

BARRIERS TO ACCESS

The Kenyan marketplace is characterised by a lack of clear information and complicated price structures coupled with an environment in which demand exceeds supply and products rather than the market drive the industry. Consequently the Kenyan consumer is largely unaware of price differences among banks. The CBK Survey carried out a comparative analysis across all banks to establish the most expensive and the least expensive banks. The survey identified the following as the barriers that affect the customers in accessing banking services:

- Mistrust and lack of awareness by the consumer
- Lack of clear information by banks to customers
- High bank charges
- Lack of transparency in costs
- Poor branch networks
- A product driven rather than a market driven approach

ACCESS SCORES

Banks have been ranked by their access score. This score was determined by a 'mystery shopper', where a senior interviewer posed as a customer and tried to open a savings account, a current account or take out a loan. They scored on ease of process, length of time to access service and the friendliness of staff. Scores are made from 1-5 with 1 representing the worst experience and 5 the best. The below table looks at the average access score across three categories of product L - loans, C - Current Accounts and S - Savings Accounts. NIC was ranked most highly and CBA received the lowest score. The summary refers to the banks with ten or more branches and more details on other banks can be obtained at www.centralbank.go.ke

Name	L	C	S	Average
NIC Bank	5.0	4.7	4.7	4.8
Equity Bank	4.7	4.0	4.7	4.5
Standard Chartered Bank	4.3	5.0	4.0	4.4
Co-operative Bank of Kenya	5.0	4.3	3.7	4.3
National Bank of Kenya	3.3	4.7	4.7	4.2
Consolidated Bank of Kenya	4.0	4.7	3.7	4.1
Barclays Bank of Kenya	4.3	4.5	3.3	4.0
K-Rep Bank	4.0	3.7	3.3	3.7
KCB	4.3	4.3	2.0	3.5
CBA	3.7	2.7	3.7	3.4

OBJECTIVES

The main objectives of the Survey on Bank Charges and Lending Rates were:

- To effectively communicate and provide customers with information on various bank charges and lending rates so that they can make informed banking choices
- To provide consistent pricing information to the customer through quarterly reports
- To encourage customers to utilise this information
- To encourage competition on the basis of price (or value) among commercial banks

SURVEY METHODOLOGY

A survey of 900 bank customers in Nairobi, Mombasa and Kisumu was conducted to establish the average usage patterns for savings, current accounts and the average loan size and duration. The "average usage" pattern has been used to compute the average cost for a customer using these products. The costs used are based on the returns on interest rates, fees and charges submitted to the Central Bank by 40 commercial banks.

This leaflet summarises those results by looking at the 10 banks that have 10 or more branches. These banks offer greater accessibility because of their larger branch network. The more detailed report covering all the banks can be obtained at www.centralbank.go.ke

All figures are as at 30th March 2007.

Disclaimer

Consumers should not use any of the services or products mentioned solely on the basis of this information. The rankings have been calculated for an average consumer depending on an individual's personal usage patterns and actual costs may vary from customer to customer based on actual usage.



CENTRAL BANK OF KENYA

SURVEY ON BANK CHARGES AND LENDING RATES



CURRENT ACCOUNT COSTS

The table below ranks all banks with 10 or more branches. The first ranked Equity Bank offered the lowest cost for operating a current account, based on average usage patterns. The most expensive of these larger banks was Standard Chartered Bank. The wide range of costs is demonstrated by the large difference between these 10 banks.

Rank	Name	Branches	Monthly Costs
1	Equity Bank	49	491
2	Consolidated Bank of Kenya	12	929
3	K-Rep Bank	22	1,014
4	NIC Bank	15	1,023*
5	Barclays Bank of Kenya	62	1,037*
6	Co-operative Bank of Kenya	49	1,624
7	KCB	115	1,725
8	CBA	18	1,821
9	National Bank of Kenya	33	1,908
10	Standard Chartered Bank	30	1,969*

* Bundled offerings that are cheaper than the regular current accounts.

It is also interesting to note how accessible these current accounts are to ordinary Kenyans. The table below lists the minimum balance to avoid penalties and the opening balance required. (The ranking of this table is maintained from the previous table.)

Name	Minimum	Opening
Equity Bank	0	5,000
Consolidated Bank of Kenya	2,500	2,500
K-Rep Bank	0	2,000
NIC Bank	0	20,000
Barclays Bank of Kenya	0	5,000
Co-operative Bank of Kenya	0	5,000
KCB	0	10,000
CBA	5,000	20,000
National Bank of Kenya	0	5,000
Standard Chartered Bank	0	2,000

SAVINGS ACCOUNT COSTS

The table below shows the comparative costs of operating a savings account based on average usage patterns. Again this is for the ten banks that have 10 or more branches. The lowest cost savings account is offered by Standard Chartered Bank that makes no charges. The most expensive savings account is offered by Barclays Bank. This account is also the least accessible because of its high minimum balance requirements.

Rank	Name	Monthly Costs	Minimum Balance
1	Standard Chartered Bank	0	2,000
2	CBA	390	20,000
3	KCB	432	1,000
4	K-Rep Bank	468	500
5	Co-operative Bank of Kenya	558	1,500
6	Equity Bank	591	400
7=	Consolidated Bank of Kenya	610	2,000
7=	National Bank of Kenya	610	500
9	NIC Bank	791	20,000
10	Barclays Bank of Kenya	868	30,000

CALCULATION OF TABLES

The monthly average for the following cost elements were determined from the survey. The first three elements for savings accounts and all elements for current accounts.

- Number of cash withdrawals past four weeks
- Number of ATM withdrawals past four weeks
- Total ledger entries in the past 4 weeks
- Statements and balances
- Cheque & bankers cheques issuance
- Special clearances
- Retrieval of cheques and bounced cheques
- Card issuance
- Standing order set up and processing
- Transfers (EFT, interbank etc.)
- Bills payment
- Other elements

These were multiplied by the cost of doing each transaction included in the returns to CBK. Some slight adjustments made where the bank did not provide data in comparable format.

LOAN COSTS

Not all of the banks with over 10 branches offered loan products. The following table looks at the interest rate and total monthly repayments charged by banks for a loan of 50,000/= paid monthly over two years.

Costs that a borrower may be charged in addition to the interest rate include: commitment / facility fees, processing fees, early repayment fees, negotiation fees, valuation fee, insurance, appraisal fee, legal fee. Below is a table of the full cost of loans, where data was available. It is interesting to note how the other fees charged by a bank can significantly change the total cost of a loan for a consumer. In future surveys we hope to have more complete information from banks to allow a fair and full comparison of the total cost of loans between banks.

Loan for 50,000/= paid monthly over two years

Name	Interest Rate	Total Loan + i	Other Fees
Consolidated Bank of Kenya	15.50%	58,031	no data
Barclays Bank of Kenya	16.00%	58,333	1,000
K-Rep Bank	16.50%	58,594	11,000
Standard Chartered Bank	18.00%	59,375	10,000
Equity Bank	18.00%	59,375	no data
KCB	18.11%	59,432	no data
CBA	19.00%	59,896	5,160
Co-operative Bank of Kenya	19.00%	59,896	1,250

Loan for 500,000/= paid monthly over three years

Name	Interest Rate	Total Loan + i	Other Fees
Consolidated Bank of Kenya	15.50%	619,479	no data
Barclays Bank of Kenya	16.00%	623,333	20,000
NIC Bank	17.00%	631,042	39,800
Standard Chartered Bank	18.00%	638,750	10,000
Equity Bank	18.00%	638,750	no data
KCB	18.11%	639,598	no data
CBA	19.00%	646,458	17,410
Co-operative Bank of Kenya	19.00%	646,458	12,500