



# HOUSEHOLD INDEBTEDNESS SURVEY REPORT

2025 | 2026



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## 1. Introduction

- 1.1 This report presents the findings of the Bank of Botswana's 2025/26 Household Indebtedness Survey. The Survey collects data from commercial banks, micro-lenders and hire purchase providers to monitor developments in household credit and assess potential risks to financial stability. It recognises the significant share of household borrowing to financial institutions' lending, relevance to monetary policy transmission and potential impact on financial sector soundness. The Survey, therefore, provides an important tool for assessing the structure, form, affordability, distribution and trends of household debt and, in turn, the implications for monetary and macroprudential policies. This is particularly important because elevated indebtedness can amplify financial system vulnerabilities during periods of economic and financial stress and undermine monetary policy effectiveness. Accordingly, monitoring and responding to potential stress emanating from household debt is essential to preserving financial stability.
- 1.2 The Survey was conducted against a backdrop of economic contraction, driven largely by subdued global diamond market and resultant weaker fiscal revenue. These developments weighed negatively on domestic liquidity conditions, resulting in tight financing conditions, and thereby raising concerns on the capacity of households to service debt obligations.
- 1.3 The Survey findings are that household debt continued to grow, albeit at a moderate pace of 2.5 percent, from P68.6 billion in December 2024 to P70.3 billion in December 2025. Consequently, household debt rose marginally as a share of gross domestic product (GDP) from 26 percent to 26.1 percent, reflecting both limited credit expansion and weaker economic activity. While this ratio is below those observed in South Africa<sup>1</sup> and Namibia<sup>2</sup>, the increase highlights the need to assess whether household balance sheets remain resilient in the face of a more challenging economic environment.
- 1.4 The Survey indicates that household indebtedness remains concentrated among males and borrowers aged 40 to 49 years. Meanwhile, debt servicing costs continue to place significant pressure on household finances, as reflected by an elevated debt service-to-income ratio of 63 percent. Despite the relatively high debt service ratio, other macroprudential indicators do not currently point to excessive household credit growth. The household credit-to-GDP gap is estimated to have been negative in 2025 and broadly consistent with the downward phase of Botswana's financial cycle, characterised by tighter liquidity conditions, moderating credit growth and weaker economic activity. This assessment is reinforced by Survey responses from lenders, which indicate a more cautious lending environment, with banks focusing on preserving asset quality, managing liquidity and limiting exposure to vulnerable borrowers. On the other hand, micro-lenders are concerned about affordability and repayment risks. For the survey period, hire purchase providers reported subdued demand, reflecting weaker household spending conditions and

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<sup>1</sup> 34.5 percent for South Africa in December 2025 (FRED data <https://fred.stlouisfed.org/series/HDTGPDZAQ163N>)

<sup>2</sup> 30.7 percent for Namibia in December 2025 (Financial Stability Report of October 2026, Bank of Namibia).

reduced priority for durable goods purchases. While the macroprudential indicators suggest that risks originating from the household sector are broadly contained, the persistence of a weak macroeconomic environment and weaker fiscal position that translate to liquidity constraints, could gradually erode the repayment capacity and heighten borrower vulnerabilities. This underscores the need for continued monitoring of household indebtedness and its implications for financial stability, with intent to trigger macroprudential tools where necessary.

- 15 The remainder of this report is organised into four sections; section 2 discusses the methodology used for conducting the Survey; section 3 discusses the Survey results; section 4 outlines an outlook for credit demand in 2026; and section 5 concludes the report and provides recommendations to enhance macroprudential oversight over household debt developments and policy design.

## **2. Methodology**

- 2.1 The Survey employed a web-based questionnaire to collect primary data, with the questions focusing on key drivers of household credit, including past demand and outlook; demographic characteristics of household borrowers; the loan application process, including all application requirements and assessments; and credit risk management strategies employed by credit providers. The analysis was augmented with secondary data from statutory returns of commercial and statutory banks submitted to the Bank. It also drew on data from the 2024/25 Botswana Multi-Topic Household Survey<sup>3</sup> (BMTHS) and the 2025 Botswana Gender Monograph report produced by Statistics Botswana.

## **3. Analysis of Results**

### **(a) Survey Response Rate and General Distribution of Credit**

- 3.1 The Survey response rate was 100 percent for all the 9 commercial and two statutory banks. However, only seven micro-lenders out of 345 responded. Nevertheless, the seven respondents account for over 95 percent of the industry's total assets, thus suggesting significant market representation in the survey. One hire purchase entity responded, representing a group company that owns 61 hire purchase stores across the country. As at the end of 2025, banks accounted for 88 percent of total household borrowing (2024: 87 percent), while micro-lenders and hire purchase stores accounted for 11 percent (2024: 12 percent) and 1 percent (2024: 1 percent), respectively.

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<sup>3</sup> The 2024/25 BMTHS Labour Force Preliminary Stats Brief was released in March 2026.

## **(b) Demographic Characteristics of Household Borrowers**

- 32 In terms of gender distribution, males accounted for 53 percent of the total value of household credit<sup>4</sup>, compared to 47 percent for females. This represents a narrowing of the gender gap relative to the previous Surveys, in which males accounted for about 56 percent of total lending. The current distribution broadly corresponds with the relatively balanced structure of formal employment, according to the 2024/25 BMTHS. Nonetheless, the higher share of credit held by males may reflect differences in average incomes and borrowing capacity, which could support access to larger amounts of formal credit.
- 33 Males dominate loan portfolios across both banks and micro-lenders, accounting for 53 percent and 59 percent, respectively, while females dominate credit extended by hire purchase stores at 58 percent (Figures 1.1 and 1.2). Meanwhile, in terms of age, total bank lending to households is dominated by individuals aged 40 to 49, followed by those aged 30 to 39 years and 50 to 59 years, respectively. Similarly, borrowers aged 40 to 49 years dominated credit obtained from micro-lenders, followed by those aged 50 to 59 years and those aged 30 to 39 years. This may partly reflect career-related income progression and mature credit profiles across these age groups, enabling borrowers to access higher-value loans. Overall, the findings indicate that a greater proportion of household loans, across banks and micro-lenders, are extended to individuals aged above 30 years. This is broadly consistent with labour market conditions, where the youth unemployment rate was 28.9 percent in 2024/25 and higher than the average unemployment rate of 20.7 percent. High youth unemployment contributes to income instability and limited access to formal credit.
- 34 The demographic profile of household borrowers provides insight into the financial behaviour of households, and it is supported by established economic theory on consumption and saving across different stages of life. The life cycle hypothesis (LCH) posits that individuals tend to borrow when younger, accumulate assets during their prime working years and gradually deleverage as they approach retirement. While the Survey results support this theory, particularly the decline in bank-related debt among older cohorts, a notable deviation is observed with micro-lenders where individuals aged 50 to 59 years exhibit higher borrowing levels than those aged 30 to 39 years. This may reflect stringent lending criteria applied by banks to older individuals, potentially shifting credit demand to relatively informal sources. Typically, micro-lenders serve individuals who are underserved or excluded from traditional banking systems.

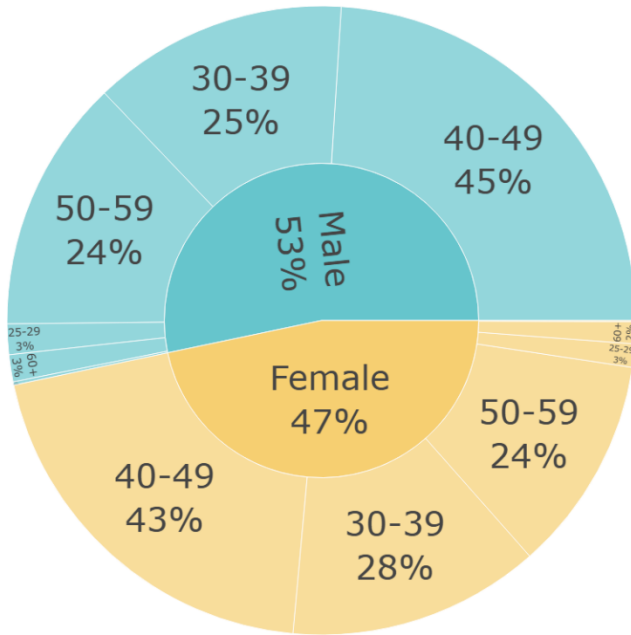
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<sup>4</sup> Credit, lending or loans refers to extended loans by Pula value across the whole document.

## Distribution of Loans by Gender and Age Group

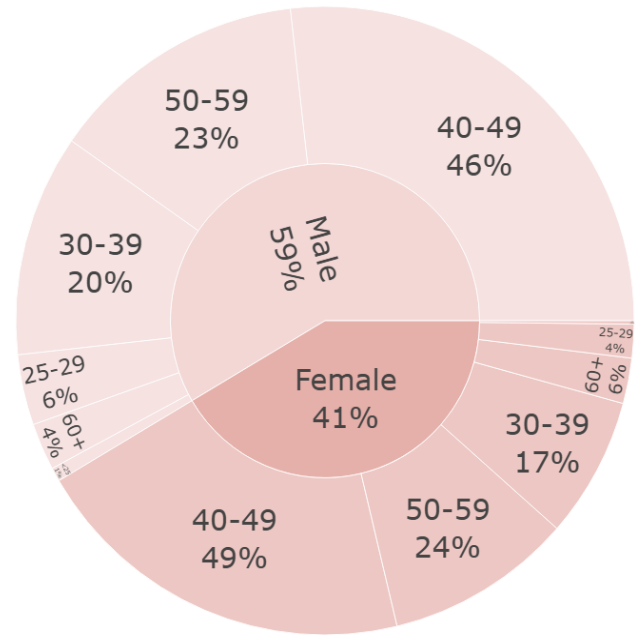
*The composition of household loans by gender and age groups is similar across banks and micro-lenders.*

Figure 1.1 Household Bank Loans by Gender and Age Group



**Notes:** Males: <25 (0%); 25–29 (3%); 60+ (3%)  
Females: <25 (0%); 25–29 (3%); 60+ (2%)

Figure 1.2: Micro-lender Loans by Gender and Age Group



**Notes:** Males: <25 (1%)  
Females: <25 (0%) and 25–29 (4%)

- 35 The Survey results further indicate that the value of bank lending is concentrated among government employees at 74 percent, followed by private sector employees at 25 percent. Unemployed and self-employed individuals jointly accounted for the remaining 1 percent. Similarly, 79 percent of micro-lenders' lending was to government employees, followed by private sector (21 percent), with self-employed individuals at less than 0.01 percent. The dominance of government employees in both banks and micro-lenders may, in part, reflects strong repayment profile due to employment and income stability in the public sector. Furthermore, most public sector employees participate in scheme loans that have deduction from source arrangements, strengthening the predictability of repayments. The Survey indicates that approximately 64.5 percent of total household loans are scheme loans (2024: 70.6 percent) and 65.4 percent (2024: 69.9 percent) have deduction from source arrangements, underscoring the importance of secured repayment mechanisms in household lending. This is reflective of some banks' shift away from scheme loans into more production-based sectors such as agriculture and manufacturing.

- 36 The deduction-from-source arrangements strengthen repayment discipline and support the final settlement of debt, thereby reducing credit risk for lenders. They also introduce an additional layer of institutional accountability, as employer institutions that enter into contractual scheme arrangements with banks assume responsibility for facilitating repayment of loans extended to their employees, including the settlement of outstanding balances from employees' terminal benefits where applicable.

### Household Borrowing Demographics

*Household borrowing patterns remain strongly influenced by demographic and income characteristics*

#### AVERAGE LOAN BY GENDER

  
**MALE**  
AVERAGE LOAN  
**P158K**  


  
**FEMALE**  
AVERAGE LOAN  
**P119K**  




#### LABOUR FORCE PARTICIPATION

Males are more represented in the younger and middle adult age groups (25–44), indicating a higher presence in the active labour force.



#### EARNING DISPARITY & WAGE GAP

Females continue to earn 20–22% less than males for similar work.



#### OCCUPATIONAL COMPOSITION

Females are more represented in service and elementary occupations, which generally record lower average earnings.



#### FEMALE-HEADED HOUSEHOLDS

Female-headed households account for 45% and support larger families (4 members vs. 3.7 in male-headed households) on a single income, increasing financial vulnerability.

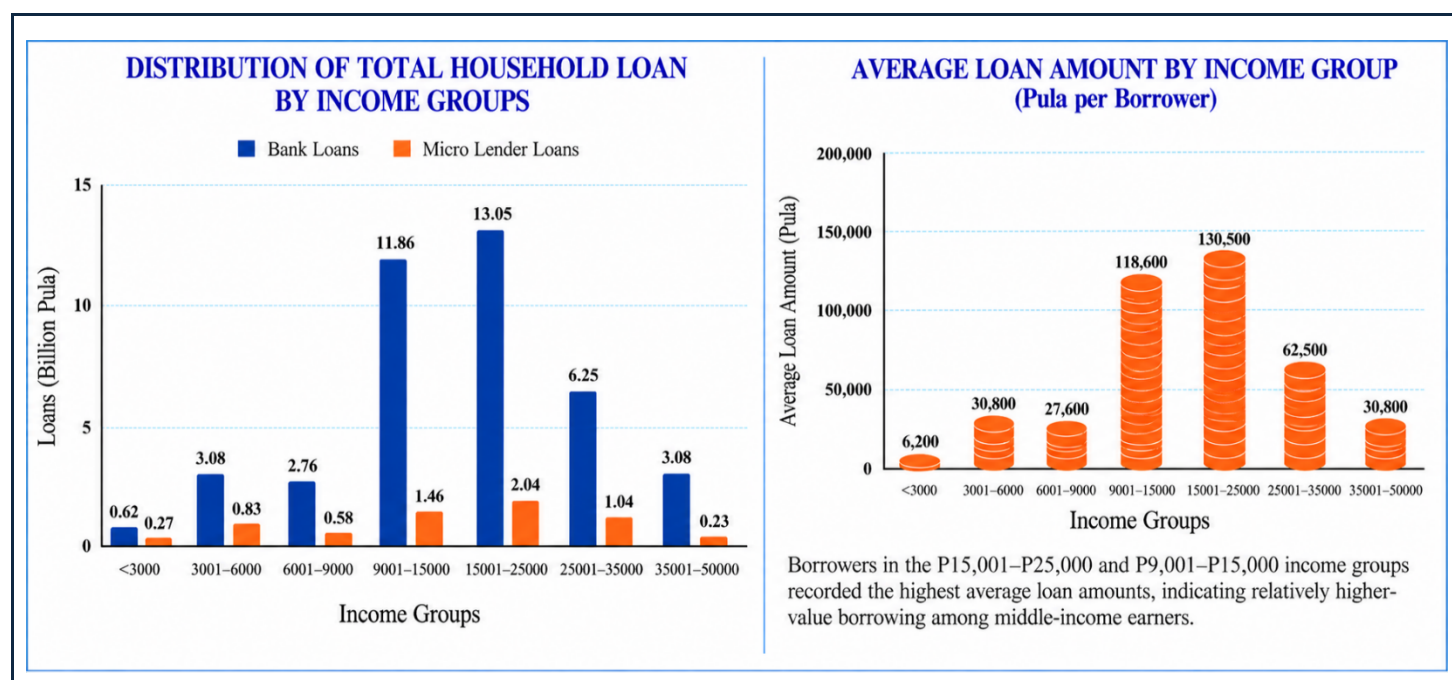


#### OVERALL INSIGHT:

Middle age groups (31–65) who are formally employed and have higher monthly earnings secure the largest bank loans. Younger (<25) and older (60+) borrowers, with unemployment or fixed incomes, receive smaller loan amounts.

#### AVERAGE LOAN PER HOUSEHOLD (PULA)

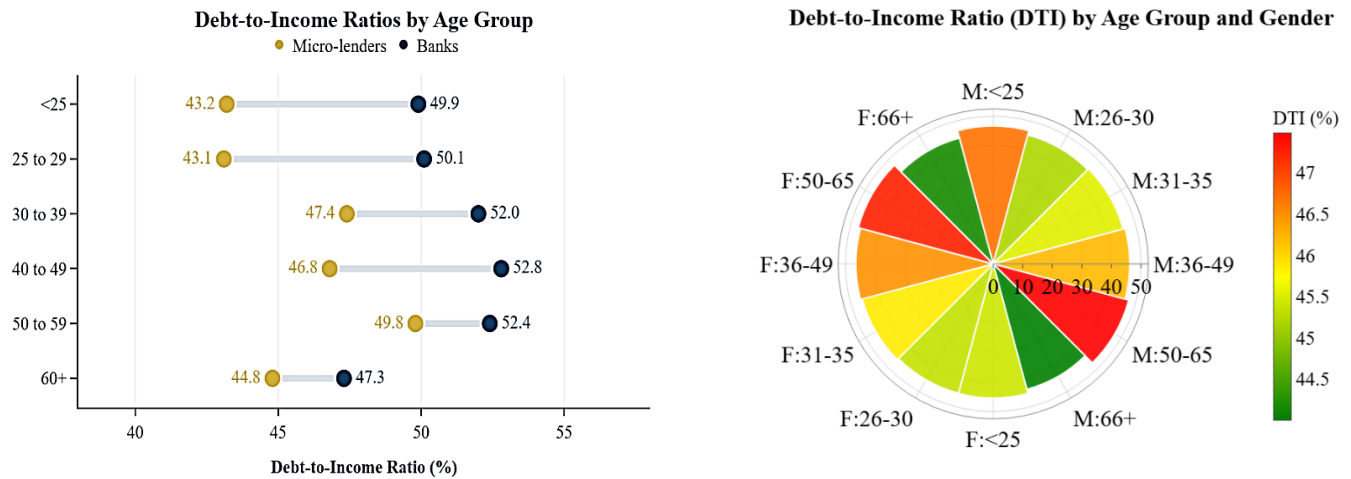
| AGE GROUP                                                                                                | <25   | 25–29 | 30–39 | 40–49        | 50–59 | 60+          |
|----------------------------------------------------------------------------------------------------------|-------|-------|-------|--------------|-------|--------------|
|  <b>BANKS</b>         | P82K  | P148K | P223K | <b>P316K</b> | P210K | P112K        |
|  <b>MICRO LENDERS</b> | P64K  | P124K | P128K | <b>P132K</b> | P95K  | P78K         |
|  <b>HIRE PURCHASE</b> | P3.2K | P4.1K | P5.0K | P6.3K        | P6.8K | <b>P8.1K</b> |



### (c) Measures of Indebtedness by Age and Income Groups

- 3.7 Quantitative assessments of debt-to-income (DTI) and debt-service-to-income (DSTI) ratios are used by financial institutions when evaluating credit applications, as they provide an indication of a borrower's capacity to meet debt obligations. An analysis of DTI ratios across gender and age groups shows that male borrowers were marginally more leveraged than their female counterparts, registering an average DTI ratio of 50.8 percent (2024: 38.4 percent) in comparison to 50.7 percent (2024: 37.7 percent) for females. Across age groups, borrowers aged between 40 and 49 years, recorded the highest DTI ratio at an average of 52.7 percent, followed by individuals aged 50 to 59 years at 52.4 percent. In contrast, the lowest DTI ratios were observed among individuals aged over 60 years, followed by those below the age of 25.
- 3.8 These findings are consistent with the LCH which suggests that individuals accumulate more debt in their prime working years, between 25 and 60 years, to finance major expenditures such as housing, education and family related assets and needs, before gradually reducing their indebtedness as they approach retirement. The results are also consistent with the permanent income hypothesis (PIH) which posits that borrowing and consumption is based on expected permanent income rather than current income. Consequently, it is observed that middle-aged individuals are generally able and willing to take on higher levels of debt because they anticipate stable and sustained earnings, resulting in higher DTI ratios in comparison to younger and older borrowers (Figure 1.3). Furthermore, the lower DTI ratios observed among individuals below the age of 25 years may reflect limited access to credit due to lower and unstable income, while individuals aged above 60 years are likely to have reduced borrowing needs as debt obligations are repaid and retirement approaches or sets in. Overall, banks recorded higher DTI ratios in comparison to micro-lenders.

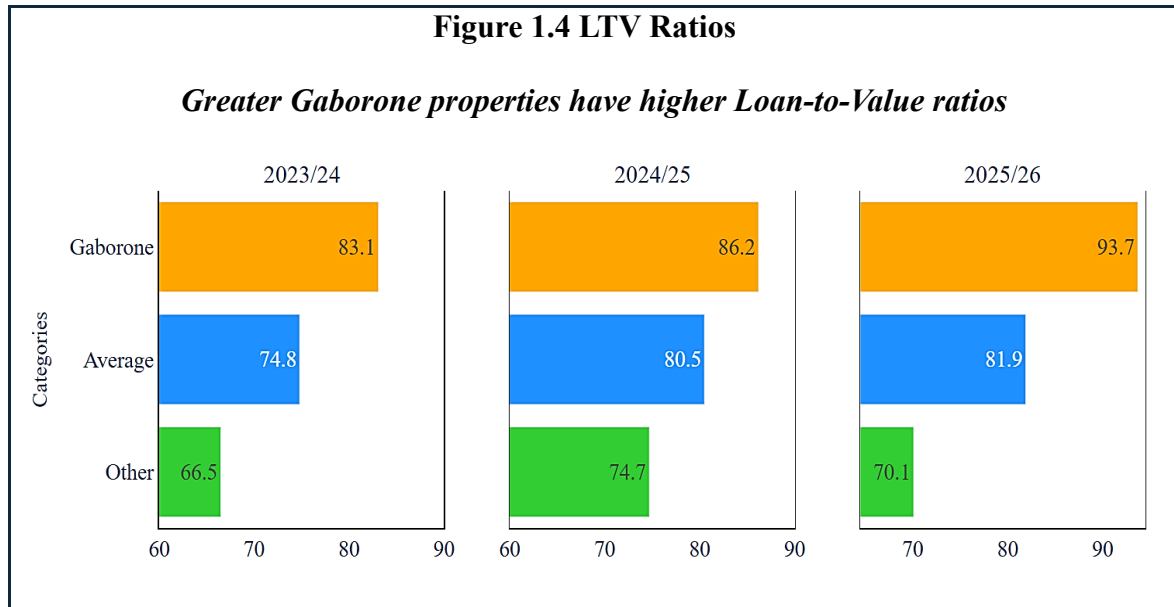
**Figure 1.3: Distribution of Debt-to-income (DTI) Ratios by Gender and Age Groups**



3.9 The DSTI ratio for household borrowers in the banking sector remained unchanged at 63 percent in 2025 and 2024, indicating that debt servicing obligations continued to absorb a significant share of household income. In terms of borrowing patterns, loan commitments are concentrated among households with a single loan facility, accounting for 70.4 percent of total household borrowers. Households with two loan facilities accounted for 21.8 percent (2024: 16.9 percent). However, there is an indication that the share of borrowers with multiple loan commitments is rising, suggesting a gradual increase in credit uptake and leverage by households (Figure 1.9).

3.10 On product basis, the Survey shows that mortgage loans in Gaborone and surrounding areas were associated with a higher household debt burden. This could partly be explained by the relatively low equity contributions, as inversely reflected in the 81.9 percent (2024: 80.5 percent) average loan-to-value (LTV) ratio, with the ratio for Gaborone even higher at 93.7 percent. In contrast, the LTV ratio for areas outside Gaborone averaged 70.1 percent (2024: 74.7 percent). The decline in LTV ratios outside Gaborone suggests an improvement in household equity positions, as borrowers financed a larger share of property purchases through their own or other/alternative resources or benefited from higher property valuations relative to outstanding loan balances. The comparatively higher LTV ratios in Gaborone and surrounding areas reflect lenders comfort and willingness to finance a larger share of the properties due to stronger urban property markets which provide confidence in the sufficiency of the collateral for the loan should borrowers default, as well as the comparatively better liquidity (ease of resale) of the urban properties due to more potential buyers (demand) and reliable property values. In some cases, households may leverage accumulated housing equity to finance property development or acquire additional investment properties that generate rental income, reflecting productive use of credit, to the extent affordable. As such, higher LTV ratios may indicate both increased indebtedness and enhanced access to finance for asset accumulation, and wealth creation. Overall, the

high average LTV ratios observed in Gaborone and surrounding areas suggest greater borrower leverage, implying elevated credit risk exposure for banks in the event of adverse shocks to property values or household incomes. Figure 1.4 summarises LTV ratios for properties in Gaborone and surrounding areas, and outside of Gaborone (other).



#### (d) Loan Application Process

- 3.11 Across financial institutions and loan categories, the core documents required at loan origination include payslips, proof of identity, proof of residence, marriage certificate and bank statements (Figure 1.5). Payslips, proof of identity and bank statements remain the most required documents, although the prevalence of these requirements varies across loan categories. Generally, documentation requirements are most extensive for personal loans and mortgages, while fewer documents are typically required for motor vehicle and credit cards.
- 3.12 Salary income remains a critical input in the assessment of borrower repayment capacity, complemented by alternative sources of income such as rental and investment income, as well as business income (Figure 1.6). Among these alternative sources, rental income is considered more frequent, especially for mortgages and unsecured loans, followed by property backed income. Investment income is the least commonly considered source across loan categories.

**Figure 1.5: Documents Required**

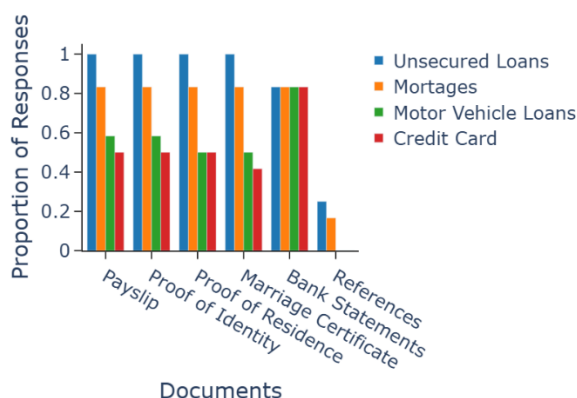
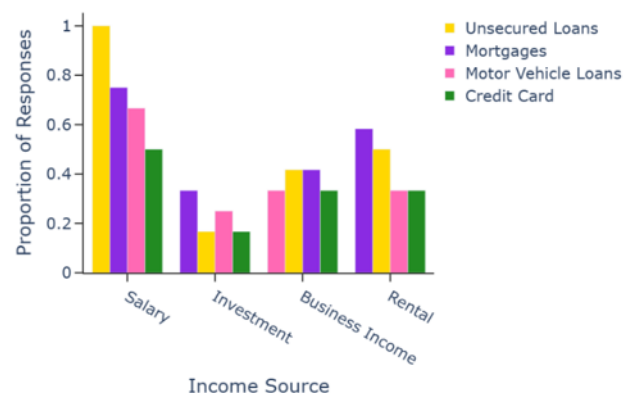


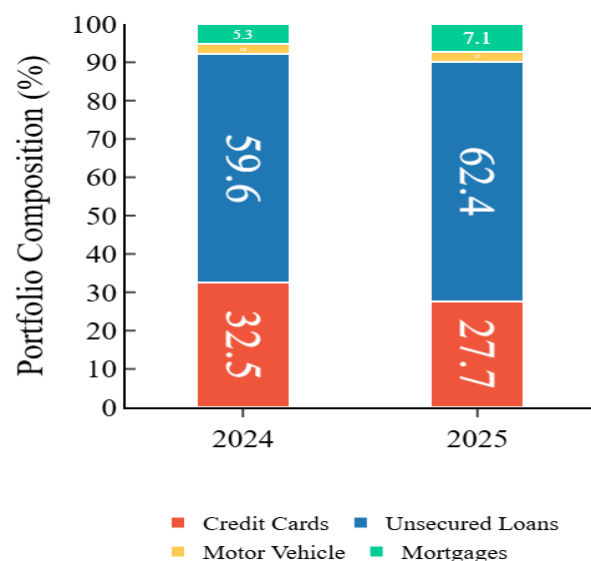
**Figure 1.6: Income Considered for Loan**



### (e) Characteristics of the Loan Book

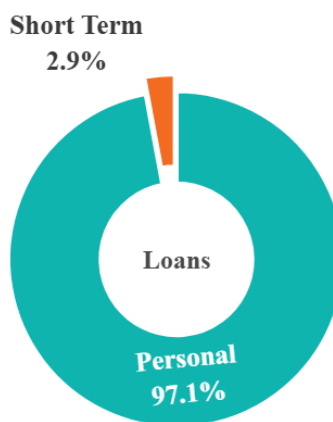
- 3.13 Financial institutions offer a wide range of household credit products including term loan facilities (unsecured loans, motor vehicle loans and mortgage loans) as well as revolving credit facilities such as credit cards. During the year under review, unsecured loans remained the most widely used form of bank financing, accounting for 62.4 percent of household loan accounts (2024: 59.6 percent) in terms of volume, i.e., number of loan accounts (figure 1.7). Credit cards ranked second at 27.7 percent (2024: 32.5 percent), followed by mortgage loans at 7.1 percent (2024: 5.3 percent) and motor vehicle loans at 2.7 percent (2024: 2.6 percent). In value terms, unsecured loans accounted for 68.3 percent of total household credit, followed by mortgage loans (26.0 percent), motor vehicle loans (4.2 percent) and credit cards (1.4 percent). The prominence of unsecured lending indicates a mix of high-volume, low-value loans and higher-value loans, thereby suggesting that credit is widely spread across a large base of customers.

**Figure 1.7: Household Bank Loan Accounts by Category**



**Notes:** 2024: Motor Vehicle (2.6%), Mortgages (5.3%)  
 2025: Motor Vehicle (2.8%), Mortgages (7.1%)

**Figure 1.8: Micro-lender Loans by Loan Category**



3.14 The average default rate recorded by banks increased to 4.7 percent in 2025 from 2.0 percent in 2024, indicating deterioration in underlying household credit conditions. However, the ratio of non-performing loans (NPLs) for the banking sector remained largely stable at 3.3 percent in December 2025, relative to 3.4 percent in December 2024, suggesting that the default rates were not immediately translating into asset quality concerns. This could be reflective of banks' continued monitoring and management of problem loans through recoveries, write-offs and restructurings, which partly stalled the transition of defaults into the non-performing category. Looking ahead, most banks anticipate a mild deterioration in household loan performance in 2026, attributable to a subdued economic outlook and inflationary pressures. Amongst micro-lenders, views on credit quality were mixed, with some reporting minimal change in default rates during 2025, while the others expressed growing concerns about increasing repayment difficulties and possibility of retrenchments given weak economic performance.

## Household Debt Servicing

Figure 1.9: Loan Commitments Per Household

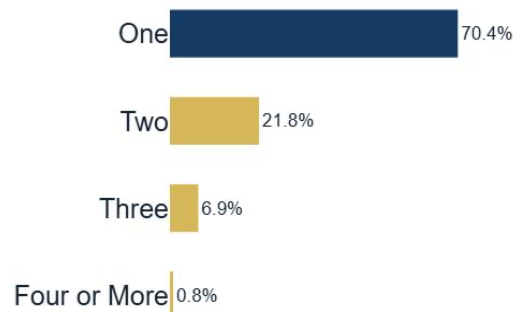


Figure 1.10: Loan Repayments in 2025

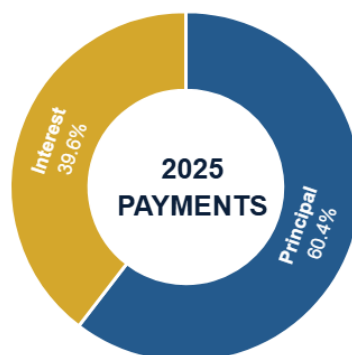
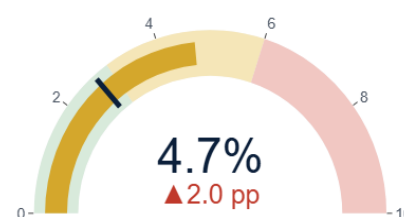


Figure 1.11: 2025 Average Default Rate



- 3.15 The cost of credit increased across most financial institutions/lenders in 2025. The average interest rate on hire purchase agreements rose to 23 percent from 21.5 percent in 2024, while micro-lenders charged an average rate of 25.5 percent, slightly lower than the 26.0 percent recorded in the previous year. Most household loans offered by banks are typically linked to the prime lending rate (PLR), which was liberalised in April 2023, to improve visibility and competitiveness. Accordingly, the average PLR increased to 7.1 percent in 2025 from 6.1 percent in 2024. That notwithstanding, in 2025 the Monetary Policy Committee of the Bank directed banks not to raise their PLRs, in order to manage recalibration of policy transmission.
- 3.16 A summary of interest rates charged across bank lending products is presented in Figure 1.12. It shows that credit cards remained the most expensive lending product offered by banks in 2025, attracting an average interest rate of 27.9 percent compared to 19.8 percent in 2024.<sup>5</sup> Interest rates on unsecured loans also increased, averaging 18.3 percent compared to 12.9 percent in 2024, while the highest reported rate charged for an unsecured loan rose significantly from 25.5 percent in 2024 to 31.8 percent. Similarly, interest rates on motor vehicle loans and mortgage loans increased to average 12.5 percent and 10.6 percent, respectively, from 9.9 percent and 8.5 percent in 2024. The maximum rates charged for motor financing and mortgages were 25.5 percent (2024: 26.0 percent) and 22.5 percent (2024: 14.5 percent) respectively, indicating a notable rise in the upper range of mortgage lending rates since the last survey. Further increases in bank interest rates could slow credit growth, raise the debt-servicing burden on households, which could consequently increase default rates and NPLs, and therefore weaken asset quality. Overall, the increase in lending rates across loan products, despite stable Prime Lending Rates, indicates a widening of lending spreads. This suggests that banks are incorporating higher risk premia and other pricing adjustments into lending decisions, potentially reflecting weak economic conditions that influence borrower repayment capacity, and liquidity and funding considerations.

<sup>5</sup> The highest rate charged on a credit card reached 37 percent in 2025 (2024: 36 percent).



- 3.17 In addition to interest rates, banks also impose other fees associated with administration, facility and valuation, processing, documentation, collection and insurance that can increase the cost of borrowing.

#### 4. Demand for Credit in 2025 and Outlook for 2026

- 4.1 The 2025/26 Survey results reveal that 58 percent of banks and 40 percent of micro-lenders assessed credit demand as moderate. While most banks expect credit demand to remain broadly unchanged in 2026, most micro-lenders anticipate a further increase in borrowing activity. Compared with 2025, survey respondents generally expect stronger credit demand in 2026, underpinned by expectations of a gradual recovery in economic activity, improved business prospects and higher household spending needs. Persistent cost of living pressures are expected to sustain demand for credit as consumers seek financing to supplement their disposable income and smooth consumption. Growth in private sector activity, ongoing efforts to diversify the economy and enhanced access to finance, are also expected to support borrowing by households. Nevertheless, some banks expressed caution regarding the sustainability of demand, citing stagnant wages, elevated borrowing costs and continued pressure on disposable incomes. Furthermore, uncertainty surrounding the recovery of the diamond sector and the broader global economic environment could weaken consumer and business confidence, potentially lowering credit demand going forward.

## Credit Demand in 2025 and 2026 Outlook

*Credit demand expected to increase in 2026*

Figure 1.13: Credit demand and Outlook (Banks)

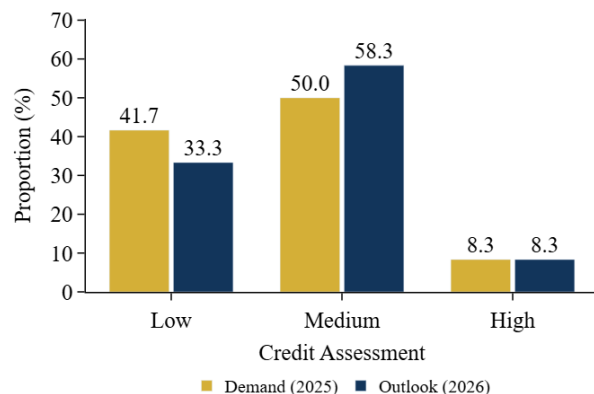
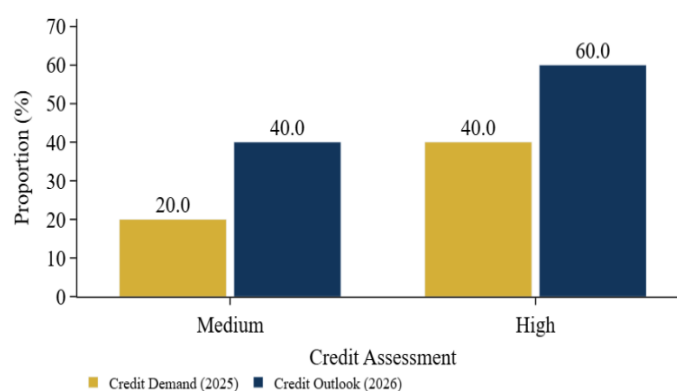


Figure 1.14: Credit demand and Outlook (Micro-lenders)



## 5. Conclusion and Recommendations

- 5.1 The Botswana Macprudential Policy Framework, prioritises mitigation of systemic risks arising from excessive credit growth and leverage, including through borrower-targeted measures such as DTI, DSTI and LTV ratios. In this regard, the Survey identifies some emerging vulnerabilities that warrant monitoring. In summary, household debt increased by 2.5 percent to P70.3 billion in 2025, equivalent to 26.1 percent of GDP, while borrowing remained concentrated among males and individuals aged 40 to 49 years. At the same time, DTI ratios for both males and females increased, indicating that household leverage has risen relative to income and reducing borrowers' resilience to income, interest rate and cost-of-living shocks. In addition, elevated LTV ratios in Gaborone point to concentrated mortgage-related risk, reflecting greater reliance on debt-financed property purchases and increasing borrower vulnerability to declines in property values and income losses.
- 5.2 Despite these developments, the Survey does not suggest elevated systemic risk from the household sector. The negative credit-to-GDP gap, the continued downward phase of the financial cycle and contained NPL ratio indicate that household credit growth remains broadly aligned with underlying economic conditions. Nevertheless, should economic conditions remain weak, or household incomes come under further pressure, debt-servicing capacity could deteriorate and credit risk for financial institutions could increase. The Financial Stability Council should therefore maintain a forward-looking approach, with continued monitoring of household debt growth, loan quality, credit concentration and trends in DTI, DSTI and LTV ratios to ensure proactive macroprudential policy action.



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