PARLIAMENTARY QUESTION No. 1051

To be answered on: Thursday 16th August 2012
By: Honourable S. Tsogwane (Boteti North)

QUESTION: To ask the Minister of Finance and Development Planning:

(i) To update this Honourable House on current commercial bank charges levied on those depositing cash as opposed to cheque deposit;

(ii) To state the charges as imposed by various commercial banks operating in the country;

(iii) Whether such charges are regulated and how; and

(iv) To reconcile this situation with the existing low domestic savings.

ANSWER:

(i) Madam Speaker, as a general statement, commercial banks do not levy any charges on cheque deposits except as part of the activity based fee for debit transactions on customer accounts. Out of a total number of eight commercial banks operating in the country, only one bank levies charges for different categories of cheque deposits, of P16.60 and P29.02 for small and large deposits, respectively. With regard to cash deposits, practices differ significantly in the banking industry, with most banks imposing a specific charge on cash deposits. Only two of the major commercial banks in Botswana do not impose a specific charge for cash deposits. The typical structure of the cash deposit fee has a
free cash deposit element for up to a specified amount and a percentage of any amounts in excess of that specified amount. The rationale for a specific cash deposit fee is that cash handling is costly to the banks.

(ii) Madam Speaker, as the Honourable Member would appreciate, it would not be possible for me to go through the Banking Tariff Guides of every bank for each specific charge on cash deposit. However, it suffices to indicate that, in the case of one large bank, a cash deposit in excess of P1 500 attracts a charge of 0.4 percent of the amount; the first P1500 is free. In the case of another bank, the first P2 000 is free and above this amount, the bank charges 0.45 percent of the amount. Madam Speaker, may I add that, consistent with the requirement of the Disclosure of Bank Charges Notice, 2001, banks are obliged to publish their current schedules of banking tariffs and display them in a conspicuous place within their banking halls to give consumers essential information on which to make informed decisions. Customers are also at liberty to request the charge for a service/product if the charge is not reflected in the published tariff guide.
(iii) Madam Speaker, in line with Government policy on encouraging competition amongst service providers, charges levied by licensed commercial banks are not regulated. However, pursuant to Clause 15 of the Disclosure of Bank Charges Notice, 2001, banks are required to submit banking tariffs to the Bank of Botswana for review and assessment of their reasonableness before implementation. This requirement is in recognition of the growing public concerns regarding the perceived onerous bank charges vis-à-vis the quality of banking services in Botswana.

Madam Speaker, in reviewing any proposed new fee and/or proposal to increase an existing banking charge, the Bank of Botswana takes into account, inter alia, the prevailing economic circumstances, the justification provided by a bank for the proposed charge, a detailed breakdown of costs the bank will incur in providing the service/product as well as social and economic policies, such as the need to promote an inclusive, growing and cost-effective financial services sector.

(iv) Madam Speaker, it is indeed true that transaction based fees on cash deposits may be viewed as a disincentive to save. However, it is equally true that a profitable, competitive and
sound banking system is necessary for a stable macroeconomic environment, a key prerequisite for the promotion and sustainable mobilisation of household financial savings. Other complementary policies include maintenance of appropriate and sound macro-economic policies, enhanced and cost-effective access to financial services, encouragement of innovative products and financial literacy. Against the background of improved public infrastructure and supportive Government policies, banks continue to invest in new technologies and introduce innovative products and services that encourage financial savings.

(v) I thank you Madam Speaker.