

**THE IMPACT OF BANK CHARGES ON FINANCIAL BEHAVIOR OF
INDIVIDUALS: A CASE STUDY UGANDA CHRISTIAN UNIVERSITY MUKONO**

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**UGANDA CHRISTIAN
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DECLARATION

I, Mwesigwa Neville Rukuba , hereby declare that this is my work and has never been submitted to any University for the award of a Bachelor's degree in Business Administration .

Signature.......... Date.....15/04/2026.....

APPROVAL

I certify that the student has been under my supervision. The research work presented is original and it is for the award of a bachelor's in Business Administration of Uganda Christian University

Signature.....*Natuhwa*..... Date.....*15/04/2026*.....

Ms.Natuhwera Maureen

Supervisor

DEDICATION

This research is dedicated to my family for their unwavering and financial support, belief and faith in my capacity to accomplish this level of study.

ABSTRACT

This study examines the impact of bank charges on the financial behavior of individuals at Uganda Christian University (UCU), Mukono. Using a descriptive cross-sectional research design, the study sampled 50 participants, including students and staff, to understand how fees like ATM withdrawals, account maintenance, and transaction costs influence their money management.

The findings reveal that high and often unpredictable bank charges significantly alter financial habits. Descriptive and inferential analysis showed a strong negative correlation ($r = -0.684$, $p < 0.01$) between charges and saving habits, as monthly fees and ledger deductions act as a major deterrent to maintaining formal bank balances. Consequently, many individuals are pushed toward less secure informal saving methods like cash or mobile wallets.

Furthermore, the study identified a significant relationship between bank charges and conservative borrowing and spending patterns ($r = 0.742$, $p < 0.01$). To avoid repeated fees, 40% of respondents reduced their transaction frequency, and 22.5% resorted to risky bulk cash withdrawals. High processing fees also discouraged formal borrowing among both students and professionals. Overall, bank charges accounted for 51.1% of the variation in financial behavior within the university community. The study concludes that current fee structures hinder financial inclusion and recommends that banks introduce student-specific "zero-fee" accounts and improve transparency in fee disclosure to foster better financial engagement.

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CHAPTER ONE

1.0 Introduction

This chapter introduces the topic under study, impact of bank charges on financial behavior of individuals in Uganda Christian University.

This chapter will mainly focus on the background of the study, statement of the problem, the purpose of the study, objectives of the study, research questions, scope of the study and significance of the study.

1.1 Background of the study

Bank charges refer to fees imposed by financial institutions for services provided to customers, including account maintenance, withdrawals, transfers, overdrafts, and digital transactions (Saunders, Cornett, & Erhemjants, 2021). These fees are meant to finance the day-to-day operations and bring in returns to banks. Over the last few years, banks have increased digital offerings, and new types of charges were introduced, including mobile banking fees and transaction charges.

The World Bank (2022) reports that financial inclusiveness is highly dependent on the affordability of banking services. Bank charges that are high or ambiguous may not attract people in opening and maintaining an account, particularly in low-income environments. According to the Global Findex Database of the World Bank (2021), cost is among the most mentioned obstacles to the ownership of the account in the developing economies.

Financial behavior can be described as the manner in which people use their financial resources, saving, borrowing, spending, and investing choices (OECD, 2020). It shows routine financial decisions and their pattern of planning. Financial behavior is determined by income level, financial literacy, availability of financial services and institutional costs such as bank charges.

The Organisation for Economic Co-operation and Development define positive financial behavior as regular saving, responsible borrowing, budgeting, and monitoring of financial transactions (OECD, 2020). Nevertheless, the literature in behavioral economics indicates that

small and regular financial expenses may influence decision-making by changing the perceptions of value and confidence in financial institutions (Thaler, 2016).

Globally, bank charges has been of much concern across the globe. According to the World Bank (2021), it has been noted that about 24% of the unbanked adults do not have a bank account because they mentioned high costs as one of the main reasons. Such an observation proves that bank charges are not mere operational issues but social and developmental issues.

One of the reforms that have been put in place to improve the transparency of fees has been a regulatory reform in Europe and North America. The European central bank (2022) argues that better disclosure policies have led to more consumer confidence and fewer complaints about the presence of hidden charges in banks. This implies that the adverse impacts of fees can be altered through transparency to moderate financial behavior.

Furthermore, Demirguc-Kunt et al. (2022) found that limited transaction costs have a positive effect on the use of the accounts and accumulation of savings. These results show that the cost structures not only have an impact on account ownership but also on account utilization.

In Africa, bank fees are still a major issue. According to a report by the African Development bank (2022), the average costs of banking services in sub-Saharan Africa are as high as 12 percent of the income of low-income earners. This compels people to then resort to less secure less expensive informal financial systems. Also, in a survey conducted by the African Banking Association (2021), 60 percent of participants indicated that they are put off to use banking services due to high bank charges.

According to Financial Sector Deepening Africa (2023), a significant portion of the population is making the transition to informal saving schemes when they feel that the bank fees are too high. These informal systems are accessible but they are usually not secure and credit building opportunities. The change is indicative of a behavioral reaction to institutional pricing.

Moreover, a 2021 survey by the African Banking Association established that over 50 percent of surveyed in selected Africa nations felt that the charges of banks were not commensurate with the services provided. The perception affects trust and loyalty to the banks.

In Uganda, the effects of bank charges on financial behaviour attracted attention in the recent years. According to the Bank of Uganda (2023), commercial banks impose different fees based on account type, the volume of transactions, and platform. It is typical to have monthly account maintenance fees, ATM charges and transfer fees among institutions. Although these fees help in sustaining operations, there are allegations of high costs.

In the 2023 Annual Report by the Bank of Uganda, the average monthly fees of a bank account maintenance take between UGX 5,000 and UGX 20,000 with respect to the bank and the account type. In addition, a 2022 survey by the Uganda bureau of statistics found out that 47 percent of Ugandans did not know the bank charges they pay, which creates low-quality financial planning and management. This ignorance had a negative impact on savings behaviour and the general financial wellness

According to Uganda Bankers Association, 2024, commercial banks still impose miscellaneous bank charges, such as withdrawal fees, account maintenance fees, transaction costs, mobile banking fees, and others, which are meant to keep banks afloat to improve service delivery. Though such charges aim at enabling sustainability of institutions, they provoke increasing irritations among holders of the accounts concerning their affordability and equity. These charges cause financial strains to many people especially students and low-income earners thus have influenced their saving culture, turnover of transactions and confidence in the formal banking system.

A 2022 report by the Uganda Bureau of Statistics revealed that low knowledge on bank charges is one of the causes of poor financial planning by the people. The fee structure is not completely understood by many account holders resulting in impromptu deduction and disappointments.

Financial Sector Deepening Uganda (2024) also claims that some Ugandans keep savings in mobile wallets or informal savings groups because they believe they are charged less and can get more flexibility. This means that, cost sensitivity is one of the factors that determine the financial service providers.

In the university context, University communities represent a unique financial demographic composed of students and salaried staff. Student income is not always regular and students are very sensitive to minor fees. According to research conducted by the IMF (2020), young adults are especially sensitive to transaction costs when selecting financial platforms. In Uganda, universities are facilities that develop financial literacy. Nevertheless, the increase in the cost of banking can destroy financial discipline among young adults. Students are free to draw large amounts of money at a time to reduce ATM charges or to keep little money in their account to keep off the penalty. Employees are also likely to change their behavior by decreasing the volume of transactions or seeking other financial systems, even though they are paid salaries. This attitude change demonstrates the importance of learning about bank fees in the university setting.

Students and staff at the Uganda Christian University are just a small segment of the larger Ugandan society in terms of financial behavior. A good number of people at UCU depend on the banking services to pay tuition fees, savings and day-to-day operations. The rate of bank fees, however, has a huge bearing on their financial behavior which may include the decision to keep a bank account, saving or seeking alternative financial services.

1.1.1 Theoretical Review

1.1.2 Financial Intermediation Theory

Financial intermediation theory describes the role of the banks in the process of financing borrowers and savers by bringing deposits and granting credit (Gorton and Winton 2017). Banks impose fees to keep their operations afloat and to cover the risk. Nonetheless, it can cause discouragement in mobilization of deposit and less involvement in formal banking systems when the fees are seen to be too high.

This theory can be applied in the present case since it reveals how banks should strike a balance between profitability and accessibility. High charges might undermine the mediating position of banks, particularly those that are low-income earners.

1.1.3 Behavioral Economics Theory

Behavioral economics focuses on the psychological perspective of the financial decisions instead of the rational calculations (Thaler, 2016). Minor bits of recurrent expenses like the ATM withdrawal fees can seem meaningless in the short term but in the long run would impact saving activities and frequency of transactions.

According to the recent empirical research, transaction costs affect consumer decisions in quantifiable directions. As an illustration, research by the International Monetary Fund (IMF) in 2020 has discovered that a significant decrease in banking charges boosted the number of accounts in the developing world. This confirms the argument that the effect of bank charges has a direct impact on financial behavior.

According to the African Development Bank (2022), people tend to use informal lenders in cases where formal credit prices seem to be high. Such a change can leave the borrowers more exposed to long-term risks though the initial charges may not be visible.

1.2 Statement of the problem

At Uganda Christian University where financial literacy and sound money management are practiced, students and employees interact with banks on a regular basis to make tuition fees, allowances, and save money. Nevertheless, the rising price of banking services is a deterrent to formal banking engagement, which pushes some people toward the informal forms of saving, like mobile wallets, village savings groups, or cash holdings (Financial Sector Deepening Uganda, 2024). Such an attitude change is an obstacle to national financial inclusion programs, restriction of access to credit, and the erosion of the saving culture of young adults and professionals. The issue, however, is how the bank charges affect the financial habits of the people in the Uganda Christian University.

This research thus aims at addressing this gap in knowledge by conducting a study on the effects of bank charges on the financial behaviors of members of Uganda Christian University.

1.3 The purpose of the study

The purpose of this study is to identify the impact of bank charges on financial behavior of individuals at Uganda Christian University.

1.4 The objectives of the study

- i. To identify the impact of bank charges on financial behavior of individuals.
- ii. To establish the relationship between bank charges and financial behavior of individuals.
- iii. To determine the extent to which bank charges influence the saving habits of individuals at Uganda Christian University.
- iv. To evaluate how bank charges affect the borrowing and spending behavior of individuals at Uganda Christian University.

1.5 Research questions

- What is the impact of bank charges on financial behavior of individuals?
- What is the relationship between bank charges and financial behavior of individuals?
- To what extent do bank charges influence the saving habits of individuals at Uganda Christian University?
- How do bank charges affect the borrowing and spending behavior of individuals at Uganda Christian University.

1.6 Scope of the study

This study will focus on examining the impact of bank charges on the financial behavior of individuals at Uganda Christian University. The research will be limited to students and staff. It covers the 2025–2026 academic year, providing recent and relevant data on financial interactions within the university community.

The research will examine the link between different categories of banking charges, for example, withdrawal charges, account maintenance charges, and transaction charges, and diverse financial behaviors, such as savings, borrowing, expenditure, and the frequency of visiting the bank.

Spatially, the research will take place in the main campus of Uganda Christian University located in Mukono.

1.7 Significance of the study

This study will be significant in the sense that it will aid in understanding how the cost of banking affects the behavior of people in the university environment. There is a need to appreciate the fact that the rising cost of banking services in the recent past has become an issue for concern to many people especially those who face financial difficulties. Through the study of Uganda Christian University, there will be an opportunity to see how different individuals reacted to increased costs of banking services in terms of savings, borrowings, and expenditures.

The significance of the findings of this study includes but are not limited to the following:

For commercial banks, the findings will help them understand how their pricing practices affect loyalty and use of their banking services, hence enable them to offer affordable banking services.

The study will provide important insights to the administrators and faculty of Uganda Christian University that can be utilized to improve financial literacy initiatives that encourage sound financial behavior from the students and employees.

To the research community, the study will be an important resource for future studies on the relationship between financial costs and behavioral outcomes in the context of developing nations such as Uganda.

1.8 The limitations of the research.

First, the study will be limited by sample size and scope, as it focuses only on individuals at Uganda Christian University —mainly students, academic, and administrative staff. This relatively small and institution-based population will not fully represent the financial behavior of individuals in other universities or regions of Uganda. Consequently, the results will not generalize the entire population of bank users in the country.

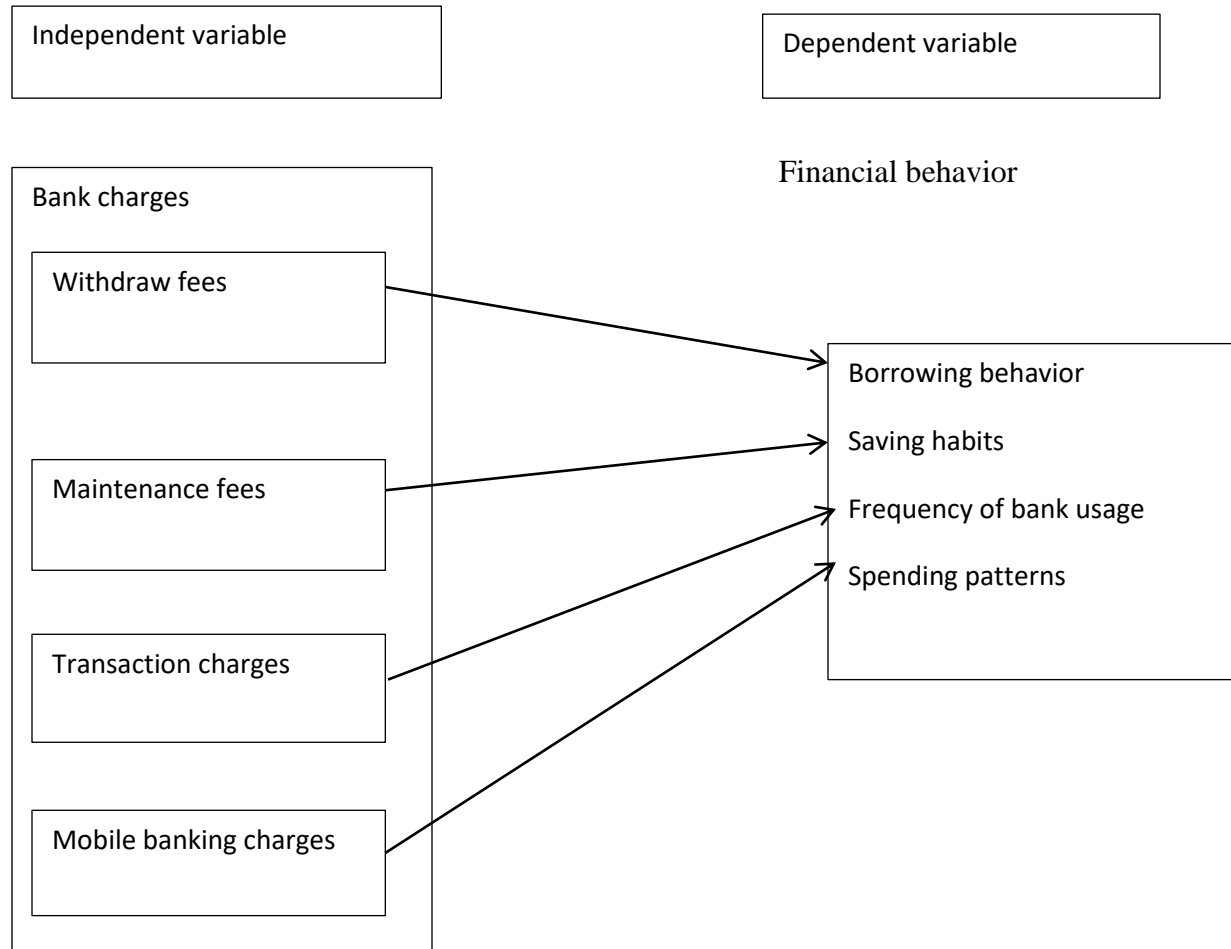
Secondly, the research may face financial and time constraints. Conducting surveys, printing research tools, and collecting data may require more financial resources and time than available. These limitations restrict the depth of data collection and the number of participants reached.

Thirdly, data collection procedures pose challenges. Some respondents may be reluctant to disclose accurate financial information due to privacy concerns or fear of judgment. This will lead to response bias and affected the authenticity of the data collected. Additionally, self-reported information did not always reflect actual financial behavior.

Lastly, external factors such as changes in banking regulations, inflation, or new financial technologies during the study period influenced bank charges and financial behavior independently of the research. These factors are beyond the researcher's control but affect the study outcomes.

1.9 Conceptual framework

This conceptual framework will examine the relationship between bank charges (Independent Variable) and financial behavior (Dependent variable) of individuals in Uganda Christian University.



CHAPTER TWO LITERATURE REVIEW

2.0 Introduction

This chapter reviews existing literature related to bank charges and financial behaviour, beginning from a global perspective and gradually narrowing down to Uganda and finally to the university context. A literature review refers to a systematic examination of scholarly work relevant to a research topic in order to identify gaps, trends, and theoretical foundations (Creswell & Creswell, 2018). The purpose of this chapter is to establish what is already known about bank charges and their influence on saving, borrowing, and spending behaviour, and to position this study within current academic and policy discussions.

2.1 Impact of Bank Charges on Financial Behavior

Bank charges have been established as an important factor that influences financial behavior, especially in developing countries with relatively low levels of income, where any financial choice depends on cost sensitivity. Account fees, withdrawal fees, and costs related to digital transactions can influence the relationship between banks and people. As stated by Demirgüç-Kunt et al. (2022), the more expensive banking services become, the fewer people open accounts or use existing ones actively, indicating that financial inclusion should be considered not only as a question of availability but also as affordability.

From the standpoint of behavioral finance, bank charges affect financial choices through changes in the perception of value. People compare the advantages that accrue from the use of banking products or services with costs associated with them and make choices based on whether the latter exceed the former. If costs appear to prevail over potential gains, people change their behavior, decreasing the number of transactions or using alternative sources of financing (Thaler, 2016).

Further, the consequences of charges on banks not only affect current financial decision-making but can also have an influence on future practices as well. In this regard, persons who constantly experience deductions in the form of bank charges tend to hold a negative view of saving money

through financial institutions. In the end, this can lead to poor financial discipline and reduce the chances of effective financial planning (OECD, 2020).

Research proves that bank charges are particularly affecting disadvantaged categories of people, including students and persons with low income. Being constrained by budgetary issues, they become particularly sensitive to any deductions and change their practices in terms of finance due to bank charges. Namely, they keep a low balance or avoid using bank services altogether (IMF, 2020). It is especially pertinent to the situation at hand as far as Uganda Christian University is concerned.

Furthermore, bank charges have an impact on trust and confidence in banks. The perception of charges being excessive or unnecessary has been found to lower trust in financial institutions and subsequently reduce participation. It was noted that transparency in fee schedules is instrumental in overcoming this problem, with enhanced customer satisfaction and understanding being evident when fees are transparent (European Central Bank, 2022). It is evident, therefore, that how bank charges are presented matters just as much as the charges themselves.

There has been a shift in bank charging behavior owing to the evolution of digital banking, although not all aspects of this shift have been beneficial for the customers. Indeed, the convenience associated with digitized banking comes at a cost, with various transactional charges applicable per transaction. Research findings have revealed that people tend to reduce usage of digitized services owing to the perception of high costs (GSMA, 2023).

The effects of the bank charges in Sub-Saharan Africa are magnified by various economic issues in the region. Since most people in this region pay a lot in terms of bank charges compared to their income, it means they do not have access to financial services. Hence, according to African Development Bank (2022), it is difficult for such people to be financially included since bank charges take up their disposable incomes.

As regards Uganda, the issue of bank charges also stands out when examining the factors affecting financial behavior of the people in the region. It is important to note that according to the Bank of Uganda (2023), some people are affected financially by the charges paid on bank transactions, thus making bank charges an essential variable in examining financial behavior.

In conclusion, the body of research shows that there are multiple implications of bank fees when it comes to financial behaviors, including their role in financial access and use as well as financial attitudes and trust (World Bank, 2022).

2.2 Relationship Between Bank Charges and Financial Behavior

The connection between bank charges and financial behavior is known to be important and complex; it stems from economics and psychology along with some institutional factors. In essence, the connection describes the way people make their choices in regard to the financial side of their lives when affected by expenses connected with using the banking services.

Research demonstrates that an increase in bank charges tends to be linked to a decrease in the level of financial activity, thus, reflecting a negative correlation between expenses and financial activities (World Bank, 2021).

Affordability may be viewed as one of the most crucial reasons behind the described connection. People perceive financial products in relation to the price they need to pay for them against the backdrop of their earnings and expected benefits. When it comes to high fees, especially in the case of people with lower incomes, they may decide not to open bank accounts or use services at all. According to Demirgüç-Kunt et al., (2022), affordability continues to be one of the main determinants of financial inclusion.

In addition to cost, there are valuable insights offered by behavioral economics regarding the perception and reaction of individuals to bank charges. Specifically, loss aversion shows that losses make individuals feel worse than similar gains. It means that the dissatisfaction of people associated with bank charges may be greater than the value that they receive from using financial services. Consequently, individuals may prefer not to use bank services at all in order not to pay for them, which will reduce their financial possibilities (Thaler, 2016).

Moreover, transparency is another aspect that affects individuals' reaction to bank charges. If the nature of these charges is clear, they will be easier accepted, and individuals will be able to include them into their financial calculations. Otherwise, individuals will experience confusion because they will not be aware about the exact amount that they have to pay. According to the

findings of the European Central Bank (2022), enhanced transparency of bank charges results in better client relations.

Financial literacy also affects the way people react to bank charges. The greater financial literacy an individual has, the better his or her understanding will be of the cost structure, as well as the ability to compare various financial products and implement ways to reduce expenses. This makes it easier for financially literate people to exhibit sound financial behavior regardless of charges. At the same time, people with low levels of financial literacy may find it difficult to grasp the significance of bank charges, making it impossible to make proper financial decisions and maintain good relationships with banks (OECD, 2020).

The link between bank charges and financial behavior is further compounded by socio-economic factors in developing countries like Sub-Saharan Africa. Given the high level of poverty and income inequality, individuals are likely to experience a significant effect on their decision-making due to any type of charge. Therefore, most individuals tend to use informal financial systems, including savings groups and mobile banking services, as they appear cheaper and offer more flexibility (African Development Bank, 2022).

The relationship is further made complex by the issue of little awareness about bank charges in Uganda. As noted by the Uganda Bureau of Statistics (2022), there are many people who are not aware of what bank charges they are supposed to be charged, which makes them have bad experiences financially. In addition to influencing the financial behavior of people, this issue has impacted negatively the level of trust that people have towards financial institutions.

Another factor that has influenced the relationship between bank charges and financial behavior has been technological advancements. Although technology has helped people enjoy services from financial institutions through online banking, technology has brought additional bank charges, including mobile banking charges. These new types of bank charges keep shaping the financial behaviors of people, especially when it comes to cost-sensitivity.

Moreover, policy interventions have the potential to change the nature of this relationship. Regulative efforts to cut or standardize bank fees could enhance accessibility and financial inclusion. Evidence from a number of countries shows that such an approach may lead to

increased use of accounts and better client satisfaction (World Bank, 2022). The findings imply that there is potential for changing the nature of this relationship via appropriate policy and institutional reforms.

In general, the literature review shows that the relationship between bank fees and financial behavior can be considered complex and evolving. Such a relationship is driven by multiple factors ranging from economic limitations to psychological responses and institutional considerations. Therefore, it is vital to comprehend this issue for creating effective financial policy and products.

2.3 Influence of Bank Charges on Saving Habits

Banking fees play an enormous role in the behavior of saving, especially in cases whereby people face limitations when it comes to managing their money. Saving refers to the act of putting away some money from one's income with the anticipation that it will bring about security or yield something in the future. The impact of bank charges on saving can be so strong to the extent of altering the behavior of saving since it makes savings seem unfavorable.

There are different ways through which bank charges can make saving difficult for people. One way is through decreasing net savings, which means that people end up saving very little money because of the various fees involved. For people who earn meager incomes, the fee may constitute a considerable amount of money that they save hence making it difficult for them to continue saving.

The concept of behavioral economics offers additional insight on the relationship between bank charges and saving behavior. People usually react unfavorably towards frequent deductions, even where the deductions involved are relatively small. This is because frequent deductions create an element of loss in people's mind, discouraging them from establishing regular saving habits. Thaler (2016) explains that such psychological behavior can have significant implications on an individual's decision-making regarding finance. The result is that an individual ends up preferring consumption over saving.

Many countries, especially developing economies, have experienced changes in saving behavior due to the effect of bank charges. The changes involve the adoption of alternative means such as savings clubs, rotating savings, credit groups, and mobile money services. Whereas these methods come with cheaper services and flexible conditions, the downside is that they are less secure and do not earn interest or offer access to credit (Financial Sector Deepening Africa, 2023).

Young people, especially those enrolled in university studies, are highly aware of the influence of bank charges on their saving behavior. Younger adults, who usually earn less money and thus experience greater financial uncertainty, will react to bank charges by changing their saving behavior. According to research conducted by the International Monetary Fund (2020), lowering bank costs has a strong positive effect on savings, thus being a key factor determining saving behavior among younger adults.

Ugandan saving behavior depends to a great extent on current economic situation and structure of bank charges. According to the report published by the Bank of Uganda (2023), many citizens choose to keep small balances in order not to pay any maintenance charges, therefore being unable to save any extra money.

Also important for saving habits is the level of financial literacy among individuals. Those with knowledge about bank charges will be able to devise measures to avoid excessive spending by reducing the number of transactions made or choosing accounts with fewer charges. It makes it easier for individuals to sustain positive savings behavior even in the presence of bank charges (OECD, 2020). On the other hand, low levels of financial literacy worsen the effect of bank charges on saving behavior.

The advancement of digital financial services does not mean bank charges have no bearing on saving habits. Mobile banking systems facilitate convenient and accessible ways of banking, including the ability to make savings. However, most of these systems are accompanied by transaction charges that accumulate in time and force individuals to think about the associated cost of saving (GSMA, 2023).

Intervention policies have been known to affect saving habits in relation to bank charges. These measures include waiving of fees and charges, offering subsidies and discounts, and simplifying the fees structure. All of these have been successful in encouraging saving behavior among individuals, especially in developing countries (World Bank, 2022).

On balance, it can be stated that the literature has shown that the bank fee problem has many dimensions and greatly affects the saving behavior of people. The issue does not only concern the capacity to save but rather the incentive to do so consistently and by using appropriate mechanisms (Demirgüç-Kunt et al., 2022).

2.4 Effect of Bank Charges on Borrowing and Spending Behavior

Banks' charges are important factors influencing borrowing and expenditure, since they determine the affordability and availability of financial services. Borrowing is highly dependent on the total cost of borrowing, which depends on interest rates and other charges, including transaction costs, processing fees, and fees for maintaining bank accounts. The effect of these factors could be such that they discourage people from borrowing and accessing financial services through formal institutions and make them opt for other sources of credit (World Bank, 2021).

The high cost of banking makes borrowing difficult, and it encourages people not to use formal institutions but informal sources of credit like borrowing from friends and relatives. This might seem beneficial because one is not obliged to pay any extra fees, but there are some dangers associated with this kind of borrowing and it may prove expensive in the long run, especially where there is a lack of regulation (African Development Bank, 2022).

Similarly, the consumer's spending behavior is influenced by the cost involved in terms of bank charges. Consumers change the nature of their transactions so that they do not incur high fees. They reduce the number of transactions made and withdraw money in bulk so as not to incur more fees (Suri & Jack, 2016; World Bank, 2021). Although this approach minimizes the incurred fees, it could result in inefficient budget management and risky money-carrying practices.

From the behavioral economics perspective, one learns more about the relationship between bank charges and the decision-making process concerning consumption. Thaler (2016) states that people tend to make mental budgets for transaction fees, resulting in altered spending behavior. People prefer to make large purchases rather than small ones in order to make a lesser number of transactions.

The effect of bank charges becomes highly apparent among students because of their sensitivity towards issues of costs incurred during borrowing and spending. Being subject to financial restrictions and having little money, students resort to minimizing their costs. For example, they avoid going to ATMs or using e-payment services. While these measures help to save money, they could lead to a reduction of one's flexibility and availability of financial services (IMF, 2020).

Regarding the case of Uganda, it should be noted that people's attitudes towards borrowing depend not only on the level of costs but also on their level of trust to the financial institution. According to the Bank of Uganda (2023), high and ambiguous bank charges could undermine trust, which would make individuals reluctant about conducting any transactions through banks. Consequently, borrowing would become impossible.

Financial literacy could have a direct impact on the spending habits of people. If an individual knows nothing about bank charges, his/her spending will be negatively affected as he/she will have to pay more for transactions. According to the Uganda Bureau of Statistics (2022), insufficient financial literacy results in ineffective spending behavior.

Digital financial services continue to influence borrowing and spending behavior as well. In this regard, although there are numerous benefits from these services in terms of convenience and easy access, certain fees attached to them can prevent users from using them more often. Individuals may use digital financial services less often due to the fact that they believe transaction costs are too high, implying that issues related to affordability play an important role (GSMA, 2023).

Policy actions, such as a decrease in bank charges, can affect borrowing and spending behavior in a positive way. Specifically, by lowering the cost of transactions and making it clear for

people, one may expect an increase in the frequency of the use of banks and other formal institutions (World Bank, 2022).

In general, bank charges affect borrowing and spending behavior in different ways and directions.

2.5 Research Gap

While there is much evidence both globally and regionally regarding how bank fees affect financial inclusion and practices, there is little evidence concerning how these fees affect people studying in universities in Uganda.

Besides, Fin Scope Uganda (2024), while providing information regarding fees charged at the national level, fails to recognize the university community as a unique population for its analysis. In view of the above, this paper aims to address the issue of how bank fees affect students at the University of Christianity in Mukono, Uganda.

2.6 Conceptual Framework

The conceptual framework of this study is based on the assumption that bank charges (independent variable) influence financial behaviour (dependent variable). Bank fee involves ATM fee, servicing fee, transfer fee, and loan processing fee. Financial behaviour involves saving, borrowing, spending, and the number of transactions

The model presumes that higher bank rates can decrease levels of saving, deter formal borrowing and shift spending patterns. On the other hand, equitable and transparent fees can increase confidence and fiscal restraint.

2.7 Conclusion

The chapter has examined literature within the global context, African context, Ugandan context and university context. It is always evidenced that bank charges play a great role in financial behavior. Nonetheless, there are few studies at the institutional level in Ugandan universities. Thus, this study adds to the current knowledge through the analysis of the particular case of the Uganda Christian University, Mukono.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methods and procedures that will be used to examine the impact of bank charges on the financial behavior of individuals in Uganda Christian University (UCU). It describes the research design, study area, population, sample size, sampling techniques, data collection methods, data analysis, validity and reliability of instruments, and ethical considerations.

3.1 Research Design

This study will adopt a descriptive cross-sectional research design using both quantitative and qualitative approaches. This design is suitable because it enables data collection from a sample of respondents at one point in time to assess their perceptions and experiences regarding bank charges and financial behavior.

3.2 Study Area

The experiment will be carried out at Uganda Christian University (UCU), which is located in Mukono district, central Uganda. UCU presents an excellent venue for research since both students and academic/administrative staff members often engage in financial transactions using banking services.

3.3 Target Population

The target population will include students, academic staff, and administrative staff members of Uganda Christian University who have bank accounts in the commercial banks of Uganda.

3.4 Sample size determination

Sample size can be defined as the number of respondents who are drawn from the target population to take part in the research (Creswell & Creswell, 2018). The concept entails the selection of a fraction from the whole population in order to collect data that will be used to

generalize on the whole population. As stated by Saunders, Lewis, and Thornhill (2019), the sample size must be adequate to ensure validity and reliability in data collection, and at the same time be cost and time effective.

For the current study focusing on the effect of bank charges on the financial behavior of individuals within Uganda Christian University (UCU), Mukono, the sample size of respondents chosen for participation will be 50 people. This figure is regarded as adequate for the scope of the study, time frame, and requirement to get detailed information from all the categories.

The target population for the current research includes three categories within UCU: students, academic staff members, and administrative staff members. The above three categories will be selected based on their involvement with banking activities, which means that they are exposed to charges like transaction costs, withdrawal charges, account charges, and mobile banking charges.

3.5 Sampling Techniques

Sampling technique refers to the method used to select a subset of individuals from a population to participate in a study. The study will use both stratified random sampling and purposive sampling. Stratified random sampling will ensure that each subgroup (students, academic staff, and administrative staff) is fairly represented. Purposive sampling will select key informants such as bank agents.

3.5.1 Stratified Random Sampling

Stratified random sampling is a probability sampling technique in which the population is divided into homogeneous subgroups (strata) and respondents are randomly selected from each subgroup.

In this study, the population was divided into three strata:

- Students
- Academic staff
- Administrative staff

This technique will be appropriate because it ensures fair representation of all groups within the university. After dividing the population into strata, respondents within each category were randomly selected to participate in the study.

3.5.2 Purposive Sampling

Purposive sampling is a non-probability sampling technique in which respondents are selected based on specific characteristics or knowledge relevant to the study (Creswell & Creswell, 2018).

This method will be applied primarily to those in academia and administration, whose incomes are expected to be stable and whose dealings with banks are frequent. Experience in finance will be deemed essential in grasping the impact of bank fees on saving and expenditure practices.

3.6 Sample Size Allocation

A total number of respondents amounting to 50 individuals shall be distributed proportionally into the three groups in order to ensure equal representation of the groups in the study conducted in Uganda Christian University.

Category	Sampling Technique Used	Number of Respondents	Percentage (%)
Students	Stratified Random Sampling	30	60%
Academic Staff	Purposive Sampling	10	20%
Administrative Staff	Purposive Sampling	10	20%
Total		50	100%

The student category will have the highest number of respondents compared to the other two groups because students represent the most populous group in the university, and they engage in various banking activities like withdrawing money from the Automated Teller Machine (ATM) and sending money via mobile phones.

3.7 Data Collection Methods and Instruments

3.7.1 Primary Data

The primary data will be obtained through the use of structured questionnaires and structured interviews. Structured questionnaires will obtain numerical information on charges by banks and behavior relating to money. Structured interviews will provide information which cannot be quantified but can only be analyzed qualitatively.

3.7.2 Secondary Data

The secondary data will be collected from articles published in the Bank of Uganda.

3.8 Data Collection Procedure

Questionnaires will be distributed in hardcopy form to the respondents while interviews will be carried out face-to-face.

3.9 Data Analysis

Descriptive Analysis – The data shall be described through frequencies, percentages, and mean values for the purpose of describing the perspectives and trends.

Tabulation – Tables shall be constructed for the distribution of frequencies and percentages for better analysis.

Thematic Analysis – Qualitative data shall be analyzed thematically based on patterns from the interview data collected.

3.10 Validity and Reliability of Instruments

The validity of the instruments will be established through consultation with the experts and the research supervisor. To test the reliability, a pilot test will be done using 10 respondents.

3.11 Ethical Considerations

Before conducting a survey through interviews or questionnaires, I shall provide the participants with a brief description of the research process. I will tell the participants what my research is all

about, what I expect of them during the study, and what I will do with their information. They will be required to give their voluntary consent prior to their participation in the research to make sure that nobody is compelled to take part in it.

Participants will be guaranteed their freedom of will because participation will be completely voluntary. The respondents will be made aware that they have the opportunity not to participate in my research or withdraw from the project without any penalty.

I will guarantee the participants' anonymity by assuring them that there will be no need to identify themselves in the course of my research. Their personal information will be treated confidentially, and their names will not be taken down on the questionnaires.

I will make sure that my research will not in any way affect the psychological, emotional, and financial welfare of the respondents. The questions that will be posed will be relevant and respectful with regard to the topic of bank charges and financial conduct. I will conduct myself in a professional manner while gathering my data from the respondents.

After gathering the data, I will make sure that the data is stored safely and will not be tampered with or misused in any way. The data collected will be analyzed objectively and will be reported in an accurate manner.

3.12 Limitations of the Methodology

Time and money may prove to be limiting factors, and non-response may occur from some subjects. These difficulties can be minimized by stressing confidentiality and asking simple questions, along with allocating sufficient time for data collection.

CHAPTER FOUR DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.0 Introduction

The data collected from the primary sources in relation to the effects of the bank charges on the financial behaviors of individuals at Uganda Christian university (UCU), Mukono, will be presented, analyzed, and interpreted in this chapter. This presentation will follow a systematic approach that starts with an introduction of the number of responses received and the demographic features of the respondents. Descriptive statistics, which are in line with the research objectives, will then be presented. These include an analysis of the types of charges levied by the banks, the influence of these charges on savings, as well as their effects on borrowing and expenditure patterns.

4.1 Response rate

Of the total number of structured questionnaires handed out to the target audience (50), only 40 were successfully filled out and received.

Table 4.1: response rate distribution

Category	Questionnaires distributed	Questionnaires returned	Response rate (%)
Students	30	24	80%
Academic staff	10	8	80%
Administrative staff	10	8	80%
Total	50	40	80%

Source: primary data (2025)

The overall response rate obtained was 80%, which can be considered acceptable for formulating reasonable conclusions based on this study, since it reduces the likelihood of non-response error by a significant margin. This even response rate among all three strata (students, academics, and administration staff) signifies a common concern regarding the impact of banking charges on personal finances.

4.2 Demographic characteristics of respondents

For proper contextualization of the results obtained, it is important to take into account the demographic characteristics of the participants, including the institution type, gender, age group, and average monthly income level.

Table 4.2: demographic distribution

Demographic variable	Category	Frequency	Percentage (%)
Category of respondent	Students	24	60.0
	Academic staff	8	20.0
	Administrative staff	8	20.0
Gender	Male	22	55.0
	Female	18	45.0
Age bracket	18 – 25 years	20	50.0

	26 – 35 years	12	30.0
	36 – 45 years	5	12.5
	46 years and above	3	7.5
Monthly income/allowance (UGX)	Below 200,000	14	35.0
	200,000 – 500,000	12	30.0
	500,001 – 1,000,000	8	20.0
	Above 1,000,000	6	15.0

Source: primary data (2025)

Interpretation:

Students account for the largest proportion of the sampled respondents at 60%, and this is appropriate since the majority of the people who use banking facilities are the students. The proportion of male participants at 55% is equal to the proportion of female participants at 45%. Almost half of the sampled individuals (50%) are in the age group 18-25 years, which also represents the majority population. In addition, 65% of the sampled population have monthly income or pocket money not exceeding UGX 500,000.

4.3 Types of bank charges incurred (objective 1)

The first objective sought to assess the different types of bank charges incurred by individuals at uganda christian university.

Table 4.3: most frequently experienced bank charges

Type of bank charge	Frequency	Percentage (%)
ATM withdrawal charges	14	35.0%
Mobile banking/transfer fees	10	25.0%
Account maintenance fees	8	20.0%
SMS alert charges	5	12.5%
Overdraft/loan processing fees	3	7.5%
Total	40	100%

Source: primary data (2025)

Interpretation:

Withdrawal fees from ATM machines are the commonest charges faced by 35% of the participants. This is because the majority of the transactions on campus require the use of cash. The other most common charges are those for mobile banking and transfers, experienced by 25% of the respondents, reflecting the trend towards digital banking, although with considerable costs involved. Maintenance charges of accounts are mainly suffered by 20% of the university's employees.

4.4 Influence of bank charges on saving habits (objective 2)

The second objective of the study was to establish the impact of bank charges on the saving behaviors of the selected population.

Table 4.4: impact level on saving behaviors

Response	Frequency	Percentage (%)
Greatly affects saving	18	45.0%
Moderately affects saving	12	30.0%
Slightly affects saving	6	15.0%
Does not affect saving	4	10.0%
Total	40	100%

Source: primary data (2025)

Interpretation:

In addition to this, there is 45% who clearly mention that bank charges play a vital role in their savings behaviors. Continuous charges will cut their disposable income, resulting in low balance levels. In addition, there is 10% who claim that they are not affected by these charges, which might be rich people who have financial margins. Hence, it can be said that these charges will negatively influence their saving culture.

4.5 Impact of bank charges on spending and borrowing patterns (objective 3)

This objective was intended to identify the effect of bank charges on spending and borrowing practices.

Table 4.5: modifications in spending behavior

Impact on spending behavior	Frequency	Percentage (%)
Reduce bank transactions	16	40.0%
Shift to mobile money services	11	27.5%
Withdraw large amounts at once	9	22.5%
No change in spending pattern	4	10.0%
Total	40	100%

Source: primary data (2025)

Interpretation:

The figures show very defensive financial behavior. 40% people actually lower their number of transactions because every single transaction involves a levy. Moreover, 22.5% people like withdrawing cash in bulk in order to save themselves from being charged numerous times while using ATM machines. They are exposing themselves to personal risks but reducing institution related cost. Another 27.5% are changing their liquidity options to mobile money in order to gain flexibility. As far as borrowing is concerned, qualitative responses showed that very high processing fee on loans makes academic and administrative staff reluctant towards taking out formal loans.

4.6 Inferential statistics

In order to take an inference from simple descriptive frequencies, we performed some inferential tests. We have aggregated our variables in terms of a 5-point Likert scale.

4.6.1 Pearson correlation analysis

Pearson correlation coefficient r was calculated in order to find the relationship between bank charges (independent variable) and dimensions of financial behavior (dependent variable).

Table 4.6: Pearson correlation matrix

		Bank charges	Saving habits	Borrowing & spending
Bank charges	Pearson correlation	1	-.684**	.742**
	Sig. (2-tailed)		.000	.000
	N	40	40	40
Saving habits	Pearson correlation	-.684**	1	-.512**
	Sig. (2-tailed)	.000		.001
	N	40	40	40
Borrowing & spending	Pearson correlation	.742**	-.512**	1

	Sig. (2-tailed)	.000	.001	
	N	40	40	40

(Correlation is significant at the 0.01 level, 2-tailed).

Interpretation:

- Bank charges and saving behavior: there is a significant negative correlation ($r = -0.684$, $p < 0.01$). This means that the higher the perception of the costliness of bank charges, the lower the frequency and amount of formal savings.
- Bank charges and borrowing/spending behavior: there is a significant positive correlation ($r = 0.742$, $p < 0.01$). High charges have a huge impact on influencing behavior in terms of borrowing and changing spending behavior e.g. bulk withdrawals and use of mobile money.

4.6.2 multiple regression analysis

A regression model was performed to ascertain the predictive nature of bank charges on the financial behavior of the university community.

Table 4.7: model summary

Model	R	R square (R2)	Adjusted R square	Std. Error of the estimate
1	.715	.511	.498	.38412

Interpretation:

With an R square (R2) of .511, the amount of variation explained in terms of the financial behavior of people at Uganda Christian university is 51.1%, which is attributed to the

independent variable (bank charges). The residual of 48.9% of the variation is attributed to external variables not included in the regression analysis, including pre-existing financial literacy levels, inflation rate, and income limits of the individuals.

Table 4.8: coefficients

Model	Unstandardized coefficients (B)	Std. Error	Standardized coefficients (β)	T	Sig. (P)
(Constant)	4.025	.410		9.817	.000
Bank charges	-.588	.115	-.655	-5.113	.000

Interpretation:

The regression equation obtained is as follows:

$$Y = \beta_0 + \beta_1x_1 + \text{epsilon}$$

$$\text{Financial behavior} = 4.025 - 0.588(\text{bank charges})$$

The value of the unstandardized coefficient B associated with bank charges is -0.588. It means that a unit increase in bank charges leads to a reduction in positive formal financial behavior by 0.588 units. The values of the t statistic (-5.113) and p (.000\$, less than the value of the alpha level of 0.05) prove that bank charges have a statistically significant relationship with financial behavior.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

This chapter will give an overall review of the important findings that have been established through the analysis of the data in chapter four. In particular, the chapter will focus on an overall presentation of the findings related to the effects of bank charges on the financial behavior of people at Uganda Christian University (UCU), Mukono. After presenting these findings, this chapter will provide a detailed explanation of the conclusions that can be made about the study and make some general recommendations.

5.1 Summary of findings

The study was designed to explore the association between bank charges and the financial practices of the UCU population using three major goals. The results, which are presented using descriptive and inferential statistical analysis, are outlined as follows:

5.1.1 Types of bank charges incurred

It was revealed in the study that university participants face numerous types of banking charges, and transactional charges have been found to be the most common type. ATM withdrawal charges emerged to be the most common charge faced by the participants (35%). These results suggest that students are using liquidity in cash to perform tasks within the university. Additionally, it was evident that mobile banking and transfer charges were quite common (25%), implying a shift from traditional to digital banking services which are also very profitable for service providers. The charges related to account maintenance emerged to be fairly common (20%).

5.1.2 Influence of bank charges on saving habits

The analysis revealed a very high correlation coefficient with statistical significance at -0.684 , $p < 0.01$, between bank charges and saving tendencies exhibited by individuals in UCU. It was confirmed by descriptive statistics which showed that 45% of the participants believed that bank charges "greatly affect" their tendency to save money. The periodic nature of the ledger charges

and the account maintenance fees act as an important deterrent which causes systematic reduction in their savings, regardless of how small the sum may be. It can therefore be seen that the cost structure involved discourages savings from the formal banking system, especially amongst students who depend on a fixed allowance.

5.1.3 Impact of bank charges on borrowing and spending behavior

Findings indicated that bank charges influence financial behavior in a very conservative manner, as shown by a significant positive relationship ($r = 0.742$, $p < 0.01$). To offset the financial strain from frequent payments, 40% of the respondents purposefully changed their behavior by decreasing the number of times they conduct business at the bank. Moreover, 22.5% resorted to the dangerous practice of making one-time bulk withdrawals to avoid paying different fees from ATMs.

Also, 27.5% resorted to using mobile money transfer services, since they are either cheaper or provide more transparency than banking institutions. With regards to borrowing, the research found a significant negative relationship ($r = -0.512$, $p < 0.01$) between bank charges and loans due to the costs incurred in processing loans and the uncertainty associated with the payment of hidden fees, which discourages students and employees from borrowing through official avenues. The regression equation showed that bank charges accounted for 51.1% of financial behavior within the institution.

5.2 Conclusions

The following conclusions have been drawn from the empirical evidence presented in the study:

Firstly, bank fees do not only represent an operational function for banks; they are actually one of the important determinants for financial inclusion and behavior among universities. The current fee structures adopted by the banks tend to negatively affect the poor and the students, as formal banking becomes very expensive for them as compared to being profitable.

Secondly, the current fee structure tends to act against the country's policy of promoting a savings-based economy. Banks charge maintenance fees from low balances, which forces the

youth as well as the university personnel towards less secure and unprofitable saving practices such as cash-saving.

Thirdly, the reactions of consumers in relation to increased banking costs are very flexible but defensive in nature. On one hand, bulk withdrawal poses security risks, especially within the university environment. On the other hand, the adoption of mobile money reflects the need for flexibility and transparency in financial transactions that banks are yet to meet. Finally, the result of excessive banking expenses has been the fragmentation of the financial services environment in UCU such that individuals only use banks as transit points.

5.3 Recommendations

To address the challenges identified in this study and foster a more inclusive financial environment, the following recommendations are proposed to key stakeholders:

5.3.1 To commercial banks and financial institutions

- Adoption of student-focused account systems: banks that are working in or near the university should introduce a system of “zero-fee” or heavily subsidized accounts aimed at serving students. This means that no monthly maintenance or ledger fees will be charged, and all that is needed for opening and using such accounts is a university ID card.
- Modification of digital payment charges: to ensure a smooth transition to a cashless university campus economy, it is essential that the charges for using digital apps and USSD payments are minimized. Since these types of payments cost the bank much less physically, they should not cost the client much either.
- Better disclosure of charges: banks need to enhance their reporting practices on any deduction made from the user’s balance. The provision of free SMS or email notifications before a charge can serve as an efficient solution.

5.3.2 To Uganda Christian university (UCU) administration

- Financial literacy program integration: the institution must ensure that financial literacy programs are incorporated within the curricula or student orientation programs. This helps in ensuring that students acquire knowledge on analyzing the fee structure, budgeting, and proper

use of financial instruments, hence addressing any adverse effects associated with institutional fees.

- Institutional encouragement for University Cooperative SACCOS: the University of Cooperative Union needs to encourage the usage of cooperative unions among students and staff through technical expertise. This makes it easier for individuals to save and access loan services at an affordable rate compared to using commercial banks.

5.3.3 To policymakers (bank of uganda & ministry of finance)

- Consumer protection regulatory approach: the central banking regulator must look at ways through which regulatory controls could be placed on fees charged for basic consumer banking services such as account maintenance fees and ATM fees for base tier accounts.
- Standardization of tariff disclosures: there needs to be standardized tariff disclosures among all financial institutions so that hidden fees do not exist.

5.4 Areas for further research

As much insight as this research can offer on the influence of bank charges at the University of Cooperative Studies (UCU), there are areas that require more attention. These include:

1. Comparison between mobile telecommunication finance charges and commercial bank charges: future research can be done to measure the impact of mobile telecom finance charges compared to traditional commercial bank charges on economic behavior among the Ugandan youth.
2. Financial literacy as an influencing variable: A study might be done to ascertain the role of high financial literacy levels in reducing the impact of bank charges among university students from different institutions in east African countries.
3. Long-term study on graduates' economic behavior: It is recommended that a longitudinal study is carried out on graduates over a period of five years to establish how their economic behaviors are influenced by bank charges during their university life.

APPENDIX

Dear respondent,

I am a final year student undertaking my bachelor's degree in business administration. I am undertaking an academic research paper on: "The effects of bank charges on financial behavior of individuals: A case study of Uganda Christian University, Mukono." Your answers will remain completely confidential and will be used exclusively for academic purposes. Kindly mark your answer to the question in brackets.

Section A: demographic information

1. Category of respondent: student

Academic staff

Administrative staff

2. Gender: male

Female

3. Age bracket: 18 – 25 years

26 – 35 years

36 – 45 years

46 years and above

4. Estimated monthly income / allowance (UGX): below 200,000

200,000 – 500,000

500,001 – 1,000,000

Above 1,000,000

6. How often do you experience the following bank charges?

(1 = never, 2 = rarely, 3 = sometimes, 4 = often, 5 = very often)

Type of charge	1	2	3	4	5
ATM withdrawal charges					
Account maintenance / ledger fees					
Mobile money / bank transfer fees					
SMS alert / transaction notification fees					

Section C: impact of bank charges on saving habits

Please indicate your level of agreement with the following statements:

(1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree)

Statement	1	2	3	4	5
High account maintenance fees discourage me from keeping money in the bank.					
I prefer keeping my savings in cash or mobile money wallets to avoid bank					

deductions.					
The unpredictability of transaction charges makes it difficult for me to stick to my savings goals.					
I would save more frequently if the bank waived deposit and withdrawal fees.					

Section D: impact of bank charges on borrowing and spending behavior

Please indicate your level of agreement with the following statements:

(1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree)

Statement	1	2	3	4	5
Spending behavior					
I intentionally withdraw large sums of cash at once to minimize repeated ATM charges.					
I have reduced the number of transactions I make per month due to high transfer costs.					
High bank charges force me to use alternative, cheaper payment methods for my daily spending.					
Borrowing behavior					

High loan processing fees and hidden charges discourage me from applying for bank loans.					
I prefer borrowing from informal savings groups, friends, or mobile money rather than formal banks due to associated costs.					

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