

Chapter 19

Promoting Indigenous Financial Inclusion: Improving ICT Access Within Rural Australia

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ABSTRACT

This article describes how the majority of Australia’s indigenous communities live within isolated regions and are typically characterized by levels of disadvantage not evidenced within mainstream Australian society. While there are a number of reasons for the evidenced disadvantages, access to financial services and social services are acknowledged as key contributors. The article outlines the role of banking sector competition and changing banking structures on the exclusion of indigenous people from banking services. It is claimed herein that access, marketing, price, and self-exclusion all serve to promote financial exclusion. It is posited that forms of access exclusion such as bank branch access and geographic dispersion have served as the key structural impediments to indigenous financial inclusion. Specifically, this article considers the potential role of adaptive cellular technologies and community telecentres in addressing financial exclusion within indigenous communities. Detailing successful ‘social banking’ models adopted in several developing countries, it is asserted that m-banking could serve as a powerful tool for inclusion.

INTRODUCTION

Financial exclusion is a terminology not considered part of popular vernacular, yet its importance cannot be understated. Simply defined, it describes a situation where individuals are unable to access banking and financial services. It is a matter of increasing pertinence to finance and economics researchers alike. Exclusion has been considered quite considerably in other disciplines, particularly in the development studies and sociology literature¹. Financial inclusion in these discourses is considered to exist as a feature

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Promoting Indigenous Financial Inclusion

of a broader 'social exclusion'. Kempson and Whyley (1999) addressed the dearth of research considering these matters within the finance literature². The authors contend that an array of factors are pertinent to financial exclusion, highlighting low incomes, lack of access, price, employment, cultural background and literacy. It is *a priori* quite evident that these factors differ in terms of significance and impact within different countries, though research conducted around the world consistently highlights these factors³ (see Delvin, 2005; Geech, 2007). Much of the extant finance literature has focused primarily on access issues (see Leyshon & Thrift, 1994; 1995). Herein, it is acknowledged that the construct has a broader delineation than mere physical access exclusion, though it is this issue, physical access exclusion that in the opinion of the report author represents amongst the most pertinent considerations. Simply put, if physical access issues are not resolved, other matters are of little consequence. This notwithstanding, the financial exclusion construct is perhaps best defined with reference to each of its facets. The construct has been more critically developed by Kempson and Whyley (1999a).

'Access Exclusion' pertains to challenge associated with procuring financial services due to physical access challenges or the mechanisms enacted to determine risk profiles. 'Condition Exclusion' relates to the structure of financial products and the conditions that attach to financial products. 'Price Exclusion' relates to exclusion from financial services due to cost related factors. 'Marketing Exclusion' pertains to the manner with which financial products and services are marketed, which may often cause some to be excluded. 'Self-Exclusion' is a pervasive form of exclusion that causes prospective financial service users to exclude themselves due to the perception that they will likely be declined the service. While each is pertinent to financial exclusion our concern herein is the matter of access, this study seeks to respond directly to the matter of physical exclusion.

Banking sector competition is perhaps one of the drivers of both inclusion and exclusion. Competition associated with product pricing and product provision has driven change and innovation within the sector. Moreover, it has forced banks to become more efficient and streamlined enterprises. Panigyrakis et al. (2002) argues that banks have focus on cost reduction, customer targeting and downsizing to improve their competitive capacity. Amaeshi et al (2007) asserts that this has led to many being left out of financial services. In the Australia sector, reductions in branch numbers and pertinently reduced service levels within rural communities have meant that many in said communities have found themselves underserved. Given that indigenous peoples are becoming a relatively higher proportion of the population within a number of rural communities, they are the most negatively affected community within the country. This is consistent with the extant literature in a number of developing and developed nations where exclusion tends to affect the poor and illiterate most markedly. Cognate research conducted in the UK markets suggests that competition within the market initially encourage financial inclusion, however, much of the benefit evidenced was lost post the 1990 recession period during what has been referred to as the 'flight to quality' period.

Hence, it must be acknowledged that financial exclusion is not a uniquely developing world quandary. As the extant literature indicated, the problem is evidenced in highly developed nations. In Australia, as with many comparable nations, the problem appears most persistent amongst minority communities. As asserted by Connelly and Hajaj (2001) the most basic and important financial service for most Australians is the bank account. The provision of a bank account is essential for receiving income and benefits and making payments. Having a basic transaction account is not a mere convenience it is now a prerequisite for engaging in the economic process. Census data indicates that the indigenous population is the most excluded community in the country from financial services. McDonnell and Westbury (2003) notes that as a large and increasing proportion of the population in rural and remote Australia;

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