



# BIDPA

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## Review of Bank Charges in Botswana

### BACKGROUND

The charges or fees that commercial banks levy on their customers for providing them with services continue to be an issue of concern. A comparative study on cost of banking in Botswana by BIDPA concluded that bank service fees were generally similar and high across banks, making it difficult for customers to choose between them on the basis of bank charges (Gabaraane, 2003). As the regulator of commercial banks, Bank of Botswana has responded to the public perceptions about high bank charges which do not correspond with the quality of services by implementing a two-year moratorium from January 2014 to December 2015. The moratorium prevented all commercial banks from increasing banking tariffs (bank charges, commissions and other non-interest fees). Bank of Botswana feared that the public perception that bank charges were generally high would have a negative impact on public savings and use of the banking system (Bank of Botswana, 2013, 2014).

The cost of banking is by and large dependent on the charges or fees that commercial banks levy on their customers for providing them with services. Such charges/fees differ from one service to the other and from one service provider/commercial bank to the other. Like other services, bank charges, therefore, constitute a cost to banks' customers or consumers. This BIDPA Briefing assesses the cost of banking in Botswana. It presents a range of comparative costs across Botswana's commercial banks in 2014. This exercise involves examining a basic current/cheque account and charges imposed by the commercial banks in Botswana. Comparison is also made of selected bank charges on which information was obtainable between Botswana banks and those in South Africa, Namibia and Mauritius.

### Availability of Data on Bank Charges

The data for this study were obtained from the commercial banks' tariff books/guides, which are available through the banks' websites or hard copies from the banks'

banking halls. In the case of the regional banks in Mauritius, Namibia and South Africa, we relied on the banks' websites for the data. On very few occasions, it was necessary to make requests for data to be emailed by representatives of banks in Mauritius.

It has been observed that for some of the local commercial banks, the data are neither readily available nor accessible to the public. The tariff books are not posted on some of the banks' websites and/or are not available in the banks' branches. Further, the information on some of the banks' tariff books is very scanty. The tables used to present the data show that some of the banks do not include in their tariff books, services that a typical commercial bank would be expected to offer. This phenomenon is particularly prevalent at Bank of Baroda and the State Bank of India. For instance, as Table 2 shows, these banks have not listed service charges for transactions such as over-the-counter cheque deposit and provision of a bank guaranteed cheque. Being deposit taking commercial banks, it should be a given that these banks would provide these services. It would be helpful, therefore, if the commercial banks made available the cost of providing the services to the public in order to assist customers and potential users of their services make informed choices.

### Bank Account Maintenance Fees and other Related Charges

The monthly cost of having a basic transaction bank account differs from one bank to the other (Table 1). It ranges from as little as just over P12 at Barclays, FNBB and BancABC to P50 at Standard Chartered Bank. The other charges in Table 1 relate to the customers' access to regular information about their bank accounts. Almost all the banks issue monthly bank statements to their customers for free. The need to have other information on the account during the course of the month will perhaps require the customers to access interim statements and ATM mini statements. These services attract different levels of fees across the commercial banks. It is notable, however, that for availing an interim statement, one bank could charge only P3 while another bank charges over six times more for the same service.

**Table 1: Cost of Monthly Maintenance Fees, Statements and Related Charges in Pula**

Services	Barclays	Standard Chartered	FNBB	Stanbic	BancABC	Bank Gaborone	Capital Bank	State Bank of India	Bank of Baroda
Monthly Account Maintenance Fee	12.14	50.00	12.02	12.73	29.15	37.00	44.80	N/D	35.00
Over 12 months	145.68	600.00	144.24	152.76	349.80	444.48	537.60	N/A	420.00
Interim Statement	19.69	20.00	5.96	7.20	5.94	6.53	5.60	5.00	3.00
Once quarterly	78.76	80.00	23.84	28.80	23.76	26.12	22.40	20.00	12.00
ATM Mini Statement	Free	Free	1.98	1.65	1.29	1.50	Free	N/D	N/D
6 mini statements	0	0	11.88	9.90	7.74	9.00	0	N/A	N/A
Past Statements (per page)	27.98	20.00	23.80	36.38	20.00	24.90	11.20	15.00	N/D
3-months (6 pages)	167.88	120.00	142.80	218.28	120.00	149.58	67.20	90.00	90.00
Copy of Deposit Slip	51.52	30.00	23.80	35.00	N/D	6.23	N/D	30.00	50
3 deposit slips	154.56	90.00	71.40	105.00	N/A	18.69	N/A	90.00	150
<b>Total (Single charges)<sup>a</sup></b>	<b>111.33</b>	<b>120.00</b>	<b>67.56</b>	<b>92.56</b>	<b>56.38</b>	<b>76.23</b>	<b>61.60</b>	<b>50.00</b>	<b>103.00</b>
<b>Total (Hypothetical basket)<sup>a</sup></b>	<b>546.88</b>	<b>890.00</b>	<b>394.16</b>	<b>514.74</b>	<b>501.30</b>	<b>647.87</b>	<b>627.20</b>	<b>200.00</b>	<b>672.00</b>

**Notes:**

N/A means Not Applicable while N/D Means No Data

<sup>a</sup>: For BancABC, Capital Bank, State Bank of India and Bank of Baroda, information was not available for some of the charges, thus their totals are not comparable with the other banks

**Sources:** Commercial banks' tariff books/guides

A hypothetical basket of services as presented in Table 1 is used to show the varying costs incurred by customers of the different banks over a calendar year (a period of 12 months). In a typical calendar year, a customer will be charged 12 monthly maintenance fees. It is also assumed that a customer will obtain an interim statement and an ATM mini statement once a quarter and once every 2 months respectively. It is also assumed that the hypothetical customer will obtain one set of 3-month period past bank statements (2 pages per statement). Further, the hypothetical customer is assumed to obtain three copies of deposit slips during the calendar year. For all the banks for which data on all the services in Table 1 are available, the cost incurred by the customer will differ significantly from one commercial bank to the other. Over the twelve month period, a hypothetical customer at Standard Chartered Bank will pay a total of P890.00 for the five services in Table 1; it is worth noting that out of the P890.00, P600.00 is incurred on monthly maintenance fees. A customer who accesses the same set of services at FNBB during the same calendar year will incur a total cost of P394.16, which is less than half what the Standard Chartered Bank customer will pay. Notwithstanding that customers' profiles and needs are different, a potential bank customer would have the information to assist him to make choices between the commercial banks.

## Charges for Cash Withdrawal and Deposit Transactions

The costs for withdrawing cash from commercial banks differ by types of transactions and across different banks. Over-the-counter cash withdrawal charges are as high as P25.00 per transaction at State Bank of India and as low as P5.60 for withdrawing P2000<sup>1</sup> from Capital Bank (Table 2). Generally, it is more costly to withdraw cash over the counter and through cheque encashment. While Barclays and Standard Chartered Bank do not charge their customers for withdrawing cash through their ATMs, they charge P19.69 and P20.00 respectively for cash withdrawal over the counter. This trend is maintained by other banks which charge fairly low fees for withdrawing from the ATM but apply significantly higher fees for over the counter cash withdrawals. Bank Gaborone's charge for withdrawing cash over the counter is more than ten-fold that of withdrawing from the ATM. Over the counter withdrawal charges for FNBB and BancABC are more than seven times those for ATMs while for Stanbic Bank, the charge is more than four times.

Other cash withdrawals are through ATMs outside Botswana. Stanbic Bank charges P18.00 while Barclays Bank charges P31.16 per transaction. Generally, the other banks' charges fall within a range of between P22.40 charged by Capital Bank and P25.81 by BancABC.

<sup>1</sup> The P2000 benchmark was used because different banks have different pricing structures.



The State Bank of India and Bank of Baroda have not posted the charges for ATM transactions. The State Bank of India reports that it is still new in the Botswana market and has not yet installed ATMs, thus it does not have ATM

services. Given the general trend in the increasing use of modern technology, banks which do not offer internet, card and mobile phone based services may find it difficult to attract new customers or retain existing ones.

**Table 2: Charges for Cash and Cheque Withdrawals and Deposits in Pula**

Services	Barclays	Standard Chartered	FNBB	Stanbic Bank	Banc ABC	Bank Gaborone	Capital Bank	State Bank of India	Bank of Baroda
<b>Withdrawals</b>									
Over the Counter Cash Withdrawal	19.69	20.00	17.18	15.90	12.88	24.93	5.60	25.00	15.00
Host Bank ATM	Free	Free	2.34	3.40	1.75	2.27	2.24	N/D	N/D
Other Banks' ATM	5.67	3.88	6.46	5.30	3.51	3.88	2.24	N/D	N/D
ATM (international)	31.16	25.00	23.58	18.00	25.81	25.00	22.40	N/D	N/D
Cheque Encashment	Free	20.00	7.18	20.80	12.88	7.20	7.10	8.00	20.80
Bank guaranteed cheque (Customer)	66.04	30.00	44.52	65.30	35.62	51.00	44.80	N/D	40.00
Bank guaranteed cheque (Non-Customer)	N/D	250.00	72.35	70.00	N/D	N/D	56.00	N/D	N/D
<b>Deposits</b>									
Over the counter Cash Deposit	Free	Free	7.80	8.00	Free	6.80	5.60	8.00	N/D
Cash Deposit (ATM)	N/A	N/A	7.80	N/A	N/A	N/A	N/A	N/A	N/A
Over the counter cheque deposit	Free	Free	Free	Free	Free	6.80	7.10	N/D	N/D
Cheque deposit (ATM)	N/A	N/A	Free	N/A	N/A	N/A	N/A	N/A	N/A

**Notes:**

N/A means Not Applicable while N/D Means No Data

**Sources:** Commercial banks' tariff books/guides

In terms of depositing funds into bank accounts all banks, except FNBB, offer such services only over the counter. FNBB offers ATM cash and cheque deposits and does not charge any fee for these services. However, FNBB charges the same fee of P7.80 for deposits made over the counter, either as cash or cheque. Bank Gaborone and Capital Bank charge customers P6.80 and P7.10 respectively for depositing cheques over the counter; the other banks do not levy fees for this service. The State Bank of India and Bank of Baroda have not provided data on the charges they levy for this service. Cash deposited over the counter attracts charges in five of the banks, Stanbic Bank and State Bank of India (P8.00); FNBB (P7.80); Bank Gaborone (P6.80) and Capital Bank (P5.60). The other banks, Barclays Bank, BancABC and Standard Chartered Bank do not charge any fee for receiving cash deposits over the counter.

Considering that ATM-based transactions are relatively cheaper than over the counter transactions across all banks, it would be beneficial to the customers if they avoided over the counter transactions. Consumer education should be intensified to encourage bank customers to use more ATM-based transactions as opposed to over-the-counter transactions for both deposits and withdrawals<sup>2</sup>. It would

<sup>2</sup> It is not known, however, the factors and the extent to which customers are compelled to use over the counter services as

also be helpful if the commercial banks adopted the new technologies and introduced other ATM-based services, such as deposits through the ATM in order to offer their customers wider and cheaper options to handle cash and cheque transactions. At the time of writing this brief, only FNBB had published service charges for depositing cash and cheque through ATMs<sup>3</sup>.

## Cost of Access to Loans and Overdrafts

Commercial banks charge their customers for processing their applications for credit facilities (loans and overdrafts)<sup>4</sup>. Table 3 below shows that the charges are a percentage of the amount of the facility, and they range from half a percentage to 1.25 percent. The cost of arranging these facilities is therefore, dependent on the amount of funds accessed by the customer through

a result of, for instance, unavailability and/or inadequacy or the lack of serviceability of their banks' ATMs. Perhaps in some cases customers are forced to use alternative banks' ATMs (as opposed to their own banks), which is relatively more expensive but still cheaper than over the counter transactions.

<sup>3</sup> At the time of writing, Barclays Bank had recently introduced cash deposits through ATMs. A leaflet advertising the service specified that the ATMs for ATM deposits were located at selected Gaborone branches, including Broadhurst, Station, Game City, Main Mall and Airport Junction.

<sup>4</sup> Charges on loans are for general customers of the banks who consume this service, not necessarily holders of a cheque account.

the respective facilities. While the proportions charged on the facilities can generally be viewed as low across the banks, the total costs borne by customers could be fairly high depending on the amount of the funds accessed. These costs, therefore, can be significant to

the customers and contribute to the cost of banking faced by customers in the Botswana market. Further, these costs could have an indirect negative impact on access to credit by increasing the cost to the customer.

**Table 3: Loan and Overdraft Processing Fee (% of Amount of the Funds Applied for) in Pula**

Credit Facility	Barclays <sup>a</sup>	Standard Chartered	FNBB	Stanbic	BancABC	Bank Gaborone	Capital Bank	State Bank of India	Bank of Baroda <sup>b</sup>
<b>Personal Loan</b>	1.12	0.75	1.25	1	1	1.05	2.24 <sup>c</sup>	ND	0.5
Assuming P100,000	1,170	750	1,309 <sup>d</sup>	916.79 <sup>e</sup>	1,000	1,050	2,240	N/A	1,000
Maximum	1,273	N/D	4,240	916.79	3,360	N/D	5,000	N/A	N/D
<b>Vehicle Loan</b>	1.12	0.75	0.75	1.06	1	0.56	N/D	ND	0.5
Assuming P250,000	2,850	1,875	1,875	2,650	2,500	1,400	N/A	N/A	1,750
Maximum	6,006.17	N/D	ND	N/D	75,000	N/D	N/A	N/A	N/D
<b>Mortgage Loan</b>	1.12	0.75	N/D	1.08	1	0.56	N/D	N/D	0.5
Assuming P500,000	5,650	3,750	N/A	5,400	5,000	2,800	N/A	N/A	3,000
Maximum	7,639.84	N/D	N/A	N/D	39,200	N/D	N/A	N/A	N/D
<b>Overdraft</b>	1.12	1.25	1.18	1	0.5	0.56	N/D	1	0.5
Assuming P75,000	890	938	885	375	375	420	N/A	1,000 <sup>f</sup>	875
Maximum	5,720.18	N/D	N/D	N/D	N/D	N/D	N/A	6,500	N/D
ITC Enquiry	N/D	N/D	13.09	N/D	Free	38.00	N/D	38.00	N/D

**Notes:**

N/A means Not Applicable while N/D Means No Data

<sup>a</sup>: The charges for Barclays include P50 'Administration Fee', which is separately listed from percentage of the loans.

<sup>b</sup>: The charges for Bank of Baroda include P200 for application fee and P300 for documentation fee.

<sup>c</sup>: The charges for Capital Bank include both 'processing fee' and 'administration fee' both of which are 1.12% of the loan.

<sup>d</sup>: Charge includes P59.49 'Administration fee on application' which is separately listed from percentage of the loan.

<sup>e</sup>: The charge is capped at P916.79 as the maximum chargeable at Stanbic Bank.

<sup>f</sup>: This is the minimum amount chargeable for this service at State Bank of India.

**Sources:** Commercial banks' tariff books/guides.

It has also been noted that the costs associated with accessing loans and overdrafts extend beyond proportions of the funds applied for. Banks charge other fees that include; administration fee, insurance administration fee, documentation fee, application fee, ITC enquiry fee and others. Some of these services, such as insurance and ITC enquiry are provided by service providers other than the banks; for instance, credit insurers in the case of insurance services. However, it is worth mentioning that individual banks charge significantly different fees for presumably similar, outsourced services. For instance, for the three banks for which ITC Enquiry charge has been made available, FNBB charges P13.09 while Bank Gaborone and State Bank of India each charge P38, three times more expensive than FNBB.

to the processing or administration of the facilities were factored into the charges over and above the percentages/proportions charged on the amount of the applied for. For instance, both Barclays Bank and FNBB charge P50 and P59.49 respectively as administration fee on personal loans. On the other hand, Bank of Baroda levies charges of P200 and P300 for application and documentation fees respectively on loans and overdraft applications. It appears that the additional P500 that Bank of Baroda charges its customers compensates for the relatively lower percentage of 0.5 percent charged on the amounts of the funds applied for.

This brief assumes some hypothetical amounts for the different facilities and applied the proportions/percentages that the banks charge. Where information was available, additional charges relating



## Cost of Transactions for Payments and Transfer of Funds

A significant phenomenon is the generally low charges that commercial banks levy on transactions that are technology driven; in particular card, internet and mobile phone based transactions. A number of these transactions are either free or attract significantly low charges. However, the differences between the levels of these charges across the commercial banks are

recognised. Such differences would be particularly important to customers whose transactions are by and large technology based in that they can inform their choices among service suppliers (banks). Despite the generally low levels of the charges per type of transactions, the cumulative costs could be higher depending on the number of the transactions over, say, a period of one month or one year. Hence, it will be necessary for a typical customer to assess their needs and align them with the offerings of the different banks and their service charges.

**Table 4: Charges on Payments and Transfers in Pula**

Services	Barclays	Standard Chartered	FNBB	Stanbic	Banc ABC	Bank Gabs	Capital Bank	State Bank of India	Bank of Baroda
Point of Sale (Local)	Free	N/D	1.13	1.19	Free	N/D	Free	N/A	N/D
Point of Sale (International)	Free	N/D	1.13	6.20	Free	N/D	Free	N/A	N/D
Internet Transfer to Own Account	2.00	Free	4.54	1.00	Free	2.24	Free	10 .00	N/D
Internet Transfer to 3rd party in Host Account	2.00	Free	4.54	2.83	1.00	2.24	2.24	10.00	N/D
Internet Transfer to Other Bank	3.00	Free	4.54	2.83	1.00	2.73	3.36	10 .00	N/D

**Notes:**

N/A means Not Applicable while N/D Means No Data

**Sources:** Commercial banks' tariff books/guides.

Considering Table 4, a customer, for instance, who typically makes a substantial number of internet transfers to third party accounts would perhaps find it necessary to make a choice between FNBB, which charges P4.54 per transaction and Standard Chartered, which does not levy any fees for the same transactions. State Bank of India's charge of P10 for internet transfers is significantly higher and not comparable with the generally low charges (even free in some of the cases) for internet based transactions. The other banks, Barclays Bank, Stanbic Bank, Bank Gaborone and Capital Bank have fees which are significantly lower than that of FNBB.

Another customer with a different transaction profile, say, who has generally more transactions that involve card based (point of sale) transactions, could consider making choices between FNBB or Stanbic Bank which charge some fees for the services and Barclays, BancABC, and Capital Bank which offer similar transactions for free. Perhaps a frequent international traveller who prefers to use their bank card for purchases could be advised against using a bank that charges a significantly higher amount for point of sale payments outside the country such as Stanbic Bank in this case. However, making choices between banks could be informed by factors other than the cost of technology based transactions, particularly internet and card based transactions. It is

important for customers to have adequate information to make their choices.

## Punitive/Penalty Charges

It is worthwhile to discuss punitive charges that the commercial banks levy on the actions of their customers. The charges include penalties levied on the customers' accounts when a bank rejects a cheque, a stop order or debit order because the customer's account does not have adequate funds. The complaints about the high penalty charges have been raised, in other countries such as in the United Kingdom where the argument was that the banks should not charge their customers more than the cost they (the banks) incur (Osborne, 2009)<sup>5</sup>. In 2008, a panel of the Competition Commission of South Africa made a ruling to the effect that bank charges in South Africa were too high (Mail and Guardian, 2008). In particular, penalty fees for rejected debit orders were found to be too high, and that they contributed to increasing the customers' indebtedness and were much higher than the cost associated with processing the transactions. The

<sup>5</sup> In 2009, it was found that the banks were charging their customers as high as £39 pounds for bounced cheques and refused direct debits and standing orders because of lack of funds although it was estimated that the cost incurred by the banks was as little as £2. Such fees were earning banks that were providing current account services about £2.6 billion every year.

Competition Commission recommended that the charge be capped at R5, which was considered as adequate to cover the cost of processing the transaction (Moneyweb, 2008).

In Botswana, punitive charges are generally very high and are not tied to the amounts involved. In particular, charges on dishonoured cheques as a result of insufficient funds in the customers' accounts are very high, prompting justification for such high charges. Both Barclays Bank and Stanbic Bank

charge over P300 while Standard Chartered, FNBB, Bank Gaborone and Capital Bank charge more than P200 for this occurrence. BancABC and Bank of Baroda charge over P100 while only State Bank of India charge P50. These disparities need explanation as the lowest charge of P50, is seven times less than the highest (for instance Barclays Bank charges P326.37). What processes and costs are associated with this transaction to justify the significantly high cost in other banks?

**Table 5: Punitive Charges in Pula**

	Barclays	Standard Chartered	FNBB	Stanbic	Banc ABC	Bank Gabs	Capital Bank	State Bank of India	Bank of Baroda
Dishonoured cheque due to Insufficient Funds	326.37	250.00	249.31	314.19	144.26	261.78	224.00	50.00	175.00
Unpaid Debit Order	326.37	250.00	141.65	314.19	144.26	21.20	N/D	50.00	N/D
Post dated cheque	42.08	250.00	35.69	32.38	50.00	37.40	33.60	N/D	25.00
Stop Cheque/payments	140.08	100.00	N/D	130.00	64.40	65.44	112.00	N/D	N/D
Exceeded ATM Limit	135.68	Free	4.76	1.27	1.29	1.80	N/D	N/D	N/D
Lost Card Replacement	Free	50.00	65.44	45.00	55.00	59.36	56.00	N/D	N/D

**Notes:**

N/A means Not Applicable while N/D Means No Data

**Sources:** Commercial banks' tariff books/guides.

Unpaid debit orders and requesting stoppage of payments or processing of cheques also exhibit huge differences between the banks. Both Barclays Bank and Stanbic Bank charge over P300 for unpaid debit orders. These costs by the two banks are more than 10 times what Bank Gaborone would charge for the same transaction. For stoppage of payments, Barclays Bank and Stanbic Bank charge more than twice what the BancABC would charge for the same occurrence. Barclays Bank's charge for exceeding ATM limit is P135.68. This charge is so high as to be incomparable with any of the other banks. It unclear therefore whether these charges are used by some banks as a deterrent against their customers' behaviour/actions or they are used to make money for the banks. In order to enhance consumer protection, the central bank should consider persuading the commercial banks against levying unjustifiably high punitive charges on consumers. To do this, the central bank may resort to section 41.c of the Bank of Botswana Act which enjoins it to regulate the 'minimum and maximum commissions, service charges and other fees which may be levied on any class of transactions with the public' (Republic of Botswana, 1996).

## Comparing Botswana's cost of banking against other countries in the region

This section compares the banking service costs in Botswana against South Africa, Namibia and Mauritius. The comparison cost exercise uses a basic cheque account on a few selected transactions, at the 'big four'<sup>6</sup> banks from each country. The big four banks from Botswana include; Barclays Bank, Standard Chartered, Stanbic Bank and First National Bank while banks from South Africa include Barclays, Nedbank, First National Bank and Standard Bank<sup>7</sup>. The Namibian banks include; Nedbank, Standard Bank and Bank Windhoek while the Mauritian big four banks include Mauritius Commercial Bank, Standard Chartered Bank, State Bank of Mauritius and Barclays Bank.

Data from South Africa, Namibia and Mauritius was converted from Rands, Namibian Dollars and Mauritian Rupee to Pula at the exchange rates of R1.24, N\$1.24 and MUR3.51 per Pula, respectively. The exchange rate is the January - September 2015 monthly averages. Charges on banking services discussed include; Cash withdrawals, payments and transfers, bank statements,

<sup>6</sup> The term refers to the largest banks by assets in certain areas. The term "Big Four" is often used to describe these banks in different countries.

<sup>7</sup> Standard Bank is not related to Standard Chartered Bank. The same bank trades as Stanbic Bank in Botswana and in other countries such as Tanzania, Uganda and Ghana.



balance enquiry and punitive charges. See Annex 1 for a tabulation of charges across these countries.

### ***Comparison of charges on cash withdrawal transactions***

Generally, ATM-based cash withdrawals are relatively cheaper than OTC-based cash withdrawals across all the countries. Assuming one wants to withdraw P2000.00 over the counter, the individual who is based in South Africa would pay an average of P62.61 for the service and pay P28.98 for ATM-based transactions. For the same amount, an individual in Mauritius would be charged P13.60 for withdrawing over the counter and not charged if he/she withdraws cash at the host bank's ATM. Varying charges for ATM and OTC for cash withdrawals implies that commercial banks in all the countries encourage their customers to use technology based transaction methods than OTC-based methods.

Other cash withdrawals are ATM withdrawals from outside the respective countries. Commercial banks in Mauritius offer the lowest charge of P20.86, while commercial banks in South Africa, Botswana and Namibia charges P45.51, P24.44 and P24.43, respectively, per transaction. The total average cost of both the OTC and ATM-based cash withdrawals are generally high in South Africa (P46.46) than in Namibia (P29.91), Mauritius (P22.88) and Botswana (P12.99).

In terms of depositing funds into bank accounts, almost all commercial banks in Namibia and Botswana offer the service over the counter<sup>8</sup>. Nevertheless, FNB which is present in both countries offers the service over the counter and at ATMs. While depositing a cheque worth 2000 units of local currency at FNB ATM in Botswana costs P7.80, it costs P14.65 to deposit the same at FNB in South Africa. All commercial banks in South Africa considered for this study offer this service over the counter and through ATMs, giving customers the opportunity to choose the cheapest way to deposit their cash and cheques.

### ***Comparison of Charges for Payments and Transfer of funds***

Transactions for payments and transfer of funds can be done over the counter, ATMs, mobile and internet banking. It is clear that the levy imposed on services offered by technology driven devices are cheaper than over-the-counter in all countries. While the average levy imposed on transferring funds to your own account with the host bank in Botswana is P13.21, the levy imposed for the same service through internet banking is P2.51. Purchasing cheque book (100 pages), cancelling stop

payments over the counter, transferring funds over the counter, and paying for text messages notifications are higher in Namibia than elsewhere. The average cost in Namibia, Botswana, Mauritius and South Africa are P32.78, P30.36, P23.93 and P22.29, respectively.

### ***Regional Comparison of Charges related to other services provided***

Commercial banks in all countries provide free bank statements once a month. Other services related to request for bank statements by customers attract charges across all countries. The charge imposed for printing a bank statement at the ATM is higher in Mauritius (P3.68) compared with South Africa (P2.64), Namibia (P2.58) and Botswana (P1.82). The interim statement over the counter is more expensive in South Africa at P14.33. It costs P13.21 in Botswana, P11.29 in Namibia, and P5.51 in Mauritius. Historical/past statements costs P28.63 in Mauritius, while in Botswana, Namibia and South Africa costs P27.04, P21.95 and P16.16, respectively. Overall, commercial banks in Botswana have the highest costs of printing bank statements.

Balance enquiries by customers across all countries are generally free except for enquiries done over the counter and on other banks' ATMs<sup>9</sup>. The highest charge for balance enquiry over the counter is in Botswana (P18.51) compared to Namibia (P5.33), South Africa (P3.59) and Mauritius (P0.00). Balance enquiry at the ATM is more expensive in Botswana (P1.44). The average cost for the same service in South Africa and Mauritius is P1.05 and P0.28, respectively. Namibian commercial banks offer this service for free.

Commercial banks in all countries impose punitive charges to the actions of their customers. Punitive charges are generally very high in Botswana. The selected charges average P155.77 compared to P112.96 in Namibia, P45.91 in South Africa and P40.67 in Mauritius. The average charge imposed on unpaid cheque per item in Botswana is P275.23 compared to P169.00 in Namibia, P56.54 in South Africa and P45.55 in Mauritius which makes Botswana's average charge more than 6 times more expensive than Mauritius', almost 5 times higher than South Africa's and over one and half times Namibia's. A similar trend obtains for the charge of a rejected debit order, which is more than 7 times more costly in Botswana than in Mauritius, more than 6 times higher than in South Africa and more than one and half times higher in Namibia.

<sup>9</sup> Mauritian banks charge for balance enquiries at the ATM but not over the counter. This is not common in other banks from Botswana, Namibia and South Africa where over the counter transaction charges are relatively higher.

<sup>8</sup> Refer to Annex 1

The overall total average cost of the banking services discussed above for a cheque account holder is higher in Botswana (P44.28) compared to Namibia (P40.66), South Africa (P28.53) and Mauritius (P23.63). The analysis shows that countries with relatively higher cost of banking services have lower non-punitive costs and vice versa. The non-punitive services offered by Botswana's commercial banks are the lowest (P19.06) compared to South Africa (P25.51), Namibia (P25.48) and Mauritius (P20.31).

## CONCLUSIONS

Banking services in Botswana have grown over the years with the addition of new providers (commercial banks) as well as addition of new services/products, especially the modern technology based ones. This gives bank customers (consumers) a wider choice across commercial banks and services. Charges for the banking services are very important to the consumers because they constitute a cost, hence have a bearing on access to the banking system. A summary of observations in this paper are:

- Commercial banks do not adequately make available to the public information on their bank charges. In the past, the Bank of Botswana has compelled the commercial banks to regularly publish interest rates payable on deposits (Bank of Botswana, 2012, 2014)<sup>10</sup>.
- As the regulator, the central bank must consider mechanisms to enhance consumer education, including, by encouraging the commercial banks to make information on their charges available to the public in order to assist the public make informed choices between the banks and between the different services offered within the banks. Making information available and continually updating it is essential, particularly in this era where commercial banks constantly add new products to their service menus. Availability of such information could play a positive role in broadening financial inclusion and improving access to banking and financial services. Hence, the banks' tariff books need to be made available to the public and should be regularly updated to show charges especially of the new services. Use of the banks' websites to publish updated bank charges should certainly not be a costly medium to avail such information to the public.
- Bank charges differ from one bank to the other; in some cases, the differences are vast. Punitive charges and charges for processing loans and overdrafts are generally very high also, which suggests that it may be worth the central bank's consideration to set the maximum values charged for such services such as loan administration or processing fees and penalties for dishonored cheques and unpaid debit orders. In other jurisdictions such as South Africa, capping charges for certain services has been implemented.
- Over the counter bank charges are generally higher than card, mobile phone and internet based transactions. Although Botswana has made progress in increasing the level of use of internet banking, other transactions such as transferring funds are still mainly made over the counter<sup>11</sup>. Specific consumer education activities should be implemented to enhance consumer education on the use of bank charges generally and the advantages of technology based services in particular.
- Bank charges in Botswana are comparable to those of the three selected countries in the region (Mauritius, Namibia and South Africa). However, punitive charges are significantly higher in Botswana. Most of Botswana's banks should consider revising these charges to reflect the true cost of offering these services to their customers.

<sup>10</sup> In 2012, the Bank of Botswana introduced what it referred to as minimum public disclosure and statutory reporting requirements which obligates commercial banks to publish interest rates that they pay on deposits. The commercial banks are to publish the interest rates on their websites and in at least 2 newspapers that are in circulation in Botswana. This requirement was meant to among other objectives, promote public awareness on the cost of banking services.

<sup>11</sup> A survey of African countries in 2013 has found that in Botswana, 66 percent of transfer transactions are done over the counter (KPMG, 2013).



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## ANNEX 1: Cost of Banking in Botswana in Comparison with Mauritius, Namibia and South Africa

	Botswana	Namibia	South Africa	Mauritius
<b>Cash Withdrawals</b>				
Over the counter Withdrawal	18.19	49.97	62.61	13.6
Host Bank ATM	2.87	10.63	28.98	free
Other bank's ATM	5.33	22.18	33.11	16.25
International ATM	24.44	24.43	45.51	20.86
Cheque Encashment	14.15	42.32	62.12	40.82
<b>Average cost</b>	<b>12.99</b>	<b>29.91</b>	<b>46.46</b>	<b>22.88</b>
<b>Payments and transfers</b>				
Cheque book (100 pages)	56.66	76.98	44.42	112.41
Stop payment OTC	85.04	71.92	26.86	35.13
Stop order	22.78	12.03	15.94	2.25
OTC transfer to Own account	13.59	31.44	29.48	4.8
OTC transfer to bank's 3rd party	13.59	31.44	29.48	5.08
OTC transfer to other banks	20.64	31.44	30.42	32.42
SMS payments notification	0.22	0.81	0.79	0.38
<b>Average cost</b>	<b>30.36</b>	<b>32.78</b>	<b>22.29</b>	<b>23.93</b>
<b>Balance enquiry</b>				
OTC	18.51	5.33	3.59	free
Bank ATM	1.44	free	1.05	0.28
Other bank's ATM	3.51	5.25	3.34	2.81
Internet banking	free	free	free	free
Mobile banking	free	free	free	free
<b>Average cost</b>	<b>7.82</b>	<b>5.28</b>	<b>2.66</b>	<b>1.55</b>
<b>Statement Fees</b>				
e statement	Free	free	Free	Free
Monthly bank statement	Free	6.72	Free	Free
ATM mini statement	1.82	2.58	2.64	3.68
Interim statement/sheet	13.21	11.29	14.33	5.51
Historical statements/page	27.04	21.95	16.16	28.63
<b>Average cost</b>	<b>14.02</b>	<b>10.64</b>	<b>11.05</b>	<b>12.61</b>
<b>Punitive charges</b>				
Unpaid cheques/ item	275.23	169.29	56.54	45.55
Unpaid debit orders	258.05	153.17	41.74	34.68
Card replacement	53.48	72.76	50.08	46.67
<b>Average cost</b>	<b>155.77</b>	<b>112.96</b>	<b>45.91</b>	<b>40.67</b>
<b>Total Average Cost</b>	<b>44.28</b>	<b>40.66</b>	<b>28.53</b>	<b>23.78</b>
<b>Non-punitive charges</b>	<b>19.06</b>	<b>25.48</b>	<b>25.05</b>	<b>20.31</b>

Sources: Banks' tariff books





While every attempt is taken to ensure the accuracy of the information contained in this document, no responsibility can be assumed for any action based thereon. The Botswana Institute for Development Policy Analysis (BIDPA) is an independent non-government research institute with two main areas of interest: development policy analysis and capacity building. BIDPA functions include carrying out research and consultancy in the field of economic and social policy, as well as monitoring the performance of the economy and the management of public policy. BIDPA's clients include government, international organizations, NGOs and private companies.

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