

What is happening to banks' rural assets?

Chris Connolly, director of the Financial Services Consumer Policy Centre, chaired a session which examined the future of banking in rural Australia

Bank closures in rural Australia are a topical issue, and the Connecting the Country conference took up the debate in a session designed to examine the future of banking. The conference had earlier heard from Farmwide about efforts to connect remote farms to the Internet so that they could have access to services like online banking. But this session concentrated on the provision of general banking services to small communities.

Cassandra Williams, manager of Research Services at Cannex Australia, described the potential for delivering information concerning different bank products online. Cannex provides independent comparative information about home loans, small business loans and other financial products through a wide range of media, including commercial websites like NineMSN. She predicted that, over time, methods would be developed to provide true comparisons between all bank products, thus allowing consumers to make informed decisions free from the advertising and marketing hype supplied by the banks themselves.

Cannex is an example of a new trend in online services - an information provider which can assist consumers in choosing products without receiving commissions or kickbacks.

Collette McNerney, a field officer with CreditCare, travels the country assisting small communities to restore banking services through community partnerships with Credit Unions. CreditCare works by responding to community requests to re-establish banking services when the community learns that "the last bank is leaving town".

She discussed the massive impact that bank closures have on small rural communities. CreditCare commissioned research which showed that bank closures quickly lead to a general downturn in small business custom (as consumers do their shopping and other tasks at their new bank - usually in a distant town), a drop in employment and even a rise in crime.

CreditCare enters these communities, describes its scheme at a public meeting, and asks for a vote on whether or not to proceed to a survey stage. The vote is usually unanimous in support of a survey. A survey of every member of the community indicates how much banking business (and what type) will be needed and subsequently a business plan is developed. CreditCare then finds a suitable Credit Union partner and, if the community agrees, proceeds to establish a new Credit Union office - often in one of the old bank buildings.

The success of the scheme depends to a large degree on the attitudes of the people in the community. Schemes have failed in some communities due to apathy. CreditCare is a Commonwealth Government-funded initiative.

Russell Jenkins, project Leader of Community and Alternative Banking at Bendigo Bank, spoke about its operations. Bendigo Bank is a small regional bank with about 70 branches. It has been exploring new ways to provide banking services to rural communities.

The concept - titled Bendigo Community Bank - involves a small

community making a commitment to retaining banking services, and then investing in a Bendigo Bank franchise. Like CreditCare, the Bendigo Bank conducts an extensive survey of a community's business needs before proceeding. A recent example is a community near Albury - Henty - which decided to follow this path after the last big bank closed its branch. It was successful in garnering the necessary commitment from the local people and the new bank franchise will open in November 1998.

All of the presenters agreed that the situation facing small communities was going to get worse before it got better. Bank closures often happened with little warning, and even with the support of CreditCare or community banking, it took a long time and a lot of hard work for communities to get back on their feet. The presenters were concerned that when big banks left country towns, they often "cherry-picked" the most profitable customers and offered them special deals and incentives to move their banking business to a new branch in a different location. This made it difficult for the remaining consumers to meet the threshold requirements to establish a replacement service.

The presenters were fairly circumspect about the potential benefits of the Internet or electronic commerce for rural communities. Problems with access, affordability and education still need to be addressed, and they believed that some basic banking services still required a physical presence.

They also highlighted the fact that there was a great deal of fear in the community about the impact of any mergers between the big four banks.

The presenters painted a picture of great hope and potential in the face of big business and government disinterest. Not for the first time, Australia's rural communities are digging deep to solve the problem themselves.

Chris Connolly