

# **Is Bank of Ghana Serious about clearing the mess it has hitherto condoned?**

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**By Steve Manteaw**

A recent Bank of Ghana (BoG) directive to all commercial banks in the country, to abolish and in some instances reduce, what it describes as unfair bank charges and fees, has been described by sections of Ghanaian bankers as a feeble attempt to clear a mess it has created through its own ineffective supervision of the commercial banks. The banks are also accusing each other of being the first to introduce some of the fees and charges in contention.

The directive, which has passed almost unnoticed by the public, is significant for two reasons: it is the first time that the BoG, in the exercise of its regulatory function, has intervened in the operations of the commercial banks, to protect, as it were, the interest of customers; and secondly, the directive falls in line with the government's promise to work towards reducing the country's over-dependence on donor financing for our national budget, a promise, that will require, among other key policies, the mobilization of domestic savings.

It is disappointing that, through unfair and uncompetitive banking practices, commercial banks in Ghana, have managed to discourage many Ghanaians from savings. Many today, prefer to hold their money at home. A large chunk of those who don't, will bank with the 'susu-man', with its attendant risks, than to be ripped off, and sometimes, treated shabbily by the banks.

Unreasonable minimum initial deposits, punitive deductions for maintaining balances below the stipulated thresholds, the punitive charges for transactions such as cheque withdrawals, salary processing, use of automatic teller machines (ATMs), and the incredibly low interest payments on savings account balances are just a few of the numerous complaints from the banking public, some of which the BoG directive, seeks to address.

According to the Head of Public Affairs of BoG, Mr. Kasum Yahya, the central bank routinely issues directives to the commercial banks, in line with the banking laws and regulations of the country. He intimated that, this particular directive on tariffs and charges has been necessitated by the central bank's concern and felt need to protect the banking public from exploitation by the banks. It aims, he explains, at instituting such measures as will encourage savings mobilization, the use of other banking services, and in the process, discourage the excessive use of cash in business transactions.

The directive, issued following consultations, and on the strength of a mutual agreement with the heads of the commercial banks, is requesting the banks to among other things, eliminate the minimum initial deposit requirement, raise deposit rates, abolish the fees for account closure, account maintenance, reduce the Commission on Turn Over by charging flat rates rather than percentage of volume of transaction, among others. Mr. Yahya points out that, BoG is the statutory regulator of the banking industry in Ghana, and that, the issues in contention here are matters subject to regulation. He added, however, that the approach in this particular instance is, moral persuasion rather than compulsion.

*Understandably, when profits alone drive a business, and declared profits instead of quality and fairness of service become the criterion for measuring success, cheating acquires some legitimacy.*

Investigations have revealed that savers are also unhappy about the festering of a privileged class service, provided for a fee, and at the expense of a worsening quality of over-the-counter services at the banks. They complain about the amount of time they spend to transact simple over-the-counter businesses. A two-month investigation by this reporter revealed that, on the average customers spend between 45 minutes and an hour, in simple transactions like checking bank balances, cashing or depositing money. At the Ring Road Central branch of SSB Bank, an average of four, out of the nine teller counters serve customers daily. Of the four, one serves both foreign exchange account holders (who are served outside the queue) and local currency account holders. During the two months of observation, the number did not exceed five, even during peak periods when workers troop in to cash their salaries.

The situation is not different at the High Street Branch of Barclays Bank Ghana Limited, where one spends on the average 30 minutes on a regular day, and up to an hour on peak days, to transact an over-the-counter business. Some customers have interpreted these frustrations as a marketing ploy, intended to create a demand for their new products: “Priority Banking” at SSB, and “Prestige” Banking at Barclays. This suspicion is grounded in the fact that, instead of deploying more cashiers to serve customers on a busy day the cashier numbers at the main banking halls are kept at a minimum, while some idle at the “Prestige” and “Priority” sections. If a customer feels frustrated at the regular banking hall, then his or her option is to pay ₵50,000 a month for “Priority” treatment at SSB, and ₵75,000 a month for “Prestige” service at Barclays.

Mr. Kasum Yahya of BoG declined to comment on the emerging privileged class service at Barclays, SSB, and perhaps other banks, as he was not aware. He promised to bring the issue to the attention of their relevant outfit. A source at Barclays however, expressed surprise at the BoG claim to be unaware of the new product. According to the source, who spoke to this reporter on condition of anonymity BoG is not only aware, but granted the permission to introduce the product. The source further disclosed that Standard Chartered also offers a similar product.

It appears our national banks have been fairer to their customers, and have done much better in encouraging savings, and supporting the national development effort, than the multinationals have done. Indeed, if our national banks were to shut their moral consciousness and operate along the same shylock principles as the multinational banks do, the argument about efficiency and profit margins used against them, would have been totally untenable.

Ghana Commercial Bank’s minimum initial deposit requirement, for instance, is ₵100,000, while those of Standchart, Barclays and SSB are ₵2,000,000, ₵1,000,000, and ₵500,000 respectively. Punitive deduction against balances below the stipulated threshold at Barclays is ₵20,000 a month, ₵10,000 at StandChart and SSB, ₵5,000 at Trust Bank. GCB and ADB do not charge customers anything for falling below their minimum thresholds, but do not allow balances to fall below ₵50,000. While StandChart, Barclays, SSB and ADB charge ₵10,000 each as salary processing fee, GCB and Trust Bank do not charge anything. According to a GCB official workers salaries sent through the bank, are strictly speaking, deposits. Which explains why they do not charge any fee.

## The Tariff League

	Initial deposit requirement (₵)	Penalty against balances below minimum threshold (monthly)	ATM charge per transaction	Salary processing fee	Lending rate	Interest on balances up to ₵5,000,000	Account Closure fee
Standard Chartered	2,000,000	10,000	1,000	10,000	38%	2%	30,000
Barclays	1,000,000	20,000	1,000	10,000	40%	4%	
SSB	500,000	10,000	N/A	10,000	35%	2%???	25%???
Trust Bank	200,000	5,000	5,000 monthly	Nil	32.5%	11.5%	50,000
Ghana Commercial Bank	100,000	NIL	NIL	NIL	32%	4%	
Agric Dev. Bank	200,000	NIL		10,000	32%	11.5%	25,000

*Banking tariffs of selected commercial banks in Ghana as at October 2003*

The dominant view among a large section of Ghanaian bankers is that, the latest BoG directive, like the several that have preceded it, will only be another whirlwind that subsides just as quickly as it swirls. They claim that, the bane of BoG has been its ineffective supervision of the commercial banks, a situation which in their view constitute a carte blanche for the banks, and which is exactly what has led to the unsightly mess it is now trying to clear.

The wake-up call to the BoG therefore, is to be up and doing, and to ensure that the commercial banks do not constitute themselves into cartels, ripping off customers, and putting very little back into the economy.

Commercial banks will always justify their actions on the basis of operational cost, product viability, and as they have often done, that their actions are in the interest of customers, even where it is abundantly clear that they are inimical to the general good of customers. Understandably, when profits alone drive a business, and declared profits instead of quality and fairness of service become the criterion for measuring success, cheating acquires some legitimacy.

At the time of filing this report, most of the banks have not fully implemented the BoG directive. Many however have scrapped their account closure fee. A few are undecided on what to do about their Commission On Turnover. It appears also that, some banks are not being open and truthful about their actual charges. The figures being given out, depends on who is asking for them. It will therefore serve a useful purpose, if BoG would compel all commercial banks to display their charges in their banking hall, as SSB has done.

In Ghana, commercial banks are eager to lend to the import and retail sectors, to the detriment of the production sector. Of course, there is less risks attached to such lending, its quick turn-over makes it more attractive. But of course regulation is about protecting consumers and the national interest, and therefore the central bank will need to sit up, and make sure the banking sector supports our development efforts. It is important to recognize that, in putting away bits of our disposable income in the banks, we collectively create a pool of funds from which both the public and the private sector can borrow for both investment and infrastructure development. What is required, is the policies that ensures that the banks do not turn into cartels, ripping off the public and putting very little back into the economy.