

SUBMISSION TO THE
HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON FINANCIAL INSTITUTIONS
AND PUBLIC ADMINISTRATION

International Comparisons of Bank Branches - An Update



RESERVE BANK OF AUSTRALIA

April 1998

1. Introduction

In November 1994, the Reserve Bank made a submission on “International Comparisons of Bank Branches” to the House of Representatives Standing Committee on Banking, Finance and Public Administration, as it then was. At the request of the current Committee, the Bank has updated that submission for the Committee’s inquiry into alternative means of providing banking services in regional Australia.

The original submission compared trends in Australian bank branch numbers and electronic facilities with trends in a group of overseas countries for the period 1983-1992. This paper extends the analysis up to 1996. Substantial caveats apply to the comparability of data across countries, as the original submission noted. Of particular importance is the fact that definitions are not always consistent between countries and can change over time in each country. These caveats are still relevant but, for brevity, are not generally repeated here.

2. International Comparisons of Branch Numbers

Over the period 1983-1992, the number of bank branches per million inhabitants declined in most developed countries (Graph 1). Australia had the third highest number of bank branches per million inhabitants in 1992, possibly reflecting its low population density.¹

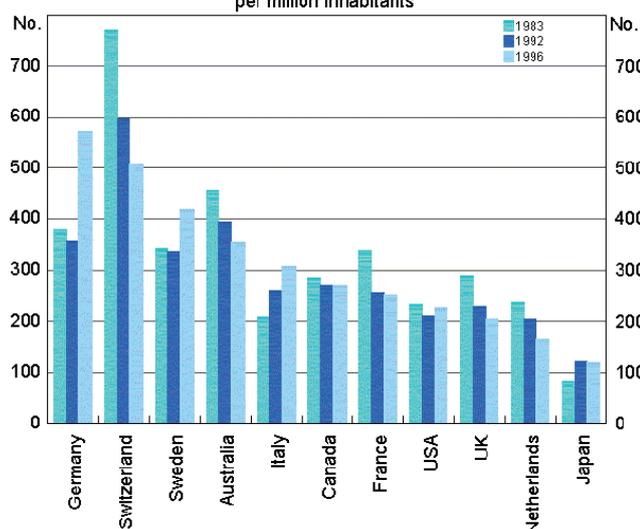
Data for 1996 confirm that the downward trend in branch penetration continued in most countries, including Australia. Australia remained towards the higher end of the range, notwithstanding a fall from 394 branches per million inhabitants in 1992 to 355 in 1996.

Interestingly, in four countries (Germany, Italy, Sweden and the United States) the number of bank branches per million inhabitants rose. In Germany and Sweden at least, those increases have a straightforward explanation. In both cases, the 1996 figures for the first time include banking facilities in post offices as bank branches, resulting in a sharp increase over 1992 figures. This highlights how different banking structures can make international comparisons difficult. But it also emphasises the need to consider access to banking facilities more broadly than the narrow definition of “bank branches”, a theme taken up in Section 2.

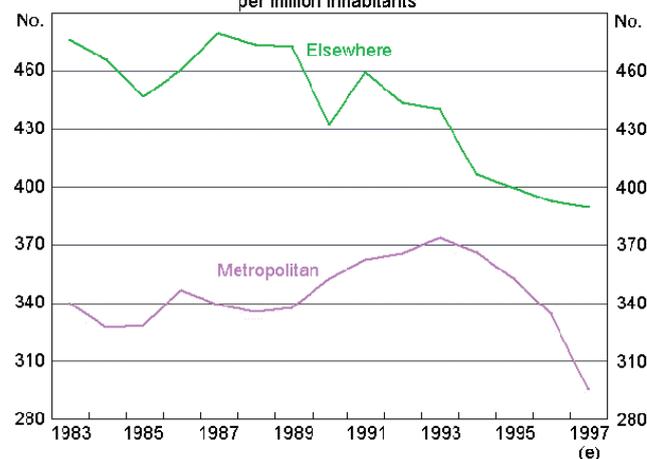
Trends in the distribution of bank branches in Australia are shown in Graph 2, which distinguishes between “metropolitan” areas (capital cities and adjoining suburbs) and “non-metropolitan” areas. These data must be treated with caution. Firstly, branches in many large cities are, by definition, excluded from the metropolitan series; areas such as Geelong, Newcastle and the Gold Coast, for example, are all defined as non-metropolitan. Conclusions on more narrowly defined concept of “regional” branch representation are therefore difficult to draw. Secondly, during the late 1980s and early 1990s a number of building societies converted to banks while in 1991 the Commonwealth Bank of Australia reclassified around 350 agencies as branches. The data are not adjusted for these effects.

That said, branch representation has been consistently higher outside the capital cities over the past fifteen years; however, the number of bank branches per million inhabitants in these areas has been falling steadily. This reflects both falls in the number of branches and a rise in population. In contrast, the ratio of branches to population in capital cities was on a generally upward trend until the last few years, when it dropped noticeably.

Graph 1: Bank Branches per million inhabitants

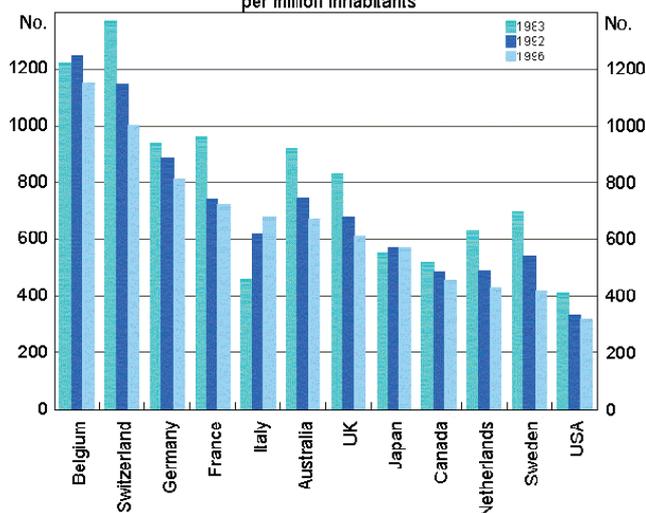


Graph 2: Bank Branches in Australia per million inhabitants



1. In 1992, Australia ranked behind Belgium and Switzerland. Due to a change in definitions, comparable data on bank branches are no longer available for Belgium and it has been excluded from this comparison.

Graph 3: Payments System Entry Points
per million inhabitants



3. Payments System Entry Points

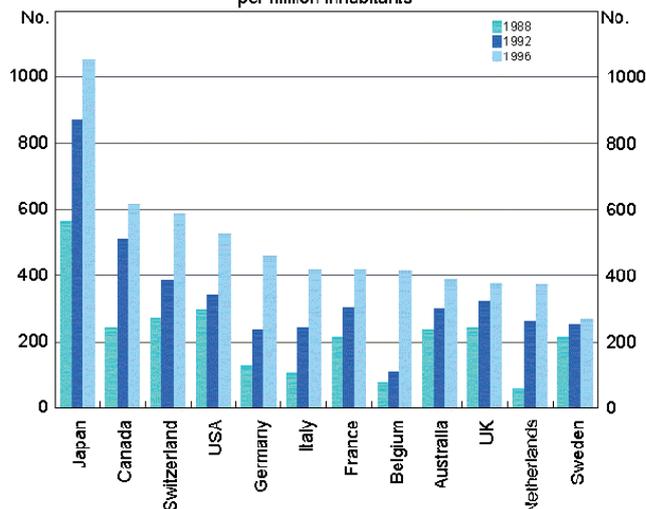
The 1994 submission noted that comparisons of countries' banking systems on the basis of bank branches were potentially misleading. Banking and payment services are also provided by non-bank financial intermediaries and particularly in Europe, by post offices.

The Bank for International Settlements publishes data on a broader measure of access, viz 'entry points' to the payments system; this includes branches of all financial institutions as well as post offices which offer payment services. Graph 3 shows that the general trend has been a decline in entry points per capita; only Italy and Japan recorded increases. Australia was in the middle of the range in 1996 with 669 entry points per million inhabitants, compared with 743 in 1992.

The data for Australia include branches of non-bank financial intermediaries (building societies and credit unions) and post office agencies of the Commonwealth Bank. In 1995, Australia Post introduced giroPost, an electronic banking and financial services network which provides access at over 2,500 post offices to a range of banking services for card-based accounts of participating financial institutions (currently nine).²

If each giroPost office were considered a separate entry point for each participating institution (although at the same physical location), Australia would rank at the top of the table for entry points per million inhabitants. Looked at in this way, the establishment of giroPost could be seen as offsetting the long-term decline in the number of bank agencies and increasing the range of choice for customers at each of its representation points, around 40 per cent of which are in rural communities.

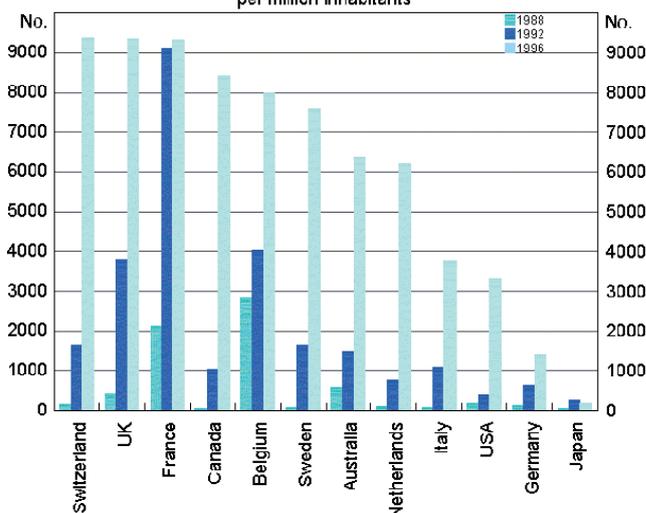
Graph 4: ATMs and Cash Dispensers
per million inhabitants



4. Access through Automated Teller Machines (ATMs)

Graph 4 shows the growth in electronic access to payment and some other banking services through ATMs and cash dispensers. Latest data show that between 1992 and 1996, the number of ATMs per million inhabitants in Australia rose by around 29 per cent (from 302 to 389), following a 27 per cent increase between 1988 and 1992. Growth in most other countries was even stronger, pushing Australia's ranking in terms of ATM penetration down from seventh to ninth. Graph 4 also shows that Australia's position is in line with several other countries where market penetration has reached around 400 ATM's per million inhabitants.

Graph 5: EFTPOS Terminals
per million inhabitants



2. The participating institutions are Adelaide Bank, Advance Bank, Bank of Melbourne, Bendigo Bank, Citibank, Commonwealth Bank, HongkongBank, Metway Bank, and Piccol Credit Union. Customers can use their debit and credit cards at the post office to access their bank accounts for deposits, withdrawals, account balance enquiries and payments for credit card bills; they can also open new accounts. Unlike the giro systems of some Western European countries, however, members of the public do not maintain accounts directly with Australia Post.

5. Electronic Funds Transfer at Point of Sale (EFTPOS) Terminals

As in the case of ATMs, the number of EFTPOS terminals per capita has grown in all major countries, but at more spectacular rates (Graph 5).

In Australia, the number of EFTPOS terminals per million inhabitants rose from 1,497 in 1992 to 6,373 in 1996. This growth, however, was surpassed by a number of other countries, many of which started later in spreading this technology. In the United States, Netherlands and Canada, for example, the number of EFTPOS terminals per million inhabitants rose eight-fold over this four year period. This left Australia in the middle of the group in terms of EFTPOS penetration, after being third in the late 1980s.

6. Conclusions

The original submission cautioned that differences in the structure of financial systems, population densities and other factors made international comparisons of banking

facilities difficult. Bearing this caveat in mind, the updated analysis provides three broad conclusions:

- the number of bank branches per million inhabitants, and more general measures of payments system entry points, has declined further in the 1990s in Australia and most other - though not all - developed countries. Australia's ranking has moved from the top three or four to around the middle of the range. This is a continuation of the earlier trend and has been driven mainly by the desire of banks worldwide to reduce operating costs and substitute electronic access for branches;
- although branch representation outside capital cities in Australia has been steadily declining, the introduction of giroPost has increased access to basic banking services provided by a number of financial institutions, both in metropolitan and non-metropolitan areas;
- and ATM and EFTPOS penetration continues to rise strongly in Australia, though the recent pace has lagged many other countries. After adopting the technology fairly early and ranking among the leaders in the late 1980s, Australia is now in the middle of the range.

APPENDIX

Table A1: Bank Branches and Total Entry Points

1992			
Country	Bank Branches	Entry Points	Population
Australia	6,920	13,048	17,572,000
Belgium	7,263	12,507	10,050,000
Canada	7,764	13,879	28,700,000
France	14,663	42,334	57,200,000
Germany	28,895	71,686	81,000,000
Italy	14,830	35,201	56,900,000
Japan	15,138	71,062	124,500,000
Netherlands	3,112	7,468	15,200,000
Sweden	2,910	4,683	8,670,000
Switzerland	4,111	7,912	6,908,000
UK	13,259	39,184	57,800,000
USA	53,744	84,970	255,400,000
1996			
Country	Bank Branches	Entry Points	Population
Australia	6,507	12,257	18,310,700
Belgium	n.a.	11,710	10,170,000
Canada	8,125	13,712	30,100,000
France	14,609	42,425	58,500,000
Germany	46,912	66,441	82,000,000
Italy	17,713	38,993	57,500,000
Japan	15,119	72,202	125,900,000
Netherlands	2,543	6,683	15,500,000
Sweden	3,707	3,707	8,840,000
Switzerland	3,600	7,130	7,108,000
UK	12,033	35,941	58,800,000
USA	60,093	84,258	265,500,000

Table A2: Bank Branches in Australia (1983–1996)

	Number of branches			Population	
	Metro	Non-Metro	Total	Metro	Non-Metro
1983	3,311	2,716	6,027	9,742,700	5,709,200
1984	3,224	2,655	5,879	9,849,300	5,706,600
1985	3,266	2,646	5,912	9,972,800	5,927,800
1986	3,496	2,769	6,265	10,114,800	6,024,200
1987	3,484	2,935	6,419	10,276,900	6,122,000
1988	3,501	2,951	6,452	10,458,300	6,238,700
1989	3,585	2,984	6,569	10,633,900	6,322,900
1990	3,796	2,779	6,575	10,776,000	6,434,800
1991	3,960	2,957	6,917	10,937,900	6,446,600
1992	4,032	2,888	6,920	11,050,400	6,521,500
1993	4,158	2,906	7,064	11,134,400	6,611,400
1994	4,105	2,685	6,790	11,229,500	6,613,800
1995	3,990	2,665	6,655	11,328,400	6,672,100
1996	3,878	2,629	6,507	11,599,400	6,711,300
1997	3,499	2,622	6,121	n.a.	n.a.

Table A3: Bank Branches per million inhabitants

Country	1992	1996
Germany	357	572
Switzerland	595	506
Sweden	336	419
Australia	394	355
Italy	261	308
Canada	271	270
France	256	250
USA	210	226
UK	229	205
Netherlands	205	164
Japan	122	120

Table A4: Entry Points per million inhabitants

Country	1992	1996
Belgium	1,244	1,151
Switzerland	1,145	1,003
Germany	885	810
France	740	725
Italy	619	678
Australia	743	669
UK	678	611
Japan	571	573
Canada	484	456
Netherlands	491	431
Sweden	540	419
USA	333	317

Table A6: EFTPOS terminals per million inhabitants

Country	1992	1996
Switzerland	1,640	9,376
UK	3,806	9,354
France	9,091	9,333
Canada	1,031	8,408
Belgium	4,042	7,997
Sweden	1,647	7,579
Australia	1,497	6,373
Netherlands	753	6,196
Italy	1,094	3,758
USA	368	3,297
Germany	640	1,402
Japan	264	183

Table A5: ATMs per million inhabitants

Country	1992	1996
Japan	870	1,051
Canada	509	617
Switzerland	386	585
USA	342	524
Germany	235	459
Italy	245	420
France	305	419
Belgium	109	414
Australia	302	389
UK	324	376
Netherlands	261	374
Sweden	254	269

Sources:

- Table A1 Australia: Reserve Bank of Australia *Bulletin* (bank branches) and the Australian Financial Institutions Commission (building society and credit union branches). Post Office agencies are defined as Commonwealth Bank agencies. Data are as at end June.
Other countries: BIS (1993), *Payment Systems in the Group of Ten countries* and BIS (1997), *Statistics on Payment Systems in the Group of Ten countries*.
Data are as at end calendar year.
- Table A2 Reserve Bank of Australia. Data are as at end June. Population from Australian Bureau of Statistics Catalogue No. 3101.0
- Tables A5 and A6 Australia: The Australian Payments System Council. Data are as at end June. Other countries: BIS (1997), *Statistics on Payment Systems in the Group of Ten countries*. Data are as at end calendar year.