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Falling Branches, Dying Roots? Bank Branch Closure in Small Towns.

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November, 2000
Plate 1: Two elderly Pleasant Point residents attending against protest of the closure of their local bank branch.
(Source: The Timaru Herald, Friday 5 March, 1999)
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Chapter 1. Introduction

INTRODUCTION

"Closure of bank branches has been an inevitable result of the reshaping of financial service distribution systems. This has been brought about by the need for the banking sector to maximise efficiency by capitalising on more cost-effective, technology-based distribution methods. The implications of such closure are significant indeed for the communities they affect, and are particularly evident in rural areas" (Beal and Ralston, 1997:56).

The recent dramatic shift from widely distributed, mostly State-owned, enterprises to sparsely represented, private corporations has been viewed in the popular mind as an urban phenomenon (Leyshon and Thrift, 1993). However, it can also be argued that the provision of services like banking in small towns has been much more significantly affected by government restructuring policies as such services are usually the first to be withdrawn from areas of low population density (ibid.). This, in turn, suggests that the provision of services in rural areas is held in less regard by banking corporations than their provision in urban areas. Furthermore, even with the many institutional and economic changes that occurred in New Zealand during the 1980s and 1990s, and which have compromised the very existence of some small towns, the importance of basic services is taken for granted by many providers (Coombes, 1992).

In New Zealand restructuring has wrought considerable changes in the provision of services funded by the State and private organisations, not only in terms of the number of such services available but also the form they take. Restructuring in New Zealand began with 'Rogernomics', a period of social and economic change initiated by the fourth Labour Government after the 1984 election. So called after its chief proponent, Roger Douglas, 'Rogernomics' saw the introduction of economic policies which involved the corporatisation or privatisation of many state activities, taxation reform, reduction in the Welfare State, and market liberalisation. All involved frequent mergers and corporate restructuring, a
movement that soon embraced the privately funded service sector (Le Heron and Pawson, 1996).

Change was not confined to the local and national levels in New Zealand. Rather, throughout the process of globalisation, services have been restructured around the world. Indeed, Dicken (1998) argues that regardless of our position in the world economy we cannot fail to be aware that what is happening in our backyard is the product of forces operating at a much wider geographical scale. Commonly identified as ‘economic globalisation’, the accelerating flows of capital, investment and trade across the globe since the 1970s have been symbolised by the rapid growth of transnational corporations, speculative financial investments, and state liberalisation (Fagan and Weber, 1994, Linge, 1993, Dicken, 1998). Some commentators, among them Castells (1989), believe that compression of time and space has rendered meaningless the central geographic notion of place. Paradoxically, globalisation has, in reality, reaffirmed the importance of the local level and local diversity (Fagan and Weber, 1994, Peck and Tickell, 1994).

In addition to generating new forms of what is essentially risk investment, globalisation is associated with the emergence of ‘super competition’ – or, as Arndt (1987) termed it, ‘Market Darwinism’ - in which firms are forced to restructure to remain profitable. These broader international influences have not been without impact on New Zealand. The defeat of the Labour Government in 1990 did not end the process; the in-coming National Government continued the transformation of New Zealand’s economy. This was accomplished through a series of policies occasionally referred to as ‘Ruthanasia’, after the Minister of Finance, Ruth Richardson who initiated many of them (Easton, in Rees et al., 1993).

Until the 1990s, a relatively high level of service provision still existed in New Zealand, which, in turn, was an important component of the quality of life enjoyed by small town residents. Coombes (1992) suggests this is a consequence of the rural sector of the nation’s economy, especially farming, being viewed favourably in the New Zealand political arena and ensuring that rural communities
were 'looked after' in terms of service provision. However, since then few, if any, rural services have escaped the cycle of restructuring; few as radically as the Post Office, health care, or education, and certainly none as extensively as banking services, the focus of the current study. The key question posed in this research is how local communities coped with restructuring. Coombes (1992) suggested that governments sitting during this restructuring period assumed that small town communities would simply cope with change. The current study examines how, when faced with change, small town people develop coping strategies which will, in turn, affect the social fabric of the town at the individual level and may lead to a new consensus of opinion and communal action in rural centres.

1.1 Research into Small Town Service Provision in New Zealand

For the purposes of this study, 'small town' includes allied 'rural' areas, the latter term indicating a close functional relationship with the farming sector as well as a distant or isolated geographic location. The demographic target of this study is the people who reside in the town and are employed within its boundaries. In response to Cloke's (1986) advocacy of research into service change in the provincial areas of New Zealand, this dissertation focuses on the effects of bank branch closure, primarily because of its limited attention in the existing literature. It aims to assess the impact of bank closure on communities at a number of levels. Small towns, like any settlement, are affected by bank branch closures, by decline in services available to the community when banking corporations close branches or merge their operations, and by loss of associated services through the closure of all bank branches. Additionally, residents of small towns are often denied access to non-branch delivery services because of their small populations. Residents are then forced to adopt new, potentially alienating, technologies or to commute to larger centres for their banking services. Despite this process having been in train for over a decade, surprisingly little academic research has focused on the effects of service decline in New Zealand small town communities and, in particular, how affected communities deal with the issues of service withdrawal.
In developing this theme of reduction in and denial of services, the underlying assumption of this research is that the residents of small towns enjoy a common bond, termed a 'sense of community', which enables them to survive major disruption to their lives, as with the withdrawal of necessary services. Attachment to a small town is evident at two levels: the individual and the community. Relevant aspects of the theory of community are outlined in the following chapter and in Chapter Five they are explored through two case studies, along with the notions of social sustainability and empowerment.

Moore (1998) promotes the use of case studies as essential to understanding the social effects of change at the local level. A similar strategy is adopted in this dissertation, in the form of two case studies located in South Canterbury, a region chosen primarily because it has a history of service decline during the 1990s and is sufficiently distant from other major centres to be relatively isolated from their influence. The nearest large regional centre is Timaru, which has also experienced population and service decline yet, more than ever, is relied on by residents of smaller, outlying towns to provide requisite services. The role of the two case studies is to gain understanding at the macro level of the effects of bank branch closure on small towns and to strengthen comparison with findings elsewhere. Opinions and impacts at the local and individual levels are dynamic – the analysis reported later in this dissertation tends to confirm the view that no two cases are identical – but it proved possible to establish reasonably firm conclusions about this topic.

The two case study sites represent contrasting local community scenarios. The first, Temuka is some fifteen kilometres north of Timaru (Figure 1.1) and is a township which has experienced steady decline in the provision of branch banking services over the past decade yet has retained some branches and acquired several ATMs. The other, Pleasant Point, a much smaller rural community situated northwest of Timaru, lost its only bank branch in 1997. It is not regarded by any major banking corporation as an appropriate place for an ATM or even a small-scale, limited service outlet.
1.2 The New Zealand Banking System

The principal delivering element of the New Zealand financial system is the trading bank, a commercial organisation which must be registered with the Reserve Bank of New Zealand. At present there are five major, full-service banks (ASB Bank, ANZ Bank, Bank of New Zealand, The National Bank, and Westpac Trust) and one solely retail bank (TSB Bank which operates predominantly in Taranaki Province but has national aspirations). A number of building societies, finance companies and credit unions also offer banking services in New Zealand. These are relatively small co-operative organisations, which focus on the retail banking sector, and which provide services to the population at large (Matthews, 2000:13). Merchant Banks such as Faye-Richwhite also operate within New Zealand, but they deal mainly with larger corporate portfolios and currency transactions rather than with the individual savings and loan services provided by trading and retail banks.
Banking corporations decided on branch closures and staff reductions throughout urban and small town New Zealand due to the need for them to keep abreast of technological advances in telecommunications and computing within the open New Zealand banking system. This was needed if they were to remain competitive, and would allow them to establish one of the most technologically advanced banking systems in the world (Matthews, 2000). Branch closure is often seen as a direct reaction to rationalisation among the 'Big Four' banks in Australia - BNZ (owned by National Australia Bank), ASB Bank (owned by Commonwealth Bank of Australia), Westpac and ANZ (Sheeran, 1999:E1-2) - and resulted in complementary waves of branch closures in New Zealand. Branch closures have been justified by an increase in so-called 'non-branch delivery services', such as Automatic Teller Machines (ATMs), EFTPOS, direct credits and debits, as well as Internet and Telephone banking, all of which are viewed as 24-hour, seven days a week, services (Matthews, 2000).

1.3 Importance of Bank Branches in Small Towns

Bank branches, as found in small towns in pre-restructuring days, were important components of the social and economic structures of a community. They not only provided jobs for local people and allowed families ready access to cash but also enabled them to borrow money and make loan repayments. They gave older people in particular the security of knowing they could obtain cash conveniently and safely as well as have a friendly face-to-face chat about their affairs. Bank branches, too, were places where businesses got change for their cash registers and deposited daily takings (Finsec, 2000). Additionally, service provision was an effective link between small town people because services support people and people support services. In this respect, as Joseph and Chalmers (1995) argue, it is useful to distinguish between services that contribute to the sustainability of day-to-day lifestyles and those that support the longer-term maintenance of independent lives in place.
The consequences of bank branch closures in rural areas are varied and often considerable. They impact on the community at a number of levels, often resulting in negative changes to the employment base, social life, and infrastructure of the affected community. For example, in their study of seven rural New South Wales towns, Ralston and Beal (1997) found that individual small town people were directly affected through reduced savings, reduced investment income, and increased size of cash withdrawals. Reduced access to and increased cost of finance as well as reduced access to financial planning advice were observed. The same study concluded that for businesses a bank branch closure was followed by an increase in cheque cashing, loss of cash sales, accumulation of excess cash, delays in depositing cheques, and increases in bad debts.

A less obvious impact is that people tend to shop in the town where they bank. When a bank branch in a small town closes, its former patrons might be expected to update to new, non-branch, electronic banking methods or take their business to the nearest branch of the same corporation. There, they may also satisfy their shopping requirements, thereby conferring a bonus on that place to the detriment of the economy of the small town where the branch closed. According to Ralston and Beal (1997:128) “this permanent change in spending patterns of individuals away from their local communities and towards larger towns spells death to local businesses, local services and local communities”. This loss in local spending and financial investment may also lead to loss of community confidence, population decline and a decrease in the employment base of small towns, all essential to a community’s survival.

1.4 Research Questions

Given the general context of service rationalisation in the banking industry, and how small New Zealand communities have reacted to the closure of bank branches (Section 1.1), specific research questions were identified and the most appropriate were selected. This study concerns three core research questions:
1. How has bank branch closure affected the social character of the community?

2. What options have small town communities been given by banking corporations to reduce, mitigate or compensate for the loss of traditional financial delivery systems, and have they been adopted?

3. Have affected communities developed or welcomed alternatives to reduce, mitigate or compensate for the loss of traditional financial delivery systems?

1.5 Research Outline

This dissertation is organised into six chapters. Following this Introduction, Chapter Two reviews the literature that provides the conceptual context for this study, and includes the relevant national and international literatures. Themes deemed important by other researchers and relating to changing service provision in small towns, communities, social sustainability and empowerment - are covered. The guiding research strategy used to address the objectives of this study is discussed in Chapter Three. To place this study of small town bank branch closure in context, Chapter Four provides an account of the effects of service withdrawal in other developed countries, while introducing the formal alternatives available to small town communities seeking replacements for traditional over-the-counter banking methods. This is accompanied by an analysis of the levels at which small town communities are affected by, and respond to, financial service decline. Next, Chapter Five focuses on the factors that form and influence these levels in Temuka and Pleasant Point, and finally, Chapter Six provides a summary of the study, including possible avenues for future research.
"Without community action, there is not community development. If community attachment fosters community action, then exploring the detachments of individuals' attachment to their local communities is a first step toward finding solution to these problems" (Beggs et al. 1996: 407).

This chapter provides academic context for this investigation into recent changes in financial service provision in small towns. Bank branch closure in such situations incorporates four broad fields of academic inquiry: the changing provision of services; the nature of community; the idea of ‘social sustainability’; and, finally, the process of empowerment of affected communities in their responses to service decline and adoption of adaptive strategies. Each of these fields of enquiry constitutes the theoretical base for this research and provides already documented examples against which to evaluate results from the two case studies explored in this dissertation.

2.1 Service Provision Change in New Zealand

During the terms of the National and Labour administrations of the 1980s, fundamental policy changes were made to alleviate the deepening economic crisis stemming from long-standing macro-economic contradictions, global recession and protectionism, shifts in international competition, and organisation of production (Britton, et al. 1993). This period was also marked by changes in the provision of services. Entry arrangements were liberalised in banking, advertising and aviation, and changes to macroeconomic policy and laws governing money markets permitted the unrestricted flows of currency into and from New Zealand.
In retrospect, those changes were part of the process of economic and social restructuring, which gathered momentum in the 1990s but which had first gained currency in New Zealand in the mid-1970s, more or less as the post-1945 boom period of economic growth drew to a close. Restructuring was directed at 'restoring competitiveness', the 'free market', as well as 'greater investor autonomy' and was justified by economic analysis and theory. The basic problems were perceived as economic and therefore in need of economic solutions (Britton, et al. 1993:4). This was the fundamental premise of the era known as 'Rogernomics', a period of dramatic economic restructuring which impacted upon all facets of life in New Zealand, among them retail banking. In the broadest terms, the agenda of the Labour Government (1984-1990) and that of its advisers from overseas and within New Zealand, was to open the way for the elaboration of 'market forces', or more correctly, the regeneration of capitalism. The process was driven by a rationale comprising three options. One was that where the benefits were primarily individual and separately identifiable, industry should be sold (privatised). A second was that where the benefits were both societal and individual, state-owned enterprises should be established and required to operate commercially; i.e., they would be corporatised. Thirdly, where the benefits were more societal than individual, then government departments should remain responsible for such services or be departmentalised (ibid.).

When implemented, this rationale initiated a series of changes that produced considerable reduction in the service sector concomitant with a withdrawal by the State from the provision of some services. Staff redundancies were considerable, most profoundly in terms of government activity in taxation, welfare, labour, and related services (Britton, et al. 1993). This reduction in the 'Welfare State' apparatus was accompanied by a trend towards customer self-service and reduced employment growth in several industries, including banking which featured increased use of Automatic Teller Machines (ATMs), as well as Telephone and Internet banking. Such technological advances allow industries to match the trends of competing industries dispersed through globalisation in an attempt to match if not stay one step ahead of the competition. Thus, through technological
advances, global influences have come to condition the provision and form of local services.

Changes in the provision of services, including those provided by bank branches, have led to rural and small town unemployment. Many provincial areas have suffered from outward migration, often of the youngest and most able, and this population decline has eroded the vitality of small town services as well as the communities themselves (Leyshon and Thrift, 1995). Services usually provided by widely spread organisations have become increasingly specialised and centralised. As a result, consolidated schools serve many communities, doctors are concentrated in group practice clinics in the larger towns, and area-wide 'growth centres' supply much of the shopping and entertainment for non-urban areas whose people are purchasing much the same market basket as their urban counterparts (Dillman and Hobbs, 1982).

Jackson (1994) has argued that technologically, New Zealand's banking industry is likely to be driven by what dominates globally (in Le Heron and Pawson, 1996). Similarly, Fagan (1990) believes restructuring has become a widely accepted label for the suite of economic, social and political changes that have arisen in response to the current crisis in capital accumulation. Restructuring typically occurs in periods of severe or concentrated political change, when new relations between capital, labour and the state emerge, giving rise to a new regime of accumulation.

These dynamics of global restructuring have had a profound influence on the New Zealand financial sector, to the point where profits and dividends may be sent offshore rather than remain in the local economy. The situation was well stated by the Alliance Party leader Jim Anderton in his 1999 address to credit union Otago:

"The five big banks - ANZ Postbank, ASB, BNZ, National Bank and Westpac Trust - made a combined after tax operating profit in New Zealand last year of $1100 million. They paid dividends to their overseas shareholders of over $1000 million, adding to our total overseas debt which now stands at $101 billion. Ninety percent of their profits are not being reinvested in banking in New Zealand, but are claimed by overseas owners" (Anderton, 1999, speech notes).
It is clear that restructuring changes places. Restructuring is about the impact of global, national and local forces that combine to shape the material world we encounter daily, wherever we live. However, the reverse also applies. By definition, the capitalist accumulation process is inherently global so adequate recognition must be given to international trends. According to Britton et al. (1993:3) “our position is that the global must be seen in the local, and the local in the global”, and yet to single out global forces for consideration is to miss the significant influence of national and local processes.

The local is, of course, of prime interest to the present study. Its relevance in terms of restructuring as having had a negative impact through service change, and meaning was captured by Coombes (1992:31) in his study of service decline in Balclutha. Quoting one member of the community whom he interviewed, the point was made that the concern of a majority of Balclutha residents was the prospect of losing local doctors through health service decline. “They’re [doctors] not just for health needs, they’re leaders in the community and leaders we just don’t want to lose”, an assessment which Coombes (1992) endorsed. Additionally, Kearns and Joseph (1997), in their study of the restructuring of the health sector, argued that an interpretation of the local impacts of any particular aspect of restructuring needs to be set alongside an appreciation of the in-place impact of other processes unfolding over the socio-cultural landscape. In the same vein, they believe there should be an acknowledgement of the dynamic inter-relationship of place and space, and of structure and human agency.

2.2 Community Theory

As pointed out in the introduction, the underlying assumption of this dissertation is that residents of small towns share feelings of togetherness and attachment to a shared location or place, a ‘sense of community’ and a notion deeply rooted in the idea of the ‘local’.
In the field of social geography, there are numerous perspectives on the concept of community. Lewis (1979), however, has identified two major approaches. First is the ecological, in which community structure manifests itself in a spatial and a temporal sense. The second views community as a social system - that is, as the smallest spatial system which encompasses the major features of society. Under that concept a community is a place where individuals interact with each other and receive the greater part of their physiological, psychological and social needs, and personal support.

Insofar as the economic and political decisions that drive restructuring are usually made at government and corporate levels, the process is largely an urban one. However, the effects of such ‘urban’ decisions do not stop at the boundaries of the town. Rather, they filter down and permeate the realm of the small town. In the face of globalisation, such communities become increasingly like urban areas (although smaller in population size) in terms of their needs for service provision, communication and transport facilities (Dicken, 1998), as well as business opportunities due to the increase in Internet use as a means to operate a business from home. Yet, as stated in Chapter One, small towns are usually harder hit by service change than are urban areas and, thus, the transformations in the two are uneven, as shown by the absence of alternative services available to small town communities.

In their study of community, Elias and Scotson (in Bell and Newby, 1978) suggest that the researcher is faced with a great variety of problems. They raised, by implication, the question of whether or not all communities are equally constructed and maintained, to gain an understanding of what defines their specific characters (the character of a community) which is the focus of this study. Thus, this concept of community infers a dynamic created and maintained by the people involved, which is in turn rooted in a particular geographic location.
Agnew (1987 in Johnston et al., 1998:442), defines place as "[a] proportion of geographical space occupied by a person or thing" Johnston (1998) goes further to state that this 'sense of place' is intrinsic to a place itself as well as to the attachment people have to it. Nevertheless Jackson and Penrose (1993, in Dunn et al. 1995) stipulate that, like notions of race and gender, places are not givens. They are in fact socially constructed outcomes.

As a socially constructed concept, then, a community implies socially bonded relationships that allow townsfolk to survive events that have disturbed the usual behaviour and operation of a community. Indeed, according to Sussman (1959:1-2) a community is said to exist "when interaction between individuals has the purpose of meeting individual needs and obtaining group goods". On the other hand, Jonassen (in ibid.) thought the term 'community' has been used indiscriminately to mean anything from a neighbourhood, a 'world community', and even a number of persons with like interests. Such a vague if not nebulous definition can only add to the confusion so apparent in studies that invoke this concept. Instead Jonassen (1959) offers a more specific definition where a community consists of an integrated group of interdependent biotic, cultural, and social relations and structures that have evolved through mutual adjustments to environmental situations. To Jonassen community,

"is a spatial group wherein the effects of interdependence and integration are made evident by the community's consciousness of unity and its ability to exercise adequate control over social, cultural and biotic processes within its boundaries" (Jonassen, 1959: 21).

Much of the confusion surrounding the concept derives from the early use made of it by Ferdinand Tönnies. In his book Gemeinschaft und Gesellschaft, Tönnies (1887) provided a rich source of ideas about human communities. His greatest legacy was the typological perspective on community, a typology usually expressed in terms of dichotomy, Gemeinschaft (community) and Gesellschaft (society). Of these, Tönnies believed Gemeinschaft to be the more enduring as it identifies a

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1 This is characterised by three major elements of Place: Locale – the settings in which social relations are constituted; Location – the geographical area being occupied; and Sense of Place – the local 'structure of feeling' (Johnston et al, 1998:442).
particular system of social relationships with a specific geographical locale: a dimension not unlike Agnew's sense of place. Additionally, Naples (1994) found that changes within communities resulted in a loss of what best can be described as gemeinschaft.

In an analysis of Tönnies' ideas, Loomis (in Lewis, 1979:33) argued that "no social system could persist if relations were either completely Gemeinschaft-like or completely Gesellschaft-like". Even if this were so, it is not a solution that would prevent the human mind from conceiving of such ideal-types and using them for comparative and ordering purposes.

2.3 Nature of the Small Town Community

"Aside from the family farm, no aspect of community life is bestowed with greater nostalgia, images of social harmony, and old-fashioned virtue than is the rural community. Because it is small, the rural community is romanticised as a place with no identity crisis. It is seen as a place where sharing and caring are a way of life and democratic decision making has prevailed" (Dillman and Hobbs, 1982:245).

When one refers to small town communities a locality is implied, that is a geographically defined place where people interact. Thus, Dillman and Hobbs' 1982 statement about the rural community is also applicable to small towns. Whatever the reality of often idealised values and images associated with such places, economic change means small town communities face dilemmas about their future. The self-sufficient community with its one-room schools, a general store, butcher shop, post office and family doctor has long since given way to state and local partnerships in the provision of many such services.

Small towns are not static entities. Rather the issues affecting them can be examined in terms of change. Indeed, rural communities have never been insulated from the social and economic change underway in the broader society. What occurs in them is an outcome of history, and especially of the changing relationship between rural and urban society. Nevertheless, the choices small town people make will affect the direction change takes in their communities, as do
political and economic decisions made outside the community. Not only that,
social problems experienced by the residents of small communities become
problems capable of solution through collective action (Jones, 1995).

Change is especially evident in economic life. In the past rural and small town
communities were often characterised by their primary activity, which was usually
a single economic base. This is today much less so than in earlier years. Most small
town communities are now diversifying their economies, and even if they are
dominated by a single dominant enterprise, economic life still involves a broad set
of commercial activities. Furthermore, small town communities are much less self-
sufficient than they once were; servicing, distribution, transportation and
communications with the surrounding area, and indeed the globe, are vital to their
survival.

However, as Massey (1995), among many, has pointed out the question of the
construction of community and the meaning of place arises because of particular
developments, specifically those of social relations, time-space compression, and
globalisation. For this reason, the nature of 'place' and 'community' is now
increasingly globally determined. The provision of small town services is no
exception, especially not banking facilities, where corporate decisions taken by
offshore owners appear to determine the role and degree of financial services
available in small town New Zealand.

### 2.3.1 How communities respond to change

Many myths surround small towns, none more so than the belief that the people
who live in such settlements are ambivalent about change. On the contrary, Taylor
(1995) shows that residents of small towns have a good understanding of the
processes that threaten their viability and are aware of downstream implications.
From this knowledge, according to Taylor (ibid.), they are able to anticipate change
and lessen its impact. In this respect, when reading across a number of examples it
became apparent that there are various themes about how communities respond
to change. These themes relate to the negative impact of change on small town communities with respect to economic, service, social and cultural implications, from loss of community feeling to major economic downturn. According to Coombes (1992), there are a number of ‘disaster’ theories which falsely depict small town reactions to change. Small town communities are often qualified in a negative manner, with terms such as \textit{vicious cycles} and \textit{permanent decline}.

Coombes \textit{(ibid.)} believes previous studies too often imply that small town communities simply cope with change. Furthermore, there is the suggestion that such communities are uniform in their perception of change as a whole and that all members respond to change in a similar fashion. This suggestion overlooks the specific impact on peoples of differing variables or characteristics, like age, socio-economic status, and employment. The current study addresses this research gap.

The diverse composition of small town communities is often hidden by the need for members to assume a collective identity by believing they are socially equal in theory, if not in reality, in their pursuit of common goals. Jones (1995:8), however, contests that view. Such equalities seldom exist and “communities develop a set of strategies to protect the illusion, and thereby a sense of social cohesion, and a sense of solidarity, are maintained in the face of very real discrepancies in wealth and power”. Solidarity, suggests Jones \textit{(ibid.)}, offers community members a sense of belonging but also demands a measure of conformity, which can block change or limit the choices communities may consider in dealing with social issues.

Yet such a veneer of solidarity does not restrain members of the community, individually or collectively from reacting to service decline in an angry or outraged fashion. This is a typical response in small towns when daily lives are disrupted. Such outbursts are hardly surprising when people find themselves disempowered and their communities marginalised. According to Flecknoe and McLellan (1994:6), they are frequently stimulated because change is all too often experienced as a negative process imposed from the outside “by faceless directors of multinational companies, or by leaders of central government who seem
immune to protest and who do not have to live with the consequences of their
decisions”.

Outrage about the prospect of service withdrawal may be expressed through
migration in search of employment and family opportunities. Research by Fitchen
(1995) has shown that the first to leave town are usually the young, skilled and
educated. Selective out-migration is likely to increase local poverty rates simply
because the community’s population declines without commensurate reduction in
the number of its low-income residents.

Absolute change in service provision was found by Coombes (1992) to be less
important than how affected communities perceive change to the quality of their
services. However, while Coombes did not document the specific qualitative
changes, the current research aims to do so by examining change in the quality of
service provision using a case study of absolute financial service withdrawal
(Pleasant Point) and one of reduction in customer choice of banking corporations
(Temuka).

As the financial services industry moves towards a more ‘remote’, at-a-distance,
form of doing business through increased use of technology, so it retreats from
service provision in areas occupied by individuals least able to participate
(Leyshon and Thrift, 1995). Such developments also require of affected
individuals a greater involvement with, and understanding of, the workings of the
financial system than is necessary to maintain an ordinary cheque or savings
account. This greater level of awareness has been termed ‘Financial Literacy’
(ibid.). As small town communities often comprise a substantial proportion of
older people accustomed to more traditional ways of transacting their savings,
they may be unwilling or unable to adapt to the new, at-a-distance banking
methods.
2.3.2 *How response is catalysed*

Social change can be interpreted in different ways and at different scales. At the individual level it can be defined as the process by which people change from a traditional way of life to a more complex, technologically advanced and rapidly changing lifestyle. Such change is not always desired by the community. This is the case in the restructuring of service provision – especially in terms of banking, which may emanate from within or without the community. Empirical evidence would suggest that the latter is by far the most dominant among small town communities (Lewis, 1979). Additionally, the rate at which social change takes place is of crucial significance for the functioning and structure of a community. Failure by a community to adjust fully to change can cause considerable conflict and problems of adjustment for the individuals involved. A community’s response to forced or imposed change is catalysed by their believed ‘need’ to pull together as a group in the traditional sense of the term by activating their sense of community or attachment to a specific place (Naples, 1994).

2.3.3 *Locals acting together*

In an earlier study by Knoke and Thompson (1977, in Beggs *et al*, 1996) it was found that in any organised community response to change, variations occurred along the lines of gender, age, education and affluence. For example, individuals with higher incomes hold higher expectations for their community and its leaders and, therefore, tend to be more critical of the community than less affluent persons. Additionally, people with higher levels of education had weaker local ties than did persons with lower levels of education, and more affluent individuals sought services, such as banking, that were unavailable in their community. As small town communities include a demographically diverse range of residents, it can therefore be assumed that a homogeneous, community-inclusive response to service decline is unlikely.
How residents of small towns cope with and make sense of changes within their respective communities represent two interrelated and less visible dimensions of social restructuring. According to Naples (1994), coping strategies include personal and family adjustments, as well as community-wide economic development approaches and provision of social services. Traditional notions of small town community life, ideologies of agrarianism and gemeinschaft, gender and class relations, are used as personal and community resources to cope with the changing economic and social context. Naples (ibid) found that communities suffering from some form of collective distress responded by collective action.

2.4 Social Sustainability

For several decades, research into communities has questioned whether modern forms of these social groups remain important, despite national and international economic and political forces that impose constraints and dictate many local decisions (Lyon, 1987, in Moxley and Proctor, 1995). The quality of community solidarity is a characteristic that is hypothesised in the literature to be enhanced by and a predictor of social sustainability. To Lloyd and Wilkinson (1985) the concept of solidarity expressed the extent of collective action and co-ordination – or solidarity – among diverse groups. Moxley and Proctor (1995) refer to the degree of solidarity as measured by the strength of evidence for an emerging pattern of community-wide social organisations that tends to unite, or is more inclusive of, the entire community. Their study found that solidarity promoted proactive and protective communal action.

On the other hand, Gibb (1994) defined community sustainability in a systems sense. Then, sustainability is the ability of a system to reproduce itself through time. A sustainable community is one which reproduces its essential ‘pattern of relationship’ over time. A sustainable community will maintain a degree of coherence in the face of ongoing changes within it and in its surrounding environment. As community solidarity is the basis of a sense of community, and
community action is promoted by this construct, social sustainability is borne out of community solidarity.

The elderly comprise an important part of a small town community in terms of its ability to survive change. Joseph and Chalmers (1998), in their article concerned with finding a 'place' for the elderly in sustainable communities, discussed how the wave of economic and social restructuring in small town New Zealand since 1984 had irreversibly transformed the community context for ageing. They found the way that elderly people construct their lives in light of the impacts of change in service provision has a significant influence on the way they view their place in the community and the sustainability of rural communities as places to live. Liepins (1997, in *ibid*) suggests the response of communities to the needs of their aged residents will depend very much on the way community futures (and as Joseph and Chalmers believe, by implication, sustainability) are constructed, circulated and re-constructed in rural places. Further, the elderly of the present era have built a tradition of supporting their community and its institutions throughout their lives, and of taking an active role as volunteers. Joseph and Chalmers (1998) also state that as a result of this dedication to their community, elderly people should be rewarded and respected as constructing part of the solution to the community sustainability problem, not as a major cause of it.

### 2.5 Empowerment and Adaptive Strategies

The human desire to participate in social and political life is evidenced in the range and quantity of voluntary and community groups operating in every town and city in New Zealand. Community theory hints at an important link between participation and empowerment (Kinlaw, 1995). The degree of participation depends on, and is customised to, each situation. Empowerment through participation is described by Prestby, *et al.* (1990) as multilevel and multidimensional. It has intra-personal, social, behavioural, and political components. When studying community empowerment through public participation it is important to understand the dynamics of the broader system. As
will be seen in Chapters Five and Six, the case studies which inform the research in this dissertation provide insight into how community members participate in some form of response to financial service decline, or indeed if they choose to do anything.

Kinlaw (1995) offers a dynamic definition of empowerment. He advocates continuous improvement in a group’s performance achieved by developing and extending the ‘competent influence’ of individuals over the areas and functions which affect their performance and that of the total organisation or community. Furthermore, a sense of the full potential of empowerment is gained when we understand it as a process for developing and deploying competent influence. In turn, competent influence may come from a prominent member of the public, such as a local businessperson. Nevertheless, “it is imperative that leaders take the time to understand the full scope of this process before they begin to make decisions and initiate actions to help their community enhance the empowerment of its people” (ibid:23).

Research to date has revealed that shifts in a small town’s economy manifest the growing diversity of survival strategies. In response to economic challenge, Naples (1994) found that small town residents in rural USA augmented their on and off-farm labour in order to conserve and generate household income. Working class residents pieced together the receipts from public assistance and on-farm work, work on others’ farms, off-farm employment, seasonal construction work, and informal activities such as sewing and carpentry. Naples also found that families combined work strategies to cover childcare and on-farm work, alternating shifts in local factories and, consequently, spending less time with one another. Men accepted numerous part-time and seasonal low-wage jobs as truck drivers, construction workers and factory workers, often great distances from their homes.

These adaptive strategies employed by members of a community under pressure are at the individual level, though in some cases affected persons help each other through combined work. However, these are not examples of co-ordinated
community effort in which the whole town rallies in a single act. Small town communities appear to implement adaptive strategies not too dissimilar to social Darwinism. This 'survival of the fittest' philosophy incorporates community members either adapting to the new means of financial service provision in order to participate in the town economy and everyday life, or be left behind. Joseph and Chalmers (1995) demonstrated that this process affects the elderly most in small town communities. Alternatively, those who do not or cannot adapt may migrate to places that offer the service provision they are accustomed to.

2.6 Summary

Four broad fields of academic inquiry have provided the conceptual framework and theoretical base for this research. These are studies of the changing provision of services in New Zealand; the nature of community; the idea of 'social sustainability'; and the process of empowerment. The dimensions of community-affecting change outlined in this analysis of the literature provide aspects that will inform the discussion in ChaptersFive and Six. The following chapter, however, discusses the research strategy, including consideration of the preferred approach, an introduction to the study area, and methods used for data collection and analysis.
This chapter outlines the methods used to determine the impact of bank branch closure in small towns, and the measures these communities may take in response to such closures. The chapter begins with a discussion of the approach guiding the research process. Following this is an introduction to the study area. An overview is then provided of the methods used to identify the research subjects and to specify methods for data collection. Finally, the strategies for data analysis are addressed.

3.1 Adopted Approach

As this study focuses on reaching an understanding of the consequences of bank branch closure, a two tiered system of procedures was used in the investigation. The first layer concerns the over-arching interpretative paradigm. As Sarantakos (1993:35) argues, “interpretative theorists believe that reality is not ‘out there’ but in the minds of people: reality is internally experienced, is socially constructed through interaction and interpreted through the actors, and based on the definition people attach to it”.

From this perspective, one aspect of the research is to understand the ‘realities’ of small town people in their experience of branch closure through the use of information from two case studies, thence to identify effects of branch closure and their consequences on small towns in general. By utilising an interpretative perspective there was implicit recognition that research subjects’ views of branch closure are an outcome of their experiences as well as of the effects on the wider community through social interactions. To achieve such understanding it was necessary to adopt a qualitative approach to the proposed research. The dominant
form of data collection involved a systematic postal questionnaire to provide this qualitative data. It was reinforced by detail from semi-structured, key informant interviews. This detailed analysis of local responses to bank restructuring replicates, in part, the approach of Campbell (1994) who focused on the response of farmers to external pressures during the mid-1980s. The present study however, has a broader, more community-based focus and provides empirical evidence for how the roles of and relationships between banks and small town communities are integral to and essential for community survival.

The second layer consisted of an in-depth literature search on the characteristics and extent of financial service changes in a wider context. Unlike other studies of small town change, there was no need to ground the research in the methodological realm of rural geography as financial service change has affected the entire country - rural areas and urban. The bodies of literature consulted concern New Zealand financial service restructuring and the effects of bank branch closure on small towns both overseas and in New Zealand.

3.2 Body of Theory – Placing the Research

"Qualitative research is set to produce theories that are grounded in empirical data from which they are generated and are the result of social research that goes through a number of steps" (Sarantakos, 1993:13).

If an investigator is to perform and justify social research it is necessary to work within a body of theory. Sarantakos (ibid.) asserts that a researcher should enter the field without preconceptions, strict designs, categories, hypotheses, expert knowledge about the research object, firm concepts, or theoretical definitions. However, such a pure approach to social research is difficult at best and it is rare to study a topic of concern to society from a completely neutral standpoint. That was certainly true of the present study. The detailed media coverage of small town branch closures meant that I began with preconceived ideas and opinions. In addition, any research into issues involving social groups results in bias as people talk to each other about their experiences, and this may affect a person's own perceptions and experience.
As outlined in Chapter Two, the underlying assumption of this study is that residents of small towns have a sense of togetherness, or ‘community’, which enables them to respond to change. According to Stacey (in Bell and Newby, 1974), if community studies are to be undertaken they must be justified as one would justify any piece of sociological research: i.e. they must make it possible either to test already existing propositions or to formulate hypotheses within a given conceptual framework. Furthermore, such studies should provide data in answer to questions about how particular aspects of society work, which may be drawn together to develop an understanding of the larger ‘how’ of social systems in general. In terms of the current piece of research this larger ‘how’ refers to the ways in which small town residents react to, and mitigate or reduce the effects of, branch closure.

Given that personal experiences of branch closure were invariably communicated by respondents to the questionnaire and in interviews, ‘Narrative Theory’ was used to reach an understanding of how small town communities are affected by the closure of local bank branches. This theoretical approach begins with the assumption that stories are a pervasive quality of our humanity. Narratives are used to organise an individual’s experience of time, to construct and maintain social groups, to guide socialisation processes, and to maintain control in organisations (Harris et al., 1995). Narratives can be conceptualised as social acts; they are an important part of the communicative processes used to construct the social world. Until recently, however, this relationship has been largely overlooked by social scientists because stories are seen as epiphenomenal (ibid.) and hence not worthy of serious attention. In spite of this, narrative is a useful concept in the context of the current study as the ‘story’ of small town community responses to bank branch closure is the overarching outcome of this dissertation. Ricoeur (1984, in Harris et al., 1995) called this ‘emplotment’, where a sequence of stories regarding an event is constructed to form a chronicle.
3.3 Recognition of Community Diversity

It was important for the research to recognise difference and diversity in the responses to questions as well as in the results of related studies. It was also thought desirable not to replicate past studies, and their research strategies, but rather to strike out on a new path. Recognition of diversity carries over into the interpretation of results from the two case studies as both towns had different experiences of branch closure, as will be explained later in this section.

Robson (1993:402) suggested that "anyone moving away from studies based on quantitative data is likely to have to face criticisms that the work is unreliable, invalid and generally unworthy of admission into the magic circle of science". In recognition of this suggestion, information was collected from a range of sources as well as the employment of differing methods. Besides facilitating critical analysis, triangulation may verify perceived patterns and processes, and complement other responses (Walker, 1993). Furthermore, Sarantakos (1993) asserts that triangulation can be of two types; *inter-method* and *intra-method*. Both have been adopted in this dissertation. Figure 3.1 below illustrates the use of triangulation in this study.

By drawing on different methodological approaches I was able to design a study that is compatible with current thinking about rural change and appropriate for
my research questions. The balance of this chapter will focus on the case study area and the methods used for data collection and analysis.

3.4 Case Study Area

The Timaru District of South Canterbury is in the heart of the South Island. Bounded by the Rangitata River to the north and the Waitaki to the south and stretching from the Pacific Ocean to the Southern Alps, South Canterbury is a prosperous part of the country. The main town is Timaru, servicing the region’s tourist industry while housing one of New Zealand’s main ports. Timaru provides financial services to towns throughout the district, especially those left without branches during the recent phase of rationalisation, or that never had such services. In terms of financial services, Timaru has branches of ANZ Banking Group Limited (ANZ), ASB Bank Limited, Bank of New Zealand (BNZ), National Bank of New Zealand Limited (National), and WestpacTrust.

3.4.1 Temuka

Originally forested, the Temuka area was settled in 1853 by William Hornbrook. Initially it was thought the land between the Temuka and Opihi rivers would be the site for a settlement. The Rhodes brothers of Timaru bought and subdivided 25 acres of surrounding land in 1859. However, floods destroyed any dreams they had of completing the project. Meanwhile, surveyor Samuel Hewlings had subdivided land on the north bank of the Temuka River, and it was there that the township grew.

First called Wallingford, after Hewling’s birthplace in Berkshire, Temuka took its Maori name in 1866. Recognised for its rich fertile soils, the area soon developed into a prosperous farming community, and its first butter factory opened in 1883 (Baycity Internet, 2000). Its role as a dairying centre continues to this day. The two rivers that irrigate the surrounding farmland offer opportunities for fishing aiding Temuka’s reputation as a sporting area. As of 1996, the population of Temuka
just under 4000. Despite recent closure of one branch in March 1999, there remains competition between the ANZ and BNZ banking corporations (Plate 2). Interviews with the members of middle management of both were undertaken in mid-June 2000.

3.4.2 Pleasant Point

Pleasant Point was originally an outstation of the Rhodes Brothers’ Levels run. The town grew slowly around an accommodation house established in 1884. A number of locations nearby, including the junction of the Ngawai and Opihi rivers, were well known to early travellers.

From 1908 to 1954 Pleasant Point was an autonomous town district; now it is administered by the Timaru District Council. With a population of over 1200, it is more than just a service centre for the surrounding farming area. One of the many tourist attractions of the area, the steam locomotive, is located in the town centre (Plate 3). Its industries include joinery, taxidermy, honey processing, light engineering and saw milling (Baycity Internet, 2000). Pleasant Point experienced complete withdrawal of financial services when its only bank branch closed in March 1997. Additionally all post office services have ceased, and the population
is deemed too small by the banking corporations to justify installation of an ATM facility.

Plate 3: Pleasant Point steam train tourist attraction in the town centre.  
(Source: Baycity Internet and Multimedia Ltd.)

3.5 The Questionnaires

The main data collection tool was a postal questionnaire (see Appendix A). It was thought to yield a greater number of responses and, therefore, deeper understanding of personal and community experiences of branch closure than would have been possible with interviews alone. The purpose of the questionnaire was two-fold. Firstly, it was to assess how people in each town viewed changes to the provision of local banking services. It was also used to achieve understanding of how individuals and the community are affected by and are coping with change. Alm (1991) noted that public opinion polls tend to give biased results because people do not have to live with the consequences of their decisions. Others argue that the residents of a provincial town lack sufficient understanding of a complex issue to give a valid response. The rapid response of Pleasant Point residents to the mail out (as shown in Figure 3.2) and the volume of additional comments disprove this statement. Sarantakos (1993) states, however, that the main characteristic of a questionnaire is that it allows for non-biased data from the respondent because the researcher has only limited contact with the participant.
3.5.1 Validity of a questionnaire

The postal questionnaire was designed to elicit details of respondents' feelings and the nuances of individual experiences of branch closure, all of which are difficult to standardise (Walker, 1993). By adopting this approach, factors that encourage or discourage a specific reaction could be identified, permitting a deeper understanding of respondents' experiences.

3.5.2 Content and structure

The questionnaire was in five sections. The first asked for personal details and place of residence. It was kept short to avoid the prospective respondent experiencing lack of motivation, a common problem when asking personal questions at the outset. This line of questioning at the beginning allowed open-ended questions and comments at the end of the questionnaire, letting the respondent complete the form on a relaxed note. The second section concerned the effects of branch closure and sought responses to questions on such topics as
shopping behaviour and the observed consequences for the town of branch closure. Attention was given to the sequence of questions, as the context of a question may impact on the validity of a response. Additionally, equal attention was given to wording in order to minimise the risk of prompting.

Section three sought information about an individual's personal banking style. The section then progressed to questions relating to the respondent's preferred method of banking. The broad aim was to ascertain the respondent's satisfaction with financial service provision in his or her town. All questions were set out on the page in a filtered manner, thus easing the respondent into such sensitive topic areas as their average withdrawal of cash. The fourth section inquired into the general effects of branch closures on the levels of business operation and also how a respondent had been affected.

The fifth and final section asked for respondent's opinions on alternatives to bank branches. As Sarantakos (1993) stresses, it is imperative that the questionnaire format has consistent flow and transition. The use of sub-sections, and the order of the questions within each, ensured such a flow. The actual questionnaire was double-sided to make its appearance less forbidding.

### 3.5.3 Distribution

Copies of the questionnaire were distributed by post in early June. A return date was not included. Accompanying the questionnaire was a covering letter (Appendix B) to introduce the researcher and the study, and to guarantee anonymity of participation. The covering letter also defined who in each household should complete the questionnaire: respondents had to be over eighteen years of age. A response rate of sixty percent was aimed for and an initial seventy-five questionnaires per town were sent out. Sample addresses were chosen from the telephone directory. Every tenth Temuka residential address was recorded, and every fifth Pleasant Point address due to its smaller population. Because many Pleasant Point street names were repeated, a geographically even
distribution was not achieved. Self-addressed stamped envelopes accompanied the 
questionnaire for the respondent to return the form free of charge, thus increasing 
the likelihood of a response. In fact, the response rate was just thirty-three percent 
for the first run. Of the returned questionnaires Pleasant Point respondents 
provided fifty-eight percent and Temuka respondents forty-two percent. As a 
result of the low response rate an additional run of two hundred questionnaires 
was sent out in early July. The original total response rate was almost replicated by 
the second run of postal questionnaires. However a disparity occurred between 
Pleasant Point and Temuka respondents within the thirty-five percent final 
response rate, with Pleasant Point residents comprising sixty-one percent of the 
one hundred and twenty-two respondents. Temuka provided the remaining thirty-
nine percent.

3.5.4 Coding of questionnaire data

Information from the questionnaire survey was coded then recorded as raw data 
on a spreadsheet using Microsoft Excel, with the results from the questionnaire 
listed under the titles of the boxes respondents were asked to tick. For questions 
where a written answer was required the three most common answers were 
collated, from which graphs were constructed by sub-cohort. Where a different 
answer to the three most common was given, answers were grouped with the 
closest answer. For example, if a respondent indicated that he or she was angry 
with a respective bank for closing, while another stated that he or she was 
outraged, then both responses were categorised under the heading of ‘anger’, and 
so on.

The second coding dissected the data into demographic cohorts from which 
trends were established. This allowed ease of classification of ideas, themes and 
opinions that emerged from the data into thematic files that could be interpreted 
and related to the specific research questions. The format for this index comprises 
differentiation between the two case studies. Following this, respondents were 
classified according to gender, age (by the standard cohorts of 18-24, 25-44, 45-64,
or 65+ years), and employment status. Trends were established from graphical evidence reproduced from this index.

### 3.6 Interviews

Interviews were the other primary source of data. They provided the means by which personal responses could be openly acknowledged, when interviewees could express their views about branch closure freely and clearly. The benefit of interviews, according to Sarantakos (1993), is that they are prepared and executed in a systematic way, controlled by the researcher to avoid bias and distortion and relate to specific research questions and research purposes.

#### 3.6.1 Key informants

Interviews conducted for this study involved two categories of respondents: business owners and operators within Temuka and Pleasant Point, and members of middle management from the three local trading banks. The members of middle management at the two remaining Temuka banks were interviewed in June, while a member of middle management of the Timaru branch of National Bank was interviewed via email due to his unavailability during the fieldwork period. The banking corporation whose branches have closed in Pleasant Point and Temuka was not available for comment. Prospective interviewees in the category of business owner/operators were identified from the yellow pages of the local telephone directory and contacted by letter (Appendix C) similar to those issued with the questionnaires.

Interview participants were contacted by phone on the date stipulated in the introductory letter, and their consent was sought to conduct an interview at a time and date convenient to both parties in June. Members of middle management were contacted by phone after an introductory letter had been sent to the two remaining Temuka banks (ANZ and BNZ), while the members of middle management of the Timaru branches of WestpacTrust and National were also
contacted by mail. In attempting to contact individuals to whom letters had been sent, constraints were encountered through customer services operators, which was a complaint voiced by many respondents to the questionnaires.

### 3.6.2 Content and structure

All interviews were semi-structured. With regard to interviews conducted with local business owner/operators, the questions were arranged under the following topic headings: (a) reasons for branch closures; (b) effects on and responses of the community; (c) effects on the local community; (d) and compensation offered by the withdrawing banks. The topics around which interviews with bank managers were structured comprised the bank's perceptions of its rural customers; the reasons for and processes of branch closures; post-closure service provision; and the bank's own perceptions of branch closure. For examples of interview questions refer to Appendix D.

### 3.6.3 Coding of interview data

All key informants interviewed in June agreed to the audiotaping of interview sessions. Once fieldwork was completed, those recordings were transcribed for content analysis. Interview data were coded similarly to that of information from the questionnaires. Key informants themselves were categorised into two streams. Stream One comprised the three members of middle management from the major banks interviewed. Each Key informant was issued a letter to appear in the text. For example, Key Informant A. Business owners and operators were coded into Stream Two. These interviewees were given a number to be referred to in the text.

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1 Ethical clearance was sought and obtained from the University of Otago before the research began for both interview Key Informants and questionnaire respondents to assure anonymity for all involved.
3.7 Analysis and Interpretation of Questionnaires and Interviews

The analysis of questionnaire and interview responses involved the classification of responses according to the research questions (May, 1994, Patton, 1990) so that regularities and linkages could be discovered. Secondly, themes were identified which centred on the nature of the answer and the town in which the respondent resides to form a comparison of the two study areas. Themes and trends identified from the interviews reinforced those that emerged from the questionnaire response data, adding depth to specific responses.

3.8 Representation of Data

Data derived from the postal questionnaire and key informant interviews will be presented and discussed in Chapters Five and Six. When referring to the research subjects ‘respondent(s)’ will relate to people who completed the postal questionnaire, ‘interviewee(s)’ to people who were interviewed, and ‘participant(s)’ to all research subjects. Quantitative data will be presented in pictorial form utilising tables and graphs. Qualitative data will be discussed through the use of direct, yet anonymous, quoting of the source. The following chapter sets the context of the present study by outlining financial service restructuring and the formal alternatives to bank branches available to small town communities after branch withdrawal.

As a result of the Key Informants signatures on a consent form specifically stating they will be identified by number only. A copy of the Ethical Approval form appears in Appendix E.
This chapter provides an overview of the options available and responses implemented by small town communities affected by branch closures and the processes initiated to replace over-the-counter services. These insights have been identified in an array of existing research into the topic of small town bank branch closure, both in New Zealand, and a number of other developed countries.

4.1 Branch Closures in Small Town Areas

Branch closures are not isolated events. Alliance Party leader Jim Anderton, in 1999, described current trends in the New Zealand banking sector as desperately in need of reform.

“In 1998, the major banks closed 109 branches. 151 were closed the year before. One in three branches have closed since 1993. With Countrywide and National merging, as well as Westpac and TrustBank, and an on-going programme of closures ahead, we can expect far more communities to lose their banking services unless something is done. At the same time, bank charges have been steadily climbing, to the point where financial sector experts estimate that bank fees will continue to rise by up to 50 percent over the next two years” (Anderton, 1999, speech notes)

Almost two decades earlier, Rajan identified an emerging three-tier system of control and responsibility by corporations in the retail banking sector, the third of which was branches in small town areas (Leyshon and Thrift, 1993). From these two examples it is clear that, although they may offer a full range of services, small town bank branches are considered to be of limited importance by the large
banking corporations. Furthermore, this form of spatial specialisation or preference for urban branches impacts on the function of small town settlements themselves, and this self-sufficient function is increasingly being removed from branches and located in regional or national processing centres (ibid.).

Associated with this, Zucker (in Leyshon et al., 1998:34) has identified the ideology of process-based trust between financial institutions and their customers:

“This form of trust is generated through the act of economic exchange itself, and requires the compilation of a historical record of successful transactions between social actors. Process based trust is, therefore, generated through repeated interpersonal contact, often face-to-face and usually over the course of a long-term relationship”.

Such trust will be impossible to develop or maintain if branches are replaced by impersonal, electronic banking services. Clients may even ‘shop around’ for a banking ‘package’ better suited to their individual needs. “It is certainly true that retail financial services cannot count on the long-term loyalty of customers in the way that they used to” (Leyshon and Thrift, 1998:43).

The places most socially and economically affected by restructuring are relatively remote towns. Bank branch closure is not the only event to impact upon small towns. Post offices, fire brigades and police stations have all been reduced in number under the rationale that the services they provide can be delivered from nearby towns or cities. Bank branch closure disrupts small town customers and local businesses, impacts on the social and economic viability of the affected towns, and encourages the people living in them to take all their business to larger regional centres (Argent and Rolley, 2000). Jopson (1999) states that apart from creating loss of economic confidence in the town, loss of a bank means losing staff whom may be key figures in small town communities.

Argent and Rolley (2000) add that alternative modes of financial service delivery now being developed by the major trading banks will fill those vital roles. Ralston and Beal (1997) showed that over half the respondents to their postal survey
reported that their shopping habits had changed and that their expenditure in the town had decreased.

“The formation of capital also suffers and there is a direct link between this capital formation and economic activity” (ibid:129) Thus, decreased expenditures in a small town can lead to decline in employment opportunities. Potential business ventures and industry may decide against investing in the local community, therefore local spending falls and the population density declines. As well as concern over individuals who maintain large cash balances at home, Ralston and Beal (1997) found other security issues: excess cash accumulation in businesses, and lost income due to delay in depositing cheques.

Additionally, Ralston and Beal (ibid.) found that approximately 90 percent of respondents were more pessimistic about the future of their community. This translates into a decline in community confidence, with 39 percent of respondents stating they would move if they could. As small town populations decline, major banking corporations have even more reason to close branches in small towns. Additionally, Jeffreys and Munn (1996) believed rural communities form a stoic acceptance of change and fail to maintain an optimistic frame of mind.

A 1998 report by Neil Argent and Fran Rolley rebutted the notion that declining small town populations cause bank closures. They claim that this ‘myth’ is simplistic and implausible in the light of evidence suggesting corporate decision making is more important than local and regional scale dynamics in determining the allocation of branches in small town Australia. More than 60 percent of the NSW towns that saw closure of all their bank branches between 1981 and 1998 experienced an increase in population during this time.

4.2 Alternatives to Bank Branches

Research into the alternatives available to small towns that have experienced bank branch closure is vast. The Finance Sector Union, (FinSec) has produced a
booklet on alternative banking services for small communities. These include credit unions, agency services (such as those provided by a post shop), and electronic services including EFTPOS and ATMs. This section summarises research into alternatives implemented in countries such as the United States, the UK, Australia, and New Zealand.

Leyshon and Thrift (1995) discuss ‘Alternative Institutions of Accumulation’ (AIA) with reference to options available to small town communities which have lost branches. They describe community development banks and credit unions as the two most important examples of AIA. Both are discussed below.

### 4.2.1 Community banks

One way to replace the face-to-face services of a bank branch is for a small town community to establish its own ‘community bank’, possibly through a franchise system such as that of the Bendigo Bank in Australia. The few New Zealand examples of community banks that provide these services independently, as has been the case in Palmerston and, to lesser extent, Maungaturoto, usually reinvest profits for the benefit of all residents and not just those who use the branch.

Bendigo Bank’s community bank system is a franchise arrangement whereby the communities involved established face-to-face banking services in a profit-sharing deal. Each community raised start-up capital of $250,000 and was responsible for running costs and overall viability. In return, a community can reinvest net profit in the community. Bendigo Bank’s role was to take prudential and regulatory responsibility for the branch’s operation (Hawes, 1999, in Argent and Rolley, 2000). The success of this venture has been great and enthusiastically embraced across Australia. The first established branches turned healthy profits in their first twelve months of operation. Additionally, the community mobilised local pools of savings, sometimes topping them up with private and public funds (Leyshon and Thrift, 1995).
Community banks, established with the aid of a banking corporation, are also known in small town United States (Leyshon and Thrift, 1995). One of the most successful examples is the Shorebank Corporation. The main shareholders comprised charitable foundations, concerned individuals and religious groups. In effect, an array of community members and non-commercial groups were involved, invoking a sense of community within the townsfolk.

In the case of Palmerston, it was the exercise of community spirit that led to an alternative banking facility. The township lost its remaining trading bank in March 1999 (McMillan, 2000). Fearful the town would decline and decay, the community introduced its own banking facility which “takes deposits and is a place where people can make withdrawals through EFTPOS. There is also a discretionary service to cash cheques if people are sufficiently well known” (Scoles, in McMillan, 2000). Deposits are regularly dispatched to Dunedin by security guard. McMillan adds, “it is still too soon to assess its long-term future, the facility has provided a fill-in for the township and prompted enquiries from centres as far apart as Southland and the Bay of Plenty” (2000:10).

A further New Zealand example is Maungaturoto, north of Auckland, a township of around 800 people servicing a large area. The population refused to submit quietly to the closure of its last bank and established a centre, open three days a week, where people could withdraw cash and make deposits which were then transported by a security firm to a major centre for safe keeping (McMillan, 2000).

**4.2.2 Small town transaction centres**

The idea of a small town Transaction Centre stems from recent Australian Liberal government proposals designed to return banking services to small towns with populations of between 500 and 3000 residents and using funds from the sale of state-owned enterprises. These transaction centres will provide personal banking, some business banking, postal services, Medicare, as well as phone and fax facilities. They are run by local businesses or the community to boost small
businesses and jobs in the small town area (Liberal Party, 1998). This initiative is sufficiently flexible to ensure that transaction centres complement but neither duplicate nor force out of business such services as post offices.

An Australian House of Representatives committee report on small town banking (Liberal Party, 1998) believed financial services will be available across an expanded array of outlets, including supermarkets, pharmacies, newsagents, government service centres, post offices and telecentres. Their success may suggest there is still the opportunity to turn a profit in a small town area. It is simply a case of providing an adequate service tailored to a community's need and exploiting available resources to their full potential. Small town areas are not poor areas. The money is there to be invested. Small town people simply need the infrastructure to invest their liquid assets.

### 4.2.3 Credit Unions

Credit Unions are co-operatives that provide financial services without a profit-maximising objective but rather the aim of achieving maximum benefits for its members (Ralston and Beal, 1999). Currently, there are 86 credit unions throughout New Zealand and they service 123,000 members (FinSec, 2000). Credit unions are the most numerous form of AIA in the world (Leyshon and Thrift, 1995). They offer security, payment convenience and a manager who can tailor a package to satisfy the needs of members. Credit unions are also entirely locally owned and operated (FinSec, 2000).

Lekakis (1999) provides an example of small town credit union adoption in North Queensland, Australia:

"When the effects of small town bank closures began to bite hard in North Queensland about five years ago, a small Cairns-based credit union seized on the opportunity to fill the void. Since opening its first branch, the Electricity Credit Union has restored face-to-face banking in 15 towns on northern parts of the State. Small town operations had generated $7.6 million in new deposits and around $6.3 million in residential and personal loans" (Australian Financial Review web page).
While these numbers might seem modest to larger financial institutions, they are attractive to a lender with an asset-to-deposit ratio of four or less. Many credit unions use electronic services, such as Internet banking, but these services supplement normal services and are not promoted as a substitute for them. Ralston and Beal (1999) suggest the extent to which a community will support a credit union indicates the success of credit union entry into the financial service sector. Another factor that bears on credit union membership is the time a community has been without a financial institution.

Credit unions service the transaction needs of the community very well. Ralston and Beal (1998, in ibid.) studied the impact of credit union entry in four small town communities in NSW and Queensland. Their results shed light on the contribution such institutions make to the local economy. Each town had lost its last bank branch more than 12 months prior to the study. Each had 'low-level' banking facilities such as EFTPOS and a post office savings bank. In each case, sufficient time had elapsed since the establishment of the credit union for the researchers to observe its impact on the community. They found that credit unions created a different kind of monopoly to that which banks had previously done. Additionally, over-the-counter withdrawals remained the most commonly used means of obtaining cash, and the preferred service provision. Individuals and businesses were quick to take advantage of their transaction services, ensuring money circulated more easily within the community, thus reversing the outflow of funds that occurs when bank branches close.

4.2.4 Building Societies

Building Societies are non-profit maximising, mutual organisations committed to serving their members with the best lending rate. Like credit unions their objective is to offer the lowest variable residential mortgage rates in the market to all borrowers, rather than offering substantial discounts to only new borrowers.
Building Societies pride themselves on their commitment to first class customer service and thus occupy a unique niche in the financial services sector. This is complemented by the introduction of advanced technology, and a range of new electronic banking facilities. Another key success factor of these societies is their competitive pricing policy. This is achieved through the use of technology in distribution of financial services (Ralston, 1997). Table 4.1 offers a summary of the findings in a study by Ralston (1997), which investigated the reasons why some small town Australian residents changed from their Main Financial Institution (MFI).

Table 4.1 Reasons for switching from Main Financial Institution (MFI).

<table>
<thead>
<tr>
<th>Reason</th>
<th>Major Bank % (n=1401)</th>
<th>Building Society % (n=116)</th>
<th>Credit Union % (n=185)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High fees</td>
<td>39.0</td>
<td>9.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Poor service</td>
<td>24.4</td>
<td>3.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Didn’t care about loyal customers</td>
<td>21.1</td>
<td>7.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Poor interest rates</td>
<td>15.8</td>
<td>7.5</td>
<td>4.7</td>
</tr>
<tr>
<td>Took out a new loan with a new MFI</td>
<td>14.4</td>
<td>9.0</td>
<td>14.4</td>
</tr>
<tr>
<td>Staff not interested in customers</td>
<td>13.6</td>
<td>10.8</td>
<td>3.4</td>
</tr>
<tr>
<td>Too many mistakes</td>
<td>12.9</td>
<td>0.9</td>
<td>8.4</td>
</tr>
<tr>
<td>Not conveniently located</td>
<td>6.4</td>
<td>14.4</td>
<td>24.1</td>
</tr>
<tr>
<td>Staff didn’t understand my circumstances</td>
<td>7.4</td>
<td>7.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Couldn’t get options for my financial problems</td>
<td>6.4</td>
<td>4.0</td>
<td>5.3</td>
</tr>
<tr>
<td>Wanted to consolidate with one financial institution</td>
<td>5.7</td>
<td>7.9</td>
<td>9.8</td>
</tr>
<tr>
<td>Other</td>
<td>11.7</td>
<td>31.3</td>
<td>22.4</td>
</tr>
</tbody>
</table>


It should be noted that the reasons for customers changing from credit unions and building societies were that they are not conveniently located. These results are a precursor to the findings of the present research; are the case study community respondents willing to change accounts to these AIAs, or conversely, do they give the reasons for changing banks as the inconvenience of the current branch locations.
4.2.5 **Agencies and the ‘People’s Bank’**

An agency arrangement is where an established business provides services for a bank or credit union. Agents may be post shops, newsagents, accountants, real estate agents or local bodies, and vary in the range of services they can deliver. All provide facilities for deposits, limited cash withdrawals and account payments. Some in Australia even offer specialist services like loans (FinSec, 2000).

Small town people in New Zealand could ensure their bank branch will not close by supporting the proposal of Alliance Party Leader, Jim Anderton for a nationwide ‘People’s Bank’. This proposal insists that by setting-up a New Zealand owned bank through an agency like New Zealand Post, there would be very little cost to the taxpayer. It would also mean more jobs, better services in small towns, reduced interest rates, lower bank charges, less overseas debt and more competition for overseas owned banks (Anderton, 1999).

Although this proposal has not progressed beyond the scoping stage it has received a mixed response from the New Zealand public. Howie (2000) supports Anderton’s proposal by stating how, with some justification, banks have forced fee increases and branch closures on customers who have little, if any choice but to accept them.

4.2.6 **Electronic services**

When branches close, banking corporations may choose to install an Automatic Teller Machine in the town. This may be done prior to closure, to acclimatise the community to this new service provider while the branch remains operational, or to install the machine when the branch closes as a gesture of goodwill. In either case, ATMs allow people to withdraw cash and transfer money between accounts. Some machines allow the deposit of cash and cheques (FinSec, 2000), and balance
Chapter 4. Existing Research

enquiries, statement ordering and chequebook requests can also be made through an ATM. Because they need a good flow of business to remain viable, ATMs depend on population size and the business dynamics of the community. At best, electronic banking services provide only a partial solution to the community’s financial service needs (FinSec, 2000).

A second electronic option is Electronic Funds Transaction at Point Of Sale, or EFTPOS terminals. These allow customers to make purchases without cash, but cash withdrawals can be made if the retailer allows. EFTPOS is available in retail outlets of all kinds throughout the country.

Argent and Rolley (2000) argue that any assessment of the viability of branches compared with non-branch modes of banking should take place within the context of banks’ concerted campaign to force customers out of local branches. To paraphrase Henderson (1998, in Argent and Rolley, 2000), banks are using a ‘carrot-and-stick approach’ to encourage customers to do their banking in ways almost unimaginable five to ten years ago. The stick, is, of course, raising charges to recover the cost of over-the-counter transactions, while the carrot is low fees for transaction services delivered in newer ways, such as by ATMs.

The number of ATMs per 1000 people in New Zealand is relatively low (Matthews, 2000). On the other hand, the rise in the use of EFTPOS through Australasia has been rapid. In Australia the number of EFTPOS terminals increased by 500 percent between 1994 and 1998 (Argent and Rolley, 2000). However, the range of transactions that can be carried out through an EFTPOS terminal is limited. Additionally, EFTPOS terminals are expensive for retailers to purchase or hire, and small town retailers take considerable risks when investing in them.

Alternatively, Finsec (2000) has suggested that a business or club could host an electronic service centre combining ATM, EFTPOS and a computer with voice modem for telephone banking. The host would need to provide trained staff to
support users, especially the elderly and those with disabilities. However provision of services on this scale would be very expensive, and a high rate of patronage would be required.

4.2.7 Internet and Telephone Banking

Internet Banking is designed for banking when and where it suits. Promoted as a 24 hour, seven days a week service, it is available when ATMs and bank branches are not readily accessible yet customers retain complete control over their finances and are able to see what is happening to their savings.

Internet banking users find these systems fulfil virtually all their banking requirements: checking and printing account balances; confirmation of payments; transferral of funds between accounts; bill payments and control of the timing of these; and transaction histories. "With Internet Banking you have instant access to your accounts at the touch of a button, or the click of a mouse" (BNZ, 2000:3). However, one cannot deposit or withdraw cash with Internet Banking, and questions have been raised over the security of Internet Banking packages.

The other form of personal banking by electronic means is Telephone Banking. 'Phone Banking' (WestpacTrust, 2000) offers a wide range of services that can be accessed round the clock. All that is needed is a touch tone phone. The services available include account balances, reviews of transactions, ordering cheque and deposit books, statement requests, transferring funds to other accounts, payment of bills (including credit cards), and information about foreign currencies. In addition, 'Phone Assist' allows customers to talk to their Customer Services Representatives seven days a week to enquire about accounts, automatic payments, to update personal details, set up bill payments, obtain information on current interest rates and term investments, stop cheques from being processed, and for general enquiries (ibid.). Security is in the form of Tele-ID Numbers and Passwords.
Telephone Banking, thus, offers virtually all the services available from a branch and is very convenient once mastered. It fails, however, to provide cash withdrawals and deposits. Additionally, as banks promote and encourage these two methods of financial service provision, fees are kept low compared to those of branch services.

4.3 Some Initial Conclusions

The fields of academic inquiry outlined above have provided the conceptual context for this study. These fields are included in studies of branch closures in small town areas, and the research of actual impacts on the community after branch closure. Finally, alternative options available and the responses implemented by small town communities once branches have closed were examined, thus providing an understanding of the processes and methods used to replace branch services and reduce the effects thereof.

Figure 4.1, below, demonstrates the basic effects of small town bank branch closures on respective communities cited in the body of literature researched. These effects are the result of the continuous impetus of financial service restructuring within the New Zealand economy. As both this chapter and Figure 4.1 show, small town communities are hit hardest by branch closures as they are left without similar services to turn to. In that case, the options available are expensive and do not provide the full-range of provisions that personnel-staffed branches can offer. However, as has been argued a number of competitors in the financial service sector, such as Credit Unions and Building Societies, are eager to become established in small towns that have experienced bank branch closures. Such alternatives offer a broader range of financial services than electronic means of service delivery from the banking corporations themselves, and have the added bonus of filling the void in the small town community character - by providing a face with the service for a more ‘traditional’ and personal experience while banking.
In addition, this chapter has given an overview of the processes adopted by small town communities to replace over-the-counter services in developed countries. Examples of the options available and responses implemented by small town communities affected by branch closures have also been provided. The findings of the two case studies will be outlined and discussed in the following chapter.
GLOBALISATION

RESTRUCTURING OF NZ ECONOMY

NZ FINANCIAL SERVICES RESTRUCTURING

Increase in electronic service providers:
- ATMs
- EFTPOS
- Internet & Telephone Banking

BRANCH CLOSURES

Increase in input-output
Profit margins for corporations

SMALL TOWN

URBAN (predominantly mergers and consolidations)

Effects on small towns at the level of:

INDIVIDUAL:
- reduced access to financial services & planning
- reduced savings
- reduced investment income
- increased size of cash withdrawals
- increased cost of finance

BUSINESS:
- increased cheque cashing
- loss of cash sales
- accumulation of excess cash
- delays in depositing of cheques
- increased bad debts

COMMUNITY:
- loss of local spending
- decline in financial investment
- population decline
- loss of skilled workers & key public figures
- loss of community confidence
- loss of community focal point

Alternatives to branches available to communities:
- ATMs
- EFTPOS
- Telephone & Internet Banking
- Credit Unions
- Building Societies
- Community Banks
- 'People's Banks'

Figure 4.1 Proponents and Effects of New Zealand Banking System Restructuring
"[The closing bank] can keep its give-away cars. It can pocket the money spent on advertising its great generosity, and let us, the customers, keep our bank!" (Temuka resident, The Timaru Herald, March 2nd, 1999).

Broadly speaking, as the above quotation implies, there are two perspectives on bank closure. One involves the decision-making body that makes the critical decision to close, perhaps from an overseas location; the other, the focus of this dissertation, involves the people who live in the affected community and who must cope as best they can with the impact of a decision to close. The first section (part II) of this chapter presents findings based on residents' responses to a questionnaire seeking their views about branch closure in Pleasant Point and Temuka. It also uses information from Key Informant interviews. The aim is to reveal the responses of local residents to allow an assessment (part II) of whether or not residents of the two small towns mobilise a sense of community to cope with decline in financial service provision. This is, in essence, an assessment of the community effects of branch closure. From this assessment two models are developed: one for Pleasant Point as an example of a small town that has experienced complete banking service withdrawal, the other for Temuka, a town that simply experienced decline in service provision.

1 Some respondents chose not to answer certain questions or left the space blank. As a result, each question has a unique number of respondents (represented by n=). All percentages are based on the total response for each question, not on the response rate for the questionnaire as a whole.
5.1 Questionnaire Response Rate

Before discussing responses to the questionnaire it is important to recognise that those who filled it out were not entirely representative of the populations of Pleasant Point and Temuka, respectively. In particular, younger adults (18-24, 25-44 years) tend to be under-represented – grossly so in the younger group – while older people (45-64, 65+ years) are either over-represented or are similar to the total population (Figures 5.1 and 5.2). However, as will be discussed in the following section, this occurrence may well be typical, and thus has important implications as to who is affected by branch closure. However, it cannot be discounted that the demographic structure of respondents was not due to the amount of time they had to answer the questionnaire, as opposed to those whom did not complete and return the form because of employment restrictions and the like.

![Figure 5.1 Questionnaire response rate and 1996 census data for Pleasant Point, males and females combined.](image-url)
5.2 Perceptions of Branch Closure

As stated in Chapter Three, the study sought to reveal differences between respondents' perceptions of branch closure, as well as variations among respondents within each town. People in each community were expected to respond differently to financial service decline. Responses to the questionnaire revealed that certain cohorts in both towns suffered more than others from branch closure. The degree of 'suffering' appears to correspond to a resident's ability to adapt to change or to adopt new methods of banking, a topic discussed later in this chapter.

Bank branch closure impacted on respondents and on the community at large in a number of ways, one of the more important being through non-financial matters. In both towns, a large majority of respondents stated that, at best, closure was an inconvenience. As Figure 5.3 shows, an almost equal percentage of Pleasant Point and Temuka residents, including elderly people, considered the elderly to be the group most affected by branch closure. According to Temuka respondents, however, closure of a local branch had no significant effect on local business,
while the Pleasant Point survey population believed that closure had a marked negative impact on the local economy.

![Chart showing perceived non-financial service consequences of branch closure in Pleasant Point (Pl.Pnt) and Temuka.]

Figure 5.3 Perceived non-financial service consequences of branch closure in Pleasant Point (Pl.Pnt) and Temuka.

Respondents were also asked for their perceptions of the reaction community members had to the closure of a local bank branch. In both towns the majority showed anger, transmitted through petitions, letters to the editor, or articles based on interviews with residents and published in the local newspaper (refer Appendix F for an example). One Pleasant Point respondent contended that “the community responded with a great deal of opposition – but it did no good!” (Female, 45-64 years, Unemployed). Another, unemployed male in the 65+ years age cohort, observed that he had written several letters to the bank, but had not received a response. Another reaction was to change banks (Figure, 5.4). As expected, the percentage of those planning to do so in Pleasant Point was less than in Temuka. This can be explained by the fact that Temuka residents had the option of transferring their accounts to one of the two remaining bank branches in their township with minimal personal disruption. On the other hand, Pleasant Point residents were left without any banking services, hence the action of changing banks to one in another town had only protest value.
Another response was simply to express disappointment. Respondents in both towns declared that they felt 'cheated' and 'double-crossed' by a corporation that had apparently prided itself on being a locally owned bank for the people, only to be sold to an Australian corporation which almost immediately restructured the provision of financial services, in part by closing branches throughout New Zealand. Like it or not, bank closure impacted on life in the two small towns in ways that for some, especially in Pleasant Point, forced a reconsideration of daily and weekly activity patterns. One affected activity was shopping.

In the Temuka sample there was an even split between residents who chose to shop in Timaru and those who did so in Temuka. On the other hand, while Pleasant Point residents try to support local businesses, fully eighty one percent of respondents now shop in Timaru (Table 5.1). Although various reasons were offered - such as being employed in Timaru, or having always banked with a corporation that has never had a branch in Pleasant Point – many now frequently shop in Timaru because they must bank there. For those who do, the recent increases in fuel prices have exacerbated the financial strain.
In addition to effects on individual respondents, many also felt that the local economy had been detrimentally affected. In all, sixty-eight percent of Pleasant Point respondents perceived the local economy as having declined since closure of the local branch (Figure 5.5). As few as five percent believed the local economy had grown, but did not or were not able to explain why. In the case of Temuka, Figure 5.6 shows that more than half of the residents believed the closure of a local branch did not have an adverse impact on business. Nevertheless as many as forty-five percent believed that there had been a decrease in commercial activity.

---

Table 5.1 Respondents' preferred site for shopping.

<table>
<thead>
<tr>
<th>Town of respondents’ residence</th>
<th>Town most frequented for shopping</th>
<th>In their home town</th>
<th>In Timaru</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pleasant Point (n=59)</td>
<td>Number</td>
<td>Percentage</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>81%</td>
<td>48</td>
</tr>
<tr>
<td>Temuka (n=38)</td>
<td>19</td>
<td>50%</td>
<td>19</td>
</tr>
</tbody>
</table>

---

Figure 5.5 Pleasant Point: effect of branch closure on the local economy.

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2 Measured as the perceived amount of weekly business in each township by respondents.
In each town business people were asked for their opinions about the effects of branch closure on the local economy, especially insofar as their own enterprise was concerned. All Temuka respondents in business when the banking service was closed believed that closure had no significant impact on their turnover or, as shown in Figure 5.7, only little change. Conversely, of the twelve business-owners in Pleasant Point who responded to the questionnaire, two-thirds believed that closure had caused a decrease in the amount of business transacted.

A strong contrast between Pleasant Point and Temuka was also found in the context of personal banking. In Pleasant Point over two thirds (sixty-eight...
percent) of respondents preferred using a branch for banking (Figure 5.8). In Temuka, however, the equivalent proportion (thirty-eight percent) was much lower; a comfortable majority there expressing a preference for ATMs or EFTPOS terminals. Of the one in four Pleasant Point respondents who indicated a preference for this last option, the fact that an ATM does not exist in the township suggests that the people in this category used local retail outlets as de facto 'banks', especially for cash withdrawal. While some Pleasant Point residents had to commute to Temuka to use an ATM, Internet banking was not wanted by those in Pleasant Point who responded to the postal questionnaire and only two percent of Temuka respondents expressed a preference for this method. Further, much the same proportions of respondents (seven and eight percent in Pleasant Point and Temuka respectively) preferred Telephone banking.

Figure 5.8  Pleasant Point residents' preferred method of banking.

Figure 5.9  Temuka residents' preferred method of banking.
5.3 Alternatives to Bank Branches

While there was a clear division in preference for methods of financial service provision between the two case study towns, alternatives were available to respondents in each. However, as is shown in this dissertation, all small towns are not considered equally worthy of such options. Residents of both towns were asked if the out-going banking corporation had offered them alternatives and if so, had they adopted any of them. A feature of bank branch closure in both Pleasant Point and Temuka was that, at least up to the time of the postal questionnaire, no new services had been put in place. Nevertheless, more than sixty percent of residents in both communities indicated that they have begun to make use of new services such as Telephone and Internet banking (Table 5.2).

Table 5.2 Respondents’ adoption of non-branch alternative banking methods.

<table>
<thead>
<tr>
<th>Town of respondents’ residence</th>
<th>Alternatives</th>
<th>Adopted</th>
<th>Not Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percentage</td>
<td>Number</td>
</tr>
<tr>
<td>Pleasant Point (n=56)</td>
<td>37</td>
<td>66%</td>
<td>19</td>
</tr>
<tr>
<td>Temuka (n=39)</td>
<td>25</td>
<td>64%</td>
<td>14</td>
</tr>
</tbody>
</table>

Despite the high rate of use of these alternatives in the two towns, it was found that Pleasant Point respondents remained dissatisfied with the provision of banking services in their township. As illustrated in Figure 5.10, this was true of over a third of Temuka respondents, and over ninety percent in Pleasant Point. In contrast, the minority (eight percent) who were happy (Question 15, see Appendix. A) were not affected by the closure of the local branch as they had never held accounts with that corporation, had always banked outside Pleasant Point, or were among those residents who only required EFTPOS for cash.
Figure 5.10 Respondents' satisfaction with provision of financial services in their town.

A majority of Temuka respondents expressed satisfaction with the choice and type of financial service provision in their town. This included dissatisfied Temuka respondents who had, at the time of the questionnaire's completion, banked with the corporation that had closed its local branch but had not yet changed their accounts to a bank that retained a branch in Temuka.

Sensitive to the difficulties that confront people in communities like Pleasant Point and Temuka, where banking services have been withdrawn, the present leader of the Alliance Party, Mr Jim Anderton has proposed a so-called People's Bank as a way of meeting the needs of such small communities. Recipients of the postal questionnaire were asked for their opinion of this proposal. Because there were no banking services in Pleasant Point at the time of the survey it was assumed residents would be receptive to it. That proved correct. As Figure 5.11 shows, seventy-one percent of Pleasant Point respondents saw merit in the proposal but what is not evident is the apprehension they also felt about it.

As brought out in the analysis of additional comments of questionnaire respondents, distrust of the proposal was based on the recent histories of Trust Bank and Postbank, each of which began as banks 'for the people' only to be later sold to overseas investors and local branches closed. This feeling of distrust was epitomised in an article in The Timaru Herald on 7/3/97 where an outraged
elderly Pleasant Point resident expressed his feeling of being ‘cheated’ by the chief executive of Trustbank when, before the merger with Westpac, he was assured that there would be no loss of service. This is an example of ‘process-based trust’, advocated by Zucker (in Leyshon et al., 1998), being broken by a financial service provider. Those who disliked the proposal cited similar reasons. On the other hand, responses from Temuka residents were evenly divided between the two options presented in Figure 5.11. That is, those in favour and those not as Key Informant 4 also moved on this issue, “the Government doesn’t have any faith in the scheme either because they are not putting any money into it themselves”.

![Figure 5.11 Respondents' opinions about a 'People's Bank' in their town.](image)

As discussed, in Chapter Four, the concept of a ‘Community Bank’ has been mooted as an alternative local banking facility. The possibility of such a solution to financial service provision in Pleasant Point and Temuka was put to respondents in the questionnaire. As is made clear in Table 5.3, over two-thirds of Pleasant Point respondents were enthusiastic about the idea. The desire for a face-to-face service was the prime reason for their enthusiasm, the basis of this being made quite explicit by one frustrated respondent who exclaimed: “I’ve been buggered by banks – let’s stick it to the big corporations and do it ourselves!” (Male, 45-64, Employed).
Table 5.3 Respondents' opinions about a 'Community Bank' in their town.

<table>
<thead>
<tr>
<th>Town of respondents' residence</th>
<th>Response to the suggestion of a 'Community Bank'</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Like</td>
<td>Dislike</td>
</tr>
<tr>
<td></td>
<td>Number of respondents</td>
<td>Response</td>
</tr>
<tr>
<td>Pleasant Point (n=59)</td>
<td>40</td>
<td>68%</td>
</tr>
<tr>
<td>Temuka (n=36)</td>
<td>10</td>
<td>29%</td>
</tr>
</tbody>
</table>

Again the views of Temuka respondents were in striking contrast to those of Pleasant Point. In the former town, less than one-third of respondents supported the establishment of a 'Community Bank' in their town, with the majority expressing this view holding accounts with the bank that had closed. Most of them were elderly and without transport. As reflected in the option chosen by the majority of Temuka respondents, however, the general view was that the town was adequately served by financial institutions (Table 5.3). The notion that profits from a 'Community Bank' would be reinvested in the host community was not sufficiently appealing for Temuka respondents to support the establishment of such a service. Indeed in 1999, after the closure of one of Temuka's local branches, a Timaru District councillor, a guarantor of the original South Canterbury Savings Bank, advanced a similar proposal for a South Canterbury bank to be established along similar lines to those of the current Taranaki Savings Bank, but this suggestion was not adopted (Allison, 1999, *The Timaru Herald*).

The third option for over-the-counter banking services involved either a credit union or building society. As depicted in Figure 5.12 there was comparatively little support for either option, presumably an indication of the distrust or lack of understanding of what the two might offer. Quite clearly, as their responses revealed, many of those who rejected the alternatives were unfamiliar with such institutions or how they operate.
5.4 Banks' Perceptions of Small Town Branch Closure

As argued at the beginning of this chapter, there are two more or less opposing perspectives on bank branch closure and how that may affect local communities: that of respondents, discussed above, and that of the corporate owners. In order to document the latter, members of middle management from three major banking corporations were interviewed. Their perceptions concerned issues relevant to small town residents, ranging from customer opinions to the bank's ability to provide for small town customers hence actual process of branch closure.

There was agreement amongst the banks in the way they viewed small town residents as 'business customers': traditional in their outlook and slow to adapt to new technologies. This, one bank felt, was due to the fact that, demographically, many small towns have a population base dominated by elderly and low-income earners. Nevertheless, Key Informant A\(^3\) referred to small town customers as "the life-blood of the branch". Members of middle management conceded that the further up the management hierarchy one went, the more pervasive becomes the perception of small town customers as 'clients'.

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\(^3\) Key Informants were differentiated by occupational activity between 'Business People' and 'Members of Bank Middle Management'. The former is referred to by a number, for example 1, 2, etc., while the latter is indicated by a capital letter, such as A, B, or C.
In assessing branch performance as a commercial enterprise, there is need for a “business judgement call” in which the customers become statistics. All Key Informants conceded that a bank is a business like any other, so that making a profit is the main aim. No bank felt it had a responsibility or a moral obligation to provide small town communities with financial services if the latter are not profitable. However, Key Informant B acknowledged that when banks take away branches from small towns they also lose their corporate image and advertising among local residents. When this occurs “people lose touch with the corporation and they’ll go somewhere else. You might be saving money in terms of staff and building costs, but you are actually losing a whole lot of extra business” (Key Informant B).

5.4.1 Reasons for branch closure

The middle management personnel interviewed were also questioned about factors that had caused banking organisations to withdraw services. The common opinion expressed was that a reduction in the volume of foot traffic through a branch was usually the primary reason for closure. As stated by Key Informant B, for security reasons a branch cannot operate with less than two staff.

All members of middle management interviewed believed their corporation provided adequately for the community’s banking needs, despite one of them not operating a branch in Temuka. This corporation advocated greater usage of electronic systems in the context of a perceived decline in the necessity for a staffed branch. Another interviewee conceded that branches remain essential to the fulfilment of banking requirements in local communities. As Key Informant C maintained, branches “are closed by the customers through lack of support”. Nevertheless this suggestion was refuted by many Pleasant Point questionnaire respondents who argued that their former branch had always been busy.

In short, as contended by Key Informant A, “at the end of the day it is the customer who will dictate” the future of branches. Further, the regional general
manager of the bank that closed in Pleasant Point was quoted in the district newspaper as saying, "demands on the Pleasant Point branch had steadily declined as customers found more convenient ways of banking" (The Timaru Herald, 6/3/97). As evident in the results of the questionnaire survey, Pleasant Point residents have not adopted these new technologies to the extent believed or promoted by the major banking corporations.

5.4.2 Process of branch closure

The Key Informant interviews also revealed that while branch closure was a last resort, the management of individual branches did not have a role to play in deciding which branches were to close and when. Such decisions are strictly the domain of upper management. Members of middle management could only guess the procedure involved. One believed it involved monthly reports on the volume of business transacted at a given branch before a final decision was made. Contrary to findings from the interviews with local business people, another member of middle management believed the business community in a town might be consulted. All Key Informants stipulated that branch closure was always a last resort.

5.4.3 Post-closure service provision

As stated above, current services and alternatives to branches were in place when the closures commenced. These include Telephone and Internet banking, as well as Automatic Teller Machines. A deposit bag service for businesses, in which a courier picks up cash and transports it to Timaru each day, was organised by individual businesses. It was not an initiative taken by the banks which implemented branch closure. Mobile business managers and 0800 numbers were operating prior to branch closure in Pleasant Point and Temuka. Key Informant A's reaction to the role of a call centre in meeting local banking needs may well have been typical of others in the two communities: "We've got our call-centres which can do most things that a branch information officer can do. They are
actually doing lending and are just about doing everything [that a branch can do] now, which we at the local level find a little bit disconcerting”. One implication that might be drawn from this perspective is that the level of customer use achieved by electronic service delivery methods will, in the future, have an impact on the viability of local bank branches.

Given this perception of the role of electronic banking methods in the years ahead, members of middle management were asked to comment on the number of customers adopting non-branch banking facilities up to the time of the questionnaire. Key Informant A confirmed that younger customers had made greater use of electronic services since their inception. After the branch in Temukac closed there was an increase in the number of older people changing their accounts to the two remaining corporations. It was put to Key Informant B that this may demonstrate that electronic services do not fulfil the needs of all small town customers. In response, it was argued that “those people don't want to use those services. Some people don’t want to change, or use a telephone. They may be a bit hard of hearing, or slow on the keyboard and buttons on the phone. It’s a little bit hard for them”. In other words this suggests that different groups in the population do not have the same ability to adapt to new ways of banking. While some may resist change other, such as younger people, tend to do so quite readily, unlike like the elderly who may take longer to develop the skills needed to operate Automatic Teller Machines.

More generally, members of middle management interviewed agreed that many customers had adapted quite quickly to change in the kinds of banking service delivery available. In turn, corporate management interpreted this pattern of behaviour as indicating that, in reality, banks were meeting the needs of their customers. Usage of electronic services in Pleasant Point and Temuka was not as high as that of customers in Timaru.
5.4.4  Banking corporations' perceptions of branch closure

Bank branches fill a social as well as an economic role in the two towns studied in this dissertation. Interviews with Key Informants provided clear evidence that they are not only a place where people withdraw and deposit cash, but also a site where the elderly can talk, and a place for locals to gain employment. Again, because this dissertation was concerned with establishing a balanced perspective on the principle players involved in bank closure, it was necessary to gauge the views of branch closure held by the banking corporations themselves.

All members of middle management admitted small town branch closure can have a negative impact on the community. One Key Informant suggested that branches in small towns offer informal services to people who have no other alternative for help with a wide range of problems.

"It's also a place that people who are at the end of their tether with money worries and things like that actually end up getting more than that, more than just help with their money problems. That's probably more a small town thing. More of a community. They're not services the bank pays us for. But probably we earn a certain amount of respect that people tend to look to us for other things" (Key Informant A).

This member of middle management disagreed with the suggestion that branch closure had an impact on the local economy. That opinion contrasts with that of Key Informant B who believed branch closure "leaves a bad taste in people's mouths". In saying this, Key Informant B conceded that such a public perception may well reflect the failure of banking corporations to make the affected communities fully aware of the reasons for closure. In this respect one of the difficulties banks confront is that branch performance is relative. As Key Informant A pointed out, what may appear to be a thriving bank in the eyes of those who use its services, may be uneconomical when compared with other branches operated by the same banking corporation. The last branch to close in a small town could have, all members of middle management agreed, only short-term negative effects, which highlights the perceived resilience of small town people.
5.5 Business Peoples’ Perceptions of Small Town Branch Closure

Several local business people in Pleasant Point and Temuka were interviewed with the aim of better understanding the effects of bank branch closure on their establishments. This set of interviews involved topics similar to those subsumed under the previous subheading.

All business people interviewed in Pleasant Point stated that the closure of their local branch in March 1997 was a shock due to the perception within the community that the branch was thriving. When the Temuka branch of the same bank closed in March 1999, the people of Pleasant Point suffered a double-blow as their accounts had to be transferred again to the Timaru branch, resulting in increased travel time and costs to meet their banking requirements. As a consequence, the elderly and people with low incomes who lacked access to transport had often adopted electronic methods of banking. It is widely accepted by business people that while such people have behaved in this way, they had not adapted to using them. For example, as Key Informant 5 argued,

"Some people don't even know how to use EFTPOS properly. They come in and give me their cards and I do it for them. We've got a lot of customers like that, a lot of elderly. We know their PIN" (Key Informant 5).

Pleasant Point and Temuka business people believed that younger people in each town had adopted, and indeed had adapted to, electronic banking. People in this age bracket were also more willing and able to travel to Timaru for their banking requirements. However, there emerged a divide between Key Informants as to whether or not a bank branch constituted a 'focal point' in a small town. While all Key Informants believed this to have been the case, many now believed that banks had lost touch with their customers. Key Informant 2 argued that the loss of a focal point in Pleasant Point was demonstrated by the use of the main street car park. "Banks are a focal point, so it [branch closure] certainly didn't help. You just see it in the cars that used to be parked down the road. There certainly aren't as many as there were say ten years ago". This statement also concerns closure of
the local Post Office, which had provided banking facilities for locals. As Key Informant 3 observed:

"I know it's a business world now, but a bank is part of the community and probably the hub of the community. So closing it was a blow because business goes out of town. People have got to put their money in the bank and you can't do that through EFTPOS" (Key Informant 3).

Key Informant 2 argued, however, that there was indirect pressure from the banks to adopt new electronic means of banking:

"It's the pressure you get when you go and line up at the counter in a queue and they've only got two people on the counter. And you get impatient and ask why we have to wait so long. You get told that there are always Telebanking and the like that you can do instead" (Key Informant 2).

However, the absence of enthusiasm for these methods among local business people was due to the impersonal nature of such banking facilities. The feeling that one is merely a number or statistic in today's financial world is a deterrent to the adoption of electronic banking tools. All Key Informants reside in the town where they work. As members of the public, they too prefer the 'personal touch' of a branch. Not only that but as one Key Informant from Temuka pointed out, due to the long hours they work business people needed a local branch for their banking tasks.

"I don't get off the premises here until at least 8.30pm. There's no way I'm going down to the money machine at that time to bank my money. No way! And I start here at five in the morning. There's no way I'm walking down there at that time for the same reason" (Key Informant 5).

To varying degrees this same rationale applies to all people employed in a town without a branch of the bank they normally deal with. Finding time to travel to an out of town branch is difficult, especially for people employed the standard working hours of nine to five.

"We've got a factory down the road here and the guys have to have their money banked directly into their accounts. Um. They've got to end up with an EFTPOS card, and some cards are shit! They don't last very long. They get half an hour for lunch. How can they go in half an hour through to Timaru or Geraldine and get another card if it doesn't work? It's impossible because by the time they get to
Chapter 5 Results and Discussion

the bank, wait in a line, load a new card. It's just a normal thing like an EFTPOS card that's bringing them down” (Key Informant 5).

The consequences of such hardship, the use of direct credit wage payments, and branch closure, meant an increase in the amounts of cash customers were withdrawing, while the frequency of withdrawals decreased budgeted a set amount of cash for the week. This impacted on businesses through a reduction in local spending and by a tendency for local businesses in both towns to fill the role of a bank.

5.5.1 Effects on business and the local economy

Given the central service role that banks play in the local economy, it is important to understand the impact on it of branch closure. In this regard all business people interviewed were of the opinion that branch closures in their towns were not to blame for any change in the local economy. With knowledge of business operations, all accepted that if a branch does not produce a viable profit it would inevitably close. Thus, while business people were disappointed by a closure, they understood the reasons for it. Key Informant 1 had expected the branch to close: “It [branch closure] was fair enough I guess. You can’t expect them to keep open and run at a loss”. However, the majority of Key Informants agreed that an ATM or agency on a reduced scale should have been established in Pleasant Point.

Key Informant interviews recognised that following bank closure, there had been a reduction in local spending or, more specifically, a decline in impulse spending. This happened because community members did not have access to their money through a branch or an ATM. Furthermore, the notable increased use of EFTPOS cards has meant that without a definite amount of physical cash in hand, a customer suffered by not knowing exactly how much money they had available to spend. Key Informant 2 exemplified this point:

4 EFTPOS cards were referred to under a variety of names in both the interviews and questionnaires, such as ‘swipe cards’ and ‘bank cards’. The term ‘EFTPOS card’ will be used throughout the text.
“They’ll come in and try to get some cash with a purchase, and I guess some are concerned that ‘declined’ might come up or something like that. You know if you’ve got ten dollars in your hand, you’ve got ten dollars to spend. If you’ve got ten dollars in the bank, you don’t know if you’ve got $9.50 or something like that. Impulse buying just doesn’t happen anymore” (Key Informant 2).

Despite the increased withdrawal of cash by customers, as well as their use of local businesses as banking facilities, concerns for security were not raised. Key Informants had not increased the amount of cash they held on site to cater for customers wishing to withdraw funds through EFTPOS. Those in Temuka believed that if they offered a ‘cash-out’ service to customers, regardless of a purchase, the customers would be more likely to return.

“We give out cash because if we offer that service, especially to locals, and they know they can get that here, they’ll also buy stuff. So you get them both ways. They come back” (Key Informant 4).

In this way, local business people had actually benefited from bank branch closure. Another business owner felt obliged to give out cash to people who had difficulty with the new technologies. His behaviour was a response to the opinion that banks do not care for the ‘small people’ anymore, as strongly implied by Key Informant 5.

“Well, you’ve got to [make allowances for those who struggle]. I mean I’ve got feelings. I know how I feel and I sure hope that when I’m that age that people will look after me. I’m quite angry and I’m doing a lot of things I shouldn’t have to be doing. I’m trying to run a business. I’ve got a lot of feeling for old people. There are a lot of people around here that have no family. There’s no work for them and their families have moved on” (Key Informant 5).

Nevertheless there was some unevenness in availability of electronic banking services within the business fraternity. For instance because one business owner did not have an EFTPOS facility, he referred customers requesting cash to neighbouring shops. Key Informants who offered to cash cheques for their customers had noticed a recent reduction in the use of this ‘service’, a trend they attributed to the declining usage of cheques, rather than any negative influence of branch closure. In addition, businesses that banked with the corporation that closed in both towns had found their workload had increased because they now had to travel out of town for essential financial transactions.
Despite such complications, business people were not enthusiastic about the proposal for a 'People's Bank'. There was consensus that it could not cater for businesses in quality of service or cheaper fees over what is offered by a major banking corporations in another town. Nevertheless, all thought the proposal would appeal to the elderly and those on low incomes in both Temuka and Pleasant Point. In addition, no business owner expressed any interest in adopting a credit union or building society for his or her business accounts.

### 5.6 Summary of Results

This chapter has explored information from people living in Pleasant Point and Temuka, to reveal impacts and perspectives on bank closure at the individual, business, and community levels. Most of those effects identified are consistent with statements in existing literature. Pleasant Point, which had lost all banking facilities at the time of the postal questionnaire, was deemed too small by major corporations to warrant an ATM. As a consequence, Pleasant Point residents were forced to adopt new technologies or travel to Timaru to meet their banking needs. It was also found that branch closure removed from the two communities a focal point and place of social interaction, while also diminishing local investment and employment opportunities. The negative effects on Temuka residents were less than those experienced in Pleasant Point, presumably because of the continued existence of other bank branches. Further, residents of Temuka more readily adapted to new banking technologies.

Both towns experienced a loss of key members of the community through out-migration. For the elderly in both towns, bank closure resulted in the loss of a site to talk as well as a place where one got 'informal' advice on a wide range of financial topics. Perhaps the largest effect of branch closure on the communities of Pleasant Point and Temuka was that it precipitated action akin to 'Social Darwinism'. Individuals who did not or could not adapt were, in effect, left behind.
The willingness of respondents to adopt an alternative institution such as a credit union or building society reflected the quality and quantity of remaining services. Pleasant Point respondents demonstrated a willingness to adopt such alternatives due to a lack of normal financial services. In contrast, Temuka respondents showed less motivation, apparently because of their general satisfaction with financial services in the town.

Transport was a major concern. A high proportion of elderly respondents in both towns lacked any form of private transportation and relied on others for travel to and from Timaru. The lack of public transport from Pleasant Point to other centres, along with those who were unemployed in both towns, sometimes without their own transport, restricted banking activities. Conversely, those employed were often hindered by the early closing times of branches, as well as by the distance to centres with a branch of the corporation they banked with. The fact that two ATMs remain in the Temuka means that only those with accounts with the recently closed branch had to travel to Geraldine or Timaru.

Business people interviewed were not receptive to the idea of adopting an alternative system of banking, such as a ‘People’s Bank’, for their own operations. It was found that all but one business had taken on the role of a de facto bank through its EFTPOS facilities, to which elderly residents had trouble adapting.

A minor consequence was that small town business respondents often had to organise alternative means of transporting their daily takings to the bank. Additionally, local business people were initially shocked by the closure of their local branch, but understood the reasons for it happening. They did not blame closure for the downturn in the local economy.

Consideration of the consequences of bank branch closure on these two small town New Zealand communities will be addressed in Part II of this discussion.
"Businesses, including banks, come and go as they see fit. We, as customers, are able to support or withdraw our custom also. Adaptation is more important than regret" (Pleasant Point, Male, 45-64 years, Employed).

This second part of Chapter Five takes the analysis of survey results a stage further by considering the nature of and reasoning behind the adaptive behaviour of residents in both Pleasant Point and Temuka as they sought ways in which to mitigate the impact on their lives of branch closure. In the process, and building on findings reviewed earlier in the chapter, a similar, yet more specific model of small town bank branch closure effects presented in Figure 4.1 can be developed with particular reference to Pleasant Point and Temuka. This in turn makes it possible to determined whether or not, and in what ways, such small town communities might 'adapt' to change as advocated by the above quote. 

Through their 'sense of community', many respondents were able to reduce, mitigate or compensate for the loss of traditional financial delivery systems. One alternative was to adapt to the new electronic methods of banking provided by financial institutions. In the future, the community might adopt an alternative of its own creation, such as a 'Community Bank', or welcome the establishment of a credit union or building society.

5.7 'Sense of Community' within the Respondents

Respondents to the questionnaire provided a substantial response to questions about a 'sense of community' in both towns. Where the percentage of respondents in Figures 5.1 and 5.2 indicated a response rate considerably smaller than the percentage of the population from the 1996 census data, such as in the 18-24 age group, there may be a possibility that the residents included in these cohorts were not greatly affected by the branch closure in their town, or in fact
that they were not too concerned with the closure. Conversely, where the response rate of a cohort was higher than the respective census data percentage, it can be assumed that these people may have been greatly affected or concerned about the withdrawal of financial services in their respective township.

Branch closure meant the migration from the town of bank staff, many of them influential members of the community. This was regretted by respondents and echoes a point made by Coombes (1992) in regard to a member of the Balclutha community, a doctor whose departure was a cause for wide concern. As Coombes’ (1992:31) informant observed: “they’re [doctors] not just for health needs, they’re leaders in the community and leaders we just don’t want to lose”.

Members of the two case study communities used in the present dissertation were forced to address this issue when bank staff shifted because they relied upon them to give informal advice to customers on a range of topics. As neither town had any form of social service outlet, it has traditionally been the role of bank staff to provide them. When a branch closes, the community loses a number of informal advising services as well.

In small communities as in our two case study places, the manager of a bank branch is a figurehead in the community and often holds positions in social and sports clubs. It was of major concern to members of the Pleasant Point community that they lost valuable community members. As Kinlaw (1995) suggests, some people have ‘competent influence’ over the community, and their loss exemplifies Jopson’s (1999) argument that out-migration of key residents erodes the vitality of a town. Despite the concerns of respondents, the questionnaire showed that bank branch closure did not lead to major population decline, as found by Argent and Rolley (2000), but not by Ralston and Beal (1997).

As discussed in Chapter Two, there are three ways for a community to respond to branch closure: by collective action, by uniform reaction among communities across the country, and by simply coping with change. The results reported here point to minimal collective community action, although newspaper articles
mentioned meetings in the Pleasant Point town hall, while The Timaru Herald (Appendix E) also reported that more than 100 Temuka residents, many of them elderly, had organised a protest outside the branch that closed (March 5, 1999). A number of letters to the editor of the local newspaper followed, although these were individual responses. There were no definite signs of a community-wide response to the announcement of branch closure and collective response was confined to particular age and employment groups. Moreover, at the early stages of the closure process there was no sign of social sustainability springing from community solidarity. At best, only an incipient sense of community was manifested in the two small town communities.

Nor can the reaction of respondents to decline in local financial services be described as uniform. Reactions to branch closure differed between the two communities and seem to have been determined by the extent of service decline. Pleasant Point lost all its banking services and was left without even an ATM; two banks branches and two ATMs remained in Temuka after one branch closed. The two case studies suggest that community responses are contextual in nature: how a particular community reacts to financial service decline, is mediated by factors such as age, socio-economic status, and access to transport.

5.7.1 Social Darwinism

As noted in Chapter Two, small town communities appear to implement adaptive strategies very similar to Joseph and Chalmers' (1995) involvement of Social Darwinism, a perspective introduced in Chapter Two. This philosophy, the 'survival of the fittest' as applied to people, corresponds to the lack of community strategy to adapt to new or alternative forms of financial service provision. The results reported in this study show that elderly respondents were less willing or able than younger persons to adapt to the new electronic methods of banking, a finding that appears to agree with Leyshon and Thrift's (1998) argument that small town residents have a low degree of 'financial literacy'.
The cohort with least financial literacy was the 65+ group, the one viewed by other respondents in both towns as the most affected by the branch closures. Concern for the elderly, expressed by the Key Informant who assisted the elderly with EFTPOS transactions, clearly implies a sense of community. Elderly respondents in both communities expressed concern over being seen as a nuisance to neighbours, family members, and friends because they had to ask for transport to Timaru to do their banking. Further concern was felt for employed respondents who chose, or were forced through home loans, to remain customers of the bank that closed, as well as for residents who through poverty lacked transport. Again concern of this nature might very well be viewed as indicative of a sense of community.

Early in the research for this dissertation it was established that in closing a bank branch the sponsoring corporation had not established alternative methods of banking to compensate residents for loss of services. Perhaps the most significant alternative was that local businesses with EFTPOS facilities assumed, albeit in a limited, the role of a bank by means of cash withdrawals. Pleasant Point residents were shown how to use EFTPOS cards by the bank that closed, which in turn allowed transferral of services offered by a branch to a retail outlet.

Reliance on retail outlets to provide financial services affected each community. As noted in the existing literature (Beal and Ralston, 1997 for example), small town bank branch closure leads to an accumulation of excess cash to provide for customers making use of ‘cash-out’ services. Nevertheless, this was not considered a security risk to the outlet. Unlike Ralston and Beal (1997), I found no evidence of an increase in bad debts, nor was there any indication of an increase in the cashing of cheques. However, business owners admitted the latter was due to the general reduction in the use of cheques and not because of branch closure.

The precise effect on local businesses was unique to each case study settlement. As Ralston and Beal (1997) found, businesses that experienced a reduction in
sales and takings did so because people performing their banking in other centres, primarily those where they shopped.

The present research yielded two new findings. Firstly, there was reduction in ‘impulse’ spending due to reduced access to cash and problems in using EFTPOS cards because of uncertainty about remaining credit in the customer’s account. Secondly there is a security risk associated with the need for small town business people to travel into town at the end of the day to deposit their takings each day at an ATM. Travelling to other centres such as Timaru is often only viable at times when bank branches are not open. The alternative is to use a courier service, which incurs additional costs to the business.

Temuka residents have access to Automatic Teller Machines and many respondents had to adapt to using them because it was their only means of banking. Several banks offered a deposit service via an ATM, which, with the possibility of withdrawing cash, met the banking needs of most residents. Use of ATMs was generally dependent upon the age of respondent. In particular, younger people without bank loans had no use for a branch. In fact, they appeared to more readily adapt to new methods than did older people.

Telephone banking is now very popular with residents of both towns, but with a higher percentage of Temuka residents adopting the new technology. Again, having access to ATMs and two bank branches, many Temuka residents considered Telephone banking their main method, even though they used other procedures for withdrawing and depositing funds. Use of multiple banking options and alternatives points to a high level of adaptation amongst younger users.

Pleasant Point residents described Telephone banking as inadequate because it did not give access to cash. For them, a branch was the main means of financial service provision, because withdrawing cash and depositing savings was the basis of their banking activities. For Temuka residents, bill payments were not only the main purpose of banking, but one that could be accomplished through electronic
means. Internet banking was unpopular with respondents in both towns. Only two percent of Temuka respondents identified it as their main means of banking. Although the Temuka response rate was considerably smaller than that of Pleasant Point, the larger town had a higher percentage of Internet banking usage as well as Telephone banking use. This lead to the conclusion that Temuka respondents more readily adapted to the new electronic technologies than those living in Pleasant Point.

The bank branch is only one of a number of options potentially available to small town communities. The others - a ‘Community Bank’, credit union, building society, agencies or a ‘People’s Bank’ – have yet to become a reality so that little if any meaningful comment can be made about their possible impact on banking behaviour.

Pleasant Point respondents were very receptive to the idea of a ‘Community Bank’ in their town, for it would provide, they believed, face-to-face contact when they perform their banking tasks, a finding which re-emphasises the unwillingness of the majority of Pleasant Point respondents to adapt to new methods of banking. The findings of the questionnaire survey, supported by interviews with local business people, confirm that this perception is related to age. The majority of respondents from Pleasant Point were elderly, and it was they who showed the most interest in a ‘Community Bank’. Further, Temuka respondents who indicated interest in establishing a ‘Community Bank’ were not only clients of the bank branch that had closed but were also in the oldest age cohort, again suggesting a reluctance or inability to adopt new methods of banking.

Business interviewees were unwilling, however, to change their business accounts to a People’s Bank, despite the advantages that would flow if one were established in their town. On the other hand, they did think the proposal would be very worthwhile for the elderly and low-income members of the community.

Enthusiasm for a credit union or building society in each town depended upon its experience of macro-economic change and its present financial situation. Their
appeal differed between Pleasant Point and Temuka respondents. At base, the problem is not with the proposed institutions, but rather with the record of financial service provided by the traditional banking corporations. There was a deep resentment of the financial service fraternity amongst respondents from both towns. Further, respondents acknowledged that they have minimal knowledge of the abilities of both credit unions and building societies to administer banking services.

This chapter has addressed the research objectives through explicit examples of bank branch closure offered by the respondents of the postal questionnaire, and the Key Informant interviews with business people in Pleasant Point and Temuka, as well as members of middle management from three major New Zealand banks. These research techniques have yielded answers to the three research questions, as outlined and analysed in depth in this chapter. From these answers a number of themes have emerged.

The models below (Figures 5.12 and 5.13) summarise the broad themes of this chapter. Perceptions of bank branch closure, exemplified by the communities studied in this dissertation, show that closure impacts in unique ways, based on the actual situation. The ability of respondents to adapt to change dependent on the severity of financial service withdrawal and the quality of what remained. The final chapter considers general features of bank branch closure for small towns.
Chapter 5 Results and Discussion

**Branch Closure**

**INDIVIDUAL**
- Reduced access to finance
- Increased cost of finance
- Reduced safety for elderly
- Increased cost of travel to banks
- Internet not viable option
- Elderly feel like a nuisance
- Elderly fear electronic methods
- ATMs have a safety risk

- Move accounts to another bank
- Reduce local spending
- Some shop in larger centres
- Respond as individuals
- Some get left behind

**BUSINESS**
- Increased cost of travel to bank
- Delays in deposits
- ATMs have a safety risk
- Take on role of banks
- Slight decrease in business volume

- Set-up costly alternatives, like a courier
- Increase 'cash-out' transactions

**COMMUNITY**
- Loss of key members of the community
- Loss of a focal point
- Loss of place to talk and get advice
- Inconvenience

- Adapt to new technologies
- Respond as individuals
- Use businesses as banks

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Figure 5.13 Model of Temuka Respondents’ Perceptions and Responses to a Local Bank Branch Closure.

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Chapter 5 Results and Discussion

Figure 5.14 Model of Pleasant Point Respondents' Perceptions and Responses to Total Local Bank Branch Closure.
This dissertation has examined the effects of bank branch closure in two small town New Zealand communities by drawing on information from a review of past research, an extensive postal questionnaire that elicited individual narratives on branch closure, and Key Informant interviews. It has been shown that, broadly speaking, the process of 'Market Darwinism', as introduced in Chapter One following Arndt (1987), spawned what might appear to appropriate the concept of 'Social Darwinism', as outlined in Chapter Two after Joseph and Chalmers (1995).

Through the various restructuring programs of New Zealand's service sector by a succession of governments since the 1984 national elections, many small town communities have suffered greatly from the withdrawal of important and integral institutions. The restructuring process has affected the provision of such services as health, education, the Post Office and, as this dissertation has suggested, perhaps none more so than banking.

Financial service restructuring has entailed a reduction in the number of bank branches in small town New Zealand. The past decade has seen numerous developments in technology as a consequence of this Market Darwinism, whereby corporations invest vast sums of capital in the development of new technologies in order to remain competitive in the international market. This has produced a banking system in New Zealand that has become one of the most technologically advanced in the world. Further, the more technology improves the more it comes to replicate the services available from a branch at a reduced cost to the banks themselves.
Such electronic services - Automatic Teller Machines, Direct Debit, Internet and Telephone Banking - are regarded as the way of the future for the banking industry. The more they are put into place the greater the perceived reduction in the need for branches, at least in the collective opinions of upper management within the major corporations. It is the small towns that are first seen as the areas in which branch closure should take place.

Bank branches are important institutions in small town communities for reasons that go far beyond the realm of financial management to the extent that they are viewed as focal points within such towns. They provide jobs for local people and give older people the security of knowing they can access their funds conveniently and safely while having a place to talk. Branch staff are viewed as community leaders who are freely available for advice on a wide range of non-financial matters. Branches also allow businesses to deposit their daily takings and to draw money for their cash registers. This is in addition to being places where members of the community can have ready access to cash, borrow money and make loan repayments.

In terms of the specific research objectives under which this piece of research was performed, each of the three research questions were answered in an adequate fashion for sound conclusions to be made. The loss of local bank branches is perceived by local residents to inflict an array of direct, as well as indirect, effects on communities. These occur on three levels – each having an influence effect on the others. These are the individual, the local economy, and the community itself. The individual level can be affected in more ways than by a mere disruption of the ways in which community members perform their required banking tasks. In broad terms the degree of disruption is evident in the socio-economic status and age of the individual, as well as by the adaptive response of a community member to new forms of banking service provision.
The second level, involving the impact on the local economy through retail outlets, uncovered a series of effects, as expressed in the responses of business people, much the same as those reported in past studies on this topic. However, a number of new relationships were revealed due predominantly to the increased adoption locally of EFTPOS cards, despite a clear lack of ability by certain groups - the elderly in particular - in the community to adapt to these new technologies. The major admission of business people interviewed mirrored the findings of other studies (such as Ralston and Beal, 1997) in that local bank branch closures brought about decline in the local economy due to the fact that people will bank where they meet their shopping requirements. A novel finding of this dissertation was a decline in 'impulse' spending with an EFTPOS card due, apparently because this source was unable to provide an accurate statement of funds available in a person's account.

The third level of direct and indirect effects of bank branch closure in small towns involves of the community as a single unit. The assumption that such an entity existed was the basis for this research. It can be concluded that a sense of community is independently fostered by each township. Intra-community effects and response were determined by socio-economic situation and age. As a result of this complex milieu of responses, it can be said that community effects of, and responses to, local bank branch closure are not uniform but determined by the extent of financial service withdrawal in a town. All organised responses were age or occupation specific, and included the full range of community members. Thus, a sense of community was not represented in the response of small town people to the withdrawal of local banking services.

Nevertheless what might be described as a stronger sense of community was evident in the degree of concern for members both by those who were affected by branch closure, as well as those not directly affected by such service withdrawal. This concern centred on the elderly and those on low incomes.
Chapter 6. Conclusions

There are a number of options available to small town communities to reduce, mitigate or compensate for the loss of traditional over-the-counter banking services. Again, willingness to adopt these alternatives proved to be situation-dependent. This research, then, has demonstrated that, while individual adoption of alternatives may take place, comprehensive community-wide adaptation to new methods does not always occur.

6.1 Limitations

A number of limitations were encountered over the course of the research. The first points to the need for a pilot questionnaire survey prior to the primary research phase. This would have allowed greater understanding of the types of questions required for prospective respondents and, more importantly, would have given an indication of the response rate from both case study areas. This would have reduced the chance of a poor initial response rate and may have reduced the need for the second mail-out, which delayed the data analysis by more than three weeks.

An additional limitation results from the unwillingness of one major banking corporation to respond to the researcher's requests for information. If opinions had been gathered from all major banking corporations then a more comprehensive assessment of the rationale for branches being kept open would have been accomplished.

6.2 Further Research

A number of avenues for further research have been uncovered. The research reinforced the fact that communities comprise several groups that are fundamentally reliant on each other for survival. This research has opened up the possibility of more specific studies into groups within communities and how they respond to change brought about by service decline.
An extension of the current research into the exploration of user groups in other small towns elsewhere in New Zealand may be worthwhile. Such groups may include Maori, and beneficiaries (including, but also as well as, the elderly). The choice of small towns worked well in this study as they represented two fundamentally unique responses to service decline. Because of this uniqueness, the findings of dissertation are by no means representative of how all small towns react to such withdrawal. As a result there is great scope for further research into this topic. In addition there is a need to replicate the current research in order to verify and perhaps add to the principle findings reported here – especially those that are new to this topic.

A fear element also emerged from the current research. One business owner made the writer aware of a fear factor involved in the use of ATMs. She was not willing to deposit the takings of her establishment at an ATM due to the fact that she was not free to do so during daylight hours. This affords the possibility for research into the use of ATMs at night, and the fear factor involved, in urban and non-urban areas.

Further, mitigation of impacts of service decline involving provision of new technologies may be achieved through further research into the proper education of those who are expected to use such technology. It has been shown in this dissertation that public education in the use of new electronic banking methods in small towns is very weak. A more hands-on approach is required to improve the situation for those who find it difficult or are unable without help to adapt to such change, while also improving understanding of the reasons for such change occurring. Additionally, this may lead to a reduction in the amount of criticism received by corporations that restructure the provision of their services.

While this dissertation was not designed with an 'applied' function in mind, it does raise implications for banking development and, more specifically, the restructuring of financial service provision by banking corporations. This research
provides understanding of the impact of local bank branch closure in small towns, and has given an overview of the manner in which these communities may respond to such service withdrawal. In the context of the current form of banking in New Zealand, it is clear that the rationale of the corporate officials behind bank branch closure differs greatly from the views of ordinary people. As branches fall, many members of small town communities will not be able to adapt to change, while others will adjust with ease. This division will inevitably lead to a break down in community solidarity and will strike to the roots of small towns.
References

Books, Monographs and Reports


**Journal Articles**


**Unpublished**


**Newspaper Articles**


Electronic Resources


Information Booklets and Brochures

ANZ Bank (2000) *Internet Banking: The new way to keep an eye on your money*. Australia New Zealand Banking Corporation


WestpacTrust (2000) *Your guide to banking by phone*. WestpacTrust Banking Corporation
APPENDIX A

POSTAL QUESTIONNAIRE
Consequences of Bank Branch Closures in Temuka and Pleasant Point

The object of this survey is to seek your views about the effects on and consequences for yourself, your household and the community when bank branches in your town close. This survey can be completed at your leisure, but it would be appreciated if you could complete this questionnaire and return it to me as soon as possible, using the enclosed stamped self-addressed envelope.

Your opinions are valuable. Please feel free to add comments at the end of this form. All information will be treated as confidential, and names and addresses will not be recorded.

Thank you for your time and effort.

Part One: Some information about yourself

1. Your gender? (please tick the appropriate box) □ Male □ Female

2. What is your age? (please tick the appropriate box) □ 18-24 □ 25-44 □ 45-64 □ 65+

3. Where is your normal place of residence? □ Pleasant Point □ Temuka

4. How long have you lived in that town? ......................................................... (years)

5. Do you earn a wage/salary in your hometown or in the surrounding area? □ YES □ NO

Part Two: Effects of Branch Closures

6. Other than financial effects, what have been the consequences of bank closures for your town?

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7. How did people in your town respond to branch closure(s)? .........................
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........................................................................................................................................
8. Where do you do most of your shopping, and why? 
   
   
   

9. To the best of your knowledge, has the average weekly amount of business in your town changed since the closure(s)?
   
   □ Increased  □ No change  □ Decreased

Part Three: Personal Banking

10. Do you have current account(s) with a trading bank?  □ YES  □ NO

   If YES, does the banking corporation with which you have this/these account(s) have a branch in your town?
   
   □ YES  □ NO

   If NO, is that because the bank closed its branch in your town?
   
   □ YES  □ NO

   If YES, when did this branch close? (please give month and year) .................

11. Please rank the following in your order of preference
(1= most preferred, ....4=least preferred)
   
   ( ) Branch/over-the-counter
   ( ) ATM/EFTPOS
   ( ) Internet Banking
   ( ) Telephone Banking

12. When the branch(es) closed, did the banking corporation(s) offer you and other residents of your town alternative banking methods?
   
   □ YES  □ NO

   If YES, what were they?
   
   □ Internet Banking  □ ATM
   □ Telephone Banking  □ Other

   please describe what is involved if you answered 'other' to the above question....
   
   ........................................................................................................

13. Have you adopted any of the alternatives listed in Question 11?
   
   □ YES  □ NO

   It would be helpful if you could explain your answer .........................
   
   ........................................................................................................
14. Which of the following banking services do you use? (please tick appropriate boxes)

☐ Savings  ☐ Cheque  ☐ Mortgage
☐ Loan  ☐ Financial Planning  ☐ Bill Payments
☐ Other (please specify) .................................................................

15. Are you satisfied with the provision of financial services in your town?

☐ YES  ☐ NO

It would be appreciated if you could explain your answer .................................................................

.................................................................................................................................

16. Does your town have an Automatic Teller Machine, often referred to as an ATM?

☐ YES  ☐ NO

If YES, how many?  ☐ one  ☐ two  ☐ three or more

17. Is any of those ATMs owned by the banking corporation with which you have an account?

☐ YES  ☐ NO

18. How has the amount of your average withdrawal changed since branch closure began?

☐ Increase  ☐ No change  ☐ Decrease

19. How has the frequency of your average withdrawal changed since branch closure began?

☐ Increase  ☐ No change  ☐ Decrease

Part Four: General Effects of Branch Closures

20. Do you own or operate, or have you ever owned or operated, a business in Temuka/Pleasant Point?

☐ YES  ☐ NO

If YES, were you operating this business during the period of bank branch closure in your town?

☐ YES  ☐ NO

If YES, did you notice any change in the amount of business you were dealing with?

☐ Increase  ☐ No change  ☐ Decrease

It would be appreciated if you could describe the changes .................................

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.................................................................................................................................

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21. In what way have you been affected by branch closure? ..................................................
........................................................................................................................................
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........................................................................................................................................

22. What was the reason given by the banking corporation(s) for branch closure?
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Part Five: Some Alternatives

23. To the best of your knowledge, how many retail outlets in your town have EFTPOS facilities? □ 1-5 □ 6-20 □ 21-40 □ 41+

24. Have you heard about Deputy Prime Minister Jim Anderton’s proposal to establish a ‘People’s Bank’ throughout New Zealand? □ YES □ NO

If YES, What is your opinion about this proposal? ..................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

25. The North Otago settlement of Palmerston lost its last bank branch in March, 1999. Since then, residents have established a small-scale, part-time ‘community bank’ which entails the use of EFTPOS for the public to make cash withdrawals, as well as facilities for depositing cash and cheques that are then taken to Dunedin by a security firm. This ‘community bank’ is run by a volunteer. Any profits are reinvested in the Palmerston community.

If a ‘community bank’ were to open in your town would you use it? □ YES □ NO

It would be appreciated if you could expand upon your answer ..........................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

26. Does your town have a Credit Union or Building Society branch? □ YES □ NO
Would you be prepared to use a credit Union or Building Society for your own banking?

☐ YES  ☐ NO

It would be appreciated if you could explain your answers.

______________________________________________________________

______________________________________________________________

Finally, it would be appreciated if you would add comments or opinions regarding the closure of bank branches in your.

Thank you for your assistance. It is greatly appreciated.

Callum McKirdy
Dunedin
28 June 2000
Dear Householder

I am a student at the University of Otago and am currently in my fourth and final year for a BA degree with honours in Geography. For this degree I am required to undertake original research to be presented in the form of a dissertation. The research I undertake will be done under the supervision of Prof. Holland, a lecturer within the Department of Geography.

My study concerns bank branch closures and their consequences for rural New Zealand communities, especially the effects of such closures on the community with regards to the 'character' and 'spirit' of rural towns. Ultimately I would like to gain insight into how a community expresses views about branch closures in their area and what type of action has been taken to reduce or mitigate the effects of branch loss. I have chosen two small South Canterbury towns as case studies for my research: Temuka and Pleasant Point. First, I am from South Canterbury and want to research a topic of significance to my 'home region'. Second, Temuka and Pleasant Point are relatively close to Timaru, where access to over-the-counter services remains for rural customers.

Information from residents is vital for my research and I shall be very grateful if the following questionnaire could be completed by an adult (over 18 years of age) in your household. Banking service provision is surrounded by a range complex issues. For that reason, I am interested in any opinions you might have, positive or negative. Please return the completed survey form in the stamped, self-addressed envelope provided.

All information provided in the questionnaires will be collated and responses will remain entirely confidential. There will be no way to identify you as a source of information, and your anonymity is assured. The information will only be used for my research and the resulting dissertation and will be destroyed when the research is completed in November, 2000. If you have any concerns or questions regarding my research please do not hesitate to contact Prof. Holland at the University of Otago.

Yours sincerely

Callum McKirdy
Fourth year Honours student
Department of Geography

Prof. Peter Holland
Department of Geography
Ph (03) 479 8783
Fax (03) 479 9037
APPENDIX C

INTERVIEW COVER LETTERS AND CONSENT FORM
To whom it may concern.

Dear Business Manager

I am a student at the University of Otago and am currently in my fourth and final year for a BA degree with honours in Geography. For this degree I am required to undertake original research to be presented in the form of a dissertation. The research I undertake will be done under the supervision of Prof. Holland, a lecturer within the Department of Geography.

My study concerns bank branch closures and their consequences for rural New Zealand communities, especially the effects of such closures on the community with regards to the 'character' and 'spirit' of rural towns. Ultimately I would like to gain insight into how a community expresses views about branch closures in their area and what type of action has been taken to reduce or mitigate the effects of branch loss. To acquire this information it is important that I have an understanding of these effects through the point of view of other service providers in these towns. I have chosen two small South Canterbury towns as case studies for my research: Temuka and Pleasant Point. First, I am from South Canterbury and want to research a topic of significance to my 'home region'. Second, Temuka and Pleasant Point are relatively close to Timaru, where access to over-the-counter services remains for rural customers.

Information from business owner/operators is vital for my research and I shall be very grateful if you could grant me half an hour of your time to discuss the issues addressed above as well as any effects of branch closure which may have affected your business. I hope to commence my research period in mid-June. Banking service provision is surrounded by a range complex issues. For that reason, I am interested in any opinions you might have, positive or negative. I will phone you within the next couple of days to establish a time and date to suit.

All information acquired from the interview will be collated but your responses will remain entirely confidential. There will be no way to identify you as a source of information in my dissertation, and your anonymity is assured. The information will only be used for my dissertation and will be destroyed when the research is completed in November, 2000. If you have any concerns or questions regarding my research please do not hesitate to contact Prof. Holland at the University of Otago.

Yours sincerely

Callum McKirdy
Fourth year Honours student
Department of Geography

Prof. Peter Holland
Department of Geography
Ph (03) 479 8783
Fax (03) 479 9037
To whom it may concern.

Dear Member of Middle Management.

I am a student at the University of Otago and am currently in my fourth and final year for a BA degree with honours in Geography. For this degree I am required to undertake original research to be presented in the form of a dissertation. The research I undertake will be done under the supervision of Prof. Holland, a lecturer within the Department of Geography.

My study concerns the social impact of bank branch closures for rural New Zealand communities, especially with regard to the 'character' and 'spirit' of small towns. Specifically I would like to gain insight into how a community expresses views about branch closure in their area and what action may be taken by the community and also the banks to reduce or mitigate its effects. For my study I need information from the banking corporations involved as well as the community. I have chosen two small South Canterbury towns as case studies for my research: Temuka and Pleasant Point. First, I am from South Canterbury and want to research a topic of significance to my 'home region'. Second, Temuka and Pleasant Point are relatively close to Timaru, where access to over-the-counter services remains for rural customers.

I shall be grateful if you could spare me half an hour to discuss the broad issues outlined in the previous paragraphs. I hope to commence my field research in mid-June. I shall phone you within the next couple of days to check your availability and, if possible, to arrange a time and date to suit.

All information acquired from the interview will be collated but your responses will be treated as confidential. There will be no way to identify you in my dissertation as a source of information, and your anonymity is assured. The information will only be used for my dissertation, and will be destroyed when the research is completed in November, 2000. If you have any concerns or questions regarding my research please do not hesitate to contact Prof. Holland at the University of Otago.

Yours sincerely

Callum Mckirdy
Fourth year Honours student
Department of Geography
University of Otago

Prof. Peter Holland
Department of Geography
Ph (03) 479 8783
Fax (03) 479 9037
UNDERSTANDINGS OF HOW BANK BRANCH CLOSURES IN RURAL TOWNS AFFECT LOCAL COMMUNITIES

CONSENT FORM FOR INTERVIEWS

I have had this study explained to me by the interviewer, and have had an opportunity to discuss it. All my questions have been answered to my satisfaction, and I understand that I am free to request further information at any stage.

I understand that:

1. Information gained from the interview will be used only for the purpose of research.

2. Interview information will be stored and analysed in ways that maintain anonymity and privacy of the participants.

3. My participation in the interview is entirely voluntary.

4. The structure of the interview will be based on a formal structure with a framework of set questions, however, depending on how the interview develops, open-questioning techniques may be employed to clarify points raised or add to the information already gathered.

5. I may decline to answer any particular question.

6. I may end the interview at any time and/or withdraw my responses from the study without any disadvantage of any kind.

7. The results of the study may be published but my anonymity will be preserved through the coding of interview respondents by number.

I agree to take part in this study.

Signature of participant .................................................. ........................ date

Interviewer: Callum McKirdy .................................................

Supervisor: Prof. Peter Holland, Lecturer .................................
Tel: (03) 479 8783

PO Box 56, Dunedin, New Zealand. Tel 64 3 479 1100 Fax 64 3 479 9037 Email geography@otago.ac.nz WWW http://www.otago.ac.nz
APPENDIX D

INTERVIEW FORMAT
Interview Questions for Business Owners/Operators

Reasons for branch closures:
What were the reasons given for the branch closures?
Was the local (business) community consulted by the banks before they withdrew?

Effects and Responses of the Community:
What are the general impacts on the community as a result of branch closures?
Have business owners/operators seen any form of adaptive strategies being implemented by the community since the closures?
Do businesses now act as banks in some respects?
Has there been an increase in the number of cheques being cashed in your business?
Do you have EFTPOS facilities?
   If so, have you noticed an increase in the amount of cash withdrawals since the closure of the branch?

Effects on the local economy:
Since closure, have business owner/operators seen any change in the amount of business they have been dealing with?
What are the effects of branch closures on the local economy?
What has been your reaction to the effects of the closures on your business, or the local economy?
Since the closures, has the number of businesses closing increased?
Has the amount of local spending decreased since branch closure?

Withdrawal compensation/remuneration:
Did the trading bank in which you held your business account close?
   If so, were you offered any alternative packages or incentives to stay with that bank?
Are the banking needs of small town business owners/operators being catered for at present?
What type of 'informal' services did the bank branches provide?
   - such as allowances for locally known people.
Would an ATM machine be beneficial in the community?

For Petrol Stations:
Have you noticed an increase in the amount locals have been spending on petrol since the closures?

Interviews will comprise a semi-structured format. Above are the topic headings with examples of the types of questions given under each respective heading.
Interview Questions for Members of Middle Management

Banks perceptions of small town customers:
How do banks perceive small town customers?
Do trading banks feel they have a responsibility to supply smaller communities with banking facilities?
Do you know the ratio of rural customers as opposed to urban customers?

Reasons for branch closures:
What are the reasons for closing a branch?
Were banks, are banks and will banks be able to provide for the financial needs of small town people? - How?

Process of branch closures:
What sort of research does a bank do before deciding to close a branch?
Who is consulted before making these decisions?

Post-closure service provision:
What alternative means of banking do trading banks supply the communities with after branch closure?
Are these alternatives widely adopted by the communities?
Do they believe they fulfil the needs of small town communities in their service provision?

Bank corporations perceptions of branch closures:
Do trading banks believe branch closures can have a negative effect on the community from which they withdraw?
- social character of towns
- local economy

Interviews will comprise a semi-structured format. Above are the topic headings with examples of the type of questions given under each respective heading.
APPENDIX E

ETHICAL APPROVAL FORM
ETHICAL APPROVAL AT DEPARTMENTAL LEVEL OF A

PROPOSAL INVOLVING HUMAN PARTICIPANTS (CATEGORY B)

Notes: PLEASE read the important notes appended to this form before completing the sections below

NAME OF DEPARTMENT: GEOGRAPHY

TITLE OF PROJECT: The effects of bank branch closure on small towns

BA(Hons) dissertation by Callum McKirdy

PROJECTED START DATE OF PROJECT: Planning and background reading started in March. Field work will begin in June.

STAFF MEMBER RESPONSIBLE FOR PROJECT: Professor Peter Holland

NAMES OF OTHER PARTICIPATING STAFF: none

BRIEF DESCRIPTION OF THE PROJECT: Please give a very brief summary (approx. 200 words) of the nature of the proposal:-

The wide-ranging phase of economic restructuring initiated by the Lange Administration in the mid 1980s touched upon all aspects of life and work in New Zealand and had considerable impact upon people living and working in small towns. Curtailment or cessation of services formerly provided by state agencies left many small town residents with even fewer alternatives. Since then privately owned organisations have restructured their operations, meat processing plants have closed, business representatives and government offices have been relocated to regional centres, and banks have pruned the number of branches. The latter is the central concern of this research. What impact has loss of banking facilities had on the residents of small towns? Were their formal and informal social support systems strong enough to cope with the increased demands placed upon them? And were alternative financial services developed to lessen the impact of branch closure on small businesses and residents? The primary information for this project will come from a questionnaire survey of a random sample of 100 households in Pleasant Point and Temuka, supported by semi-structured interviews with 5 to 8 business people and individuals employed in the financial sector of each town. The questions that will be asked of residents stem from the international social geography literature and will help Mr McKirdy explore and evaluate the coping mechanisms employed by residents of small towns to mitigate the adverse effects of macro-economic change upon their respective communities.
DETAILS OF ETHICAL ISSUES INVOLVED: Please give details of any ethical issues which were identified during the consideration of the proposal and the way in which these issues were dealt with or resolved:-

The topic of this research is potentially sensitive so the following steps will be taken to ensure an investigation that satisfies the University's requirements for Category 'B' ethical clearance. Firstly, respondents to the questionnaire will not be asked to give their names and addresses. Secondly, information obtained from the questionnaire survey will be reported in aggregated form in the dissertation, copies of which will be housed in the Central and Departmental Libraries, and a reader will not be able to identify a respondent. Thirdly, the number of questions of a personal nature has been reduced to the minimum. Fourthly, participation in this research is entirely voluntary and a respondent will not be pressured to answer a question. Fifthly, those individuals who are interviewed will be fully informed about the research at the outset, asked if their words can be recorded, told they can call a halt to the interview at any time, and asked (a) if their statements can be reported verbatim in the dissertation and (b) if their words can quoted with acknowledgement of source. Sixthly, completed questionnaires, tape recordings and written transcripts will be stored in a safe place in the Department of Geography until mid-November 2000 then destroyed. Copies of the following material are attached: household questionnaire, covering letter to household members in the sample, informed consent form, interview schedule, and background information for key informants.

ACTION TAKEN

☐ Approved by Head of Department ☐ Approved by Departmental Committee

☐ Referred to University Ethics Committee ☐ Referred to another Ethics Committee

Please specify:

DATE OF CONSIDERATION: ........................................

Signed (Head of Department): ........................................

Please attach copies of any Information Sheet and/or Consent Form
Pleasant Point loses sole bank

Pleasant Point has lost its only bank in a shock move locals have described as the beginning of the end for small communities and a step towards a cashless society.

Westpac and Trust Bank announced the bank's closure yesterday, along with a merger in Geraldine and changes to services in Timaru.

From March 21, retailers and district residents will be forced to travel to Temuka or Timaru for the nearest banking services.

WestpacTrust regional general manager Richard Westlake said demands on the Pleasant Point branch had steadily declined as customers found more convenient ways of banking.

The bank could no longer "viably or profitably" operate for an indefinite period.

Retailers rubbished those claims yesterday.

Pleasant Point has been left with nothing, they say. The town has no money machines, and outlets which use Eftpos still need to obtain cash frequently.

"...and I will not do the work of a bank, and face charges for it," Pleasant Point Butchery owner Barry Wilson said.

"One: it's an inconvenience for many businesses. And two: A bank is the hub of the community, and they've just broken that hub.

"A bank is a social service too, and we have a lot of elderly people living here, who already have a problem with the new methods. And a lot of them do not have transport," Mr Wilson said.

Many customers received first notice of intended changes through a poster on the bank window, although Mr Westlake said yesterday letters had been sent.

"The decision was not made lightly.

"But Pleasant Point is a lot better off than some rural communities. There are half a dozen branches within 10-12 kilometres."

Three staff still working at the branch were not allowed to speak to the media, but Mr Westlake said they would all have the opportunity to be re-located.

Pleasant Point Foodmarket owner John McDonald rues yesterday's announcement that the town is to lose its only bank.

"I just can't believe it, it's devastating."

Geraldine's Trust Bank is to merge with the town's Westpac, also on March 21. No staff will be lost in that move or in Timaru's changes; which will see Westpac's Agribusiness in south Timaru merged back into the town's Westpac branch.

(Source: The Timaru Herald, Thursday 6 March, 1997)
Bank closure despite assurances given

The closure of Pleasant Point's only bank has outraged a local man who says he had been assured the town would not lose any quality of service.

And yesterday, the community board said efforts on Wednesday night to convince the bank to keep its doors open had fallen on deaf ears.

Approaches would be made to rival banks to open a district branch.

Lawrie Blakemore wrote to Westpac Trust chief executive Harry Price when Trust Bank and Westpac announced last year that they would merge.

Mr Blakemore had concerns the town's Trust Bank would be a casualty.

In a letter to Mr Price, he wrote: "Soon an excuse will be forthcoming to close our branch. Gib words to be true as you state "let me reassure you that Trust Bank is not going to lose its identity and be swallowed up by a giant, faceless organisation. Nonsense, and you know it."

Mr Price responded: "...the Trust Bank characteristics we all value so highly will be carried through to your new bank. Trust Bank's knowledge of local areas, commitment to the community and personal service are at the very heart of our management structure.

"As we bring the best of both banks together, there will inevitably be changes. But at the end of the merger process, I hope you and all our other customers will be able to say 'Yes, they've kept things I liked about Trust Bank and improved them even more.'"

That is when I'll feel we have achieved our goals.

Bank executives have repeatedly stated the Pleasant Point branch's demise was caused by its "steadily declining" use.

Regional general manager Richard Westlake said the company had realised people would be inconvenienced but it was a "business decision," which had been looked at "for some time" although he could not be more specific.

Community board member Neville Gould said an informal community board meeting on Wednesday to discuss the central business district upgrade had changed its course, upon news of the bank's closure.

"The bank will close its doors on March 21.

Lawrie Blakemore... outraged at Pleasant Point bank closure.
Retailers fear for businesses

By Simon Smith
Pleasant Point Reporter

Pleasant Point retailers fear business will be taken elsewhere, following the closure of the town's only bank.

In a controversial move, Trust Bank announced this week it will close its Pleasant Point branch on March 21 — a result of "steadily declining" trade.

The announcement, following a recent merger between Trust Bank and Westpac, was met with outcry by residents.

A meeting on Wednesday night between community board members to discuss the upcoming central business upgrade took a different twist as members came to grips with the effect the closure would have on the town.

After the meeting, board member Neville Gould vowed to fight the changes, but he said it looked like a losing battle.

"We feel like they've just wiped us out, and they're not going to do a thing."

"I had a fair go with bank people this week and they said they would not be changing their minds."

"Our latest battle is to try and encourage other banks out here."

"If we can get another bank out here, it will do a lot of harm to Trust Bank."

Retailers last week feared that people forced to travel to Timaru or Temuka to bank would also shop in those areas.

"There's no reason why people wouldn't spend money if they were in town anyway," Pleasant Point Foodmarket owner John McDonald said.

WestpacTrust regional general manager Richard Westlake admitted on Thursday that any type of petition put to WestpacTrust was unlikely to have any effect.

The bank has stated it will not open even a temporary office in the town, because it would be insecure.

Following the death of Naenae Trustbank teller Bill Brown during a bungled hold-up in January, staff safety concerns were paramount, Mr Westlake said last week.

Mergers have been announced between Westpac and Trust Bank branches in Geraldine and Timaru, but Mr Westlake said there were no further closures expected in the district.

(Source: The Timaru Herald, Saturday 8 March, 1997)
Today's editorial

Closure of bank an opportunity

The people of Pleasant Point are understandably upset at the imminent closure of their only bank. They argue the bank is a hub of the community and that it provides a social service, while businesses complain that they will have to become de facto banks with all the hassles and security problems entailed.

The reality is that banks are a business, and this decision merely reflects that. Westpac Trust says that business has steadily declined at the branch as people adopt more convenient ways of banking, and that a downgraded operation is not an option because of safety concerns. Banking has changed. Now customers can order new chequebooks, transfer funds and pay bills, all over the telephone. Of course, following a computer's patter is not the same as a good matter down the street, but it is only the bank that is closing.

There is still the supermarket, the butcher and the corner dairy, any one of which could seize on the opportunity to become the new hub of the community. Pleasant Point should not take the closure personally, and the fact that it has does shows real community heart and spirit. People have claimed ownership of the bank, as they have so many of their facilities, and that is what makes the township what it is.

Residents could reflect on schools with fine reputations, a spiritual heart where churches work well together, a domain and playing fields second-to-none, a superb golf course, an upgraded hotel and new café-bar, a positive community board, and the central business upgrade plan being considered.

Then, of course, there is the museum and railway, the annual gardeners, and the steam rally and fair that is going from strength to strength. No, Pleasant Point will not shrivel and die just because its bank will close. Retired people will be forced to adjust with the times and that is not always easy. And the school canteen manager will not be able to make daily deposits and will be inconvenienced, but maybe even that offers an opportunity to discover new ways to use electronic banking.

As has often been said, a problem often reveals many opportunities. The people of Pleasant Point are big enough to rise to that challenge.

(Source: The Timaru Herald, Friday 14 March, 1997)
Three SC bank branches to shut

By Krista Hunter
Staff Reporter

Three suburban Mornington branches and one Mid Canterbury branch is closing.

WestpacTrust regional general manager Richard Westlake, of Christchurch, said the closures were the result of a recent review which found they were no longer economical.

The closures have been criticised by those who represent the elderly and the region's business associations.

Mr Westlake said surveys showed only 10 per cent of customers visited the banks more than twice a week, and since 1993 the number of people who made manual transactions had halved. Now, most customers use eftpos and telephone banking.

ATM machines will remain in the four centres until August when a further review will access the economic viability of keeping the machines.

Customers who bank at the Highfield branch will have their accounts moved to Timaru's Northtown branch, Waimate accounts will move to Timaru, Temuka to Geraldine and Methven accounts to Ashburton.

Mr Westlake said there would be no changes to customers' accounts or credit card numbers.

Affected staff were told of the closures on Tuesday. They were offered either redundancy or the opportunity to apply for relocation.

"However, even if staff opt for relocation they are still not guaranteed a job as there are only so many new positions created as we move branches into other branches," Mr Westlake said. The restructuring was in its initial stages and it would be two weeks before it was known how many staff would be made redundant.

Meanwhile, the local president of Aged Concern, Rae Wilson, said elderly people would be the losers in the bank's merger.

"This will be a real problem for some elderly people who find it difficult to use automatic banking. Their hands may not work as well, their sight may not be good, and they may not understand the new technology."

Waimate mayor David Owen said he was stunned to learn of the closure of the town's busy bank.

"It doesn't make any sense...we won't sit back and let this happen. The closure is to the detriment of the community."

The chairman of the Temuka Business Association, Bruce McCully, believed retailers who banked with WestpacTrust would change banks when their local branch closed.

"Retailers need to bank every day and I can't imagine them hopping in their cars and driving to Geraldine each day."

Aoraki MP Jim Sutton said the closures were a sad loss, especially to the Temuka and Waimate communities.

"The losses feed on themselves, turning into a loss of population and a further loss of services."

Angry reaction

DUNEDIN— Angry Dunedin retailers and health professionals are threatening to boycott WestpacTrust after learning last night that the suburban Mornington branch will close on March 12.

WestpacTrust regional manager Roy Borgman announced two Dunedin suburban branches, Mornington and Musselburgh, and three Otago town branches, Palmerston, Cromwell and Roxburgh would close, along with the Dunedin Hospital agency. The moves leave Palmerston, 57km north-east of Dunedin, and Roxburgh, 44km south-east of Alexandra, without a bank.

Mr Borgman acknowledged the decision to close the branches had not been popular.

— NZPA
Angry customers to switch banks

Angry Waimate and Temuka residents will be moving their banking business elsewhere after learning their local WestpacTrust branches are closing.

WestpacTrust has announced it will close 12 South Island branches, three in South Canterbury, one in Mid Canterbury, six in Otago, and six in Southland.

Temuka residents have started a petition to present to WestpacTrust's management in an effort to save the bank, and Waimate mayor David Owen said the community would not just sit back and let the closure happen.

The bank announced on Wednesday that the two branches, along with branches at Highfield in Timaru and one in Methven, would close on March 12. The restructuring will mean 20 staff could lose their jobs.

Closing the rural banks is a blow for the small communities, according to residents. Many said they were left with no option but to change banks.

Mr Owen was yesterday fielding calls from distraught residents who felt they had been sold short.

"We will be looking at other options like community-owned banks," Temuka pensioner May Dehoon said.

WestpacTrust regional general manager Richard Westlake said the branches were closing because people preferred eftpos and automatic banking, rather than over-the-counter transactions.

"We can't afford to lose the bank. I want to know how this can be allowed to happen. This is a busy town and we need the bank," Laurie Sullivan, from the Jolly Potter, said.

Temuka retailer Tammie Mawhinney, from Puddle Ducks Florist and Gifts, said the bank was a vital part of the community.

"People will do their shopping in the same area as they bank. If they go to Geraldine or Timaru then Temuka will miss out," Mr Mawhinney said.

He predicted that in five years Temuka would cease to have a community bank.

WestpacTrust regional general manager Richard Westlake said the branches were closing because people preferred eftpos and automatic banking, rather than over-the-counter transactions.

Late last year WestpacTrust increased its bank fees for over-the-counter transactions while charges for using cash machines and eftpos remained at 25c each.

Manual transactions now cost up to $3 each.
Bank customers revolt

By Krista Hunter
Staff Reporter

Grey Power in Temuka has led the boycott against WestpacTrust by closing its accounts at the bank and president Gus Wright is encouraging others to follow suit.

On Wednesday the bank announced its Temuka, Waimate and Highfield branch in Timaru were among the 12 South Island branches which would close on March 12.

WestpacTrust regional general manager Richard Westlake confirmed yesterday that since the announcements some disgruntled Temuka and Waimate people had closed their accounts at the bank.

Mr Wright was one of the first to do so.

"I want to make a stand to let older people know there are other banking alternatives in Temuka. I am hoping that other people will follow suit."

Spokespeople for the two banks still operating in the towns, the ANZ and BNZ, said they had been fielding a number of calls from people inquiring about starting an account or wanting to change banks.

But in spite of losing customers to the rival banks, Mr Westlake was standing by the decision to close the rural banks.

He said a recent review of the Waimate and Temuka branches showed only a quarter of its customers used the bank (preferring telephone banking and eftpos) and less than 5 per cent of people visited the banks on a weekly basis. "We knew we were going to lose some customers (because of the closure of some branches). This had been budgeted for."

Mr Wright has spoken to the managers of the BNZ and ANZ banks in Temuka to let them know elderly folk in the town would soon be signing on.

"I want to make it as easy for the older folk as possible. It's a real hassle and a really big deal for them to have to change banks."

It was unrealistic to expect older people to cope with the new banking technology, including eftpos and telephone banking, Mr Wright said.

Meanwhile, BNZ head of communications, Janiene Bayliss, assured customers there was no chance their Temuka or Waimate branches would close.

Meeting the challenges

The loss of three South Canterbury WestpacTrust bank branches and the jobs within them add another layer to an already gloomy picture. Aoraki MP Jim Sutton is right when he says the closures are a sad loss, especially to the Temuka and Waimate communities. He goes on, "the losses feed on themselves, turning into a loss of population and a further loss of services".

This is the harsh reality, with local communities being eroded bit by bit.

Twenty-two jobs and the personal service that goes with them are to vanish from the Inland Revenue Department's Temuka office, further jobs losses have been signalled at Timaru Hospital, polytechnic courses at Waimate are to end, and there have been redundancies in other businesses around town. Couple all this with the ongoing drought and lower wool and lamb prices and it is not a pretty picture.

While communities might feel helpless to stop the slide, they do have a choice. People can sit back, complain and do nothing, but they can also act.

The rural seminar in 1988 is a good example of what can happen when citizens become concerned enough to get off their seats and voice their concerns.

This was a time of great uncertainty. A Timaru hospital was filled to overflowing as guest speakers gave advice and answered questions. And there have been other occasions when people have felt strongly enough about issues to stand up and be counted — the public meeting called to air concerns about the bickie fights of the early 1990s an example.

So what is happening now? Why are services going and jobs being cut without a fight? Part of the reason lies with the way it has all crept up on us over a number of years. The timing of recent restructuring hasn't helped either.

The successful Aorangi Business Development Board closed in November when the Government decided to revamp the way funds were allocated, and the Timaru District Council's new business development and promotion units are still in the setting-up stages.

But South Canterbury does have innovative and positive people, and this is as good a time as any to bring them together in an open meeting, to exchange ideas and give advice. A public meeting would at least create a feeling of something actually being done.

A booklet has been produced on South Canterbury's sporting facilities. Good, let us make sure it gets a wide range of codes and clubs around the country. The saltwater baths idea is still around. But what else? Are we marketing ourselves in Auckland — pointing out the great advantages we have in such areas as housing, lifestyle and central location. Is there an inducement package to entice businesses here?

A catalyst is needed to stop the apathy that too often arises when things start going off the rails. Hence the idea of a public meeting. Any takers?

(Source: The Timaru Herald, Saturday 27 February, 1999)
Bank closures

WestpacTrust says “It is coming together nicely”. What a load of bollocks. Certainly not in Temuka and the other small towns where WestpacTrust Bank branches are to close.

Eighteen months ago Richard Westlake, regional manager, told us there would be no significant changes with the merger. We told him we did not believe it was coming together as nicely as he and other WestpacTrust demigod bankers advertised.

They have a double-edged sword. Over the past five years banks have financially pushed clients to use eftpos and automatic banking. Now Mr Westlake has the audacity to say, “that is what the public prefers”.

Of course they do. It costs more to do your banking manually. The grey suited banking bureaucracy has planned it this way.


Customer service has been replaced by self service.

Peter and Jill Maslin
Temuka

I refer to the article (February 25) concerning the closure of three local branches of WestpacTrust. I think it is shameful that this bank, with “trust” in its title, should even consider closing branches where their customers must travel some considerable distance to do any manual banking.

To say that there have been fewer manual transactions is just a cover-up for a hidden agenda. What do they expect when a manual withdrawal costs up to $3 while an ATM withdrawal only costs up to 60c?

Perhaps keeping savings under a mattress is not such a bad option after all, unless of course your bed is sold from under you.

K Ryan
Waimate

I was somewhat amazed at the comments made by Richard Westlake, WestpacTrust’s regional manager, when he stated that one of the reasons the bank was closing branches was a lack of customers coming through the door and that people preferred to use eftpos and automatic banking.

WestpacTrust and indeed all trading banks have discouraged people from banking over the counter with the introduction of outlandish fees. They actually drove people away and forced them into using the various electronic devices now provided for banking. What’s worse is that not only do you have to pay to access your own money but shortly are going to have to pay a further fee to deposit your own money.

Where is this going to end?

Imagine beneficiaries who have to have their money paid by Income Support into a trading bank. A fee to put it in and a fee to withdraw. Who is going to pay this? Customers are, because the money, once in, belongs to them. It is really frightening what appears to be happening in the banking world of today. Worse however, there appears to be no-one in control who says “we are here to serve the customer”, that being the depositor initially who deposits large or small sums in a particular bank. It is time all banks took stock and stopped ripping the consumer off. After all, if they had no deposits or investments how would they survive?

Terry Kennedy
Timaru
Bank closure protests mount

By Jill Worrall
Staff Reporter

The response of the Waimate and Temuka communities to next week's closure of their WestpacTrust branches gathered pace yesterday.

Waimate mayor David Owen began talks with the last remaining New Zealand-owned bank about extending its services in the town, while a protest rally has been organised in Temuka on Thursday.

In addition, WestpacTrust customers in the two communities are apparently closing their accounts in droves.

Mr Owen said last night that he had been talking to the Taranaki Savings Bank (TSB), which offers electronic banking services throughout New Zealand along with agency-based services, about the possibility of the TSB having a "bricks and mortar" presence in Waimate.

He said it was too easy to say if anything further would come of the discussions but he added that he had also been talking to some of the other communities in the South Island affected by WestpacTrust branch closures. "We're looking at other possibilities such as forms of community banking — but unfortunately there aren't very many realistic options for us to consider."

He said the lack of any warning that the bank was going to close had meant there had been no opportunity to make a head-start on banking alternatives.

"We weren't given that courtesy," Mr Owen said he was unaware of any protest action planned for Waimate but he did know that many WestpacTrust customers were voting with their feet and had been shifting accounts to the two other banks in Waimate.

"I believe there's been an exodus of accounts. I don't blame them for leaving the bank — why should they stay loyal? The decision was a very bad blunder on the bank's part."

He urged other WestpacTrust customers to consider doing the same rather than accept the bank's plan to move accounts to Timaru.

"We should be supporting our local banks. I certainly won't be going up to Timaru to do my banking."

Mr Owen said he was still fielding numerous messages from disgruntled Waimate WestpacTrust customers.

It was possible that a petition might be organised.

"However, when WestpacTrust told me about the closure they said that it wouldn't really matter what protest action was taken, because the decision had been made and it was very unlikely there'd be any change of mind, or even compromise in the form of a WestpacTrust agency."
Protests won't budge bank

Anger no surprise to WestpacTrust hierarchy

By Jill Worrall

Staff Reporter

Protests over bank closures in Waimate and Temuka are almost unlikely to see WestpacTrust reverse its decision, the bank's regional general manager Richard Westlake said yesterday.

He said the outrage that had surfaced in the two towns following news that their WestpacTrust branches are to close came as no surprise.

He'd expected some reaction and was not surprised there was talk of a protest gathering in Temuka and a petition in Waimate.

However, he said that it was most unlikely there would be any reversal of the decision that would see the two branches, along with the Highfield branch in Timaru, close their doors on March 12.

He added that a suggestion the bank could retain agencies in the towns was also unlikely to be given serious consideration.

"Agencies still need certain levels of security, staffing and other factors so don't represent a significant saving," he said.

The bank was considering a scheme for "one or two sites" affected by closures, similar to that used in Twizel whereby a bank manager from a larger centre nearby visited regularly to provide personal banking advice.

He wouldn't say if either Waimate or Temuka was being considered for this.

Mr Westlake said he would be sorry to see customers closing their accounts with WestpacTrust.

"But our research shows that one third of our customers never come to the bank at all, and between 5 and 8 per cent only visit their bank once a week — in other words about 90 per cent of customers are using ATMs and telephone banking. So why incur high costs for branches which in turn have to be passed on to customers?"

"We realise that the decision won't suit everyone but our feasibility studies showed that economically, maintaining these branches just didn't add up."

He acknowledged that South Canterbury did have a significant proportion of older people, some of whom found new technology daunting.

He said he would be happy to work with groups such as Age Concern to help people master ATMs and telephone banking.

"We find elderly people, once they have got over the initial fear, are quite able to use the technology. And on a wet, rainy winter's day being able to do the banking over the phone must be a much more attractive prospect than going out."

Asked about the future of the ATMs in Waimate and Temuka, Mr Westlake said they would be retained for at least six months and then their use would be reviewed.

Asked about a rumour that the closures were the precursor to a merger between the BNZ and WestpacTrust, Mr Westlake said that was news to him.

"We made the decisions on economic grounds on our own terms."
Call for new SC bank

By Claire Allison
Staff Reporter

Timaru district councillor Ray Bennett wants to find out if the community would support the idea of a South Canterbury bank.

In the wake of planned closures of WestpacTrust branches in Waimate, Temuka and Highfield, Cr Bennett said it was time to fight back.

"We lost our flour mills, we have lost our milk treatment station, we don't bake bread any more, the polytechnic council will no longer exist, and we are losing banks.

"But we can do something about the banks, because once upon a time we formed the South Canterbury Savings Bank, and I was one of the many people who guaranteed the funds to start the bank."

At next Tuesday's policy and development committee meeting, Cr Bennett will ask the council to find out if the community would support the spending of money on a feasibility study on the proposal.

"I don't know a lot about forming banks, but I'm sure it can be done."

Cr Bennett said the Tarana-khi Savings Bank made $8.5 million last year, and had 35-odd branches, in country areas as well.

"Why can't we do the same? We've got the premises that are set up for banks, so that's one thing we wouldn't have to do.

"What we are seeing here is the tip of the iceberg, and the iceberg is getting bigger all the time. We must do something about it, we can't just stand by and let it happen."

Cr Bennett said a high proportion of Timaru people were in the older age group, and did not deal well with electronic banking in its various forms.

The South Canterbury Savings Bank was formed in 1964. The idea was mooted by the local chamber of commerce, but it took some three years' work by a dedicated committee to bring the concept to fruition.

Secretary Ken Churcher said notables throughout the district were pulled together to form the committee and deal with the Minister of Finance.

Guarantors had to be found and pledges made, in the face of ever-shifting goalposts from the Government.

The bank was only allowed to deal with small savings accounts, no commercial accounts, and it could not loan.

Money could only be invested in Government stock, and the profit margin was slim.
Bank move
matter
of choice

The imminent closure of WestpacTrust bank branches in Timaru, Temuka and Waimate has drawn a predictably angry response, but behind the emotion the issue is one of choice. The bank is first and foremost a business. Through providing a service it endeavours to make a profit. WestpacTrust says the three branches are uneconomic, so it made a choice.

Customers could rightly feel anger at a perception of being manipulated by the bank, in being actively encouraged to switch to electronic and telephone banking, then being charged fees to use them, and finally to see their bricks and mortar branches close because they took the bank's advice. WestpacTrust is not alone in doing this.

The decision to close seems also to be callously sudden and following announcements lacking in sympathy for loyal customers' feelings. Said regional manager Richard Westlake: "We knew we were going to lose some customers. This had been budgeted for."

But the anger being expressed has another driving force. If it was any other trading bank the reaction might not have been so strong, but this was once the people's bank. Forty years ago communities around New Zealand worked hard to establish their own banks, with profits being used for the good of the local area.

The South Canterbury Trustee Savings Bank was one of these success stories, and eventually it was decided there were further advantages in merging with other savings banks around the country, despite the loss of local control. It is easy to say now but if the community really wanted to complain, that was the time to do it.

But those making the decision did not have a crystal ball, and would not have foreseen that one day an overseas-owned bank would have taken over the savings bank conglomerate. The Tararua Savings Bank was the only one to hold out, and is now going from strength to strength with the boast it is the only New Zealand-owned bank still operating. Good luck to Waimate in its endeavours in enticing that bank to its community.

But in South Canterbury, WestpacTrust is exercising its business choice in closing three branches; customers also have a choice. Move their account to another branch, or go to another bank. And, fortunately, there are other banks to go to. That choice will provide little solace to those who first started banking with the trustee savings bank 40 years ago, nor some of the elderly for whom change is a hurdle, nor for communities where every job counts.

So while customers do have a choice, for some it will forever leave a bad taste. In today's protest meeting in Temuka, some will get the opportunity to at least voice that displeasure.

Bank closures

- It puts a customer in his or her place, doesn't it, when the branch of a bank can close its doors without any consultation whatsoever with the customers they are letting down.
- What about the elderly? What about the beneficiaries? What about the local businesses, now forced to change banks, or close their business, while they drive to the nearest branch to deposit money?
- What about the service, we as customers, are entitled to?

Tough. That's what.

WestpacTrust can keep its give-away cars. It can pocket the money spent on advertising its great generosity, and let us, the customers, keep our bank.

Shelley Casey
Temuka
Protesters vent anger at bank

Anger was mixed with grim resignation as more than 100 Temuka residents, many elderly, protested yesterday against the closing of the local branch of Westpac Trust.

The group, led by Aoraki Alliance candidate Lynley Simmons, converged on the Temuka town square.

Although they were aware there was little chance the bank would reverse its decision, the protesters wanted to voice their disappointment at the closure of their branch next week.

"We know we won't get our bank back, but we can't take this lying down," one elderly man said.

The protest was also to send a message to the remaining banks in the town that they were a vital part of the community.

The president of Greypower in Temuka, Gus Wright, urged the group to tell Westpac Trust to "go to hell" by changing to another bank in the town. A number of residents indicated they had already done so.

Ms Simmons said the community was fearful Westpac Trust would be the first bank in the town to close and others would follow.

"Events happening in the financial sector across the Tasman indicate that mergers of banks are certainly likely and will surely result in further closures here in Temuka and other towns and cities in New Zealand," she said.

After the protest, which lasted about half-an-hour, a petition and a letter voicing the community's concerns regarding the closure was presented to the bank.

(Source: The Timaru Herald, Friday 5 March, 1999)
Coming together nicely? — bugger

Remember the catch-cry? — "It's all coming together nicely."

That was what New Zealand's newest bank claimed just over a year ago during the merger of Westpac and Trust Bank.

Well, now it looks like it's all coming apart ... and not so nicely, as far as Westpac Trust's Waimate and Temuka customers are concerned.

The new banking giant is claiming that a lot of its rural branches are uneconomic and so it's lopping them from the system.

Not surprisingly this is causing quite an outcry in the boondocks. After all, a bank is an important part of any small town's infrastructure.

I feel quite frankly I feel buggered. Westpac Trust, which admits it expected a fuss but doesn't intend to heed the protests anyway, has treated its rural customers with contempt.

All right, even if we accept that the small town banks are uneconomic (and it's arguable whose policies made them uneconomic in the first place), why didn't Westpac Trust determine this a year ago at the time of the amalgamation? That way it could have avoided spending countless thousands of dollars refurbishing the uneconomic branches and kicking them out in new carpets, livery and the like.

It would have made much more sense to have monitored the performance of the small branches at the outset before lavishing a lot of money on them, only to turn round and close them little more than a year later.

One can't help suspecting that closures were on the cards from the start, they were just delayed for a year because Westpac Trust didn't want to stain the image of the new bank.

Another bone of contention among Westpac Trust customers in Waimate and Temuka is the possibility that they may not even retain the use of the automatic telling machines.

One of the arguments Westpac Trust executives have used in justifying the closure of the small branches is that customers "prefer to use ATMs and telephone banking".

I actually think it's simple: that the customers prefer not to cough up about $3 a time to carry out their transactions over the bank counter, but that's another story.

Even accepting that customers may make more use of ATMs than the counter, why then is Westpac Trust not pledging to retain the money machines in the small towns?

The bank's hierarchy is saying only that they will be retained for six months and then the situation will be reviewed.

So where will that leave Westpac Trust's rural customers, assuming it still has any?

Westpac Trust would seem to be preparing to be completely paralytic and expect its customers to use the ATMs of the other banks — the ones that haven't closed their rural branches or withdrawn their cash dispensers.

It makes you wonder how other banks feel about this approach.

However, one can't help wondering if there isn't some kind of bank cartel master plan behind these rural closures.

Isn't it just possible that behind closed doors New Zealand's major banks have pored over the map and carved up the country among them, one bank closing its rural branches in one region, another bank closing them in another.

We've already seen Westpac Trust customers deserting in droves so they can sign up with the BNZ and ANZ.

If branches remaining in the small towns and Westpac Trust has admitted that it expected such a reaction and had budgeted for it.

Now if — and this is purely a fictional scenario — BNZ closed its small branches in Northland and Westpac Trust kept its branches open, things would even themselves out very nicely, wouldn't they? Both banks would retain roughly the same number of customers and both would save money by closing branches.

If a financial illiterate like me can think of it, it's hard to imagine the banking who licks in Wellington haven't come up with a similar idea.

And economically speaking it makes sense. But if it is the case, it would just have been nice if the banks had taken us into their confidence and explained their reasoning.

In the meantime, I've got a suggestion to make to irate Westpac Trust customers in Waimate and Temuka. If the bank does close down your ATMs as well as your branches, and you finish up having to use eftpos at local businesses to obtain cash, think seriously about having your wages or benefits direct credited to New World or some other local business, who will in effect be managing your money.

That way you'll cut out the inconsiderate middle men.

(Source: The Timaru Herald, Wednesday 10 March, 1999)