



## Internet Banking in Australia

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By Dr. M. Sathye  
[sathye@usq.edu.au](mailto:sathye@usq.edu.au)  
[www.usq.edu.au](http://www.usq.edu.au)

Milind Sathye is Lecturer, Department of Banking and Finance, University of Southern Queensland, 4350, Australia, and formerly Assistant Director Commonwealth Treasury, Canberra Australia.

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After the release of the Wallis Inquiry into the Financial System in Australia and its acceptance almost in full by the Commonwealth Government, competition is now fierce in the banking industry in Australia. One of the main areas of competition in the days ahead will be Internet banking. Hence this article surveys the status of Internet banking in Australia as it stands today and suggests ways for Australian banks to forge ahead in this upcoming field.

### Wallis Report and Internet banking:

The Wallis Report observes that Internet will transform banking business both within financial institutions and with customers in the days ahead. The Committee feels that conditions are quite favourable in Australia for rapid development of Internet banking. The substantial upgradation of communications infrastructure now underway in Australia will aid the process of Internet banking. Another advantage is that majority of the Australian+s are already familiar with PCs. Some 47 percent of Australian households own PCs and 15 percent have modem which is indicative of substantial scope for home banking via the Internet. Further many employees have access to computer in the work place and choose to conduct business with banks during office hours. Add to this, Internet penetration is large and growing. The Wallis Report says that 11 percent of the Australian population over 15 years of age, is likely to have used the Internet in the past week and usage is doubling every 10 months. The Report however acknowledges that the main hurdle in the growth of Internet banking is that of security and reliability.

Internet is currently being used by the financial services industry in Australia mainly for brand awareness and promotion. While it is possible to conduct financial services over the Internet, its use for transacting banking business in Australia is currently minimal. As the Internet becomes widely accessible and security is improved through technologies such as encryption and authentication, Australians will conduct their transactions over the Internet.

The Wallis Report records that Smart card trials have been conducted or in progress in Australia. These include the following : Quick Link: a reloadable card which has been in operation in Newcastle since 1995. Transcard: a reloadable card using contactless technology which was designed initially for public transport ticketing. Visa Cash: a disposable and reloadable card launched in GoldCoast, similar to the one used in Atlanta Olympic Games. MasterCard Cash: a reloadable card which was on trial in Canberra in 1996.

### Present Status of Internet banking in Australia:

As at the end of September 1997, Australia had 52 banks. Of these, only two banks have started Internet banking services. These are Advance Bank and Commonwealth Bank. ANZ and Metway propose to introduce the service by end of this year. As per press reports, ANZ is still negotiating with Internet banking specialists Security First Technologies and would be offering the same services as are offered by Commonwealth Bank. What is surprising is Australia+s biggest and most profitable bank, National Australia Bank has yet to start Internet banking.

Commonwealth Bank is providing services like account balance, transaction history. order statement, taxes and

interest, funds transfer, bills payment, create payee list and edit payee list on line. Advance bank which was the forerunner in Internet banking in Australia is offering full services over the Internet. It has also added the service of e-cash, which allows customers to use cash to buy electronic cash and to store it on their PC to make payments on the Internet. If one looks at the service from user friendly point of view, however, much needs to be done. The site seems to have been constructed assuming that every user is a computer engineer !!! They must get rid of the technical jargon off from that site and stop frightening the average customer who enters the site by way of curiosity. It is important that the whole thing is made plain and simple. The banks will do well to conduct periodical surveys and take customer views on the simplicity and ease of operation of the Internet banking. Compared to Commonwealth Bank site one finds the Advance bank site a bit easy to operate. It is important that the site is not cluttered with information which gives a feeling of the whole thing being complicated affair. The banks must tell upfront whether the service is free or otherwise instead of hiding this info in a maze of legal, computer and other technical jargons. The banks need to know that home banking will be done by housewives and old persons as well who will like the whole thing reduced to a couple of clicks here and there instead of being required to read through the instructions and download things they cannot understand. Make a survey and find out how many housewives know about Acrobat and system configuration and all that stuff. Still the Australian banks want them to do Internet banking !!!

### **Moving with caution:**

Maybe because of the complications involved about security and reliability as also about the lack of knowledge of Internet in Australia or whatever, it is obvious that banks in Australia are moving slowly and with caution into the Internet banking. The prime reason is of course the concern for security and reliability. However it must be conceded that as compared to North America and Europe, Australia lags far behind in the Internet banking. Even in the Asia Pacific region, the Japanese banks are leading in providing Internet banking services. There is hardly any research being done in this important emerging area of banking in Australia. In academic institutions also Internet banking receives scant attention in the Post Wallis din.

### **Conclusion:**

If Australian banking is not to look medieval in the fast changing banking world, it is important that Aussie banks, academicians, computer specialists, and people at large all give serious attention to Internet banking in the days ahead. People education will be crucial in this regard. Once customers are convinced about the multifarious advantages of this fascinating banking, they will start asking for this service from their banks thus putting pressure on the banks to go ahead fast with Internet Banking. But as the things stand today one cannot expect till 1998 for Aussie banks to make a dent into Internet banking. And till this happens we Australian will continue to go to ATMs and bank branches to withdraw cash or know our account balances !!!!