consequently, a further issue we would ask the Parliamentary Joint Committee to consider is whether the identification requirements are impacting disproportionately on Indigenous people. If so, consideration could be given as to whether there are appropriate changes that could be adopted to the system to improve access to services, such as acceptance of a certificate of identification issued by a reputable Indigenous community organisation. (Similar "certificates" are often accepted by government agencies as proof of Aboriginality).

### **Alternatives to traditional banking**

Many Indigenous people would prefer banking services to be provided on a personal, private, face-to-face basis by Indigenous staff. However, economics of scale mean that these requirements are unlikely to be met in isolated rural and remote locations through the traditional bank office network – in fact, many remote communities have never enjoyed such facilities for the same reason. Alternatives to the current delivery of banking and financial services will need to be considered, especially as cash becomes a less and less common medium of exchange.

The *de facto* alternative that has emerged in the absence of traditional banking services in many rural and remote locations is a practice known as "book up". Book up involves a trader offering small amounts of short-term credit to individuals. Typical traders are stores, taxi drivers, hawkers and regional airlines. Many of these traders are prepared to offer short-term credit only if:

- the consumer has their social security cheque posted care of the store and routinely cashes the cheque there (often for want of an alternative place to do so);
- the consumer hands over their debit card ("keycard") to the store, often together with their Personal Identification Number ("PIN number"). The store then uses its Electronic Funds Transfer Point of Sale (EFTPOS) facilities to debit the consumer's account on their social security payday; or
- the consumer completes a blank withdrawal form and gives it to the trader or completes a direct debit authority in favour of the trader.

Of particular concern earlier this year was the practice of some hoteliers providing book up credit arrangements for the purchase of alcohol and the allegation that some patrons were left



with no money to buy food. It is also reported that storekeepers and taxi-drivers have exploited the absence of independent financial service providers by providing local credit services and in return requiring their Indigenous consumers to purchase a minimum sum from the storekeeper or taxi driver, sometimes on goods and services sold at exploitative prices. It is argued that social and economic disadvantage is not simply a problem of poorly distributed income but is compounded by the absence of financial services.

The problems associated with book up are identified in the Australian Securities and Investments (ASIC) report, *"Book up" Some Consumer Problems*, published in March 2002. This report canvasses a number of possible policy responses:

- improve access to relevant alternative financial services (including)
  - Rural Transaction Centres;
  - Centrepay;
  - Credit unions and community banking;
  - No interest loans schemes;
  - Alternative settlement methods (such as telephone or Internet BPay);
  - Incentives to financial services providers to provide services to lower income consumers and people in disadvantaged regions; and
  - Financial service providers initiating Indigenous banking programs;
- consumer education and skill development;
- improving the way book-up is provided (including regulation or voluntary code)
- development of a complaints mechanism;
- support of locally developed solutions;
- better enforcement of existing laws; and
- prohibit or attempt to eliminate the retention of keycards or passbooks.

In respect of the last possible policy option, while the practice of handing over credit access card and PIN number effectively relinquishes financial control, Indigenous people in remote communities are often in favour of the book up practice. Reasons include the absence of other financial services, a lack of knowledge about financial management options, and as a means of avoiding cultural pressures for income to be shared.

We believe the other policy options identified by ASIC should be pursued. In particular, with an appropriate code of conduct, regulation, and policing, the local community stores that exist in many remote locations can act as appropriate agents of banks and/or other financial service providers. We would welcome the Parliamentary Joint Committee's views on how this might be achieved. In this context we note the following:

- The roll out of the Rural Transaction Centres (RTC) program (designed to maintain basic private and government transaction services), the allocation of funds from the Telecommunication Infrastructure Fund to increase telecommunication services, and the joint venture work between the Commonwealth Bank and Australia Post have all improved the services and access for Indigenous Australians.

- The trial in a southern Northern Territory community (noted above) where Westpac Bank has installed an ATM, and trained a community member on the use of the machine. The trained community member then offers assistance to other community members on how to use the machine, including accessing cash and checking bank statements.
- The Giropost (partnership between the Commonwealth Bank and Australia Post) banking service that is provided at over 2900 Australia post outlets. This service allows people to use their credit or debit cards at the post office to undertake a variety of financial transactions including deposits, withdrawals, opening of accounts and payments of some bills. More than seventy banking or financial institutions enable this service through Australia Post's Giropost. In this context, an issue that merits investigation is the capacity of the Giropost system to be extended to postal agents, which are currently excluded from participating but which are often the only service provider in Indigenous communities.

### **Telecommunications and information technology**

Internet banking has improved access to bank services for people with personal access to the Internet in locations with the necessary telecommunications infrastructure. In many remote Indigenous communities there is neither the computing hardware nor telecommunications infrastructure to enable access to Internet banking. We believe that these communities have a much greater need for such access than other Australians do. As already noted, client education would also be necessary for this technology to be used effectively. We believe this to be a particularly critical issue because in the absence of new face-to-face banking services (the reality in many rural and remote areas without some form of subsidisation) telecommunications based services offer a viable means of accessing banking and other financial services.

### **Home purchase financing and home ownership**

Home ownership provides wealth and economic security for families. Owning a home is the single most important investment for the majority of Australian households. It acts as a stepping stone to greater wealth for the home owners and it helps their families escape inter-generational poverty.

Indigenous home ownership lags significantly behind the non-Indigenous rate of home ownership. According to the 1996 Census, 31% of Indigenous households own or are purchasing their home, compared with 70% of non-Indigenous households.

Inalienable community land title is sometimes raised as a barrier to providing loans to Indigenous people. However, in the United States and Canada the banks have been willing to lend in communities where there are robust community eviction policies and reasonable waiting lists for people wanting to acquire property. In Canada, for example, a home loan is made against a certificate of possession. Similarly in Australia, Professor Jon Altman from the Centre for Aboriginal Economic Policy Research has noted there are situations where banks can reasonably lend against housing or business activities located on Aboriginal community title property. We believe further examination of this issue is warranted, including by focusing on how the banks might be encouraged to develop Indigenous businesses.



ATSIC's home ownership program, which loaned around \$60 million last year, has been filling a genuine need for Aboriginal and Torres Strait Islander people who wouldn't normally qualify for a mainstream home loan. The self-funding scheme has been operating for more than 25 years and has provided housing for more than 18,000 people. Since 1990, ATSIC has approved more than 5,000 loans, lending more than \$490 million to indigenous home buyers. This, however, is just a fraction of what is required, and there is a need for banks and financial service providers to develop and implement arrangements for home loans to low income Indigenous people living in regional, rural and remote Australia.

We suggest the Parliamentary Joint Committee could examine ways of promoting home purchase financing and home ownership for Indigenous people, particularly in rural and remote locations.

### **Conclusion**

The general circumstances of economic and social disadvantage experienced by Indigenous Australians in regional, rural and remote areas (compared with non-Indigenous Australians) compound the problems in these areas in terms of poor access to banking and financial services. This submission has sought to identify the key issues within this context for Indigenous people and highlight areas and opportunities that merit investigation by the Parliamentary Joint Committee on Corporations and Financial Services.