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Banking rates in Brazil: comparative analysis of the largest financial institutions

Tarifas bancárias no Brasil: análise comparativa das maiores instituições financeiras

Wladimir Cruz Macedo Jr.[1*i], ORCID: https://orcid.org/0000-0002-0890-1773; **Sergio Feliciano Crispim**[2ii], ORCID: https://orcid.org/0000-0002-4060-8315; **Agnaldo Antonio dos Santos**[iii] 3, ORCID: https://orcid.org/0000-0003-3205-9237.

1. Universidade Municipal de São Caetano do Sul (USCS). Programa de Pós-Graduação em Administração, São Caetano do Sul, SP, Brasil). E-mail: wlajunior@bol.com.br
2. Universidade Municipal de São Caetano do Sul (USCS). Programa de Pós-Graduação em Administração, São Caetano do Sul, SP, Brasil). E-mail: scrispim@uol.com.br
3. Professor Adjunto do curso de Administração do campus Naviraí da Universidade Federal de Mato Grosso do Sul (UFMS) – Campus de Naviraí, Naviraí, MS, Brasil). E-mail: agnaldo.antonio@ufms.br
***Autor correspondente**: wlajunior@bol.com.br

Abstract
The Real Plan consolidated a scenario of lower interest rates in Brazil, implying a review of business models in the financial sector, which underwent an intense process of concentration. In this context, the aim of the research was to identify and analyze the differences between the fees for services related to individual current accounts charged by the largest Brazilian banks in 2019 through documentary research, focusing on secondary data, complemented by exploratory research with bank managers. It was observed that there has been a notable evolution in the profits of banks in Brazil, which has been driven by revenues from fees for providing services, and that the differences in fees between banks are relatively small, considering the large scope of services and the fact that the sector is characterized by competitive practices. Tariffs are an important part of Brazilian household spending, but they are not widely perceived and are difficult to compare.
Keywords: Bank fees, Business model, Revenue Model, Banks Revenue.

Resumo
O Plano Real consolidou um cenário de juros mais baixos no Brasil, implicando em revisão dos modelos de negócio no setor financeiro, que passou por intenso processo de concentração. Nesse contexto o objetivo da pesquisa foi identificar e analisar as diferenças entre as tarifas de serviços relacionados às contas correntes de pessoa física cobradas pelos maiores bancos brasileiros em 2019 por meio de pesquisa documental, com foco em dados secundários, complementada por pesquisa exploratória com gerentes dos bancos. Observou-se notória evolução dos lucros dos bancos no Brasil, que foi impulsionada pelas receitas com tarifas por prestação de serviços, e que as diferenças de tarifas entre os bancos são relativamente pequenas, considerando-se o grande escopo de serviços e o fato de o setor caracterizar-se por práticas concorrenciais. As tarifas são relevantes nos gastos das famílias brasileiras, mas não são muito percebidas e de difícil comparação.
Palavras-chave: Tarifas Bancárias, Modelo de Negócios, Modelo de Receitas, Receita dos Bancos.

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1 Introduction

The financial system plays an extremely important role in the modern economy, concentrating the resources of savers and channeling them to investors, allowing resources to flow through the economy. Assaf Neto (2009) analyzes the Brazilian reality and, according to him, the banking system has undergone several structural changes in recent times, due to the major economic transformations that have taken place in the country. Among the changes are the process of currency stabilization and the opening of the market, which began the internationalization of banks. In addition, Ferreira Alves and Galegale (2020) highlight the impact of information technology since the 1990s and review the Technology Acceptance Model's explanations of the adoption of new technologies, which helps to understand the expansion of new business models in the financial sector (2020). In this sense, Le and Ngo (2020) investigated the determinants of bank profitability in 23 countries from 2002 to 2016 and identified that the delivery of services through new technologies increases profitability, justifying their increasing incorporation into financial business models.

Denardin (2007) states that the importance of banks is not restricted to promoting financial intermediation, since they play a special role in the Brazilian economy. By making loans, they establish an additional channel through which monetary policy can be operationalized, helping to explain the performance of productive activity. Benston and Smith (1976) propose a reflection based on traditional macroeconomic analysis, which sees financial intermediaries as passive conduits through which monetary policy is carried out.

In Brazil, there are recurring questions about the high and growing profits of financial institutions, noting that between 2009 and 2019, bank profits grew 162% in nominal terms and 92% in real terms, while real GDP grew 24%. One of the main justifications is that this return is made possible by high interest rates and disproportionate bank fees (Dantas, Medeiros, & Paulo, 2011). In parallel with the results presented above, the technological changes that took place during this period impacted on the cost structure, which is passed on to consumers. Financial commodities and the way they are packaged also change over time, as does the business model of the institutions that produce and sell them.

Paula and Marques (2006) state that in the early 2000s the net interest margin was under increasing competitive pressure, which ended up generating a decline in earnings flows in relation to costs, leading banks to seek to increase their non-financial income, in particular fees and commissions. Camargo (2009) adds that the increase in service revenues contributed to the continued high profits obtained by banks after the end of the significant gains from inflation revenues in the period prior to the Real Plan.

According to Gil and Mejía (2018), financial inclusion plays an important role in terms of economic growth and poverty reduction due to inequality and is therefore an essential aspect of public policies in many governments. In an inflationary process, the short term is the dominant characteristic in financial decisions, leading individuals to seek mechanisms to defend their purchasing power and assets (Savoia, Saito, & Santana, 2007). In this sense, the results indicate that financial inclusion has a positive impact and a significant relationship with the value of GDP per capita, so that the higher the level of income that families have, the greater their participation in the financial system and, consequently, the greater the degree of financial inclusion (Gil & Mejía, 2018). Technological, regulatory and economic changes have increased the complexity of financial services, on the one hand, but on the other, the population's lack of knowledge on the subject compromises the day-to-day financial decisions of individuals and families, producing less than desired results (Savoia, Saito, & Santana, 2007).

During so many changes, both macroeconomic and in the sector itself, a new way for banks to generate revenue, or a new revenue model, was necessary. From 1994 onwards, with the implementation of the Real Plan, inflation fell significantly, and at the same time nominal interest rates fell, with a drastic impact on some of the financial institutions' sources of income, which had to be offset by other sources, mainly fees for services. "Maintaining profit margins was also made possible by the increase in revenue from banking services [...] some medium-sized retail banks managed to increase the share of their gross revenue from fees from 10% to 35%" (Camargo, 2009, p. 39).

Given the exponential growth of this source of income, accompanied by the evolution in the number of Brazilians with accounts at financial institutions, service packages were created. In other words, the user contracts several services for a fixed price, so that he must pay the tariff even if he hasn't used the services, and if he exceeds the operations to which he is entitled, he will incur additional costs.

As a result of changes in the way banks can serve society, and in parallel with the various economic and social transformations that have taken place over time, companies operating in the financial sector have made significant changes to their Business Models. According to Osterwalder and Pigneur (2010), a Business Model describes the logic of how an organization creates, delivers and captures value. It is divided into nine components, one of which is the Revenue Sources or Model, and in this sense this research will focus on the revenue model of Brazilian banks and on fees for current account services.

According to a survey carried out by Ibope Inteligência with 2,009 people across the country, 51% of them can't say exactly how much they pay in fees for their bank accounts, even though Procon-SP advises banks to inform tariffs and fees in contracts and websites in a "clear, ostentatious and adequate" manner, as provided for in the Consumer Code (Nascimento, 2019). Financial institutions generally disclose the prices of tariffs and their service packages only to meet the requirements of regulatory bodies, in tables with dozens of services and tariffs in small print, difficult to understand and visualize, on their websites and at service points. This leads to confusion and doubts on the part of customers, which were reflected, for example, in the complaints to banks registered by Procon-SP (São Paulo State Consumer Protection and Defense Program) in the first half of 2019. Of a total of 7,054 complaints, 2,762 were about undue charges, in which the customer did not understand the reason for the charge.

Given this context, this study aims to identify and analyze the differences between service fees related to individual current accounts charged by the four largest publicly traded Brazilian banks in 2019. The banks analyzed were Itaú, Bradesco, Santander and Banco do Brasil. As specific objectives, this research sought to: a) identify the change in the banks' revenue model since the Real Plan, based on service packages and current account tariffs; b) identify the percentage share of revenue from current account services; and c) identify and compare current account tariffs for individuals in the Retail segment by categories, services and packages.

The research is justified by the economic and social importance of the Brazilian financial system, by the theoretical gap related to bank revenue models associated with current account fees, and by the strong evidence that fee income has become an increasingly significant part of banks' results, year after year, based on prior consultation of the balance sheets of the companies to be analyzed.

2 Theoretical Framework

The central theme of this study is the bank fees and current account service packages of the four largest banks in Brazil, given their importance in the banks' revenue and business models.

According to Osterwalder, Pigneur and Tucci (2005), many companies began to use the term "Business Model" more frequently at the end of the 1990s due to the great advances in Information Technology (IT) and the Internet, which boosted the possibilities for creating business models. According to Joia and Ferreira (2005), it was from this period onwards that this concept began to be used with increasing frequency in business management literature, as evidenced by bibliometric studies. One of the blocks that make up business models is the revenue model, which in the case of banks has tariffs as an important component, which is the subject of this research.

After the creation of the Real Plan, the financial system was opened to foreign capital, but, according to Freitas (1999), this did not necessarily translate into an improvement in the quality of services for the population. It could bring benefits to institutional clients, in addition to the high-income segments, who are able to negotiate rates and demand differentiated treatment, but most clients, who don't demand sophisticated products, would remain in long queues and paying high rates.

As a result of the turbulent global scenario experienced in the 1990s and 2000s, and the departure of some foreign banks, there was banking concentration in Brazil. In addition, according to Troster (2004), the increase in the size of banks is associated with the search for economies of scale (scale, scope and plant), or a fall in the average cost derived from the increase in scale. This implies that larger banks are more profitable than smaller banks. Motta (2005) states that competition in this industry in Brazil is intense, and some empirical studies carried out in the country have not confirmed the hypothesis of an oligopolistic structure, although the hypothesis of perfect competition is also ruled out, and the market can be characterized as concentrated.

With the consolidation of the currency, the Real, and the monetary policy instituted, the modernization process of banks began, which is very much conditioned by the level of inflation. During the period of hyperinflation, customers demanded agility in carrying out their transactions, and after economic stabilization Brazilian banks began to seek cost reductions through technology (Cavalcante, 2002).

Campbell and Frei (2010) analyzed another important aspect of the relationship between banks and customers, which is the use of the online channel. Banks are increasingly allocating resources to actively migrate customers to the online banking channel, based on the assumption that they will be able to benefit in terms of costs, revenues and retention. The authors state that the main benefit of the online banking channel is in attracting and retaining more profitable customers, rather than increasing the profitability of customers who are already served by other channels.

Accorsi (2014) states that consumers who are more familiar with new technologies demand a fast and ubiquitous service and refuse to accept complicated processes when they need a bank, emphasizing mobility and valuing new technologies. Adding weight to this analysis, according to the FEBRABAN Banking Technology Report (2018), 75% of banks are investing in blockchain technology, which promises major changes in intermediation services. In 2017, 35% of banking transactions took place via cell phone or tablet, while internet transactions account for 57% of banking transactions in Brazil (Federação Brasileira de Bancos [FEBRABAN], 2018).

When looking at bank fees, one must consider that the banking industry has undergone a major restructuring since the 1980s. Especially in developed countries, among other factors, we can highlight the decline in the net margins of financial intermediation of the largest banks and the increase in the importance of non-interest income (Marques & Paula, 2006).

In this sense, Mullineux and Murinde (2003) state that fees and commissions are an example of a recurring revenue stream for banks diversifying their activities. The growth of bank guarantee and off-balance sheet operations has further fueled the potential of non-interest income in generating profitability. In a complementary way, Stiglitz (2015) argues that there is an abuse of the financial sector's market power, both as regards consumers making credit card transactions, as the fees that credit and debit card companies charge merchants - usually 1 to 3% or more of the cost of the transaction - do not reflect the value of the services provided, but rather a rent, a monopoly of what is essentially a public good of networked payment infrastructure.

Stiroh (2004), on the other hand, analyzed revenues in the American banking industry between 1984 and 2001, and identified that there is evidence that diversification can be beneficial for institutions based on more stable profits and revenues. He adds that the American banking industry is steadily reducing its exposure to traditional sources of income (such as income from loans) and increasing non-traditional sources that generate income from services, fees and other types of income not associated with credit.

On the other hand, Lima, Matias. Quaglio and Sehn (2014), when comparing Brazilian and US banks from 2002 to 2013, found that Brazilian banks had higher profitability rates than US banks. This can be explained by the macroeconomic structure of each country in question, i.e. in the United States low interest rates and large volumes operated and, on the contrary, in Brazil high interest rates and low volumes operated.

When analyzing this in Brazil, it can be said that the Real Plan had profound impacts on the national banking system, including the threat of a systemic crisis caused by the collapse of small and medium-sized institutions. As a result, the banking system was forced to change its form of financing, replacing inflationary income with income from financial intermediation, services and tariffs, showing itself to be agile and adapting quickly to the new form of operation (Corazza & Pesavento, 2000). As a result, there was a natural concentration in the sector, which according to Freitas and Köhler (2009) would imply the opportunity for abuse of economic power and a consequent increase in spreads, but on the other hand, if there were significant gains in scale, the cost could fall.

Corroborating what was said in the previous paragraph, Vian, Higa, Santos, Negrão, Vasconcelos, Tingas, Quaresma and Salasar (2011) consider that the factor that determines the growth of service revenues is demand, given by the increase in the customer base and banking transactions, which are growing year on year, along with the exponential growth not only of the customer base, but also of the use of banking services. It is also worth noting that according to Arantes (2012), in crisis scenarios, banks seek greater rationalization of cost components, as these are variables, they have more control over. Revenue components, on the other hand, are the most affected in these periods, as they depend on factors external to the banks.

On the subject of tariffs, Vian et al. (2011) state that the establishment of their price is not limited to the remuneration of costs, as in other businesses. It also reflects the demand for and supply of services, within the strategies and business models of each institution. Hence not only the diversity of tariffs that reproduces the diversity of services, but also the differences in prices charged by institutions. The remuneration of services is what makes it possible for the banking system in Brazil to be the sector that invests the most in information technology, with repercussions for society.

Corroborating the above, Rodamilans (2016) states that revenue diversification acts positively in reducing the volatility of results, and that between diversifying with a focus on services and tariffs or insurance, it is preferable for banks to choose insurance, which generates the cushion or protection expected for recurring results.

The financial sector is facing a radical transformation, taking advantage of digital technologies to offer innovative services, the so-called Fintechs are emerging in fields such as asset management, loans or insurance (Guedes & Mattos, 2019). However, in a study by PwC called Fintech Deep Dive 2018, out of 244 companies, 58% said they operated at a loss (Simões, 2018).

3 Methodology

According to the nature of the data collection, this research was divided into two stages. The first is classified as documentary research and the second as exploratory. We analyzed the four largest publicly traded banks operating in Brazil, which for this reason have greater transparency of information, and which will be referred to as A, B, C and D, to preserve their identities.

The work began with a documentary search for information on: a) Packages of services for individuals, published on the websites of the banks analyzed in this study; b) Tariffs for services for individuals, published on the websites of the banks analyzed in this study; c) Tariffs for essential services, published on the website of the Central Bank (BACEN); d) Balance sheets of the banks analyzed in this study, published in the investor relations area of the banks' websites; e) Regulations on tariffs and service packages, published on the websites of the regulatory bodies and their adjacent bodies; f) News related to tariffs and packages of banking services for individuals published in the media in general, seeking to ensure the quality of the information by checking its origin.

Given the general objective of the research, which was to identify and analyze the differences in fees for services related to individual current accounts charged by the four largest publicly traded Brazilian banks in 2019, having the documents in hand, it was possible to: a) Identify, from the analysis of the financial institutions' balance sheets, added to secondary data from regulatory bodies, what is the percentage share of revenue from current account services in the banks' results; b) Identify the change in the origin of the banks' revenues and, based on the literature presented above, understand the change in the revenue model; c) Compare the tariffs practiced by the financial institutions in a way classified by categories, types of services and retail packages.

In order to gain a better understanding of the pricing strategy of the financial institutions analyzed in this study, semi-structured interviews were conducted with five business unit managers from the Retail and High Income segments based in São Paulo, from three of the four banks in the sample, As the interviews were complementary to the documentary research, four questions were asked about the perception of managers in relation to the institutions' vision and communication policies and incentives in relation to bank fees, and five questions about the opinion and practices of managers in relation to the topic. As this is a sensitive topic for organizations and employees, the answers were very objective, and the analysis was organized by informant within each topic in order to identify the main points of agreement and disagreement. In this way, it was possible to carry out an exploratory assessment of the opinions of business unit managers in relation to the fees charged for services.

4 Analysis of Results

This section presents the results of the research described above, with a view to achieving the objective of identifying the change in the banks' revenue model since the Real Plan in relation to service fees

The first information released, specifically related to income from current account services, which are service packages and individual tariffs for each service provided, dates from 2006 to 2009. In this sense, the year to be considered as a basis for comparison is 2009.

Based on Table 1 and Figure 1, income from current account fees has grown continuously and consistently over time, resulting in a real variation, discounting the IPCA, of 68.4% over the 10-year period from 2009 to 2019. In the same period, banks' real profit grew by 55.7%, but with negative fluctuations in some years, i.e. despite the significant real increase in banks, service fees still grew by 8.1%.

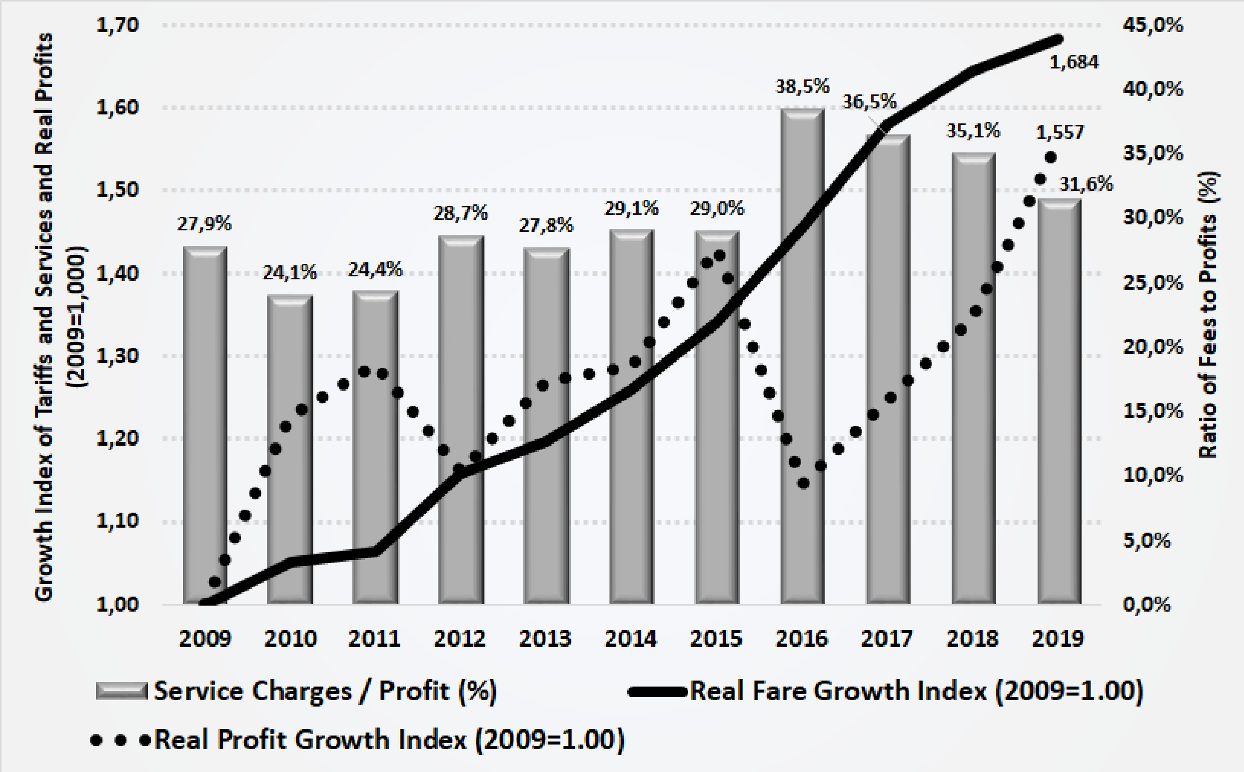
Table 1

Evolution of Fee Income from Current Account Services and Profits of the Four Largest Publicly Traded Banks from 2009 to 2019

Year	Nominal Fare Growth Index (2009=1.00)	Nominal Profit Growth Index (2009=1.00)	IPCA (2009=1,00)	Real Fare Growth Index (2009=1.00)	Real Profit Growth Index (2009=1.00)	Real Growth Rate of the Tariff/Profit Ratio (2009=1.00)	Service Charges / Profit (%)
2009	1.000	1.000	1.000	1.000	1.000	1.000	27.9%
2010	1.114	1.291	1.059	1.052	1.228	0.857	24.1%
2011	1.200	1.373	1.128	1.064	1.291	0.824	24.4%
2012	1.382	1.345	1.194	1.158	1.162	0.997	28.7%
2013	1.514	1.521	1.264	1.197	1.270	0.943	27.8%
2014	1.693	1.623	1.345	1.259	1.289	0.977	29.1%
2015	1.995	1.917	1.489	1.340	1.430	0.937	29.0%
2016	2.302	1.667	1.582	1.455	1.145	1.271	38.5%
2017	2.574	1.969	1.629	1.580	1.246	1.268	36.5%
2018	2.778	2.211	1.689	1.645	1.344	1.223	35.1%
2019	2.967	2.623	1.762	1.684	1.557	1.081	31.6%

Source: Prepared by the authors based on the banks' websites and IBGE (2019).

Figure 1
Real Evolution of Current Account Fees and Net Income of the Four Largest Banks



Source: Prepared by the authors based on the banks' annual reports and the IBGE.

It is important to note, as shown in figure 1, that in the first three years of the series, income from current account fees represented 25.5% of the banks' profits, and in the last three years of the series, it represented 34.4%, which can be considered a very significant share, especially considering that before the Real Plan it was of little significance. During this period, banks A, B and C extracted an average of 29.6% of total net profit, while in bank A, service fees accounted for 59% of profit, as shown in table 2. According to Osterwalder (2004), the revenue structure of the business model describes how the company makes money through a variety of revenue streams, and the information presented shows that there has been a change in the revenue structure of the four financial institutions analyzed, with revenues derived from services gaining share in relation to traditional financial revenues.

Table 2

Evolution of the Share of Current Account Fees in Banks' Net Income from the 2009-11 Triennium to the 2017-19 Triennium

Four Largest Banks	Current Account Fees / Net Profit		Change in Participation	
	2009-2011	2017-2019	%	pp
A	34.3%	54.5%	59%	20.2
B	19.0%	28.6%	51%	9.6
C	25.6%	32,7%	28%	7.1
D	21.8%	27.6%	27%	5.8
Total	25.5%	34.4%	35%	8.9

Source: Prepared by the authors based on the banks' websites.

According to Resolution No. 3,919 of November 25, 2010, financial institutions should provide the essential services package free of charge, which is now offered by the four institutions in the study in the Retail segment. In addition to this package, the Resolution stipulates that they also offer standardized service packages, which have the same services as the previous package, but with larger amounts for monthly use. The standardized packages, together with the essential services packages, make up the packages available in the Retail segment.

Banks and regulatory bodies do not disclose the number of customers who have active contracts for each of the service packages they sell. However, there is no active communication or incentives to contract Essential Services, which are free. In line with this, according to a survey by the financial education app Guiabolso, 99% of customers would save money if they exchanged their current banking baskets for the so-called free essential package and paid separately for individual operations (Papp, 2018).

From another perspective, and with greater scope, we have the Family Budget Survey - POF, which aims to measure the structure of consumption, spending and household income and makes it possible to draw up a profile of the living conditions of the Brazilian population based on an analysis of their household budgets. Table 3 shows the weight of expenditure on banking services by income bracket.

Table 3
Share of Expenditure on Banking and Other Services in Total Expenditure by Household Income Group in Brazil (2017/18)

Income and Some Expenses		Total Family Income Classes Total and Expenses (R$ and %V)							
		Total	Up to 1,908	+ from 1,908 to 2,862	+ from 2,862 to 5,724	+ from 5,724 to 9,540	+ from 9,540 to 14,310	+ from 14,310 to 23,850	+ from 23,850
Average Family Income (R$)			1,236	2,345	3,942	6,917	10,819	16,682	35,737
Total Expenses(R$)		4,649	1,500	2,350	3,705	6,326	9,401	14,872	27,866
Banking Services	R$	46.23	8.04	15.13	31.34	66.57	104.90	145.49	430.92
	% V	**0.99%**	**0.54%**	**0.64%**	**0.85%**	**1.05%**	**1.12%**	**0.98%**	**1.55%**
Electricity	R$	115.36	65.62	88.14	117.64	152.75	183.86	208.94	260.14
	%V	2.48%	4.37%	3.75%	3.17%	2.41%	1.96%	1.40%	0.93%
Landline phone	R$	7.72	3.02	6.04	8.76	10.40	12.80	13.88	16.79
	%V	0.17%	0.20%	0.26%	0.24%	0.16%	0.14%	0.09%	0.06%
Cell phone	R$	49.42	16.35	28.17	45.01	74.76	97.00	124.23	216.03
	%V	1.06%	1.09%	1.20%	1.21%	1.18%	1.03%	0.84%	0.78%
TV, Telephone, Internet package	R$	50.41	7.84	18.11	40.47	83.56	129.40	183.16	252.33
	%V	1.08%	0.52%	0.77%	1.09%	1.32%	1.38%	1.23%	0.91%

Source: Adapted from POF IBGE (2018)

Based on the IBGE's 2017-18 Household Budget Survey, spending on banking services accounted for 0.99% of household spending, which, although significant when compared to the other expenses highlighted in Table 3, are not usually given much visibility by users or highlighted by the press. In the higher income brackets, tariffs have a greater weight, with an average of 1.2% of total spending. One possible hypothesis for this discrepancy between the classes is that in the lower income brackets people tend to take out more of the essential services package, or even not be banked at all. Table 4 compares the prices charged by the four banks for standardized packages.

Table 4

Rates for Standardized Service Packages Offered by the Largest Financial Institutions in November 2019

	Financial Institution	Average Fare (R$)	Standardized Packages			
			I	II	III	IV
Tarifa por Instituição	A	26.61	13.25	21.20	28.25	43.75
	B	24.24	12.45	19.80	25.80	38.90
	C	26.73	13.10	21.40	28.40	44.00
	D	25.80	13.20	21.00	27.00	42.00
	Média	25.84	13.00	20.85	27.36	42.16
Average Price of the Financial Institution in relation to the average	Financial Institution	Average Fare	Standardized Packages			
			I	II	III	IV
	A	+3.0%	+1.9%	+1.7%	+3.2%	+3.8%
	B	-6.2%	-4.2%	-5.0%	-5.7%	-7.7%
	C	+3.4%	+0.8%	+2.6%	+3.8%	+4.4%
	D	-0.2%	+1.5%	+0.7%	-1.3%	-0.4%
Ranking from cheapest to most expensive	Financial Institution	Average Fare	Standardized Packages			
			I	II	III	IV
	A	3º	4º	3º	3o	3º
	B	1º	1º	1º	1o	1º
	C	4º	2º	4º	4º	4º
	D	2º	3º	2º	2o	2º

Source: Prepared by the authors based on data published on the banks' websites.

Based on the information presented in Table 4, some statements can be made about the differences between the prices of the service packages charged by the four largest Brazilian banks. Bank B stood out as the cheapest, charging below average in all four standardized packages, its average price was 6.2% lower than the average of the banks in this study, in contrast to Bank C, which had the most expensive tariffs, which on average were 3.4% higher. Bank C's average tariff was 10% higher than Bank B's, which can be considered a significant difference when comparing the same services. Bank D, on the other hand, adopted a pricing policy that was more in line with the banks' average tariffs for standardized service packages, charging on average 0.2% less than the average. Table 5 below shows the prices for individual services, charged when the user uses more than the amounts contracted in the service packages.

Table 5
Rates for Individual Services Offered by the Largest Financial Institutions in November 2019

	Services	Financial Institution				
		A	B	C	D	Average
Fees for Services (R$)	Making the register	30.00	30,00	30,00	0.00	22.50
	Check sheets	1.75	1.75	1.85	1.80	1.79
	Withdrawal	2.00	2.00	2.05	2.60	2.16
	Monthly statement	1.40	1.35	2.50	3.00	2.06
	Extract from a period	1.40	1.35	2.50	3.20	2.11
	Transfer by DOC/TED	10.45	10.15	10.50	10.30	10.35
	Transfer between accounts	1.20	1.25	1.30	1.25	1.25
	Internet banking queries	0.00	0.00	0.00	0.00	0.00
Average price of the Financial Institution in relation to the average per service	Services	Financial Institution				
		A	B	C	D	Average
	Making the register	+33.3%	+33.3%	+33.3%	--	--
	Check sheets	-2.1%	2.1%	+3.5%	+0.7%	--
	Withdrawal	-7.5%	-7.5%	-5.2%	+20.3%	--
	Monthly statement	-32.1%	-34.5%	+21.2%	+45.5%	--
	Extract from a period	+33.7%	+36.1%	-18.1%	-51.5%	--
	Transfer by DOC/TED	+1.0%	-1.9%	+1.5%	-0.5%	--
	Transfer between accounts	+4.0%	0.0	+4,0%	0.0	--
	Internet banking queries	0.0	0.0	0.0	0.0	--
Ranking from cheapest to most expensive	Services	Financial Institution				
		A	B	C	D	Average
	Making the register	2º	2º	2º	1º	--
	Check sheets	1º	1º	4º	3º	--
	Withdrawal	1º	1º	3º	4º	--
	Monthly statement	2º	1º	3º	4º	--
	Extract from a period	2º	1º	3º	4º	--
	Transfer by DOC/TED	3º	1º	4º	2º	--
	Transfer between accounts	1º	2º	4º	2º	--
	Internet banking queries	--	--	--	--	--

Source: Prepared by the authors based on data published on the banks' websites.

As with the Standardized Packages, Bank B stood out as having the lowest rates for Individual Services. Its price was above average for only one service, which is Registration. It should be noted that this service is also included in the Service Package, and as it is only carried out at the start of the relationship, if the customer takes out the package, they will not pay for this service individually. As with the Standardized Service Packages, Bank C stood out as having the highest tariffs on average, closely followed by Bank D, which in turn had the cheapest standardized services. Considering only recurring services, or excluding registration, Bank C had higher rates than Bank B for all services, 85% higher for providing statements.

To obtain information related to management, which is not included in the financial reports and is not set out in the regulations, interviews were conducted to obtain the opinion of general managers of bank branches in the High Income and Retail segments of the institutions that were the subject of the research, regarding the issue of tariffs. To this end, semi-structured interviews were conducted with five managers from three different banks, two from the Retail segment and three from the High-Income segment, in an intentional sample for convenience of access, given that the different customer profiles can influence the types of services used and the banks' practices.

For the Retail segment, two business unit managers from different institutions were interviewed. When asked about the institutions' strategy with regard to current account service tariffs and service packages, one of the managers said that the services offered in the packages were not in line with the needs of customers and that they would not add value, regardless of the amount paid. The other manager said that at the institution where he works there is an effort to get approval from the regulatory bodies for new service packages that come with other products attached, such as insurance or capitalization bonds. Until this approval came through, it was done commercially, offering customers a cheaper package when they contract other services.

When asked about the existence of targets related to current account tariffs and service packages, the managers said that there is no specific target, but that this revenue is extremely relevant to the net profit indicator and is very important in the incentive program and variable remuneration. When asked about incentives for upgrading packages, one of them said that there is no process for this, and that it is usually done at the customer's request. The other manager said that at his institution the incentive to upgrade the package is conditional on changing the service segment, from Retail to High Income, for example.

When asked about the proportion of investors and customers who primarily demand credit from the bank, the borrowers, the answers showed an average of 72.5% borrowers, with 27.5% investors. In the Retail segment, customers only go to their managers when they want to reduce the amounts they pay, or when they have been introduced to digital banks, which don't charge for service packages.

Regarding the essential services package, in both institutions, even though this package is only available in the Retail segment, it is not presented to the customer at the beginning of their relationship, the alternative only arises if the customer asks about it, the justification being that this package does not generate remuneration for the institution. Finally, when asked about the proportion of customers in the service packages, they replied that on average 17.5% of customers are in the essential service packages, 65% of customers are in the simplest package in the segment, and another 17.5% are in the most complete package.

As a complement, to identify the differences and similarities between management in the Retail and High-Income segments, three business unit managers from two different institutions were interviewed.

Regarding the strategy adopted by the institutions, the interviewees gave different views. One of the interviewees said that in 2013 her institution began a movement aimed at increasing fee collection, a movement previously seen in foreign banks, reducing exemptions and increasing revenue. Another interviewee said that her institution was offering a 12-month exemption on current account fees and credit card annual fees to new customers, and that this was a reaction to fintech's, which offer free services to customers. In this case, the challenge would be to generate revenue from this customer from other services provided. The third interviewee was critical of packages. According to her, in many cases customers don't know exactly what they have contracted and don't see the added value in this service, since many pay for something, they don't end up using.

They were then asked about targets related to current account fees and service packages. Only one interviewee said that there was a specific target for service packages, but all three were unanimous in saying that this revenue was an important factor for the units they managed to achieve the net profit expected by the financial institution. One of them added that the bank she worked for didn't have a tool for monitoring this type of revenue. According to the interviewees, net profit was one of the most important factors in their incentive program, so that they could obtain variable remuneration for performance.

Many clients in the High-Income segment were investors, and for this reason some of them were exempt from the service package fee. When asked about the proportion of investors and clients who primarily demand credit from the bank, or borrowers, the answers showed an average of 38% borrowers and 62% investors. On the other hand, when asked about the proportion of customers who pay for the service package, the average response was 45%.

The three interviewees had converging opinions when asked about when customers contact their manager to talk about tariffs. For them, this happens when they are exempt, lose their exemption and start paying, when they are charged for an additional service, or when they receive external information about the subject, either from friends or the media. In all these cases, the customer's aim is to get a refund or stop paying the charge.

When talking about the essential services package, all three managers provided the same information, that this type of package was not available at the time the account was opened in the High-Income segment, and that it was only available in the Retail segment. One of them provided additional information: if the client requires it, once they already have a relationship in the High-Income segment, they can obtain this package. Finally, a question was asked about the proportion of customers in each of the service packages, the essential, the simplest and the most complete. According to the interviewees, the answers showed a split where on average 5% of customers have the essential service package, 28% of customers have the simplest package and 67% have the most complete package.

5 Conclusion

On the one hand, bank current account service fees are a significant part of Brazilian families' spending, regardless of their income bracket, but on the other hand, they are not widely perceived by people due to the low level of transparency and little exploitation by the media, as well as being difficult to compare. Based on the opinion of the managers of Varejo branches that the essential services package, which is free, was not offered to customers, and that it only became a possibility when the customer asked, there was an indication that the institutions analyzed took advantage of this situation. This is during a market concentrated around large banks, which are strong in their relationship with customers due to the relatively high switching costs they face.

Given the above context, this research had the general objective of identifying and analyzing the differences between the fees for services related to individual current accounts charged by the four largest publicly traded Brazilian banks in 2019. In addition, it aimed to identify the change in the banks' revenue model since the Real Plan, based on service packages and current account tariffs, the percentage share of revenue from current account services and to compare individual current account tariffs by categories, services and packages.

The share of revenue from current account tariffs in the net profit of the four banks surveyed over the period grew significantly, from 25.5% in the three-year period 2009-11 to 34.4% in the three-year period 2017-19, i.e. there was a 35% increase in the weight of tariffs in relation to profit, indicating that they were one of the drivers of this sector's profit growth far above that of the economy. There was a peak of 38.5% in 2016, a year in which GDP fell by 3.3%, indicating that in crisis scenarios this type of revenue is even more important in banks' results. It is important to note that the increase in the importance of tariffs in profits has occurred in parallel with a large increase in bank profits after inflation, given that in the 25-year period from 1994 to 2019, profits had a significant real increase of 14.7% p.a., and in the period from 2009 to 2019 of 5.5% p.a..

Therefore, the banks analyzed in this study showed a change in the distribution of their earnings, as a reflection of the change in their revenue model, with fees from current account services assuming a greater share of profits, in parallel with the sharp drop-in nominal interest rates and reduction in spreads over the period studied. Naturally, the pricing policy for financial services, or the setting of tariffs, is extremely dynamic and reflects the competitive context in which banks operate, and to the extent that there is an increase in the digitalization of services and the entry of banks with more digitalized business models and lower operating costs, there will probably be pressure to reduce tariffs or even eliminate them.

In addition to the above analysis, the interviews revealed that the financial institutions were conditioning the evaluation of their managers and their incentive programs on the unit's net profit and did not have specific targets for fees and service packages, although this was very important for net profit. It was also identified that the large banks analyzed in this study were concerned about fintechs, and in order to face them there were already situations in which the customer was offered a one-year exemption from fees, but this loss had to be compensated with income derived from other services that could even increase the perception of value and customer satisfaction.

To meet the objective of identifying and comparing individual current account tariffs by category, package and specific service, we sought to analyze items related to current account tariffs, such as free services and exemptions. We analyzed the four largest banks, identified as A, B, C and D, to protect their identities. The Standardized packages were analyzed, the four different packages that have the same services in all the institutions, but with different prices in each of them. Bank B stood out as the cheapest, charging below average in all four standardized packages, and its average price was 6.2% lower than the average of the banks that made up the study, in contrast to Bank C which had the most expensive tariffs, which on average were 3.4% higher. Bank C's average tariff was 10% higher than Bank B's, which can be considered a significant difference given that the same services were compared. Bank D, on the other hand, adopted a pricing policy that was more in line with the banks' average tariffs for standardized service packages, charging on average 0.2% less than the average.

Individual tariffs for services were also compared, and Bank B also had the lowest tariffs, and consolidated its position as the bank with the most competitive service tariffs in the sector during the research period. Bank C also had the highest tariffs and the least competitive tariffs. Banks A and D take turns in the intermediate positions of tariffs for different services. Given the asymmetry of information that characterizes supply and demand in the sector, these rate differentials are not necessarily perceived by customers.

In both the Retail and High-Income segments, customers could be exempt from the service packages, if they met the requirements, such as volume of investments, or were linked to a company that had an agreement with the financial institution. In view of this, the managers were asked about the volume of customers who paid for the service packages, and they replied that in the Retail segment it was 82.5% on average, while in the High-Income segment it was 45%. In view of this, it can be said that the banks sought to collect more in fees per customer in the Retail segment, while in the High-Income segment, the customer had the potential to generate revenue from other bank services, according to the opinion of the managers interviewed, given that this segment concentrated more investor customers, while the Retail segment concentrated borrower customers.

An important reading of the data collected is that there was a reasonable homogeneity in the prices of the service packages and individual tariffs made available to customers, perhaps reflecting the concentration observed in the competitive sector. New alternatives, with different prices, were being presented to users by the fintechs, which in many cases provided the services to the customer at no cost, charging them only for additional services. These new pricing practices make it possible to hypothesize that the prices charged by the traditional organizations in the sector were arbitraged in a way that was not necessarily aligned with the costs of operations, although in these new organizations the cost structure was also lower.

Finally, although the research was exploratory, there was evidence that service fees were an important instrument in the banks' revenue model and a fundamental component in the composition of their profits in the period analyzed. On the other hand, tariffs are a relatively large part of household budgets and are generally difficult for customers to compare. In addition, given the great similarity of the services and the small dispersion between the amounts charged by the institutions, it could be hypothesized that the fees for services reflected an environment of intense competition, coupled with the fact that they represented a significant portion of their profits. The relevance of the topic justifies future research more focused on bank users, their perceptions and actual use of the services offered, as well as the degree of knowledge about the amounts paid and their relevance.

The research has helped to highlight the differences between the service fees charged by different financial institutions and to show that the policy of offering and pricing services related to competing accounts is an essential component in understanding the evolution of bank profits over the last 25 years, during which there has been a significant increase in the weight of fees in profits. The financial sector has been undergoing major changes due to the entry of fintech's, and the parallel growth of some that end up becoming new large financial institutions, and this process should greatly influence the pricing of services, which is naturally extremely dynamic. In this sense, there is an opportunity to update the survey to understand how tariffs are influenced by new business models.

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[i] Mestre em Administração de Empresas pela Universidade Municipal de São Caetano do Sul, São Caetano - SP - Brasil

[ii] Livre Docente em Marketing pela USP-Universidade de São Paulo. Pós-Doutorado (2008), Doutor (1994) e Mestre (1986) em Administração pela FEA-USP. Possui graduação em Administração de Empresas pela FEA-USP (1979) e graduação em Economia pela FEA-USP. Professor do programa de Mestrado e Doutorado da Universidade Municipal de São Caetano do Sul e da EACH-USP, suplente do coordenador do curso de Marketing da EACH-USP.

[iii] Doutor em Administração com ênfase em Gestão Organizacional (Administração) pela Universidade São Caetano do Sul (USCS) – São Caetano do Sul – SP - Brasil, Mestre em Administração com ênfase em Gestão Internacional (Administração) pela Escola Superior de Propaganda e Marketing (ESPM) e Pós-Graduado em Ciência de Dados pela Universidade Cruzeiro do Sul (UNICSUL).