



Submission to the Inquiry into Bank Closures in Regional Australia

Senate Standing Committees on Rural and Regional Affairs and Transport

March 2023

Introduction

The Reserve Bank has been invited to make a submission to this Inquiry. The Bank is committed to meeting public demand for its banknotes so that cash continues to be available for those who want or need to use it. It places a high priority on the community having good access to cash withdrawal and deposit services.

The Bank is the sole issuer of banknotes and works closely with the major commercial banks and cash-in-transit companies to meet the Australian public's demand for banknotes. Specifically, the Bank is a wholesaler of banknotes and provides bulk quantities of banknotes as demanded by the banking sector so it can meet customer needs. Once issued by the Bank, banknotes are then distributed to bank branches, ATMs and retailers by the private sector.

In 2022, the Bank undertook a Review of Banknote Distribution Arrangements.¹ One of the conclusions of the Review was that the Bank committed to monitoring the ability of Australians to access and pay with cash, with a particular focus on regional communities. Based on this ongoing analysis, this submission provides the Committee with a summary of developments in cash use and access in Australia. This relates to the Inquiry's terms of reference, with respect to the effect of the removal of services that provide access to cash.

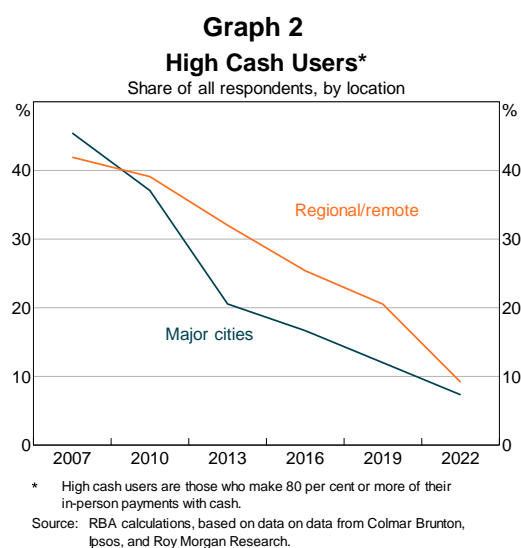
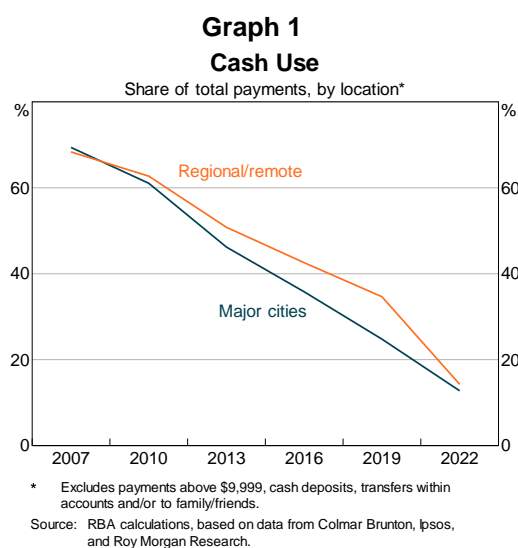
Cash use in regional Australia

The use of cash for payments has been in decline for many years. According to the Bank's most recent Consumer Payments Survey (CPS), the share of total payments made with cash fell from 69 per cent in 2007 to 13 per cent in 2022.² Throughout the 2010s, those living in regional and remote areas used cash more often than those in major cities (Graph 1).³ However, the gap has narrowed substantially. The cash share of payments by consumers in regional areas fell from 35 per cent in 2019 to 14 per cent in 2022; it fell from 25 per cent to 13 per cent in major cities.

1 See Reserve Bank of Australia (2022), '[Review of Banknote Distribution Arrangements: Conclusions Paper](#)', August.

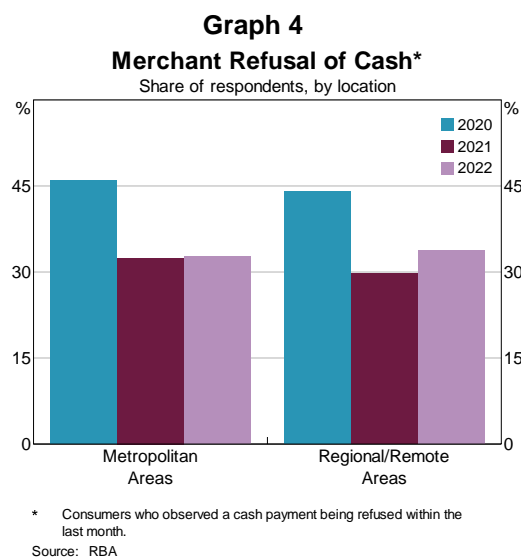
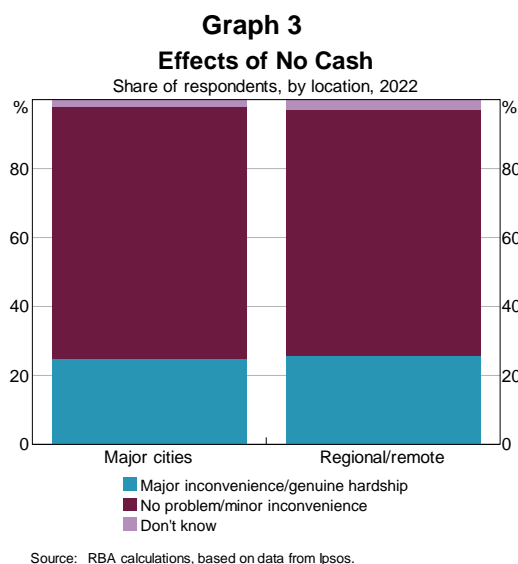
2 The CPS tracks around 1,000 participants, who record details about every transaction they made over a week as well as responding to questions on payment preferences and related topics. The analysis in this Submission is based on the most recent survey conducted in late 2022; the final results will be published by the Bank mid-year.

3 The ABS Remoteness Areas classification is used throughout this Submission. It classifies regions into five groups – major cities, inner and outer regional, remote and very remote – based on their relative access to services.



Despite the decline in cash use, there is still a subset of consumers who use cash intensively. These high cash users – who use cash for over 80 per cent of in-person transactions – are more likely to live in regional or remote areas (Graph 2). However, the difference in cash use intensity between regions has narrowed, after widening for many years. The share of high cash users in regional areas more than halved since 2019 (to 9 per cent) and is now only slightly higher than in major cities (7 per cent).

The survey suggests that around one-quarter of consumers would face major inconvenience or genuine hardship if they could no longer access or use cash (Graph 3). This share has changed little in the past three years. There is only a small difference between those in regional or metropolitan areas.



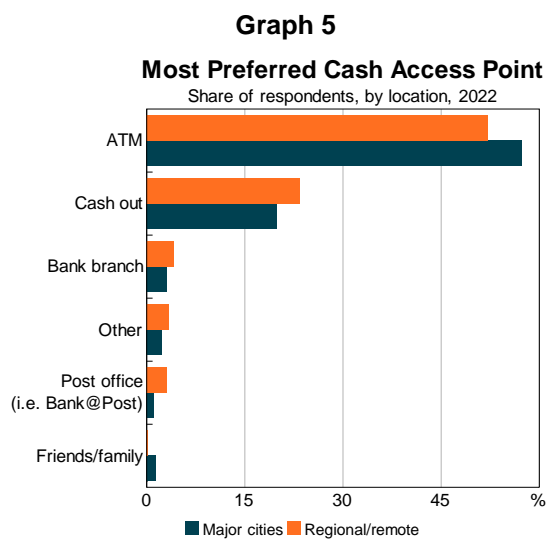
Declining cash use can also affect businesses willingness to accept cash as a form of payment.⁴ A separate survey commissioned by the Bank – the Online Banknotes Survey – shows that merchant acceptance of cash was broadly similar between regions (Graph 4). Around a third of respondents observed a cash payment being refused at a store in 2022, which is lower than in 2020 during the height of the COVID-19 pandemic.

4 See Guttman R, T Livermore and Z Zhang (2023), [‘The Cash-use Cycle in Australia’](#), RBA Bulletin, March.

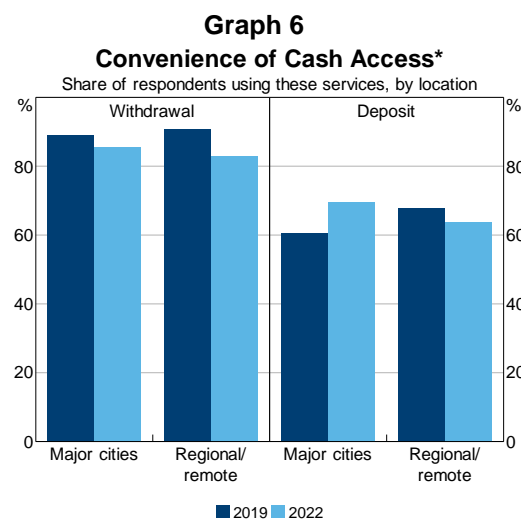
Cash access in regional Australia

Preferences and perceptions of cash access

Cash access refers to the ability or ease with which people can withdraw or deposit cash. According to the CPS data, using an ATM is the preferred method of accessing cash across all locations (Graph 5). Nonetheless, there was greater diversity in the method people in regional areas used to access cash, with a larger share using retailers' cash-out facilities, bank branches and Bank@Post. Over 80 per cent of respondents who accessed cash in both major cities and regional areas found cash withdrawal services convenient (Graph 6). Respondents in regional areas found it a little less convenient to access cash deposit services in 2022 than those in major cities.



Source: RBA calculations, based on data from Ipsos.



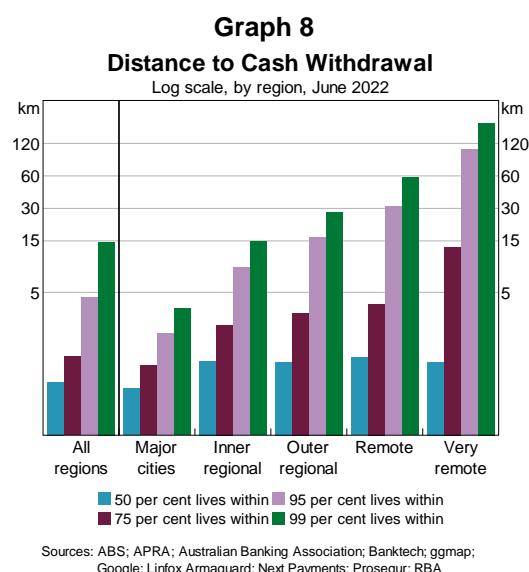
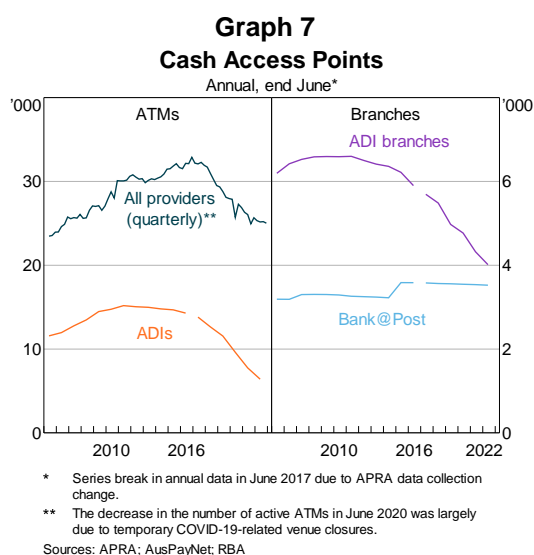
* Share of people answering that deposit/withdrawal services are convenient or very convenient.

Source: RBA calculations, based on data from Ipsos and Roy Morgan Research.

Cash access points and the distance to cash

The analysis below utilises APRA's authorised deposit-taking institutions' (ADIs) points of presence statistics, which provides detailed location-level data on the physical banking service channels of ADIs, including ATMs, bank branches and Bank@Post outlets. The Bank has found this annual dataset useful for identifying how close the Australian population needs to travel to be able to withdraw and deposit cash. The Bank supplements the APRA statistics with ATM location data provided voluntarily by several of the independent ATM deployers. However, this additional dataset is not exhaustive, and is estimated to cover around half of the independently owned ATMs.

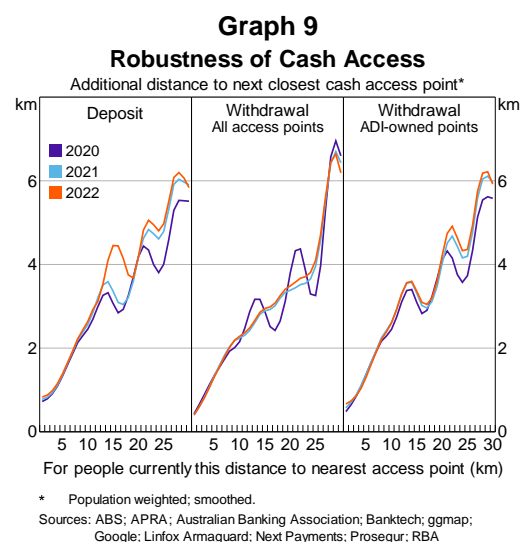
Since 2016, when ATM numbers peaked, around 8,000 ATMs (or 25 per cent) have been closed across Australia (Graph 7). Most of these closures have been ATMs owned by ADIs, such that independently owned ATMs have gained an increasingly large share of the ATM market. ADI branch numbers have also continued to decline. The total number of ADI branches is now 30 per cent lower than in 2017, when comparable data are available. The majority of these closures have been in major cities (60 per cent), followed by inner regional areas of Australia (20 per cent).



Despite the decline in the number of cash access points, the removal of some access points may not substantially affect people's ability to access cash if these points are located sufficiently close to one another. To better incorporate the locality of access points and the population that live around them, Guttman, Livermore and Zhang (2023) estimated the distance that people have to travel to reach their nearest cash access point as at June 2022; a summary of this analysis is reproduced below.

Overall, distance to cash services has been little changed in recent years, despite significant closures of cash access points. As of June 2022, 95 per cent of the population lived within 5.6 km of a cash deposit point and 4.5 km of a cash withdrawal point (Graph 8). This reflects the strong geographic coverage of Bank@Post outlets, which are limiting any increase in overall distances. The closures of ADI branches and ADI-owned ATMs, however, have increased the distances to these specific services; this is especially the case for more remote communities. Since 2020, the median distances to ADI branches and ADI ATMs in remote locations have increased by 3.4 km (12 per cent) and 6.5 km (18 per cent), respectively; in very remote areas, the increases are 7.6 km and 19 km (although these regions already had very high distances to cash access points).

Although the distance most people need to travel to access cash has not changed substantially, the vulnerability to further removal of cash access points is increasing. This can be seen by examining the average distance to the next closest cash access point (Graph 9). Specifically, the graph shows the distance one lives from an access point (on the horizontal axis) against how far the next closest access point is (vertical axis) for the years 2020 – 2022. Increasing vulnerability is particularly evident in cash deposit services, where the additional distance to the next closest access point has increased over the past couple of years. Robustness of withdrawal services has worsened only slightly over this period. Much of the deteriorating robustness in the cash access network has been concentrated among people who are already far from access points.



The increased distances are most apparent for certain service types, such as ADI branches. For ADI branches (including other ADI face-to-face outlets), around 190 of the 864 net closures (22 per cent) since June 2020 did not have an alternative branch within a 1 km radius. By contrast, only 51 (6 per cent) of these withdrawn branches lacked any alternative cash access point (i.e. an ATM, Bank@Post or alternative bank branch) within a 1 km radius. This highlights the compositional shifts in cash access, where consumers may have to switch to alternative service types to withdraw or deposit cash, if they are unable to travel the extra distance.

Reserve Bank of Australia
29 March 2023