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**IMPACT OF BANK CHARGES ON CUSTOMER SERVICES OF DEPOSIT MONEY BANK (CASE STUDY DEPOSIT MONEY BANK CUSTOMERS IN MAIDUGURI)**

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**Abstract**

*It is an evident that there are series and negative comments against deposit money banks in Nigeria concerning imposing excessive charges on their customers. Therefore, this paper investigates the impact of bank charges on customer services. The study was guided by two specific objectives; to examine whether bank customers were informing about bank charges on services provided to them, and to examine whether bank charges discourages customers from saving in the bank. The study adopted descriptive method and the population of the study consisted of different banks customers Maiduguri. Sample sizes of 115 respondents were selected through random sampling. SPSS V20 was used in the analysis of data and findings were presented on tables. The main findings of this study reveals that most of deposit money bank are not enlightening their customers on bank charges, excessive charges discourage customers from saving and it lead customers to open different account from different banks, and the study also discovered that most banks over charge their customers on the services provided to them. The study recommends CBN financial policy and regulation department to check those banks that are not compliance with their guideline on bank charges, CBN should enforce DMB's to enlightening their customers on all bank charges on the services provided.*

**Keywords:** *Bank charges, customer, Deposit money bank, Maiduguri*

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**Introduction**

Customers are considered as the life blood of banks and for banks to thrive, the needs of the customers must be met. With the absence of customers, the aims and

objectives of banks will not be achieved. Therefore it is very important to carryout a research on the behaviours of deposit banks customers, because knowledge of this will help banks to know how to retain their customers (Rahim et al., 2010).

In the last two decade, deposit money banks in Nigeria did not have concrete policies as the way customers services should be met (Olajide and Zabkar, 2009). The maintenance of customers should be the main aim of any bank. Banks use customers' maintenance as a tool to measure their quality and management of customer relationship with customers (Mihelis, et al., 2001). However, customer satisfaction as a marketing tool helps banks know their strengths and weaknesses while offering their products and services. Customers could show displeasure of either the products or services of a bank either through complaints or raining abuses on the bank. When customers complain of displeasure, it can affect the customers' loyalists and further make them to patronage other competitors. In addition when customers are satisfied, it makes them happy, fulfilled and excited (Hoyer and Macinnis, 2001).

According to Ibojo and Asabi (2015) there are several issue that measure the banks customers satisfaction; optimum facilities of banks, economic satisfaction such as (bank charges and interest rates), and presence of internet banking and Automated Teller Machine (ATMs). But at the moment, banks in Nigeria through their services, most especially when it has to do with charges they make their customers unhappy. Recently, the central bank of Nigeria approved some laws with regards to charges on banks customers. Amongst the charges include: withdrawal from other bank's ATM cost N65 after the third withdrawal within the same month, Naira Debit Card Charges (N1, 000 both for new issuance and replacement), Debit card maintenance charges cost N50/Month, and applicable only to month card is used, special request for Statement of account cost (Maximum of N20 per page), Issuance of withdrawal Booklet/Passbook (no charges), Counter Cheque cost N50 per leaflet, and a charge of N1.00 for every debit transaction done on a current account. Constant charges of this kinds has affected the both customers and the banks (Central Bank of Nigeria 2017).

### **Statement of research problem**

It is very evident that there have been series of sad and negative comments on banks in Nigeria regarding their practice of imposing excessive charges on their customers. As a result of this act, customers are switching from one bank to the other looking for a bank with lower bank charges. Constant charges on customers

have left customers unhappy with services provided by the banks. Though, the high level of illiteracy among the banks customers contributes to the bank charges meted on customers. In addition, customers are not well enlightened on the charges on products and services provided by the banks. However, constant and high bank charges on customers affect banks reputation towards potential customers thereby reducing the profitability of banks.

#### **Aim and objectives of the study**

- i. Examine whether bank customers were informed about bank charges
- ii. Examine whether bank charges discourage customers and potential customers from saving in the bank
- iii. Investigate the relationship between bank charges and customers perception
- iv. Examine the significance difference between bank charges and customers perception

#### **Research Questions**

- i. Are the bank customers well enlightened about bank charges?
- ii. Do bank charges discourage customers and potential customers from saving in the bank?

#### **Hypotheses Formulation**

H1: Normal bank charges (NBC) has a positive impact on customers services

H2: Low bank charges (LBC) has a positive impact on customers services

H3: Moderate bank charges (MBC) has a positive impact on customers services

H4: High bank charges (OBC) has a positive impact on customers services

#### **Literature Review**

Charles et al, (2014) they conducted a research on banking fees in Canada, their finding reveals that the increases in the monthly fees charges on customers deposit accounts have been quite moderate. In addition, their finding support the need for the financial literacy tools that can help customers to make informed choices about the different deposit accounts plans that best suit their need.

According to Thorsten et al, (2006) they conducted a study on “banking services for everyone? Barriers to bank access and use around the world” their study outcomes reveals that foreign banks charge higher fees than other banks, in foreign dominated banking system fees are lower and it is easier to open bank accounts and to apply for loans.

A survey was conducted by the bank of Jamaica (2013) on fees and charges of deposit-taking institutions; their finding shows that most of their banks offer several services free of charge. However, banks have reflected both increases and decreases in fees and charges of their services.

**Table 1. Approved Bank fees/Charges**

	DESCRIPTION	RATE
1	Electronic Funds transfer	₦50
2	Card maintenance fee	₦50
3	Credit card issuance	₦1000
4	ATM transactions:	
	Withdrawal from issuing bank's ATM	NO CHARGE
	Withdrawal from other bank's ATM in Nigeria	₦65 AFTER THE 3RD WITHDRAWAL WITHIN THE SAME MONTH
5	Transaction Alerts	₦4 PER SMS
6	Issuance of statement of account (special request)	MAXIMUM OF ₦20/PAGE
7	ISSUANCE OF WITHDRAWAL BOOKLET/PASSBOOK	NO CHARGE

Central Bank of Nigeria (2017): Guide to charges by Banks and other financial institutions in Nigeria. <https://www.cbn.gov.ng/out/2017>

## Methodology

### Study population and sample

The population of the study comprises of different deposit banks customers in Maiduguri. And a total sample of 115 out of 150 deposit banks customers were used for the study.

### Method of data collection

Primary and secondary data collections were adopted for this study. The study made use of primary data generated by the use of a well-structured questionnaire administered to the deposit banks customers while the secondary data were collected from the few available previous studies and reports.

### Data analysis and technique

Descriptive statistics and simple regression analysis were adopted for this study by using SPSS version 20.

## Results and Discussion

### *Analysis of Frequency Distribution*

Demographic profile of respondents for this research includes gender, age group, education and occupation. The below table 2 represents the demographic characteristics of the respondents;

**TABLE 2: THE ANALYSIS OF DEMOGRAPHIC CHARACTERISTICS**

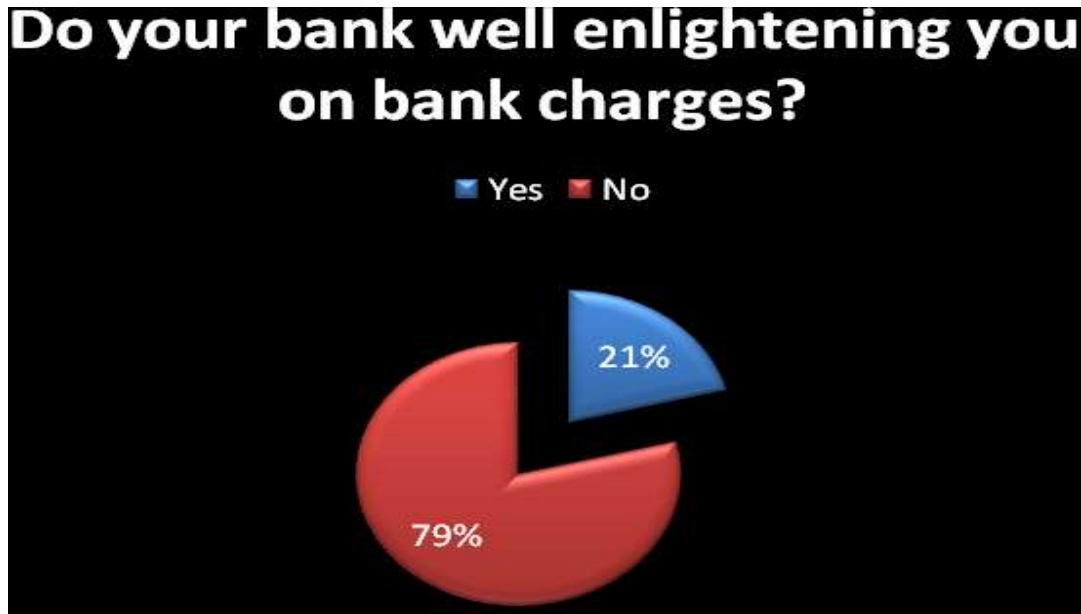
DEMOGRAPHIC		Frequency	percentage
<b>GENDER</b>	Male	85	74
	Female	30	26
	Total	115	100
<b>AGE</b>	18-29	10	9
	30-40	65	56
	41 and up	40	35
	Total	115	100
<b>EDUCATION</b>	Dip/NCE	25	22
	HND/BSc	55	48
	Others	35	30
	Total	115	100
<b>OCCUPATION</b>	Civil servant	80	69
	Farmer	10	9
	Business	25	22
	Total	115	100

Primary source, 2019

Table 2 shown above demonstrates the demographic characteristics of the sample. Regarding the gender distribution of the respondents 74% were male and 26% female. The imbalance ratio of male to female can be accepted that majority of the bank customers were males. In terms of age distribution, the result indicates that 56% of the respondents were within the age group of 30-40. From the table above, it is clearly indicated that the level of education was high among the bank customers selected for the study that is 48%. Therefore, this indicates that majority of bank customers knows the type of charges their bank charge on their services.

The study also found that civil servants occupations are the dominant in the study with 69%. This followed by business occupation with 22% and the farmer occupation where the least with 9%.

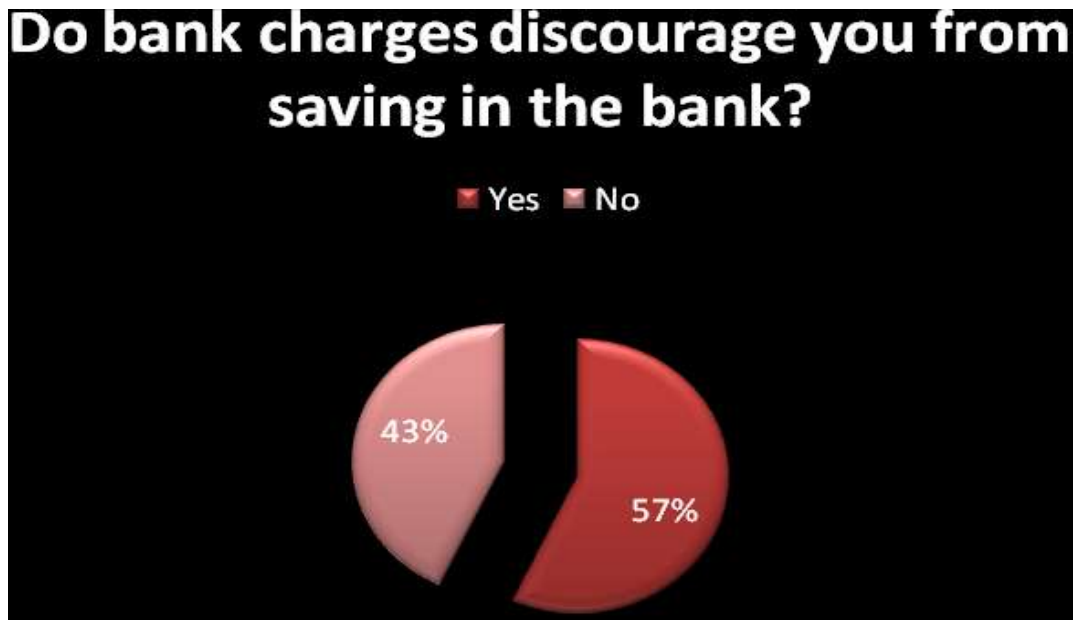
Chart 1.



Primarysource,2019

The above chart 1 of the survey disclosed that 79% of the respondents says that their banks do not enlighten them on bank charges issues whereas 21% of the respondents says that their banks are enlighten them on bank charges issues.

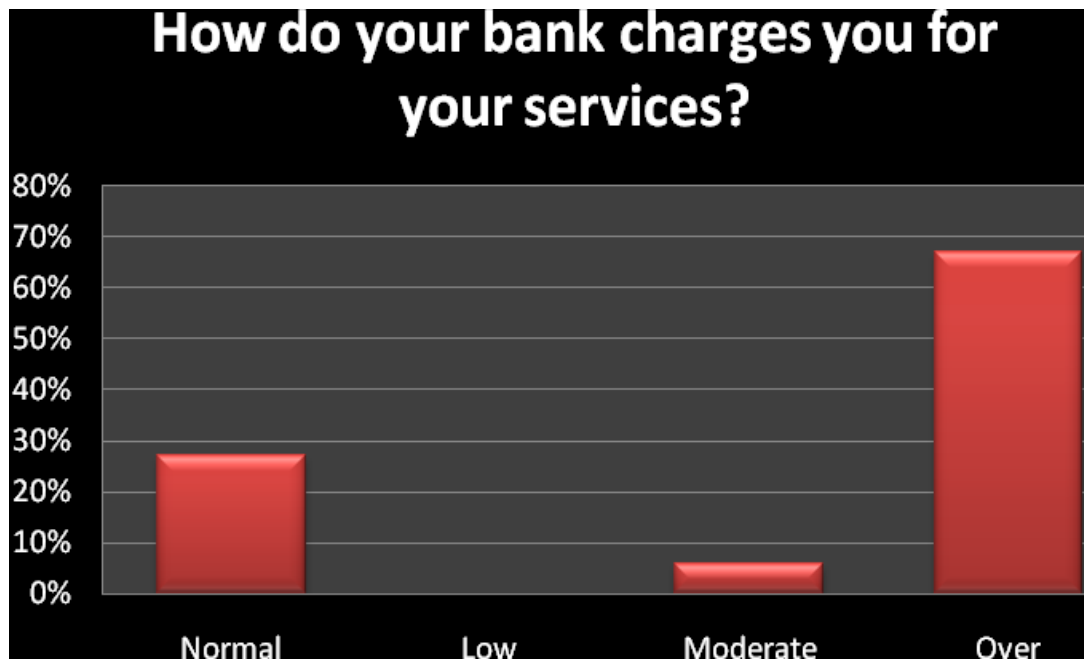
Chart 2.



Primary source, 2019

Above chart 2 of the survey shows that 57% of the respondents says that bank charges discourages customers from saving in the bank whereas 43% of the respondents says that bank charges do not discourages customers from saving in the bank. However, multiple bank charges discourages customers from continued saving from their banks and this lead them to open different account from different banks.

Chart 3.



Primary source, 2019

Chart 3 above reveals the different kind of bank charges on customer services. 67% of the most respondents indicate that their banks over charge them, 27% of the respondents says that their banks charge them normal while the least respondents which is 7% says that their banks charge them moderate.

### Regression Analysis

Based on the table below the value of R is 0.955, the result shows the value of  $R^2$  is 0.913, which implies that 91.3% of the variation in bank charges on customers services is explained by these four independent variables which are (NBC), (LBC), (MBC), and (OBC). Furthermore, the results indicates a significant at  $P=0.000$ .

Results of table below shows that (NBC), (LBC), and (MBC) are significant as ( $P<0.05$ ) and it shows a positive relationship as the beta value is positive. In

contrast, (OBC) is a weak predictor with ( $P > 0.05$ ) and there is no significant association between (OBC) and bank charges on customers services, thus H3 (HBC) can be rejected. From the results, imply that (NBC) is the most influential variable to the bank charges on customers services compare to other variables as it has recorded the highest beta value ( $\beta = 0.955$ ) followed by LBC ( $\beta = 0.168$ ), MBC ( $\beta = 0.145$ ) and OBC ( $\beta = 0.043$ ). All the hypotheses for variables which are significantly correlated with bank charges on customers' services are accepted except H3 for OBC, which is rejected.

**Table 3. Model Summary Results**

MODEL	R	R SQUARE	ADJUSTED R SQUARE	F	SIG.
1	0.955	0.913	0.915	368.781	0.000

Source: This table was developed based on the SPSS version 20.

Simple regression was performed and the results in above table 3 showed that the strength of the relation between the bank charges and the customers services in the researched of deposit banks in maiduguri was ( $R = 95.5\%$ ) and the coefficient of determination ( $R^2$ ) showed that the explained difference percentage in the customers satisfaction because of the impact of bank charges of the deposit banks is ( $R^2 = 0.913$ ), which is acceptable percentage, meaning that (91.3%) of the total differences in customers services for the bank charges is determined through the bank charges.

This indicates that the regression is good explaining the relation between overall bank charges and customers services.

**Table 4. Multiple linear regressions coefficient result**

INDEPENDENT VARIABLE	B	T	SIG
NORMAL BANK CHARGES	0.955	36.78	0.000
LOW BANK CHARGES	0.168	2.883	0.003
MODERATE BANK CHARGES	0.145	3.033	0.002
OVER BANK CHARGES	0.043	0.935	0.351

( $R = 0.955$ ;  $R^2 = 0.913$ ;  $F = 368.781$ ); \* significant level at  $P \leq 0.05$ .

Source: This table was developed based on the SPSS version 20.



The results of the simple regression analysis showed that there is positive impact of the bank charges on the customers satisfaction ( $\beta=0.955$ ) at level of Significance (0.000). Accordingly the researcher rejects the null hypothesis and accepts the alternative hypothesis.

### **Conclusion**

Based on the research findings, three hypotheses were accepted which makes the statistic to be reliable since it gave positive results. The results shows that (NBC), (LBC), and MBC) are critical factors that affect the customers services. This study has contributed to banking researchers about bank charges on customers' services.

In addition, this study shows the positive feeling of bank customers towards bank charges on customers' services. The positive feeling falls on the variables LBC and MBC. Apart from that higher bank charges (OBC) was found to have a relatively weak relationship with bank charges on customers services and this study is inconsistent to few banking studies conducted in the last few years such as Thorten et al (2006), Bank of Jamaica (2013), and Charles et al (2014) as the researchers claimed that OBC has a significant impact on customers services.

However, this result also provided for banking industry with information regarding planning of bank charges on customers' services.

### **Recommendations**

1. Banks are not compliance with guide to charges; therefore, CBN financial policy and regulation department should work tirelessly to check those banks that are not adhered with their policy.
2. Unethical and unprofessional practices have become a worrisome in the banking sector. CBN and NDIC as a matter of urgency should take cares of this issue.
3. Banks have involved and continued over charging their customers services with fees, commission, interest etc. therefore, financial policy and regulation department of the CBN should take an appropriate action on this act.
4. Banks are not precisely enlightening their customers about bank charges on different services provided. Therefore, banks management should be pursue or enforce to enlightening their customers on different charges on different services provided.

5. One of the reasons why banks customers have many accounts with different banks is that of the over charging customers on the services provided by their banks so therefore, banks should stop over charging their customers.

### Future Research

The study of this kind in Nigeria and Africa at large is very scanty. Therefore this study recommends researchers, academicians and banking industry management to conduct similar study in Nigeria to establish whether there is negative impact of bank charges on customer services in Nigeria especially in other states in order to justify this study.

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