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IPPR Briefing Paper No. 27, November 2003

Complex Fees + Lack of Competition = Excess Profits? Retail Bank Charges in Namibia

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The Institute for Public Policy Research has put together a comprehensive and up-to-date list of retail bank charges in Namibia. It has found that price information is neither easy to obtain nor straightforward to interpret and compare. As a result, Namibian consumers of banking services are likely to find the choice of which bank to use a bewildering one. In addition, Namibian banks are becoming steadily more dependent on this complex range of charges as a source of revenue. At the same time, there is clear evidence that the profitability of Namibia's banking sector is high. Policy-makers are therefore faced with the problem of whether to assist the consumer by increasing competition in the sector or regulating prices. Both approaches have their drawbacks but progress must be made if the wider objective of increasing access to banking services for the estimated 47.5% of Namibians presently without access is to be achieved.

Retail Banking: a Critical Industry in Namibia

Banks are important institutions in any market economy. Their role is to act as financial intermediaries in the economy, transferring savings from those individuals and businesses which have incomes in excess of what they wish to consume or invest to those other individuals and businesses whose incomes are insufficient to finance what they wish to consume or invest. By performing this role, banks promote consumption, saving, investment and growth.

Internationally, different kinds of banks exist specialising in different areas of financial intermediation. The focus of this paper is Namibia's retail banking sector, that is to say, those banks that take in deposits from and lend money to the general public. These banks are private businesses whose main objective is to maximise profits for their shareholders. They do this by paying people to deposit their money with them and then lending this money out to others who want to borrow. They earn income in two main ways: by charging borrowers higher rates of interest than what they pay savers (the interest rate spread), and by charging fees directly for particular financial services. To maximise profits, banks will attempt to set their spreads and fees as high as possible to more than compensate for the cost of running their operations.

However, the existence of other banks means that each bank is limited in what it can charge by competition. If the prices of any individual bank are too high, customers will leave for other banks that charge less. Economists would argue that the best situation is generally one where competition is greatest. In such a situation, the combined economic welfare of the banks' shareholders and the consumers of banking services is greatest. In a more dynamic sense, competition can generally be expected to spur innovation, thereby reducing prices and increasing access.

For these reasons economic policy has an interest in ensuring competition prevails in the banking sector. In the situation of a developing country, widening access to the banking sector becomes a particularly important way of encouraging people into the modern cash economy.

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The benefits of greater competition are generally accepted. However, competition will be reduced if the banks get together to fix prices rather than to compete. In this case, the banks will benefit at the expense of the consumer of banking services and economic welfare as a whole will fall. This is why many countries, including Namibia, have competition policies to ensure price-fixing does not take place.

Competition will also be reduced if the banks decide to target particular segments of the market for banking services or if the market is simply too small to allow more than one bank to prosper. These factors may be particularly important in Namibia where incomes are highly unequal and where relatively few consumers are spread out over large areas.

A key issue for economic policy-makers, therefore, is to decide whether an adequate degree of competition exists in Namibia's banking sector and how to encourage competition further. This paper attempts to make a contribution to this debate by examining the issue of bank charges. The Institute for Public Policy Research (IPPR) set out to put together a comprehensive list of retail bank charges. Using this list it then tries to assess whether consumers of banking services are likely to be in a position to make an informed judgement on whether they were choosing the best bank for the best price. The paper goes on to examine the role that non-interest charges play in generating income for the banks and the issue of profitability is briefly examined. Finally, the paper puts forward some suggestions on how regulators might help consumers of banking services.

Overview of Namibia's Banking Industry

There are four main commercial banks in Namibia with total assets valued as at 30 June 2003 of N$12,154 million and 120 branches and agencies. These are Bank Windhoek (BWK), Commercial Bank of Namibia (CBN), First National Bank of Namibia (FNB) and Standard Bank Namibia (SBN).

All four banks have strong ties to South Africa. Bank Windhoek is majority Namibian-owned but ABSA owns 36%. The other three banks are majority controlled by South African banks. Until recently, there were two other Namibian banks, City Savings and Investment Bank and SWABOU building society, which merged in April 2002 to form SWABOU Bank. In July 2003, SWABOU Bank merged with First National Bank. There is also an investment bank, Nedcor Investment Bank, a government-owned savings bank, NamPost Savings Bank and the government-owned Agricultural Bank of Namibia (Agribank), which provides loans to the agricultural sector. First National Bank and Standard Bank have been in Namibia since 1915 and together dominate the market, controlling 64% of total assets and savings, as well as 56% of deposits in the system.

Since Independence the Bank of Namibia has regulated the commercial banks through the Bank of Namibia Act of 1997 (Act No. 15 of 1997) and the Banking Institutions Act of 1998 (Act No. 2 of 1998). According to this legislation, for a new bank to enter the market it must have minimum capital funds of N$10 million or an amount equal to 8% risk-weighted assets and other exposures. Established banks must calculate bad or doubtful debts and depreciation of assets on a quarterly basis. Furthermore, bad debts not yet written off must be taken into consideration to ensure banks meet the 8% minimum reserve level. These regulations are based on the Basle Accord framework which sets the international standard for banking regulation in the G10 and other countries across the world.

Table 1: General comparison of Namibian banks as of 30 June 2003

Bank	BWK	CBN	FNB	SBN
Ownership	Bank Windhoek Beherend 53%	Nedcor 93%	FirstRand Bank 78%	Stanbank 100%
Founded	1982	1973	1915	1915
Branches	24	9	29	22
Agencies	8	2	10	16
ATMS	55	11	81	80
Employees	730	384	1399	1001
Total Assets (N$m)	3,951	2,683	4,991	6,593
Market Share	21.7%	14.7%	27.40%	36.2%
Total Deposits (N$m)	3,336	1,947	2,873	3,999
Market Share	27.4%	16.0%	23.60%	32.9%
Savings (N$m)	210	85	268	250
Market Share	25.9%	10.4%	33.00%	30.7%

Source: Banks, BoN

Namibia's four commercial banks offer a variety of retail services that can roughly be divided into cheque accounts, savings accounts, internet banking, advances and overdrafts, residential home loans, safe custody and securities, international payments and guarantees, foreign exchange and letters of credit. Bank Windhoek also offers transaction accounts, which charge lower fees but do not include cheques or overdraft facilities.

Bank Charges: Nearly One Month to Compile a Comprehensive List

Namibian banks charge a wide variety of fees, charges, commissions, penalties, interest, duties and other tariffs for their services. The IPPR set out to compare all the fees being charged at the four main banks. Although the banks are required by banking regulations BID-13 (General Determinations on the Disclosure of Bank Charges, Fees and Commissions, 14 December 1998) to post their maximum general fees for financial services, there are many fees that are not included in the printed lists of charges available to the public. Three out of four banks post a list of selected charges on their website. Standard Bank does not.

Thus, although all banks had some sort of list of charges that could easily be obtained by the IPPR, these lists were generally incomplete and had to be supplemented by meetings with management and retail banking representatives at all four banks. The IPPR started to compile its list of bank charges on 6 October 2003. A complete list of charges was completed by 13 October for Standard Bank, 17 October for Commercial Bank of Namibia, 23 October for Bank Windhoek and 30 October for First National Bank. Bank pricing is reviewed annually at all four banks but at different times of the year. Standard Bank sets its prices in January, FNB in June, Commercial Bank of Namibia in July and Bank Windhoek in September.

Bank Charges: Complex, Varied and Hard to Compare

Table 2 presents the charges for some of the more common transactions paid by clients of each bank while a comprehensive list of charges can be found in Appendix 1. These fees and charges all include 15% VAT which is levied by the Government. The fees below are the "maximum charges" and do not necessarily reflect what the average customer is actually charged. Several banks added that their most desirable clients pay far less.

Table 2: Comparison of maximum fees for common financial services

	BWK	CBN	FNB	SBN
Cheque Account				
Opening of account	Free	Free	Free	Free
Service fee per cheque	1.54 per 100, max 48.30	1.50 per 100.00, 1.90 per every next 100.00, max 20.00	Negotiable	3.00 and 1.25%, Max 23.00
Minimum monthly service fee	17.25	Free	47.30	23.00
Over The Counter Fees				
Cash deposits	1.5%, min 1.73	2.10 per 100.00	Negotiable	1.092%
Balance enquiry	Free	15.00	2.60	Free
ATM - Own				
Check deposit	Free	Free	Free	Free
Cash withdrawal	3.45	Max 2.50 plus 0.90 per 100.00 and 0.70 per 100.00 thereafter	2.50 for first 100.00 plus 0.75 per subsequent 100.00	3.70 for first 100.00 and 0.45% of the value, max 18.00
Balance enquiry	2.30	2.50	2.10	Free
Inter-account transaction	2.30	N/a	2.04	2.35
Decline ATM request	Free	3.50	1.92	2.50
Card				
Point of sale transaction	1.54 per 100.00	Free	50% of service fee	3.10
Replacement card 1st	40.00 to 100.00	35.00	35.00	55.00
Fee Saver Option				
Minimum credit balance	N/a	10,000.00	5,000.00	3,000.00
Cheques				
Cheque book	14.00 to 75.33	Free	15.00	17.25 to 28.75
Returned cheque (lack of funds)	230.00	150.00	150.00	115.00
Internet Banking				
Monthly subscription fee	28.75	22.80	Free	20.00
Cheque account transactions	0.87 per 100.00	50% of service fee	3 if 0 to 500.00; 6 if 500.01-1000.00 ; 9 if more than 1000.00	2.75 and 0.50%, max 11.50
Inter account transfers	0.87 per 100.00	3.00	3.00	2.25
Various				
Statements	5.75	Free	Free	Free
Copies of old statements (per statement)	23.00	6.00	6.02	4.05
Savings Accounts				
Opening of account	Free	Free	Free	Free
Minimum balance	75.00	1,000.00	1,500.00	50.00
Residential Home Loans				
Property guarantees	0.15% of amount	175.00 flat	Free	250.00 and 1.71% of value
Property valuation	0.1% of the property, min 575.00, max 5,750.00	700.00	Max 1440.00	172.50 to 3450.00
Foreign Exchange				
Sale of notes	1.25% of amount	1.50% of amount, min 115.00, no max	1.2%, Min 15.70	1.73% and min 17.25

Source: BWK, CBN, FNB, SBN.

Bank Statements: Hard to Check Charges

Retail customers at all four banks can receive monthly bank statements. Bank Windhoek is the only bank that separately charges for this service. These statements provide details of all transactions undertaken by the customer along with the charge made for each transaction. The statements also provide the customer with information on the total amount charged in service fees and the total amount of interest paid and earned. However, since the fee structure is so complex and not explained on the bank statement itself, it is generally very difficult for the customer to check that the charges are correct and work out ways to minimise the cost of banking.

How do Consumers Choose their Banks?

The banks offer essentially the same services so it would be interesting to make an assessment of which bank offers the best value for money. However, it is almost impossible to do so because there are so many charges and many of them depend on usage and the amount of money involved in the transaction. These are also maximum fees, and in some cases minimum fees, and it is possible that a consumer is able to negotiate more attractive terms from the bank. The banks also do not publish their minimum fees. Some charges are listed as “negotiable”, “50% of service fee”, “actual cost” and in one case even “original cost times two.” It is therefore very difficult for consumers to be able to make an informed decision about which bank’s fee structure most appropriate for their needs.

It is Not Clear Whether the Fees Being Charged are Too High

This complex schedule of charges makes it difficult to calculate whether banks in Namibia are in any sense overcharging their customers. Some of the banks certainly charge much higher fees than their peers for the same services. Why does a chequebook cost as much as N$75.33 at one bank and is free at another? Why does property valuation cost up to N$700 at one bank and up to N$5,750 at another?

Anti-Competitive Pricing Keeps Consumers Locked In

Opening a cheque, savings or transaction account is free at all the banks, assuming in most cases that a minimum balance is deposited. But when a customer wants to leave the bank there is a fee charged for closing the account at two out of four banks. It may well be that the processing of opening and closing accounts costs money and that banks are willing to pay for this loss when they gain customers but not when they lose customers. But such a charge is not common in other countries and it prevents movement among consumers in the market. This type of charge is likely to deter people from moving their accounts.

Table 3: Cost for opening and closing cheque, savings accounts

Bank	BWK	CBN	FNB	SBN
Open Cheque Account	Free	Free	Free	Free
Close Cheque Account	55.00	Free	Free	Free
Open Savings Account	Free	Free	Free	Free
Close Savings Account	46.00	Free	50.00 if closed within three months	Free

Source: BWK, CBN, FNB, SBN.

Customers of “Substance” Pay Less Than the Average Namibian

Most of the banks we spoke to make discounts available for preferred customers, a privileged group one banker proudly referred to as “people of substance”. These VIPs pay a fraction of the amount of charges that the general public pay. There are economic considerations, like the fact that these generally wealthier clients are less “risky” and there are economies of scale related to the fact that these customers are bringing relatively large amounts of business into the bank. Especially on the commercial side, banks are willing to forgo almost all fees and commissions to attract big clients.

Fee Savers Options

Most of the banks have programmes in place where fees are waived if a minimum balance is held in the cheque account at all times. This amount varies from bank to bank. Standard Bank has the lowest programme with a minimum balance of N$3,000. The trade-off with these sorts of accounts is that the consumer is paying an “opportunity cost” by leaving a certain amount of money in a cheque account and not parking the funds into higher interest-bearing accounts or other investments.

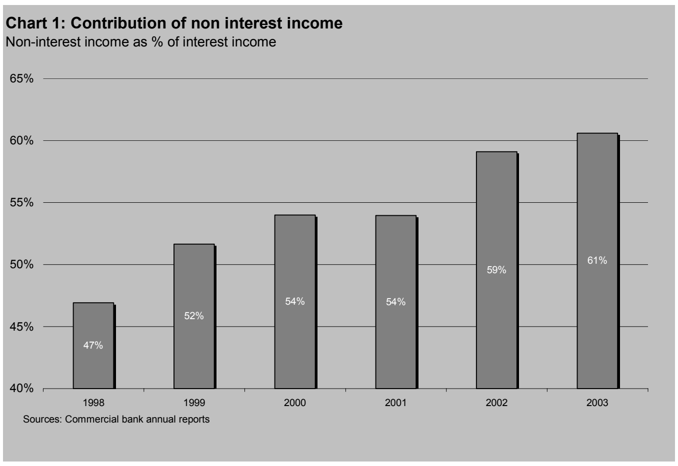
Economic Justifications for High Banking Charges

Banks are private companies that are in the business of making profit for their shareholders. Like most companies, banks will charge more than cost to generate profits. This profit margin must be set carefully because if it is too high clients will seek out cheaper alternatives at rival banks.

Banks argue that their charges are reasonable and near cost, because in Namibia there are considerable transport costs and economies of scale as well as additional security costs due to an ineffective police force in certain parts of the country. Transport costs are related to the fact that Namibia’s relatively small population of 1.8 million people is dispersed over a vast area. It is expensive for banks to offer services over such a large geographical distance. Some banks claim their branches and agencies in some rural areas are even loss making. Related to this is the argument that the Namibian market is quite small and it is therefore relatively expensive to offer the wide array of services common to much larger economies. A related reason that may account for charges being relatively high is that the level of foreign exchange and security-related activities, which can generate hefty commissions and fees, is fairly limited in Namibia.

Another factor, related to the relatively small size of the Namibian market, is based on economies of scale. If there is a larger market costs drop proportionately. Banks argue that relatively higher fees for banking services counter the relatively high cost base in Namibia. However, a study of Namibian banks by stock broking firm Irwin, Jacobs, Greene in September 2002 found that “the returns extracted from customers overcompensate banks for any higher cost base that may exist.” (Bödecker et al. 2002: 4).

Bank Charges are Becoming a More Important Source of Income



As mentioned above, bank revenues can be divided into two main categories: interest and non-interest income. Interest income is earned from interest rate spreads, that is to say, by charging borrowers higher rates of interest than depositors are paid. Non-interest income is earned from the fees banks charge for particular services rendered. Bank annual reports provide details of interest income and non-interest income. Chart 1 presents information on non-interest income as a proportion of interest income for the aggregate of four banks. It shows how non-interest income has increased as a proportion of interest income since 1998. Over the last five years, non-interest income as a percentage of total bank revenues has risen from 31.9% to 37.7%. Viewed another way, non-interest income as a percentage of interest income rose from 47% in 1998 to over 60% by 2003. Clearly, for the banking sector as a whole, the great variety of complex and opaque bank charges described above is becoming a more important source of income for Namibia’s banking sector although it is likely that certain charges contribute far more than others.

Namibian Banks are Highly Profitable

Is there evidence that the complex array of bank charges and lack of transparency combined with increasing dependence on non-interest income leads to greater profitability? In 2002, the banks posted after tax net profits of N$75 million to N$150 million. Between them, they earned N$481 million, up 16% from N$413 million the previous year. The income generated directly from fees and commissions rose to 24% from N$292 million to N$363 million over the same period.

Table 4: Income highlight of the four commercial banks

N$'000	BWK		CBN		FNB		SBN	
Year	2002	2001	2002	2001	2003	2002	2002	2001
Net interest income	191,361	177,758	120,036	95,034	304,100	269,552	295,051	258,634
Doubtful debt charges	-9,476	-19,082	-9,247	-965	-13,100	-5,106	-10,564	-8,729
Net fee and commission income	74,123	54,484	31,032	26,478	142,900	123,664	132,228	99,581
Other non-interest income	39,327	28,795	39,611	37,148	41,400	34,750	42,872	41,487
Operating income	295,335	241,955	181,432	157,695	475,300	422,860	459,587	390,973
Operating expenses	-161,029	-123,358	-95,693	-80,986	-226,000	-188,193	-221,501	-182,260
EBT	141,546	120,784	85,739	76,709	249,300	234,667	238,086	208,713
Tax	-47,515	-41,548	-14,249	-16,455	-11,700	-78,356	-81,224	-68,923
EAT	94,031	79,236	71,490	60,254	237,600	156,311	156,862	139,790
EPS (cents)	88.1	75.7	111.5	94.0	118.3	78.2	9,120.0	8,127.0
Dividend (cents)	10.0	6.0	55.5	37.5	120.0	42.0	9,070.0	6,919.0
ROE (%)	26.5%	30.7%	39.0%	39.3%	39.8%	26.3%	50.1%	44.8%
ROA (%)	2.8%	3.3%	3.4%	3.2%	5.0%	3.8%	2.8%	2.8%
Total Assets (N$m)	3,670	2,991	2,336	1,875	4,731	4,072	5,544	4,923

Source: BWK, CBN, FNB, SBN.

A common way to measure profitability within an industry is to look at the Return on Equity (RoE), the ratio of net income over shareholder's equity. In the Namibian banking industry, the RoE ranges from 26% to 50%. Chart 2 shows how the average RoE of Namibian banks during the last five years compares to the equivalent average RoE of their major shareholders. In each case the Namibian RoE is higher than the South African equivalent.

Another measure of profitability is the Return on Assets (RoA), which measures the ratio of net income over total assets. The RoA in Namibia ranges from 2.8% to 3.8%. Chart 3 shows the same comparison for the RoA as with the RoE. Again the RoA of the four Namibian banks turns out to be consistently higher. By these measures Namibia's four commercial banks are clearly very profitable businesses.

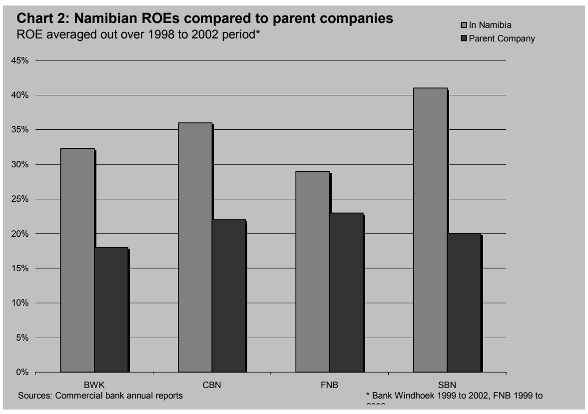


Chart 2: Namibian ROEs compared to parent companies

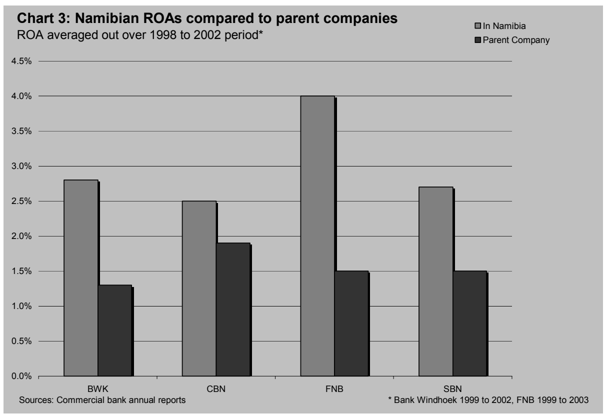


Chart 3: Namibian ROAs compared to parent companies

A study commissioned by the Bank of Namibia in 2000 looked into the efficiency of commercial banks in Namibia found that "profit ratios are high" in the sector (Ikhide: 2). The central bank made country comparisons in Namibia, Botswana, Swaziland and South Africa between 1996 and 1998 and found that both the ROA and ROE were highest in Namibia. “From our measure of profitability, there is no doubt that on average, Namibian banks are more profitable.” (Ikhide: 24). Although the comparisons are now somewhat out of date, they suggest that Namibia has higher profit ratios than its peers. Table 5 shows average ROAs and ROEs for retail banks from Namibia, Botswana, Swaziland and South Africa taken from the KPMG Banking Survey 2002.

Table 5: Country comparisons of efficiency measures

Ratios / Country	Namibia*	Botswana**	Swaziland***	South Africa****
ROA	3.2%	3.2%	2.0%	1.7%
ROE	36.5%	32.6%	23.4%	22.4%

**BWK, CBN, FNB, SBN; **Barclays, FNB, Standard Chartered; ***FNB, Nedbank, Standard Bank; ****ABSA, FirstRand, Nedcor, Standard Bank*
Source: KPMG 2002

Another study by local stock-broking firm *IJG* in 2002 (Bödecker et al: 2002) also found evidence of excessive profitability reaching the conclusion that “while the lack of economies of scale may have an impact on competition, the returns extracted from customers overcompensate banks for any higher cost base that may exist.” The report went on to assert that “retail clients in general yield the highest margins, while corporate customers benefit from more intense competition for their business among local and South African banks.”

Outstanding Questions Remain

If it is the case that bank charges are so difficult to understand and that banks are overcharging their clients, two obvious questions arise: why are customers putting up with it and why are no other banks entering this seemingly profitable market?

Banking clients in Namibia face two main difficulties: first, the cost of obtaining information and making useful comparisons is high and second, choice is limited anyway. The lack of easily available information makes it difficult to identify what the exact charges are and how these compare with those charged at competing banks. In many towns in Namibia the choice of where to bank is limited. This choice is likely to be affected by location - the costs of travelling to a far away bank are likely to be a major factor determining choice, especially for low-income consumers. These factors are likely to be compounded by low levels of education, especially financial education. Further research may shed more light on the extent to which Namibian consumers make banking decisions on the basis of rational economic calculation rather than on the basis of other considerations such as prejudice, tradition or lack of trust.

Another obstacle is that the aforementioned anti-competitive measures make it costly to change accounts. Perhaps these factors contribute to a sense of defeatism whereby all banks are tarred with the same brush. There may also be non-financial justifications that explain why clients remain loyal to a certain bank, like the location of its branches or whether someone’s employers favour it.

Another puzzle is why more commercial banks are not contesting the Namibian market when it seems to be such a profitable one. It is possible that large multinational banks simply deem this market to be too small. Although profitable, it is simply not large enough to justify the initial investment. They may also argue that the lack of scale and the costs of building up a market presence from scratch are just too high. This is also a time of consolidation, not only in Namibia.

With four commercial banks to choose from, there is also an argument that the market is already full, this is certainly a view favoured by the banking industry. But the Bank of Namibia report also concluded that “more banking firms could still join the industry without necessarily compromising industry profitability since most of the existing firms are producing at the falling portion of their average cost curves.” (Ikhide: 2) The central bank has recently invited more commercial banks into the Namibian market.

Conclusions: Competition or Regulation?

After examining the vast array of fees being charged in Namibia, it is clear that there are very many charges and that many of them are confusing. It is therefore difficult for consumers to make informed choices about what bank they should use. The lack of clear information and comparability is also likely to limit competition between banks. In theory, a lack of competition would lead to excess profits. There is clear evidence that Namibian banks are relying more on non-interest income and are excessively profitable. For the reasons presented in the introduction, policy-makers should be concerned by this finding. The question is, how should policy-makers address the problem? There are two options: increasing competition and introducing regulation.

The preferred option has to be to increase competition but there are problems with this approach. Simply enticing more foreign banks into the market may bring about increased competition. However, traditional multinational banks are likely to focus on servicing a few high-income urban customers where the profits are likely to be higher. Squeezing the most profitable operations of the established banks may lead them simply to reduce services to their more marginal lower-income and mostly rural customers. Unless a foreign bank with the ability to make money from dispersed low-income consumers entered the market, such a move would not produce the desired outcome. It is possible there is a niche here for an innovative local bank which, in contrast to a large multinational, would find it worthwhile to operate in Namibia's smaller market. The problem here is that banking is a business characterised by economies of scale and high barriers to entry, especially in the technology of banking. SWABOU and City Savings and Investment Bank have tried to position themselves as niche banks with a distinctly Namibian approach without success.

The alternative would be to introduce regulations designed to simplify bank pricing and enhance the ability of consumers to compare bank charges. Such regulations would at the same time enhance competition and encourage movement between banks. Framing such regulations would not be easy. Banks provide a great variety of services and it is often not possible for consumers to pick and choose which service they wish to purchase from which bank. Consumers have to choose on the basis of a package of those services they are likely to use most. However, regulation could make things easier in the following ways:

- Regulation could force banks to disclose the calculation of charges on bank statements.
- Regulation could force banks to simplify their charges for particular services through the introduction of a single simple charge for each service rather than a charge that varies with the size of the transaction.
- Regulation could limit the maximum amount banks can charge customers for certain services.
- Regulation could oblige banks to offer a maximum cost package of services to consumers.
- Regulation could prevent banks from charging customers for closing their accounts.
- Regulation could oblige banks to disclose the number of new customers and the number of lost customers from and to other banks as this would reveal how competitive the market really is.
- Regulation could encourage cooperation between banks as well as with other institutions to enable services to be delivered at the lowest possible cost.
- Banking licences could be made conditional on providing a certain level of service to particular customers.

Such regulations would have to be thoroughly discussed with the banks and then enforced and monitored. The process could be improved by establishing a banking ombudsman at the Bank of Namibia to channel and investigate complaints from customers to the banks.

This short paper has discussed the issue of bank charges based on desk research conducted in Windhoek. It has not sought to ask consumers directly for their experiences and opinions. National surveys and censuses in Namibia have generally neglected the issue of access to financial services. FinMark Trust, an organisation in Johannesburg dedicated to making financial markets work better for the poor in Southern Africa, surveyed 1,000 urban households in South Africa in October 2002 on their access to financial services. The group's Finscope study found that among people not using banks at all "bank charges are too high" was the most common explanation. FinMark is currently undertaking similar studies in Namibia, Botswana, Swaziland and Lesotho. Results of the Namibian Finscope will be released in December 2003. This survey data includes several questions about banking charges and will present a clearer picture of what perceptions Namibians have on the banking services at their disposal. One provisional result, however, is that some 47.5% of Namibians surveyed do not have access to formal banking services. This should spur policy-makers to look at ways of increasing access to banking services by reducing bank charges.

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Appendix 1: Comparison of Maximum Fees for Common Financial Services

	BWK	CBN	FNB	SBN
Cheque Account				
Opening of account	Free	Free	Free	Free
Closing of account	55.00	Free	Free	Free
Service fee per cheque	1.54 per 100, max 48.30	1.50 per 100.00 , 1.90 per every next 100.00 , max 20.00	Negotiable	3.00 and 1.25%, Max 23.00
Minimum monthly service fee	17.25	Free	47.30	23.00
Over The Counter Fees				
Cash withdrawal	Applicable service fee	5.25	Cheque service fee plus 0.2% with a minimum of 5.00	0.9% of value with minimum of 13.50
Cash deposits	1.5%, min 1.73	2.10 per 100.00	Negotiable	1.092%
Balance enquiry	Free	15.00	2.60	Free
ATM - Own				
Cash deposit	Free	2.10 per 100.00	Negotiable	1.092%
Check deposit	Free	Free	Free	Free
Cash withdrawal	3.45	Max 2.50 plus 0.90 per 100.00 and 0.70 per 100.00 thereafter	2.50 for first 100.00 plus 0.75 per subsequent 100.00	3.70 for first 100.00 and 0.45% of the value, max 18.00
Balance enquiry	2.50	2.50	2.10	Free
Mini statement	2.50	2.50	2.10	Free
Inter-account transaction	2.50	N/a	2.04	2.35
Decline ATM request	Free	3.50	1.92	2.50
ATM - Saswitch/VISA				
Saswitch fee per transaction	12.00 and 6.00 for Solo Savings	8.55	2.64 for first 100.00 plus 1.94 per subsequent 100.00	6.00
Cash withdrawal	23.00	6.00 and ATM fee	8.50 for first 100.00 plus 0.80 per subsequent 100.00	3.70 for first 100.00 and 0.45% of the value, max 18.00
Balance enquiry	2.88	3.50	5.25	2.05
Mini statement	2.88	N/a	1.92	Free
Inter-account transaction	Free	N/a	N/a	2.35
Decline ATM request	Free	3.50	2.74	2.50
Card				
Point of sale transaction	1.54 per 100.00	Free	50% of service fee	3.10
First issue of card	27.60 to 110.40	Free	Free	Free
Card protection	13.80 to 27.60	2.77 per month, free if have Gold Card	N/a	N/a
Replacement card 1st	40.00 to 100.00	35.00	35.00	55.00
Replacement card 2nd	40.00 to 100.00	55.00	45.00	75.00
Fee Saver Option				
Minimum credit balance	N/a	10,000.00	5,000.00	3,000.00
Cheques				
Cheque book	14.00 to 75.33	Free	15.00	17.25 to 28.75
Counter cheque (each)	17.25	N/a	Max 38.33	23.00
Returned cheque (technical reasons)	28.75	20.00	40.00	Free
Returned cheque (lack of funds)	230.00	150.00	150.00	115.00
Referral, Excess fees	230.00	150.00	150.00	57.50
Special presentation	57.50	50.00	39.97	50.00

	BWK	CBN	FNB	SBN
Special clearance	50.00	50.00	44.00	35.00
Encashment of cheques	57.50	10.00	0.50% of value, min 20.06	Min 13.50, and 0.9%, max 23.00
Stop payment (each)	69.00	50.00	36.46	28.75
Mailing of cheque book	20.70	N/a	N/a	N/a
Holding post-dated cheques	27.60	N/a	Negotiable	N/a
Bank cheques	55.20	100.00, when cash tendered 2.50 per 100.00	Max 66.55	35.00
Deposit post-dated cheque	48.00	50.00	44.00	40.25
Transfer/Payments				
Stop order (per transaction)	11.50	Max 10 plus service fees	7.60	6.35
Magtape – internal	Service fee negotiated with client	70.00	2.50	3.70 to 9.95
Magtape – external	Service fee negotiated with client	70.00	Cheque service fee	35.00
Swift	550.00	60.00	0.4% min 96.20, max 522.75	35.00
Telegraphic transfer - inward	45.00 with 1.5% cash-handling fee for non-client	Free	48.00	35.00 plus service fees
Telegraphic transfer - outward	45.00 with 1.5% cash-handling fee for non-client	70.00 and service fee	48.00	350.00
Electronic linked transfers	Free if to interest bearing account	4.00	2.35	2.35
Third party account payments	38.40 per transfer	4.00	2.35	3.10
Debit card transactions	1.54 per 100.00	Free	50% of the cheque service fee	3.10
Internet Banking				
Monthly subscription fee	28.75	22.80	Free	20.00
Balance enquiries	No	Free	Free	Free
Electronic payments	2.00	50% of service fee	Free	2.25 for first 100.00 and 0.50 per subsequent 100.00 with max 11.50
Future dated payments	No	Not on internet	Free	2.61 for first 100.00 and 0.75 per subsequent 100.00 with max 12.50
Cheque account transactions	0.87 per 100.00	50% of service fee	3 if 0 to 500.00; 6 if 500.01-1000.00 ; 9 if more than 1000.00	2.75 and 0.50%, max 11.50
Savings account transactions	No	1.79 but only if balance below 4000.00	3 if 0 to 500.00; 6 if 500.01-1000.00 ; 9 if more than 1000.00	3.00 and 0.75%, max 12.50
Transfers/payments on inbank terminals	N/a	50% of service fee	3 if 0 to 500.00; 6 if 500.01-1,000.00 ; 9 if more than 1,000.00	Same as internet

	BWK	CBN	FNB	SBN
Inter account transfers	0.87 per 100.00	3.00	3.00	2.25
Deposits				
Cash deposit fees	1.5% of amount, min 1.73	2.10 per 100.00	Negotiable	1.092%
Post-dated cheques	55.20	50.00	40.24	40.25
Deposit correction	41.40	30.00	6.60	1.154%
Recalled deposits item	41.40	Free	10.00	N/a
Deposit books	12.00 to 21.74	34.00 to 45.00	16.00	23.00 to 35.00
Various				
Stop payments (per payment)	57.50	50.00	Min 34.46	28.75
Statements	5.75	Free	Free	Free
Copies of old statements (per statement)	23.00	6.00	6.02	4.05
Statements (provisional)	5.75	15.00 per statement	5.00	6.00
Search fee	46.00	20.00	36.14	4.05 per page
Photocopies (per page)	5.00	12.00	6.02	4.05
Fax / telephone	Original cost X 2	15.00	Free	11.50 per page
Auditors certificate	69.00	65.00	51.02	115.00 per certificate
Balance certificate	17.25	65.00	25.19	Free
Bank reports to other banks	69.00	Free	58.30	63.50
Bank statement delivery	17.25	Free	Free	N/a
Savings Accounts				
Opening of account	Free	Free	Free	Free
Minimum balance	75.00	1,000.00	1,500.00	50.00
Closing of account	46.00	Free	50.00 if closed within three months of opening	Free
Deposit cash - ATM	Free if below 2000, 1.5% if above 2000	1.10 per 100.00 (min 15.00)	1.15 per 100.00	1.092%
Deposit cash - OTC	Free if below 2000, 1.5% if above 2000	1.10 per 100.00 (min 15.00)	1.15 per 100.00	1.092%
Deposit cheque - ATM	Free	Free	Free	Free
Deposit cheque - OTC	Free	Free	Free	9.70
Withdrawals - ATM	3.45	4.50, 3.50 if balance exceeds 1000.00	Free but 5.55 if balance drops below 1500	3.70
Withdrawals - teller	23.00	10.00	13.25 and 5.10 if balance drops below 1500	25.00
Withdrawals - Saswitch	23.00	6.00	4.35 and 5.55 if balance drops below 1500	3.70 to 9.95
Debit order per payment	Free	3.30	3.50 and 5.55 if balance drops below 1500	3.10
Savings ATM Card				
ATM card	27.60	Free	Free	Free
ATM card protection	13.80	N/a	N/a	N/a
Replacement card 1st	46.00	35.00	29.15	55.00
Replacement card 2nd	46.00	55.00	36.44	75.00

	BWK	CBN	FNB	SBN
Mini statement	2.20	N/a	2.10	Free
Balance at OTC	Free	Free	2.60	Free
Balance at own ATM	2.30	Free	2.10	Free
Balance at saswitch/VISA	2.88	3.50	5.25	Free
Savings book	N/a	N/a	Free	Free
Replacement of lost book	N/a	N/a	Free	20.00
Provisional statements	Free	15.00	5.00	Free
Transaction Account				
Opening of account	Free	N/a	N/a	N/a
Minimum balance	75.00	N/a	N/a	N/a
Closing of account	46.00	N/a	N/a	N/a
Deposit cash	1.5% of amount, min 1.73	N/a	N/a	N/a
Deposit cheque	Free	N/a	N/a	N/a
Withdrawal at own ATM	3.45	N/a	N/a	N/a
Withdrawal at Saswitch	23.00	N/a	N/a	N/a
Withdrawal at VISA ATM	23.00	N/a	N/a	N/a
Withdrawal at teller	23.00	N/a	N/a	N/a
Issue of card	27.60	N/a	N/a	N/a
Card protection	13.80	N/a	N/a	N/a
Replacement	55.20	N/a	N/a	N/a
Mini Statement	2.88	N/a	N/a	N/a
Balance at own ATM	2.30	N/a	N/a	N/a
Balance at Saswitch	2.88	N/a	N/a	N/a
Balance at visa ATM	2.88	N/a	N/a	N/a
Advances/Overdrafts				
Penalty interest	Difference between applicable rate and 30% per annum. Under 6000 is 30%, over 6000 is 27%.	Maximum interest	3.00%	Up to 30%
Overdraft reminder	115.00	150.00	18.23	N/a
Annual review of facilities	0.25% of facility	70.00	Negotiable	Free but completion of balance sheet 83.25
Commitment fees	N/a	N/a	1.00%	.526%
Referral Fee	0.25% of facility	N/a	Min 138, 1.0% if more than 20,000	57.50
Residential Home Loans				
Property guarantees	0.15% of amount	175.00 flat	Free	250.00 and 1.71% of value
Property valuation	0.1% of the property, min 575.00, max 5,750.00	700.00	Max 1440.00	172.50 to 3450.00
Bond registration fee	0.1% of amount	Actual cost	7.7%	Free
Administration fee	0.1% of amount	1400.00 in Windhoek / 700.00 Elsewhere	Covered in bond registration fee	230.00
Bond cancellation fee	575.00	300.00 and attorneys fees	575.00	380.00 plus cost
Progress payments	230.00	210.00 per building Inspection	Covered in bond registration fee	N/a

	BWK	CBN	FNB	SBN
Re-advance	172.50	1400.00 in Windhoek / 700.00 elsewhere	305.00 if owned less than six months	258.75
Safe Custody				
Envelops, deed boxes	82.80	165.00 flat	Min 120.00, max 150.00 plus 175.00 fee every six months	250.00
Safe deposit lockers	276.00	620.00	Min 120.00, max 150.00 plus 175.00 fee every six months	N/a
Foreign Exchange				
Sale of travellers cheques	1.25% of amount	1.50% of amount, min 115.00, no max	1.2%, Min 31.35	1.29% and min 40.00
Sale of notes	1.25% of amount	1.50% of amount, min 115.00, no max	1.2%, Min 15.70	1.73% and min 17.25
International Payments				
Corporate fee	Yes	Negotiable	Unclear	75.00
Incoming				
SWIFT, bank draft, mail	0.33% of amount, max 632.50	625.00	0.4%, Min 41.85, Max 386.85	0.40% (min 70.00, max 350)
Foreign cheques	0.33% of amount, max 632.50	0.50% (min 60.00, max 685.00)	0.4%, Min 36.60	0.46% (min 62.00, max 260)
Outgoing				
SWIFT	0.33% of amount, max 632.50	625.00	0.4%, Min 96.20, Max 522.75	0.40% (min 66.00, max 350)
Bank draft, mail	0.33% of amount, max 632.50	625.00	0.4%, Min 91.20, Max 470.45	0.46% (min 80.00, max 370)
Teletransmission fee	0.33% of amount, max 632.50	60.00	Unclear	60.00
Guarantees, Letters of Credit				
Advising commissions	0.7% of amount, max 86.25	500.00	325.00	150.00
Confirming commission	0.20%	1.0%	Dependent on perceived bank and country risk	150.00
Guarantee commission	Max 0.75% of amount plus 0.5% every 6 months	1.5% to open and a charge of 1.0% every 6 months on outstanding guarantee value	174.89	250.00
Establishments	0.33% of the amount	0.60% (min 300.00, no max)	174.89	150.00
Collections and Legal				
Letters	Actual cost	Actual cost	Actual cost	Free
Reminders	57.50	Actual cost	Actual cost	Free

Source: BWK, CBN, FNB, SBN.