

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

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Press Release:

**Remarks by Supervisor of Banks Mr. Yair Avidan at the Federation of Local Authorities in Israel’s conference**

**(Muni Expo)**

**Supervisor of Banks Mr. Yair Avidan spoke today at Muni Expo, the Federation of Local Authorities in Israel’s conference. His remarks covered the development of bank customers’ use of digital means, over time and from the perspective of various districts and localities. Following are the Supervisor’s remarks.**

Click [here](https://www.boi.org.il/en/NewsAndPublications/PressReleases/Pages/07-12-2022.aspx) to link to the full analysis published on the issue of households’ banking activity via the banking system’s various direct channels, by various segments, including by age and authority.

Good morning.

I am very happy to participate today in this important conference.

The work of the local authority directly impacts on and touches the lives of all of Israel’s citizens, and thus its orderly activity, the powers given to it, and the responsibility for the welfare of residents of the various localities are extremely important.

We all saw the importance of the local authority’s work during the COVID-19 period, and the tremendous effect it has on residents’ lives.

I am a big believer in the banking system playing an important and significant role in Israel’s economy, and it is part of the socioeconomic fabric of the country. The banking system provides services to a considerable portion of Israeli society, and it supports and enables households’ economic conduct.

I wanted to utilize this honorable stage and to present to you for the first time information collected by the Banking Supervision Department on the use of digital in the various districts and localities. It is important to me to note here at the outset that we don’t suffice with presenting the information, and beginning today we intend to broaden the periodic information that we publish so that these data will be available to whomever requests them.

I assume that you all have already felt in actuality the digital revolution that the banking system has been undergoing in recent years. I’m sure you’ve all already had the opportunity to deposit a check via application, to chat with a banker, to execute transactions on the website, and all conveniently and accessible. The word “revolution” in this regard is not an exaggeration. We all feel the convenience, the efficiency, and the improvement in availability of the service that digital activity has brought with it. Digitization led to most of us today having available and direct access to the bank and its systems via mobile phone and other digital means.

In the past five years we have seen a dramatic change in consumers’ preferences and in how they use banking services. If in 2017 only about 55 percent of households’ activity was carried out by digital, in 2021 already more than 87 percent of activity is carried out via digital. We already have data for the first half of 2022 and they show a continuation of the trend of increasing activity via digital.

There are many and diverse channels of the services provided today, activity can be carried out and information can be seen on a wide range of platforms and service channels.

The preferred means of activity for banking system customers is the app. This convenient means, that we have all gotten used to, did not exist until a few years ago, and the banks are investing a lot so that the activity via the app will provide good and secure service to their customers. We in the Banking Supervision Department are working to establish enabling regulation and to remove barriers. It is important to note that the Banking Supervision Department has conducted satisfaction surveys among households in recent years, and in all of them there was very high satisfaction with the ease of use and the accessibility of the banking applications.

As could be expected, the adoption of digital activity is not uniform among the public. For example, use of the bank app is very common among young people, up to age 25, and also among customers up to age 50, but the adoption by the older population is slower. We also see that activity via digital, particularly activity via the app is lower among customers of branches in localities with a low socioeconomic rating compared with customers of branches in localities with a high socioeconomic rating.

It should be noted that the digital activity and the operational efficiency create structural tension in terms of the deployment and availability of the array of traditional branches and services. This tension, which is also not anomalous compared worldwide, requires the banking system’s attention and sensitivity to the various population groups that are not interested in, or that have difficulty with, making the switch to digital activity. Enhanced financial education and digital literary are very important tools in dealing with that. We all have an obligation to continue to strengthen, develop, and teach the basic principles of informed, aware, and active consumption.

Another interesting figure that can be noted is precisely in relation to ATM devices. First, these stands have already, for quite a while, allowed a range of services beyond withdrawing cash from the old and familiar ATM. This is an accessible and varied service channel, which is broadly used worldwide. In Israel, approximately 17 percent of household banking transactions are executed via ATMs. We also see that the scope of use of these machines in branches located in Arab society and in localities with a low socioeconomic ranking is markedly higher than the scope of their use among the rest of the population. Beyond financial education and digital literacy efforts to which I just referred, these data illustrate the importance of adjusting the service to the characteristics of the population consuming that service. The banking system needs to adjust the service channels and branch deployment to the consumption tastes and activity characteristics of the customers it serves.

This is a critical point. Customers choose to manage their activity in the banking system and to trust it, and it is the system’s obligation to maintain that trust, to serve the customers optimally and to meet their expectations. The optimal service is made up of education and studying the market while providing optimal response to the customers’ needs and characteristics.

We do see that digitization in the banking system trickles down broadly and nicely throughout the country, and this is definitely a good and positive picture. The gaps between districts are not major and we see that there are high rates of digital banking activity in all of them.

It is important to me to share with you that just this week we conducted significant activity to strengthen financial education in Arab society, and this was in close collaboration with the local authorities, the banking system, and the Association of Banks in Israel. Other than the activity with Arab society that we carried out this year, we have held in previous years other activities for affording financial education to small businesses and middle-school students. However, this is not enough. It is a very important national mission. I am sure that through collaboration with government ministries, financial regulators, and local authorities many good things can be done for the benefit of the public and of society in Israel, and I use this opportunity to call on all of us to take on the challenge, to act and to lead forward.

Thank you, and have a continued productive conference.