



# Australian Banking Association

17 December 2021

Regional Banking Taskforce  
Financial System Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Via email: [regionalbanking@treasury.gov.au](mailto:regionalbanking@treasury.gov.au)

Dear Chair,

The Australian Banking Association (ABA) appreciates the opportunity to provide this submission to the Regional Banking Taskforce.

Australian banks take seriously their responsibility to ensure that regional customers are getting the services they need.

As outlined in the attached submission, Australian bank customers are changing the way they access banking services. Across the major banks, foot traffic in branches has fallen dramatically, with over-the-counter transactions dropping by up to 68 percent over the past five years. As customers across the country make the shift to digital banking, banks are increasingly shifting their resources and investment from bricks and mortar facilities to digital customer channels. Inevitably this shift in customer behaviour has seen the closure of branches in many locations in recent years with the vast majority of closures in urban areas. Recent APRA points of presence data reveals that 75 percent of branches closed in the past year were in major cities with only 25 percent in regional and rural Australia.

There is no doubt that COVID-19 has accelerated the preference for customers to conduct their banking via digital channels however this trend is not new. Many banks had three quarters of customers preferring to transact via phone, internet and mobile banking even prior to the pandemic. With the prevalence of smartphones, banking apps and digital wallets in 2021, customers are effectively carrying a bank branch in their pocket where services are available to a customer a time and location convenient for them.

Banks are aware that this shift in customer behaviour is not one size fits all and that some customers are slower to move to new channels, or in some cases, are not able to do so. Banks are assisting this transition from physical to digital banking by offering direct assistance to customers to access phone or internet banking and offering new models such as changing opening hours, deploying mobile bankers and offering a loan or mortgage service on video platforms such as Zoom.

The investment made by some 80 banks and financial institutions in Bank@Post through the Australia Post network is substantial. This investment ensures that everyday banking remains a face-to-face option in 3,540 post offices around Australia. Importantly for this Taskforce, 1,800 of these are in locations in regional Australia. Further, by investing in Bank@Post, local Licensed Post Offices (LPO) can remain thriving small businesses, many have expanded to become a hub in their community, offering a range of functions beyond traditional post services from newsagencies, ID services, money orders, bill payment and banking transactions.

As Australia transitions to a digital economy, Australian banks will remain a key partner in regional communities helping families to own or renovate their home or working with businesses as they look to innovate and grow.

Yours sincerely,



Anna Bligh  
Chief Executive Officer



## General Comments

ABA member banks are committed to serving their customers wherever they live - in the cities, in regional areas and in remote Australia.

The issues being considered by the Taskforce are not unique to banking and finance. Businesses across all sectors of the economy, as well as government services, are seeing significant changes in customer behaviour following substantial digital disruption, as well as large investments in improved digital infrastructure for all Australians. As noted by the Prime Minister in May 2021; “Every business in Australia is now a digital business. This transformation is not merely a national one that needs to happen – it’s a global one that is happening. We must keep our foot on the digital accelerator to secure our economic recovery from COVID-19<sup>1</sup>.”

New technology allows customers to bank in different ways. It means fewer customers need to attend a branch to do their banking. As a result, customers are choosing digital channels that offer better, faster services that can be accessed 24/7 at a time that suits the customer. Data released by the ABA this year<sup>2</sup> showed more than 80 per cent of Australians say they prefer to check account balances, pay bills, or transfer money online. In addition, the data showed less than 20 per cent of Australians say they prefer to do any banking activities in branches.

Banks offer various alternative services to customers and businesses including Post Offices, branch hubs in regional centres, banking apps, phone and internet banking and virtual banking appointments. Some banks also offer mobile bankers who assist with lending needs and in some cases travel to a customer’s home or business.

Decisions to close smaller branches are not made lightly. They are made only after careful consideration and often in response to a decline in the number of customers using a branch, as they instead choose digital and other more convenient options. Across the major banks, foot traffic in branches has fallen dramatically, with over-the-counter transactions, dropping by up to 68 percent over the past five years. As customers across the country make the shift to digital banking, where many banks report almost 90 percent of customers prefer to transact via internet and mobile banking.

This presents service providers with challenges in maintaining traditional service offerings while investing in the technical functionality and security expected by the growing number of digital customers.

Like many other sectors across the global economy, banking services are no longer defined by the buildings or shopfronts where they were once based. This change in operations that the community is seeing in banking is also occurring in Government services, Centrelink and Medicare, and many other traditional services across the economy such as retail. For example, total online sales increased 67.1% from March to October 2020, according to ABS data.

For the majority of banking customers, digital banking is more efficient. It helps families, business owners and farmers to do their banking from their home or their office and save the trip to a branch. However, Banks understand there are still customers who want to bank face-to-face and those who need extra support transitioning to digital services. Banks are working directly with both personal and business customers to provide solutions and support them in adapting to digital or other services to meet their needs.

---

<sup>1</sup> Morrison Government Digital Economy Strategy media release - <https://www.pm.gov.au/media/modern-digital-economy-secure-australias-future>

<sup>2</sup> ABA – Banking customers continue shift to digital <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>



## 1. Preference for digital banking by bank customers

Most Australians living in regional areas report using digital channels to conduct banking activities. Depending on the activity, only between 10% and 20% of regional Australians report using a branch for banking. Branches are least commonly used by regional Australians to pay bills or check balances of accounts (10%) and most commonly used to update personal details (20%), a service offered by most banks via digital channels.

**Table 1: Generally used channels for banking activity, Regional Australians, April 2021, %**

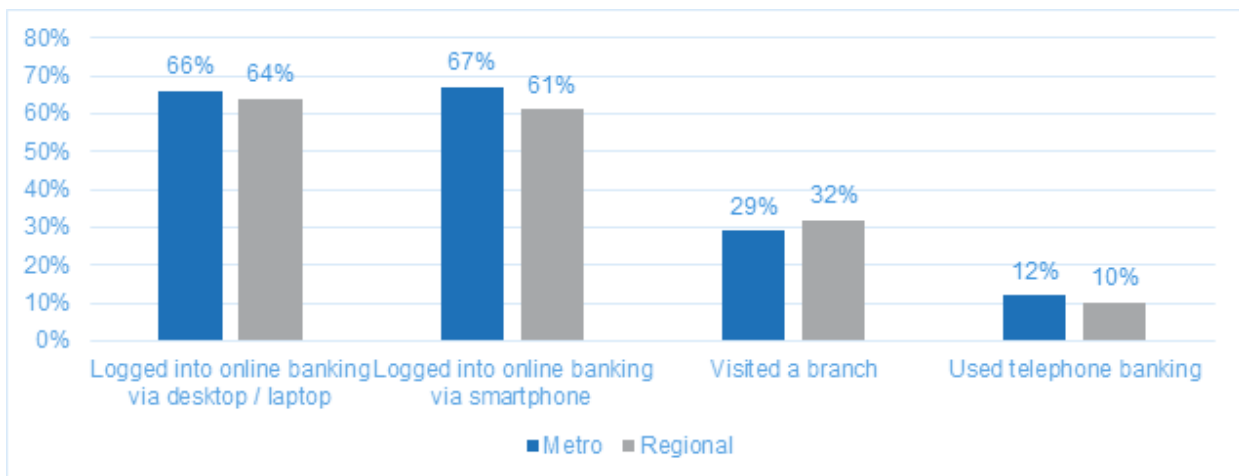
	Internet banking	Mobile banking app	Branch	Telephone call
Transferring money	60%	36%	13%	4%
Paying a bill	59%	34%	10%	6%
Checking the balance of your account	52%	43%	10%	4%
Setting up automatic payments	51%	26%	15%	8%
Updating your personal details	49%	27%	20%	11%
Applying for a credit card limit increase	31%	18%	14%	9%
Cancelling or blocking a credit or debit card	24%	20%	13%	25%

Source: RFI Group; Question: For each of the following activities, which channel do you generally use? N=519

Not only do fewer regional Australians prefer to conduct their banking activities in a branch, only a small proportion are actually doing so. Bank channel usage of regional Australians mimics metro Australians, with around two thirds of people reporting having conducted banking online via a desktop, laptop or smartphone in the past month and around one third reporting having visited a branch.

The major banks report a decline in over-the-counter transactions by up to 68% over the past five years.

**Figure 3: Which channel conducted banking with main financial institution in the past month, Metro & regional, April 2021, %**



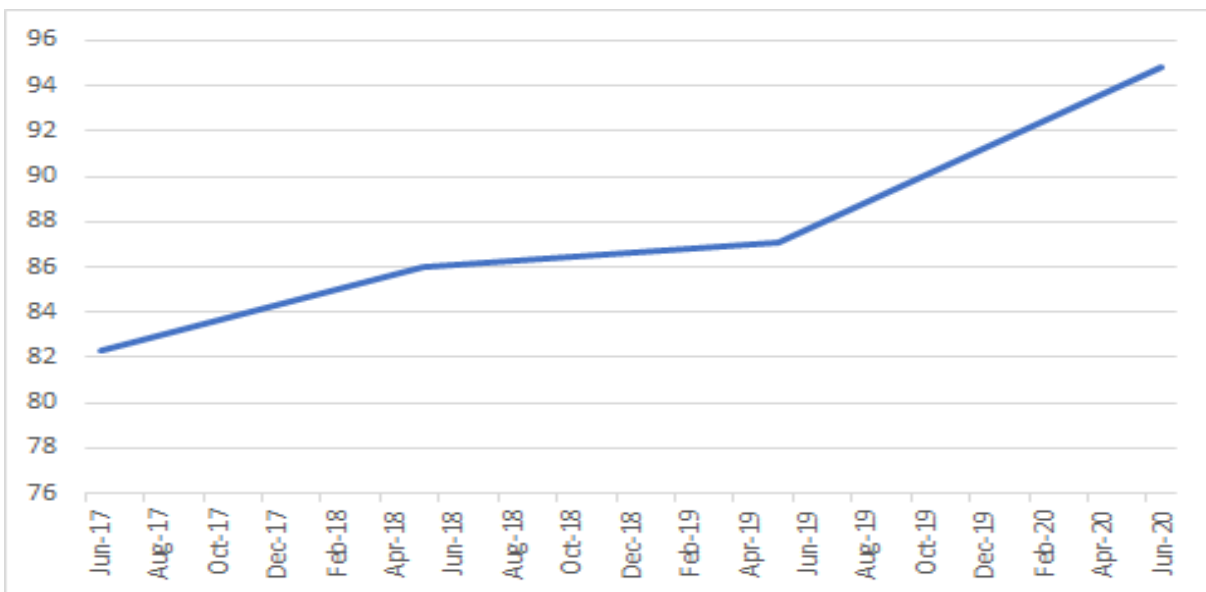
Source: RFI Group; Question: In the past month, how many times have you done the following at your MFI?; Answer: "1 or more times"; N=1,940



The Australian Communications and Media Authority has published [data](#) on Australians' use of the internet, which reveals a strong preference for using digital services to conduct tasks like banking.

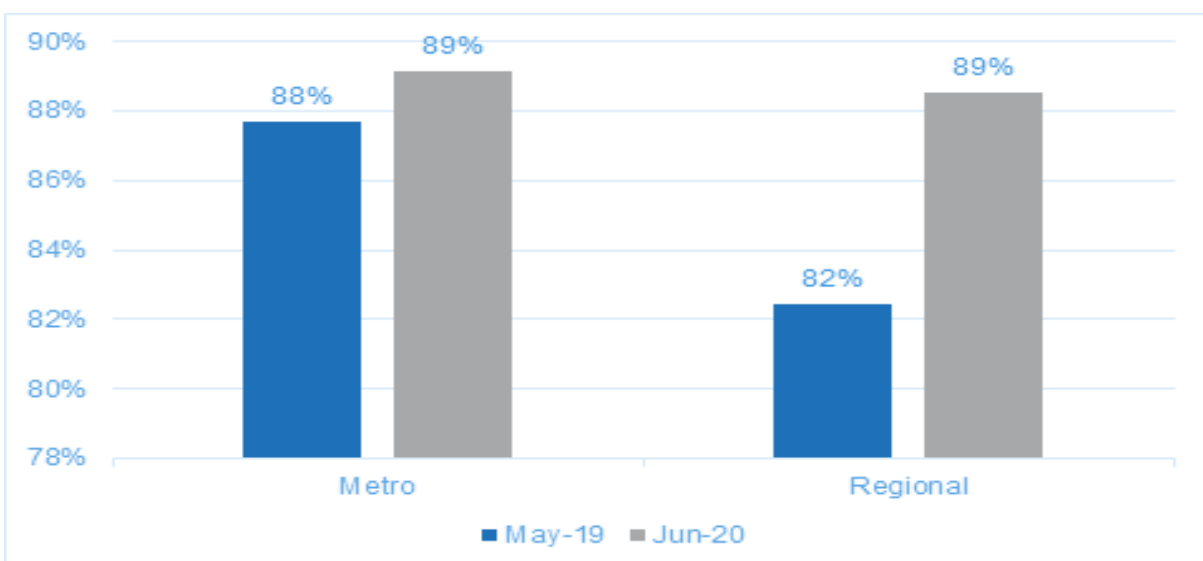
- In June 2020, 95% of Australians living in regional areas have access to the internet, up from 82% in June 2017.
- In June 2020, 83% of regional Australians used the internet once a day, up from 68% in June 2017.
- In June 2020, 89% of regional Australians performed banking online in the previous six months, up from 82% in May 2019.
- In June 2020, 82% of Australians aged 55+ performed banking online in the previous six months, up from 69% in May 2019.

**Figure 4: Internet access, Regional Australians, %, June 2017 – June 2020**



Source: ACMA, How we use the internet, Accessibility file

**Figure 5: Used internet to perform banking activity in past six months, %, May 2019 & June 2020**





## Bank Services

Banks offer various alternative services to customers and businesses including branch hubs in regional centres, banking apps, phone and internet banking and virtual banking appointments. Some banks also offer mobile bankers who assist with lending needs and in some cases travel to a customer's home or business.

Australian banks lead the world in offering cutting edge, digital solutions for their customers. The vast majority of banking tasks can now be performed online or in popular banking apps which are used by millions of customers.

For more complex transactions such as applying for a mortgage or personal loan, these applications can also be lodged online or through innovative new services such as video-conferencing. The use of Zoom to sign and approve mortgages has also become commonplace for Australian banking customers.

When a branch is closing, the bank communicates with local staff, customers, community groups, local Council, and members of Parliament. Communications are made via email, the bank's internet banking portal, post, or a telephone call, or in some cases notifications (for example posters or via digital displays) will be used in the local branch advising of the upcoming closure.

Bank staff are trained to help and support customers who need extra assistance transitioning to new banking services. Banks will consider the most appropriate communication channels for elderly or vulnerable customers.

For example, banks may directly contact passbook holders to provide information about other ways to access their money when branches are closed.

Some banks may also offer training sessions individually or in a group setting, with staff available to help customers use digital channels if that assists customers.

## Bank@Post

Customers of over 80 banks and financial institutions can do their transaction banking at Australia Post outlets around the country. Customers can deposit cash and cheques, withdraw money, check their balance and conduct a range of other banking services.

With 3540 Australia Post outlets offering Bank@Post services nationally, and 1800 in rural and remote locations, this service is an important resource in which a range of banks are investing to make their services available.

The Bank@Post service effectively already provides Australians with a "banking hub" model, similar to that being trialled overseas, for example in New Zealand.

As part of the investment, the 80 plus banks and financial institutions make to their commercial arrangements with Australia Post. They also contribute additional Community Representation Fees and transaction fees that enable critical investment in the post network. The ABA understands in 2020 that Australia Post achieved their ambition of securing \$100M annually for the Community Representation Fee. A similar annual fee has been provided to Australia Post by participating banking and finance institutions since 2018.

Figure 6 outlines the bank services available across branches, Bank@Post, Digital and telephone.

In addition to the table below, many banks have commercial bankers based locally to assist businesses and because they live and work locally, these bankers understand the opportunities and challenges for businesses. Also, many regional areas have a well-established mortgage and commercial broker networks, who work frequently with Agri and SME customers.



Figure 6: Bank services offered by different modes of delivery (for selected services)

	Branch	Bank@Post	App / Internet Banking	Telephone / Zoom	ATM
Open and close savings accounts	Yes	No	Yes (open only)	Yes	No
Withdraw cash	Yes	Yes	No	No	Yes
Deposit cash	Yes	Yes	No	No	Smart ATMs
Check account details & balance	Yes	Yes	Yes	Yes	Yes
Deposit cheques	Yes	Yes	Yes (Up to a limit)	No	Yes (With limits)
Change for business floats	Yes	Yes	No	No	No
Lock card/report card stolen	Yes	No	Yes	Yes	No
Card activation	Yes	No	Yes	Yes	No
Set or change a card PIN	Yes	No	Yes	No	Yes
Apply for a personal or business loan	Yes	No	Yes*	Yes	No
Apply for a mortgage	Yes	No	Yes*	Yes	No
Pay a bill and transfer funds	Yes	Yes	Yes	Yes	No
Credit card repayments	Yes	Yes	Yes	Yes	Yes (Cash only)

Source: ABA; Note: Depending on bank, available only on internet

## 2. Changes in consumer payment behaviour

There has been a rapid decline in cash use by Australians over the past decade. The value of cash withdrawals has halved since a peak in December 2008.

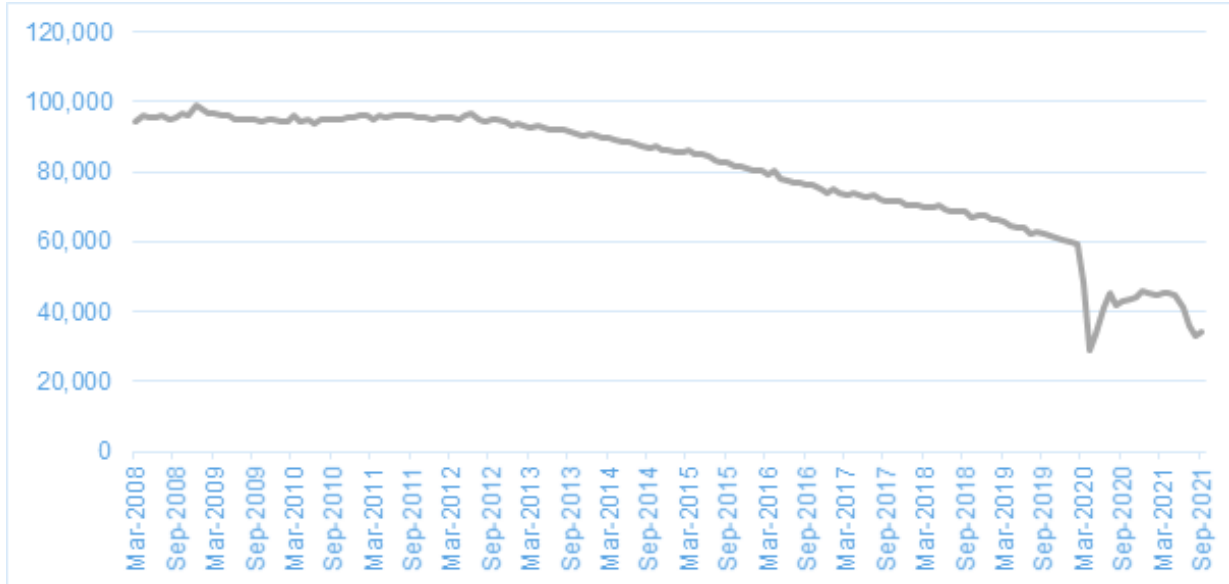
Figure 1a: Value of cash withdrawals, \$m, March 2008 – September 2021



Source: RBA Debit card, Credit card & ATM statistics, Tables C1, C2 & C4; Note: Data includes ATM withdrawals, debit card cash out transactions and credit card cash advances



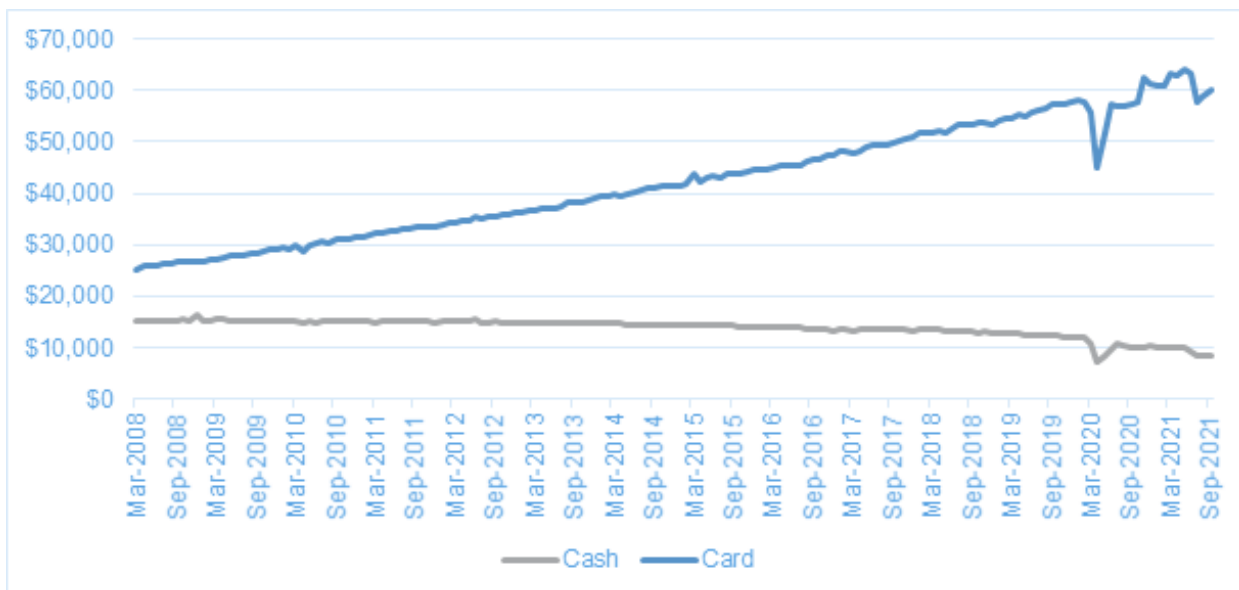
Figure 1b: Number of cash withdrawals, '000, March 2008 – September 2021



Source: RBA Debit card, Credit card & ATM statistics, Tables C1, C2 & C4; Note: Data includes ATM withdrawals, debit card cash out transactions and credit card cash advances

This trend is even starker when compared with the value of card purchases as shown in Figure 2. Purchases made on credit and debit cards have more than doubled from \$26 billion in December 2008 to more than \$60 billion in September 2021.

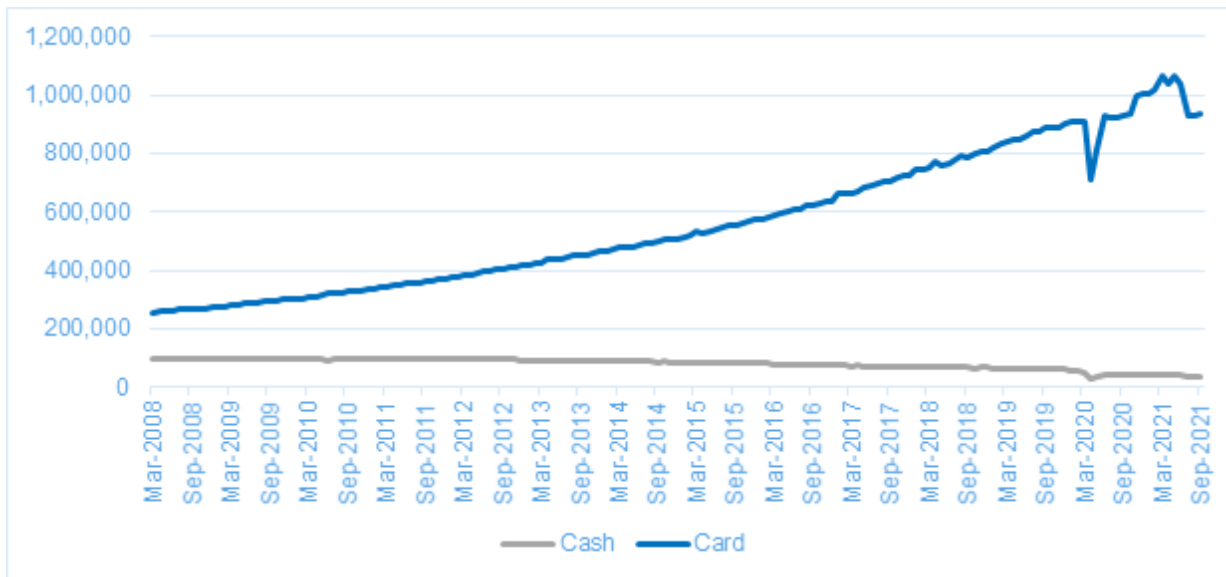
Figure 2a: Value of cash withdrawals and card purchases, \$m, March 2008 – September 2021



Source: RBA Debit card, Credit card & ATM statistics, Tables C1, C2 & C4; Note: 'Cash' data includes ATM withdrawals, debit card cash out transactions and credit card cash advances; 'Card' data includes debit and credit card purchases



Figure 2b: Number of cash withdrawals and card purchases, \$m, March 2008 – September 2021



Source: RBA Debit card, Credit card & ATM statistics, Tables C1, C2 & C4; Note: 'Cash' data includes ATM withdrawals, debit card cash out transactions and credit card cash advances; 'Card' data includes debit and credit card purchases