

**Opening comments to Parliamentary Joint Committee on Corporations and
Financial Services Inquiry into the level of banking and financial services available
to Australians living in rural, regional and remote areas of Australia**

On behalf of the Centre for Aboriginal Economic Policy Research (CAEPR) at the Australian National University (ANU), I welcome this opportunity to provide additional evidence to this Committee's Inquiry into the level of banking and financial services in rural, regional and remote areas of Australia. John Taylor and I compiled a short formal submission on behalf of the Centre and I would like to table an exhibit *Competition and Consumer Issues for Indigenous Australians* that is authored by CAEPR staff and referred to in our submission for the Committee's use. I would also like to draw the Committee's attention to a submission made by CAEPR to the House of Representatives Standing Committee for Aboriginal and Torres Strait Islander Affairs in its Inquiry into Indigenous Capacity Building—because in our view, issues of governance and capacity development for Indigenous communities in rural and remote regions are closely linked to issues of banking and financial service provision.

As a witness today, I am joined by John Taylor from CAEPR. John and I were two members of CAEPR staff who participated in, and presented papers to, the workshop organised by Reconciliation Australia in May of this year on Banking and Financial Services for Indigenous Australians. We will not refer to this Workshop in any great detail, as we are aware that Reconciliation Australia have made a submission (no. 120) to the Inquiry and are following us as witnesses.

In meeting today, we believe that this Inquiry's terms of reference represent an important opportunity to explore many of the difficulties that Indigenous communities, in all their diversity, face as they seek, or are inevitably drawn into, engagement with the wider Australian economy and society as part of the processes of globalisation. There is a highly contested view, at present, that the last thirty years represents a period of policy failure, particularly in relation to economic development for Indigenous communities in regional, rural and remote areas. As the CAEPR submission highlights there is absolutely no doubt that access to banking and financial services is an essential precondition for Indigenous economic development. As social scientists, however, we recognise that development itself is a hotly contested notion, varying along a spectrum from the very wide Amartya Sen sense of 'development' as a 'process of expanding the real freedom that people enjoy', to narrower more conventional notions like economic growth as measured by income per capita, formal employment levels and independence from welfare.

In the last decade, there have been some fundamental changes in the nature of banking and financial service provision in rural and remote regions, with a decline in a physical banking presence and a growing reliance on electronic banking and electronic communications about financial services. The CAEPR submission seeks to highlight that these changes impact negatively and disproportionately on Indigenous Australians in terms of both senses of development that I have just referred to.

In terms of expanding the real freedoms that people enjoy, social indicators have shown significant shortfalls in the education, health, housing and employment status of Indigenous Australians since we have been able to measure these (i.e. since the 1971 Census). These shortfalls are invariably more pronounced in rural and remote regions. The reasons are relatively well-known and complex and include history, location, cultural difference and shortage of opportunity. The current reality is that Indigenous people are disproportionately represented in such regions, are generally relatively poor in cash income terms, and are often welfare dependent. They also almost invariably live in very small communities where there are often no consumer banking services and where individuals lack access to electronic and phone banking options that most Australians take for granted. Inevitably, absence of such basic services further marginalises people who are already among Australia's most economically vulnerable.

There is a great deal of policy rhetoric at present about the need to enhance development in the conventional sense—economic growth, employment, reduced welfare dependence—for Indigenous people residing in such situations, but little hard thinking about the additional hurdles that lack of access to basic business banking, let alone access to financial advice, present. In many remote locations, a budding Indigenous entrepreneur would lack any means to deposit business earnings, a hurdle that is unimaginable for most Australian small businesses. There is, of course a real chicken-and-egg problem here, as a critical scale of business turnover is needed before it is attractive for banks to open a branch or provide financial services. Vice versa, a certain rudimentary level of business banking services are needed before commercially viable businesses can operate—unless Indigenous small businesses are expected to operate without access to deposit facilities, credit facilities and other financial services, hardly a realistic option at the start of the 21st century! We are not suggesting that the provision of banking and financial services will be a magic panacea for Indigenous underdevelopment—there are many other contributing factors that will need to be addressed first on an equitable needs-basis. There are also the structural factors, so often overlooked, the location of many Indigenous communities in regions that lack commercial opportunity where, irrespective of access to business banking, development opportunity in the immediate future will never match that of mainstream metropolitan Australia which has enjoyed rapid economic growth in recent years.

CAEPR's brief to look at Indigenous economic policy issues means that we often need to provide a factual input to important public policy issues like those being addressed by this Inquiry. To animate our discussions today we highlight the following:

- This Inquiry must not overlook the relatively high proportion of the Indigenous population, over 50 per cent of the total, residing in regional and remote areas, nor their extreme relative socio-economic disadvantage. There are about 1,200 discrete Indigenous communities, most with populations of less than 1,000, in these areas;
- Many residents of these communities are very culturally different from mainstream Australians. This means that even standard service provision and expectations about ability to access services may be very misplaced;

- The issue of enhancing the economic development capacity of such communities has been noted many times in the last three decades. These communities operate in very difficult circumstances usually remote from commercial opportunities and viable labour markets, and facing real diseconomies of isolation and small scale. These difficulties are exacerbated by the decline in effective access to banking and financial services. There has been little policy innovation about how to address such problems; and
- It is our view that public policy and private practice needs to carefully consider these special circumstances. Under the broad rubric of ‘corporate social responsibility’, the banking sector needs to consider its community service obligations. There is a broad national interest in ensuring long-term sustainable economic futures for Indigenous people in rural, regional and remote areas of Australia, and conversely the costs associated with the maintenance of the status quo. Governments must consider to what extent they should regulate or subvent the equitable needs-based provision of banking and financial services in such situations to facilitate economic development.

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