

Addis Ababa  
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**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MANAGEMENT**

**EXECUTIVE MBA**

**AN ASSESSMENT OF DEPOSIT MOBILIZATION OF  
COMMERCIAL BANKS IN ETHIOPIA**

**THE CASE OF DASHEN BANK S.C**

**A Thesis Submitted to the Department of Management in Partial  
Fulfillment for the Requirement of the Degree of Executive Masters  
of Business Administration**

**BY**

**DANIEL ALEMU**

**ADVISOR**

**ABEBAW KASSIE (PHD)**

**JUNE, 2018**

**ADDIS ABABA**

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## **Declaration**

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of this university or other institute of higher learning, except where due acknowledgment has been made in the text.

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\_\_\_\_\_

Candidate's Name

Signature

Date

## Statement of Certification

This is to certify that I, Daniel Alemu Gelaw, have carried out this research work on the topic entitled ‘An Assessment of deposit mobilization of commercial banks in Ethiopia -the case of Dashen Bank S.C and that the work is original in nature and is suitable for submission for the reward of the Degree in Executive Masters in Business Administration from Addis Ababa University.

Approved by the Examining Committee

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Advisor	Signature	Date
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External examiner	Signature	Date
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Internal examiner	Signature	Date

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Chair of Department of Graduate Program Coordinator

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## **Acronyms and Abbreviations**

AB	Awash Bank
CBE	Commercial Bank of Ethiopia
DB	Dashen Bank S.C
IFB	Interest free banking
KPI	key performance indicator
NBE	National Bank of Ethiopia
NCA	National Communication Association
NGO	Non-governmental Organization
S.C	Share Company

## ***Abstract***

*This study aims to assess deposit mobilization of commercial banks in Ethiopia by concentrating the case on Dashen Bank S.C. Descriptive method and particularly survey design approaches were adopted for the study. The survey was conducted with staff individuals working in Dashen Bank S.C at different positions using questionnaires. In addition, the study uses structured review of documents and records held by DB and NBE. The study reveals that customer service, branch expansion, the good will of the bank, management flexibility on customer service, provision of foreign currency and the commitment of the staffs highly affect deposit mobilization of the bank. The current situation shows that Dashen bank is operating in a dynamic and highly competitive environment and there is high possibility of catch-up and by-pass among these banks. Dashen bank should prepare for the inevitable stiff competition that will arise from local and with the eminent future entrant of foreign banks.*

***Key word/Phrases: private Commercial banks, Deposit mobilization***

# CHAPTER ONE

## 1. Introduction

### 1.1 Background of the Study

A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also non banking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. A banking system also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day Kapila, (2001).

One of the main objectives of financial institutions is mobilizing resources (in particular domestic saving) and channeling these to would-be investors. Banks play a key role in improving economic efficiency by channeling funds from resource surplus unit to those with better productive investment opportunities. Banks also play key role in trade and payment system by significantly reducing transaction costs and increasing convenience .National communication Association, NCA, (2006). In less monetized countries, like Ethiopia, whilst financial sector is dominated by banking industry, effective and efficient functioning of the banking industry has significant role in accelerating and boosting economic growth. To enhance the role of banks in an economy, competition is an important driving force; without competition, it is improbable to bring about efficiency and foster financial sector development. In other words, insufficient banking services may result in substantial social losses on account of higher price, higher transaction cost, lower credit supply, lack of innovation and poor service quality. Zerayehu, (2013)

According to Mohammad and Mahdi, (2010), financial resources are naturally provided from people's deposit. Therefore, we can say that deposits are the most important resource for commercial banks. Thus the amount of deposit a commercial bank should have at hand should be enough to make the bank involve in the market in order to satisfy the financial needs of its customers. Given this general facts, therefore, the bank is expected to mobilize its deposit.

Managing deposits is not possible without knowing the factors affecting it. There are several factors that are claimed to be determinant factors affecting deposit mobilization of banks Selvaraj & Kumar, (2015), also State that, Banks borrow and lend; they borrow money by accepting deposits from the public including members of the bank. Deposits are the life blood of a banking institution. For Banks, the amount of deposits is very important and therefore all banks compete among them for mopping up deposits. The banks should introduce various deposit schemes so that these can attract a variety of people to suit their taste. The banks offer a number of deposit schemes to the public which include, saving deposit, current deposit, fixed deposit and the like.

The mobilization of resources through deposits helps the bank to meet the growing demands from various sectors of the economy namely, agriculture, small scale industry, weaker sections of the community and the like. The quantum of deposits and growth rate in deposit figures shows the extent of public confidence that a bank enjoys. It is the size of the deposits that largely decides the lending potential of a bank.

Banks, the world over, thrive on their ability to generate income through their lending activities. The lending activity is made possible only if the banks can mobilize enough funds from their customers. Since commercial banks depend on depositor's money as a source of funds, it means that there are some relationships between the ability of the banks to mobilize deposits and the amount of credit granted to the customers. Thus, the main function of financial institutions of mobilizing funds from the surplus economic agents to the deficit economic agents is put to test in order to generate economic growth. However, the efficiency of performing this function depends on the level of development of the financial system. The finance literature provides support for the argument that countries with better or efficient financial systems grow faster, while inefficient financial systems bear the risk of bank failure. The efficiency of a financial system is gauged by how speedily and cheaply the financial system is able to channel funds from the surplus economic agents to the deficit agents for productive investments, while ensuring reasonable returns for the financial intermediaries. Obamuyi, (2013)

According to Zewdu, (2014), despite those encouraging changes in its structure, the Ethiopian financial sector is not diversified in terms of the type of institutions delivering the service and the

type of financial products being delivered. The financial service is dominated by a cash based system.

Now a day, the Ethiopian Banks are developing strategies that enables them to mobilize deposit. But, the Commercial Bank of Ethiopia is aggressively increasing accessibility to far remote areas, increasing operational efficiency, and the government also making favors by giving some way of deposit mobilization such as issuance of bonds to mobilize funds that would be used for huge development projects such as Great Renaissance Dam, Condominium housing projects (Government plans to make every non-home owner citizens to have shelter). On top of this, every civil servant also get his or her salary only from CBE. However, those who save to be home owners and civil servant citizens are medium and low income groups. Therefore, they cannot save in any other private banks because additional saving is beyond their capacity.

As done by Desinga, (1975), we can classify the variables which are claimed to have effect on commercial banks' deposit into two, namely Exogenous and Endogenous factors. Exogenous factors can further be divided into country specific factors and bank specific factors for clarification purpose. Endogenous (Internal) factors can be controlled by the banking system, however, the Exogenous factors (The bank specific factors and the country specific factors) cannot be controlled by the banking system. The bank specific factors are factors that are specific to the banking system and the country specific factors are factors that are beyond the banking system.

Exogenous factors are further sub divided into two, i.e. country specific factors and bank specific factors. Country specific factors includes saving interest rate, inflation, real interest rate, population growth of the country, per capita income of the society, economic growth (as measured by real GDP), consumer price index and shocks. Bank specific factors include liquidity of the bank, profitability of the bank, security of the bank, number of commercial bank`s branches, bank size, reserves and transaction cost. The endogenous factors include awareness of the society, convenience of bank`s office and services in the bank. These are the variables that are claimed in the literature to affect the volume of total deposit of commercial banks.

In Ethiopia, during the pre-1975 imperial era, there had few banks (dominated by foreign ownership) and the absorptive capacity of the economy was too low even to accommodate

moderate competition. In the Derg regime (1975-1991), private banks were fully nationalized and left no room for competition. After the down fall of the Derg regime in 1991, private banks were again allowed to operate in consistent with the ideology of market oriented economic policy under the proclamation of licensing and Supervision of Banking Business Proclamation No.84/1994. Accordingly, new private banks were established and their role and position in the industry have been flourished from time to time. Ethiopia appears unique compared to most African countries and many other developing countries because it has not yet opened its banking sector to foreign participation. Gedey, (1990) and Abebaw,( 2011).

The Ethiopian banking sector remains isolated from the impact of globalization. The government believes that liberalization may result in loss of control over the economy and may not be economically beneficial. Ethiopia has no capital market and investing in shares of private companies is limited. A series of financial sector reforms has been introduced since 1994, after private banks were allowed to operate. But, the state-owned bank, Commercial bank of Ethiopia continues to domino licensing and supervision ate the market in terms of capital, deposit, profit and assets. Abebaw,(2011).

## **1.2 Banking in Ethiopia**

Traditional financial system in Ethiopia has long history and plays a great role to economic betterment and social wellbeing of the society. Traditional institutions organized with a sense of cooperation and risk sharing has enabled Ethiopians to experience saving and financial management within its cultural context. Equb and Edir are some of the informal financial institutions that shaped the social bond and interaction Gebeyaw , ( 2008).

Modern banking in Ethiopia was introduced after the agreement that was reached in 1905, between Emperor Minilik II and Ma Gillivray, representative of the British owned National Bank of Egypt. Following the agreement, the first bank called Bank of Abyssinia was inaugurated in Feb.16, 1906 by the Emperor. After fifteen years of its operation, Bank of Abyssinia opened branches in different areas of the country in Harar, Dire Dawa, Dessie and Djibouti. By 1931, Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Haile Selassie came to power.

The new Bank, Bank of Ethiopia, a purely Ethiopian institution, was the first indigenous bank in Africa, and established by an official decree on August 29, 1931 with capital of £750,000. In 1941, another foreign bank, Barclays Bank, came to Ethiopia with the British troops and organized banking services in Addis Ababa, until its withdrawal in 1943. Then, on 15th April 1943, the State Bank of Ethiopia commenced full operation after 8 months of preparatory activities. In 1945 and 1949, the Bank was granted the sole right of issuing currency and deal in foreign currency. The Bank also functioned as the principal commercial bank in the country and engaged in all commercial banking activities. The National Bank of Ethiopia with more power and duties started its operation in January, 1964. Following the incorporation as a share company on December 16, 1963 as per proclamation No.207/1955 of October 1963, Commercial Bank of Ethiopia took over the commercial banking activities of the former State Bank of Ethiopia. It started operation on January 1, 1964 with a capital of Eth. Birr 20 million.

There were two other banks in operation namely Banco di Roma S.C. and Banco di Napoli S.C. that later reapplied for license according to the new proclamation each having a paid up capital of Eth. Birr 2 million. The first privately owned bank, Addis Ababa Bank Share Company, was established by Ethiopians initiative and started operation in 1964 with a capital of 2 million in association with National and Grindlay Bank, London which had 40 percent of the total share. In 1968, the original capital of the Bank rose to 5.0 million and until it ceased operation, it had 300 staff at 26 branches.

There were other financial institutions operating in the country like: Imperial Savings and Home Ownership public Association, which specialized in providing loans for the construction of residential houses and to individuals under the guarantee of their savings.

Saving and Mortgage Corporation of Ethiopia whose aims and duties were to accept savings and trust deposits account and provide loans for the construction, repair and improvement of residential houses, commercial and industrial buildings and carry out all activities related to mortgage operations.

Agricultural Bank that provides loan for the agricultural and other relevant projects established in 1945. But in 1951 the Investment Bank of Ethiopia replaced it. In 1965, the name of the bank

once again changed to Ethiopian Investment Corporation Share Company and the capital rose to Eth. Birr 20 million, which was fully paid up.

Following the declaration of socialism in 1974, the government extended its control over the whole economy and nationalized all large corporations. Organizational setups were taken in order to create stronger institutions by merging those that perform similar functions. Accordingly, the three private owned banks, Addis Ababa Bank, Banco di Roma and Banco di Napoli Merged in 1976 to form the second largest Bank in Ethiopia called Addis Bank with a capital of Eth. birr 20 million and had a staff of 480 and 34 branches. Then Addis Bank and Commercial Bank of Ethiopia S.C were merged by proclamation No.184 of August 2, 1980 to form the sole commercial bank in the country until the establishment of private commercial banks in 1994.

The Savings and Mortgage Corporation S.C. and Imperial Saving and Home Ownership Public Association were also merged to form the Housing and Saving Bank with working capital of Birr 6.0 million and all rights, privileges, assets and liabilities were transferred by proclamation No.60, 1975 to the new bank. The financial sector that the socialist oriented government left behind constituted only three banks and each enjoying monopoly in its respective market, the following was the structure of the sector at the end of the era: the National Bank of Ethiopia (NBE), the Commercial Bank of Ethiopia, and Agricultural and Industrial Development Bank.

Following the demise of the Dergu regime in 1991 that ruled the country for 17 years under the rule of command economy, the Ethiopian People's Revolutionary Democratic Front declared a liberal economy system. In line with this, Monetary and Banking proclamation of 1994 established the national bank of Ethiopia as a judicial entity, separated from the government and outlined its main function. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector.

### **1.3 Back-ground of Private Commercial Banks in Ethiopia**

Private commercial banks are a recent phenomenon in the Ethiopian economy. They came into existence after the downfall of the Dergu regime two and half decades ago. Before the Dergu in the imperial era, private commercial banks used to operate in the economy. But after Dergu came to power, private commercial banks were nationalized and amalgamated with the state owned banks, then after that Ethiopian economy was dominated by state owned banks. And in the time of Dergu they were not allowed and not only banks but also there were no other private sector. Surprisingly no one was allowed to have a sum of money more than ETB 500, 000.00 in his/her bank account.

After the downfall of the Dergu private commercial banks were allowed to operate and they started to have market share and now they are playing major role in the Ethiopian economy. Their number was also growing from time to time but as a result of entry constraint set by National Bank of Ethiopia (NBE), minimum paid up capital requirement was initially set 75 million and gradually raised to 500 million and within the next few years they should raise to 2 billion, which is practically impossible not only for new entrants but also for those who joined lately, because of the capital requirement no new private commercial bank has entered to the market since 2013.

Following the Proclamation of Licensing and Supervision of Banking Business Proclamation No. 84/1994, awash bank was registered as the first private commercial bank in modern Ethiopia banking business. So far 16 private commercial banks are operating in the country.

The new economy policy introduced in November ,1991 caused the culmination of the command economic heard ling the establishment of a market oriented one .This policy change created an opportunity and a conducive environment for the emergency of private financial institutions aimed at bringing a meaningful economic role in the development efforts of the country.

Dashen bank(DB) was established as per the intent of the new policy and the Ethiopian investment code .It came in to existence on September 20, 1995 and started normal business activities on 1 January 1996.According to the commercial code of Ethiopia, 1960 and the

licensing and supervision of banking business proclamation No .84/1994. The main objective of this study is to assess deposit mobilization of Dashen bank.

## **1.4 Statement of the Problem**

Commercial banks have the need to mobilize resources without any restrictions in Ethiopia. Deposit is one of the resources banks highly motivated to mobilize and the most liquid money that is found in the treasury of the bank and which is ready to be borrowed in need of the fund. The deposit mobilization of the banks may be affected by different factors. A deposit is the most useful Liabilities of the bank and it is relevant to assess deposits mobilization of banks and asses their relationship. Even though, mobilizing deposit is the major activity of all commercial banks, managing and assessing the deposit mobilization is a mandatory task for banks.

Dagne, (2015), affirmed that, the government of Ethiopia is always talking about non-inclusive services of private banks because of their small capacity and their profit motive .This pushes the government to become an active participant in the banking industry. In one way, the government is correct, but discouraging the private banks with rules and regulations is not the way to make them competitive.

On top of this, Federal Negarit Gazette, (2013) under the proclamation number 780/2013, the finance intelligence center announced to control Anti-money laundry and countering the financing of terrorism support. Banks also have obliged to take due diligence & identify the source of the wealth and funds of the customer when new customer account is opened and give information on every deposit and withdrawal beyond birr 300,000.00 and USD 15,000.00 this leads some business persons to think as government is tracking their transaction . Therefore this is also being a big threat on deposit mobilization.

According to Abay (2010), by sub-Saharan Africa standards, Ethiopia's rate of domestic saving has been very low. From 1997 to 2010, the average saving rate in low-income countries of the region was about 9 per cent, while it was about 19 per cent for middle-income countries. In the same period, the average saving rate of fragile sub-Saharan African states was 11.5 per cent, still significantly higher than Ethiopia's rate of 4 per cent.

Previously a number of researches on deposit mobilization in commercial banks have been done. The researchers found out that the major factors affecting deposit mobilization are branch expansion, knowledge of staffs who are engaged on deposit mobilization, interest rate Samuel (2015), but the main limitations or weaknesses of the previous researchers were overlooking of other factors which are equally important for deposit mobilization in commercial banks. Some of these factors are availability of Electronic banking services, customer segmentations, provisioning of foreign currency for customers, and provision of loans. The reason for the present study was there are technological changes in the industry, economical and policy changes are happening; therefore knowing the current situation will help the bank to assess the deposit mobilization activities.

Therefore, the purpose of this study is, to assess the deposit mobilization for private commercial banks and recommend ways for enhancing the capacity for mobilizing deposit concentrating the case mainly on Dashen bank S.C.

Dashen bank has been selected a subject of study by the researcher because of the following reasons. For the last twenty years the bank had been the leading among private banks both in deposit and profit which are the key performance indicators of the industry. However, starting from the past two years its position was taken over by other competitor in the industry. Therefore, the researcher wants to identify why this happens to Dashen bank. The other factor that Dashen bank has been selected is because the researcher is working in the bank in areas where mainly focusing in deposit mobilization and as a result facing challenges in meeting deposit targets. Hence, the researcher wants to assess the deposit mobilization and based on the research to recommend possible solutions.

## **1.5 Research Questions**

The research raises and provides answer to the following research questions regarding the topic.

- What are the factors affecting the deposit mobilization activities of commercial banks of Ethiopia for the case of Dashen Bank S.C?
- To evaluate the relationship between total deposit against the most significant factors.
- What should commercial banks do to record progressive deposit result?

## **1.6 Objective of the Study**

The general objective of this study is to assess the deposit mobilization activities of commercial banks while the specific objectives are:-

1. To assess deposit mobilization performance of the bank.
2. To assess the branch network in relation to deposit mobilization.
3. To assess deposit mobilization activities of Dashen Banks.
4. To assess customer satisfaction of Dashen Bank.
5. To assess economic factors in relation to deposit mobilization of private banks.
6. To assess deposit mobilization strategies of the bank.

## **1.7 Significance and Implications of the Study**

An assessment of deposit mobilization of commercial banks in Ethiopia (The Case of Dashen Bank S.C) has the following significances; The study will help commercial banks to manage their deposit by letting them know what affects it and which variable is the most important, It serves for further study in the sector and will help as additional input for concerned policy makers and future researchers, The study will add knowledge on the field of banking and financial resource studies.

The other significance of this study is, to support further investigation on the area. Since, there are no sufficient studies conducted on this area, it will also help other researchers through revealing issues for further research.

## **1.8 Scope of the Study**

This study was limited to the area banks of Dashen bank S.C. Situated in Addis Ababa. Up country branches of Dashen bank and other private banks were not included in the study due to budget and time constraints. Hence, the questioners were collected from the selected area branch staffs of DB, who have five years experience and above services in the bank.

## **1.9 Organization of the Study**

The paper is organized into five chapters including the introduction part of the study. The first chapter states the background of the study, statement of the problem, the general and specific objectives of the study, the significance of the study, scope of the study and organization of the study. The second chapter incorporates the literature review part and it includes the theoretical and empirical literature review on commercial bank deposit. The third chapter demonstrates the methodology of the study. The sources of qualitative and quantitative data of the study are indicated. The fourth chapter includes the analysis of the data and presentation of the output. Finally, in the fifth chapter the researcher completes the findings of the study, recommendations and the conclusion made.

# CHAPTER TWO

## 2. Literature Review

### 2.1 Introduction

This chapter discusses about the theoretical as well as empirical review. In this topic the researcher has reviewed related literatures regarding the role of financial sector for economic development of a country and major factors identified by other researchers that have an impact on deposit mobilization activity of banks.

### 2.2 The Concept of Banking

The history of banking refers to the development of banks and banking throughout history, with banking defined by contemporary sources as an organization which provides facilities for acceptance of deposits and provision of loans.

The first prototype banks were the merchants of the world, who made grain loans to farmers and traders who carried goods between cities. This began around 2000 BC in Assyria and Sumeria. Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans, while accepting deposits and performing the change of money. Archaeology from this period in ancient China and India also shows evidence of money lending activity.

Many histories position the crucial historical development of a banking system to medieval and Renaissance Italy and particularly the affluent cities of Florence, Venice and Genoa. The Bardi and Peruzzi Families dominated banking in 14th century Florence, establishing branches in many other parts of Europe. The most famous Italian bank was the Medici bank, established by Giovanni Medici in 1397. The oldest bank still in existence is Banca Monte dei Paschi di Siena headquartered in Siena Italy, which has been operating continuously since 1472.

The development of banking spread from northern Italy throughout the Holy Roman Empire and in the 15th and 16th century to northern Europe. This was followed by a number of important innovations that took place in Amsterdam during the Dutch Republic in the 17th century and in London since the 18th century. During the 20th century, developments in telecommunications

and computing caused major changes to banks' operations and let banks dramatically increase in size and geographic spread. The financial crisis of 2007–2008 caused many bank failures, including some of the world's largest banks, and provoked much debate about bank regulation.

Banking is one of the oldest professions in human history, it also flourished with civilizations. Since humans started, using money bank services were in use throughout history. Modern banking as we know it today was established in Italy and Greece in the 15th century. Today, banks are one of the most important institutions for a modern economy to work in any country. Gedey, (1990)

Different historical sources states that the first foundations of the banking service in the world were put by goldsmiths and silversmiths. They have a safe box to put & they were the most trusted. They used to receive gold, silver and various jewelries to put with them.

Therefore an individual or a merchant puts his wealth under their custody, for their service they charge a small amount of money and give the customer a receipt to guarantee their acceptance. Then they started using, money paying instrument what we now call this document as 'check'. However as time goes by , the goldsmiths and Silversmiths observed that their customers wouldn't take their jewelry soon, and those clients, whenever they face the shortage of money, they started lending to this people and Started to get profit from their service. They encouraged depositing and lending and rather than making the customers to pay a charge for depositing, they started to pay them interest and introduced the public to work with money. It is believed that, ancient Assyrians, Babylonians, Athenians, Romans and Abyssinians also used the banking service. Gedey, (1990)

Some authorities, relying upon a broad definition of banking that equates it with any sort of intermediation activity, trace early banking as far back as ancient Mesopotamia, where temples, royal palaces, and some private houses served as storage facilities for valuable commodities such as grain, the ownership of which could be transferred by means of written receipts. There are records of loans by the temples of Babylon as early as 2000 BC. Temples were considered especially safe depositories because, as they were sacred places watched over by gods, their contents were believed to be protected from theft. Companies of traders in ancient times

provided banking services that were connected with the buying and selling of goods. Britannica, (2010)

A broader definition of a bank is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. This broader definition includes many other financial institutions that are not usually thought of as banks but which nevertheless provide one or more of these broadly defined banking services. These institutions include finance companies, investment companies, investment banks, insurance companies, pension funds, security brokers and dealers, mortgage companies, and real estate investment trusts. Encarta, (2009)

Banks play a very important role in the economic development of every nation. They have control over a large part of the supply of money circulation. Banks are the main stimulus of the economic progress of a country. The financial sectors contribution to growth lies in the central role it plays in mobilizing savings and allocating these resources efficiently to the most productive uses and investments in the real sector. Ayalew, (2009)

### **2.3 Determinants of Bank's Performance**

Different empirical evidences suggested that performance of financial institutions specifically banks are affected by internal and external factors. Andreas and Gabrielle, (2009) stated that bank profitability is usually measured by the return on average assets and is expressed as a function of internal and external determinants. The internal determinants include bank-specific variables. The external variables reflect environmental variables that are expected to affect the profitability of banks. Internal factors such as liquidity, capital adequacy ratio, asset size, asset quality, net-worth, earnings quality, loan performance, business risk, management quality, people, technology and operating environment are major determinant that are used to analyze the determinants of bank profitability. External macroeconomic and industry-specific factors include effective tax rate, real GDP growth, inflation, regulation and Bank concentration. Some of the stated internal and external determinants are discussed below.

## **I. Liquidity**

A bank or financial institution has to be liquid to meet payment obligations to depositors and creditors. This calls for a sound Asset Liability Management by the bank. Liquidity analysis considers the bank's ability to meet its obligations and is very critical for a bank to remain a going concern. The absence of liquidity can lead to failure of a bank. It also considers the proportion of liquid assets to total assets along with their deposit renewal rate (brickwork rating, 2010).

Liquidity allows banks to meet depositors' and creditors' demand and so to maintain public confidence. There needs to be an effective asset and liability management system to minimize maturity mismatches between assets and liabilities and to optimize returns.

## **II. Bank Concentration**

The bank concentration variable is defined as the ratio of the largest banks' assets to the total assets of the entire banking sector. Market structure in the banking industry measured by means of the bank concentration variable according to the structure conduct profitability of banks in highly concentrated markets earn monopoly rents, as they tend to collude .Gilbert, (1984). As collusion may result in higher rates being charged on loans and lower interest rates being paid on deposits, a higher bank concentration have a positive impact on profitability. On the other hand, a higher bank concentration might be the result of a tougher competition in the banking industry, which would suggest a negative relationship between profitability and market concentration as stated in. Boone and Weigand,( 2000). As a result, the overall effect of market concentration on banking performance is again undetermined.

## **III. Bank size**

In most of the finance literature, the total assets of the banks are used as a proxy for bank size. Size is used to capture the fact that larger banks are better placed than smaller banks in harnessing economies of scale in transactions to the plain effect that they will tend to enjoy a higher level of profits. Consequently, a positive relationship is expected between size and profit. Indranarain, (2009).

One of the most important questions in the literature is how to determine an optimal bank size in order to maximize bank profitability. According to Andreas and Gabrielle, ( 2009), larger banks are likely to have a higher degree of product and loan diversification than smaller banks. In addition to the higher diversification potential, economies of scale can also arise from a larger size. Diversification reduces risks and economies of scale lead to increased operational efficiency. The growing banking size is positively related to bank profitability. However, they also argued that banks that have become extremely large exhibit a negative relationship between size and profitability due to agency costs, bureaucratic processes and other reasons related to a large firm size.

#### **IV. Human capital**

The people in a bank are the most valuable resources and the major driving force for successes and failures. The quality of human resources employed by a bank greatly affects its profitability i.e., the recruitment process and training standard of the financial institution reflects the quality of the people in the organization, compensation package as per the industry norms and attrition rate in the financial institution which reflect the satisfaction among the employees towards their work and organization. Brickwork ratings, (2008).

Currently, considerable emphasis is being focused on the competencies that the employees in the organization have and will need the organization to grow in the future. Yet the mobility of human capital is less a threat to competitive advantage than it would first seem to be because once an organization integrates human capital with other complementary resources and uses this integration to create organizational capabilities, losing one or a few individuals may not lead to a loss of competitive advantage John I , (2009).

#### **V. Management quality**

Performance will depend on the vision, capability, agility, professionalism, integrity, and competence of the Financial Institution's management. A sound management is crucial for the success of any institution. The quality of the management will determine the success of a bank or financial institution. The performance of a bank is largely dependent on the vision, competence,

and integrity and risk appetite of the management (Financial Management and Analysis of Projects, 2006).

The analysis of the management also factors in their integrity and the overall corporate governance standards in the bank. The risk appetite in terms of the bank's exposure to various categories of asset, adoption of technology and responsiveness to competition and growth strategy impacts the bank's profitability thus is considered during the analysis of bank profitability .Brickwork ratings ,(2008). Although, the relationship between expenditure and profits appears straightforward implying that higher expenses mean lower profits and the opposite, this may not always be the case. The reason is that higher amounts of expenses may be associated with higher volume of banking activities and therefore higher revenues. Tobias and Themba,( 2011).

## **VI. Gross Domestic Product (GDP)**

Macroeconomic conditions affect banks' performance in a number of ways. Firstly, there will be a higher demand for bank credit in times of economic boom than in times of recession. According to Belayneh, ( 2011), from microeconomic indicators, the only significant factor of bank profitability is real GDP growth. He stated that the current real economic growth of the country makes commercial banks to be more profitable. A high aggregate growth rate may strengthen the debt servicing capacity of domestic borrowers, and therefore, contribute to less credit risk. Alternatively, adverse macroeconomic conditions hurt banks by increasing the amount of non-performing loans. Thus, it is expected that an improvement in economic growth enhance banks' performance.

## **VII. Technology**

European central bank, (1999) stated that the information communication technology development had a strong influence on the structure and the activities of the banking sector. The elements that have changed are several, besides allowing transactions to be conducted more efficiently; technology allows banks to market their products more effectively. The technology deployed in banks affects its operational efficiency and determines its competitive position in the market .Brickwork ratings, (2008).

As per Thomas, (2010), technological development removed repetitive and time consuming tasks, reduced human error and extended access to banking related facilities. Technology also provides customer information that it would be much more expensive to provide on a person-to-person basis. The dilemma still remains, however, as to how to maintain a satisfactory number of face-to-face interactions with the customers.

Information technology developments affect banking in two main ways. First, it contribute to the reduction of the costs associated with the management of information (collection, storage, processing and transmission) by replacing paper-based and labor intensive methods with automated processes. Second, it modifies the ways in which customers have accesses to banks' services and products, mainly through automated channels (remote banking). Whereas improvements in the area of information management have been taking place for a long time, remote banking is a more recent phenomenon with developments occurring more progressively, especially in retail banking .European Central Bank, (1999).

## **VIII. Regulation**

The banking industry is among the most heavily regulated industries in the world and Ethiopian banking industry is also one of the most heavily regulated industries. As quoted from , Sudin, (1996), the main reason for regulation is to provide a sound, stable and healthy financial system, and Peltzman, (1968) was among the first researchers to empirically test the effects of regulation on performance. Instead of profit, he used the bank's capital as a proxy for performance. Peltzman, (1968) findings indicated that a prohibition on interstate branching and legal restrictions on new entry had a significant impact on the market value of a bank's capital. Fraser and Rose, (1972) also studied whether the opening of new institutions had any significant adverse effect on the growth and profitability of competing institutions. They found that, despite some evidence of slowing in the growth rate of deposits, the profitability of existing institutions was not adversely affected by the opening of new branches by their competitors.

### **2.3 The Importance of Deposits**

Deposit, is a main source for providing loans and so are important financial source of banks. Banks make profit using their deposits :( Mahendra ,2005) said that deposits provide most of the

raw materials for bank loans and thus represent the ultimate source of the bank's profits and growth. Banks make profit by using their deposits, therefore it is said that depositors can discipline banks. Maria and Sergio, ( 2001) found that depositors discipline banks by withdrawing deposits and by requiring higher interest rates. For depository corporations mainly deposit money banks, their principal objectives is undertaking financial intermediation to make profit and increase their shareholders value Sheku, (2005). They achieve their objectives mainly by attracting deposits and investing the money on profitable investment portfolio.

**Cheaper than raising equity:** Banks, as any other business organizations, funds from debt and or equity. In the banks context raising equity is more expensive or costly than attracting deposits. Lorenzo et al (,2010) states that, if the lending channel plays a role, the deposit growth should lead to an increase in the supply of loans due to the additional source of financing for banks. As demand for loan increases because of the development work done by individuals, businesses and government, banks should extend their deposit base. When a commercial bank creates a deposit by lending to a business man, it is clearly performing a function for which it is entitled to a return in the form of interest payments, Harold, (1946).

**Fund investment and or development projects:** Debt is largely held by domestic commercial banks which are funded mainly from deposits. The government demand for bank assets enabled banks to continue to expand their deposit base rapidly and profitably .Herald and Heiko, (2009) Individual investors and government are mainly depending on the deposits of banks to fund their investments and/or development projects.

Generally, the banking system can be viable only if it can mobilize deposits at the required rate, and this can be done only by making a bank deposit more attractive (V. V. Bhatt, 1970).

The ability of a bank's management and staff to attract saving, current and time deposit accounts from business and individuals is an important measure of the bank's acceptance by the public Mahendra, (2005).

## 2.4 Types of Deposits

Bank deposits are broadly classified into three types; (S. Venkatesan, 2012) saving deposits, Current deposits, and Fixed (term) deposits.

**Current deposits:** It is a deposit generally used by businessman, industrialist and others to settle debts. These current deposits, on which cheques are issued, they are also known as demand deposits. They are mostly non-interest bearing.

**Saving accounts:** These accounts are opened by many people who need to save their wealth usually beyond current consumption and in anticipation of future investment such as building own house, buy car and to self sponsor education etc. In doing so the account holder earns interest on the saving balance.

Saving accounts are the most favored deposit account for commercial banks as they are cheap and are usually stable in nature. They are the services with which banks reach out the broad mass of people.

**Fixed or Term Deposits:** These deposits are kept by the bank for specified period of time per the agreement between the bank and depositor. Higher interest rate is paid by the banks for such kinds of deposits depending upon the amount of deposits and the length of period for keeping the deposits as per the agreement of both parties.

## 2.5 Factors Affecting Deposits of Commercial Banks

An important indicator of the success and efficiency of any credit agency, which is also a banking institution is, the extent to which it is able to mobilize the savings of the community in the form of deposit. But deposit mobilization is very difficult task. It depends up on various factors internal and external to the banking system, Desinga (1975). External factors are the general economic environment of the region, the volume of business transaction of the region, the confidence of the people on the banking system, the banking habit of the people and the saving potential of the region. Even when external factors are more conducive for deposit mobilization, banks may fail because of unfavorable internal factors such as location, type of

building and window dressing (furniture, cheque books, vouchers, pay slips etc), which assure the customers about the physical fitness of a bank ,Desinga,( 1975).

Desinga, (1975) classifies the variables which are claimed to have effect on commercial banks' deposit into two, namely exogenous and endogenous factors. Exogenous has further divided into country specific factors and bank specific factors for clarification purpose. Endogenous (Internal) factors can be controlled by the banking system. However, the Exogenous factors (The bank specific factors and the country specific factors) cannot be controlled by the banking system. The bank specific factors are factors that are specific to the banking system and the country specific factors are factors that are beyond the banking system.

### **I. Country Specific Factors**

The country's economic, social and political factors can affect commercial banks deposit. According to , Herald and Heiko (2009), country specific risks such as political, economic and financial risks may affect the propensity for depositors to place funds in the banking system. Any single bank operates under the rule and regulation of the country where it belongs, also different problems and shocks that has happened in the country has its own concern in the banks operation. Generally, banks' success in their operation is mainly depends on the environment where the business is undertaken. The researcher has identified ten country specific factors that have effect on the commercial banks deposits from the literature. These are saving interest rate or deposit rate, inflation, real interest rate, number of commercial banks available in the country, population growth, per capita income of the society, economic growth, consumer price index, gross domestic product (GDP) and shocks.

From those countries specific factories identified, eight country specific factors are discussed below;-

#### **1. Saving interest rate**

One of the most effective factors for deciding to deposit in banking system is the interest rate, Mohammad and Mahdi (2010). Moreover, this article shows the impact of interest rate on the performance of the banking system to achieve the goals that are expected from the banking system. Herald and Heiko, (2009), also mentioned interest as one of the determining factor for

commercial banks deposits. Philip, (1968) also states that the offering of attractive interest rate on bank deposits may be considered to have had a beneficial effect. Moreover, Mustafa and Sayera (2009) said that low deposit rates are discouraging saving mobilization.

Interest rate in the banking system is held as investment cost from the investor's point of view and opportunity cost from the depositor's point of view, Mohammad and Mahdi (2010). Thus, capital market forces balance interest rates. In other words, the just and correct interest rate should be determined through market mechanism, that is, interest rate is balanced in supply and demand conditions in proportion with the inflation rate.

Eustacius and David,(1995) states that deposits are more interest rate sensitive and banks may choose to increase investments in interest rate sensitive assets and to decrease investments in loans. That is commercial bank deposits are interest rate sensitive, therefore as the interest rate changes the deposit of the commercial banks will change.

As to, Erna and Ekki ,(2004), Economists, mainly conventional ones, believe that depositors are attracted to deposit their money in banks because of the opportunity cost of holding cash in hand is high when the interest rate is also high (Romer, 2001, p. 346; Athukorala and Sen, 2004, p. 498). This can easily be explained by the utility maximization (cost minimization) premise, as a depositor will choose an action that will maximize their welfare or satisfaction. As to, Richard (1971) regulation of the commercial banking industry affects the returns which commercial banks realize on their deposits and capital. That is although deposits are the source for profit of banks it is influenced by regulation of the country. Accordingly, the higher profit rate on demand deposits is to a large extent the result of the prohibition against the payment of interest on these deposits. Therefore, depositors are motivated by returns.

## **2. Inflation**

As to, Herald and Heiko (2009), inflation is one of the factors that determine commercial banks deposits. The classical belief is that, because bank assets and liabilities are expressed in monetary terms and because these assets will normally grow in line with growth in money supply, banks are relatively immune from the effects of inflation, Devinaga (2010). In brief, monetary policy works by controlling the cost and availability of credit. During inflation, the Central bank can

raise the cost of borrowing and reduce the credit creating capacity of commercial banks. According to, Devinga, (2010), this will make borrowing more costly than before and thereby the demand for funds will be reduced. Similarly with a reduction in their credit creating capacity, the banks will be more cautious in their lending policies. Since the banks demand for fund decreases obviously the deposits will decrease. Banking system was affected by inflation in terms of deposit absorption and facilities grant, Mohammad and Mahdi (2010). As to Mohammad and Mahdi, (2010), in developed countries negative correlation between inflation and absorbed deposits and granted facilities has been documented. However, in developing countries the opposite is true.

Inflation with effect in economic growth, employment, income distribution and wealth as well as social and political conditions of a country can influence its entire dignity, Mohammad and Mahdi (2010). As to Mohammad and Mahdi, (2010), as far as the effect of inflation on financial sector conceived the literature demonstrates that inflation affects the capacity of financial sector for optimal allocating of resources. That is as inflation rate increases, true yield rate of money and assets decrease; therefore deposits are no longer attractive. Also the increase of inflation rate has a negative effect on the performance of financial sector through the market credits and in turn, on the performances of banks and capital markets and finally on the long term economic growth , Mohammad and Mahdi (2010).

With respect to the effect of inflation on savings, it can be mentioned that in general, all individuals who save a part of their incomes in banks are directly damaged by the inflation and their assets decrease in proportion with money value decrease, Mohammad and Mahdi (2010). In that case as ,Mohammad and Mahdi (2010) describes people try to change their cashes and savings to more reliable and stable forms such as land, jewelry, antiques, art collections, foreign currencies that causes to definite decrease in commercial bank's total deposit. High inflation rates reduce the real value of deposits (M. A. Baqui et al, 1987). According to (M. A. Baqui et al, 1987), inflation technically did not decrease deposit; however, it decreases the value of deposits.

### **3. Real Interest Rate**

Real interest rate is nominal interest rate minus inflation rate. Mohammad and Mahdi, (2010) said that in negative real interest rate situation, people will withdraw their resources from

banking system. According to, Mohammad and Mahdi (2010), some research supposed that decrease in real interest rate could decrease true demands for money (in its extensive definition including savings and time deposits). Therefore it states that the interest rate and deposit of the banks have positive relationship. According to (Voon-Choong et al ,2010), while interest rate risk is a major concern for banks due to the nominal nature of their assets and the asset-liability maturity mismatch ,Hasan and Sarkar( 2002), some researchers emphasized that higher interest rates had positive impact on banks (Hanweck and Ryu, 2004; Hyde, 2007).

#### **4. Population growth of the country**

The twin objectives of commercial banks, i.e. mobilizing deposits and advancing credit cannot be attained without good banking habits of the people, Mahendra (2005), In addition, Mahendra (2005) states that, the number of deposit accounts is more important because it ensures that the probability of account holders withdrawing cash at a time decreases as the number of deposit account increase, thereby creating advantage for banks in terms of increasing the size of the loanable fund. So the higher number of deposit accounts the greater is the advantage to banks. The number of deposit accounts depends on the number of deposit account holders.

#### **5. Per capita income of the society**

According to, Jim (2008), per capita is the level of GDP divided by the population of a country or region. Changes in real GDP per capita over time are often interpreted as a measure of changes in the average standard of living of a country. If households and firms desire to hold more money, deposits will increase, Evan (2006). So, the relationship between income and deposits is positive. That is, as the income of the society increases the same happens for the commercial banks' deposits. Income is expected to have a positive effect on deposits (M. A. Baqui et al, 1987). Therefore as society's per capita income increases the same will happen for commercial banks deposits.

#### **6. Economic growth**

Economic performance is generally being measured through GDP (Gross Domestic Product), a variable that has also become the de facto universal metric for 'standards of living (Yanne et al, 2007). It is universally applied according to common standards, and has some undeniable

benefits mainly due to its simplicity (Yanne et al, 2007). According to, Herald and Heiko (2009), growth is one of the determining factors for commercial banks deposits. GDP is calculated by adding up the value-added at each stage of production (deducting the cost of produced inputs and materials purchased from an industry's suppliers), Jim (2008).

## **7. Consumer price index**

According to, Herald and Heiko (2009), price can also determine commercial bank deposit and it can be indicated by consumer price index. In literature there is an evidence for the influence of consumer price index on commercial banks deposit.

## **8. Shocks**

Aggregate shocks affect deposits and interest rates during crises, regardless of bank fundamentals and investors' responsiveness to bank risk taking increases in the aftermath crises, Maria and Sergio (2001). Therefore, given all other variables the shocks happened in the economy can affect the banks' deposits.

## **II. Bank Specific Factors**

### **1. Liquidity of the banks**

The concept of liquidity in finance principally lies in two areas, ISMAL and RIFKI (2010):- Liquidity of financial instruments in the financial market and the liquidity related to solvency.

The former related to liquid financial markets and financial instruments, smooth transactions and no barriers. As to, ISMAL and RIFKI (2010), the latter discusses the obligation of banks to make payments to third parties (Fiedler, 2000:442). Some examples of this includes: setting up liquidity management policies, reserve liquidity, balancing assets and liabilities and preparing liquid financial instruments, ISMAL and RIFKI (2010).

An important measure of liquidity is loan to deposit ratio. The loans to deposit ratio is inversely related to liquidity and consequently the higher the loans to deposit ratio the lower the liquidity and vice versa, Devinga (2010).

Key liquidity indicators such as central bank credit to financial institutions, deposits as a share of monetary aggregates, loans to deposits ratios, are important for open market operations and liquidity management Sheku, (2005). According to (Voon-Choong et al, 2010), the basic need for liquidity, asset, liability, capital adequacy, credit and interest rates risks management are now more challenging than before ,Mishkin (2007). The banks' liquidity management involves acquiring sufficient liquid asset to meet the bank's obligation to depositors (Voon-Choong et al, 2010). According to the findings of Dorothee and Andrea, (2009) it is more profitable for savings banks to hold liquid assets than to invest in illiquid assets, such as medium-term interbank lending to other credit institutions.

According to the theories of financial intermediation, the two most crucial reasons for the existence of financial institutions, especially banks, are their provision of liquidity and financial services ISMAL and RIFKI, (2010). According to ISMAL and RIFKI, (2010), regarding the provision of liquidity, banks accept funds from depositors and extend such funds to the real sector while providing liquidity for any withdrawal of deposits, however the banks' role in transforming short term deposits into long term loans makes them inherently vulnerable to liquidity risk (Bank for International Settlements (BIS), 2008b:1). Individual, business and government will be willing to deposit their money in banks if they are certain that they are safe to withdraw the money whenever they want, this is the question of liquidity of banks. The more liquid banks can attract the deposits.

## **2. Profitability of the bank**

Erna and Ekki, (2004) find the long run relationship between commercial banks deposits and the profitability of the banks. Higher bank profits would tend to signal increased bank soundness, which could make it easier for these banks to attract Deposits ,Herald and Heiko(2009). However, the effect of bank profitability and bank size are found to be insignificant once controlling for the other variables. So, the effect of profitability and banks size on commercial bank deposit is lower as compared with other variables.

### **3. Security of the bank**

Security of banks matters in mobilizing deposit. Riskier banks would be able to attract deposits only paying higher Interest rates. The security of banks has its own impact on its attractiveness for depositors. For example in the existence of deposit insurance the depositors no longer are concerned about the soundness of their banks because their deposits are insured in the event of bank failure. So the bank should secure its system so as to mobilize more deposit than before and to attract new depositors and maintain the exiting depositors.

### **4. Branches**

There is a relationship between commercial banks deposits and commercial bank's branch expansion. Not only are deposits influenced by bank branches, but the expansion of bank branches is also influenced by the level of deposits in any area (M. A. Baqui et al, 1987). It is expected that banks make decisions on expanding their facilities by considering factors such as level of competition, deposit potential, regional income, existence of road and vehicles and other infrastructures. As deposit potential is one thing that banks consider in expanding its branches, the deposit can also be a reason for branch expansion strategy that the banking sector uses. According to, Erna and Ekki (2004), there is a long run relationship between commercial bank branch and commercial banks deposits.

Daniel (2005), suggest that the lack of widespread branching bank networks hindered the development of large-scale industrial firms. It is stated that unit banks become increasingly incapable of receiving deposits from a widespread geographic area. The single office bank is also not able to monitor geographically diffuse debtors as easily as could be done with multiple offices. Moreover, it can be concluded that under branch banking the mobility of capital is almost perfect.

### **5. Bank size**

Among the factors prominently identified as affecting deposit variability one is bank size. Evidence indicates that the number and diversity of the ownership of individual deposit accounts as well as the distribution of deposits by type vary with bank size, George (1972). Herald and Heiko, (2009) founds that although insignificant once controlled by other variables bank size

have an effect on deposits. Smaller banks has to generate less deposits in absolute terms to achieve the same deposit growth than large banks, thus possibly favoring smaller banks in achieving higher deposit growth. But a larger bank with economies of scale as well as larger branch network might be able to better attract deposits, Herald and Heiko (2009).

## **6. Reserves**

Richard Goode and Richard S. Thom, (1959) said that reserves that are fixed legally can influence the deposits that banks can hold. According to them reserve requirements determine the maximum amount of loans and investments that each commercial banks and the banking system as a whole may maintain in relation to deposits. Thus, if the reserve requirement is 20 percent of deposits, loans and investment (of the bank's own choosing) may not exceed 80 percent of deposits. Therefore, reserve requirements limit the total expansion of bank deposits that can occur on the basis of any primary increase in deposits.

Reserve requirements also have the effect of limiting the reduction in bank credit and deposits that is forced up on the banking system by a primary decrease in deposits. The commercial banks can obtain currency to pay out to customers only by drawing down their reserve deposits at the central bank or by using till money, Richard Goode and Richard S. Thom (1959). Till money, according to Richard Goode and Richard S. Thom, (1959) is the currency that banks keep on hand to satisfy day to day needs. They pointed out that bank deposits are a large part of the money supply in virtually all countries.

## **7. Transaction cost**

One of the Important indicator of management's effectiveness in any bank are whether or not deposited funds have been raised at the lowest possible cost and whether enough deposits are available to fund those loans the bank wishes to make ,Mahendra (2005).

## **III. Internal Factors**

In the literature three internal factors are identified that can affect the growth of commercial banks deposits. They are awareness of the society for using banks to deposit their money, convenience of Bank's office and service in the banks.

### **1. Awareness of the society**

According to (M. A. Baqui et al, 1987), some analysts argue that demand for deposits is influenced by education level which in turn increases the awareness of the rural people about banking services (Mauri; Von Pischke). Since the study of (M. A. Baqui et al, 1987) conducted by taking rural area as its base it is obvious that it considers the awareness as a factor of deposit mobilization. It was also found that literacy as a proxy for awareness about banking, positively influence deposits.

### **2. Convenience of Bank's office**

Road access and availability of vehicle directly influence interest bearing deposits because of the reduction in depositors' transaction costs through reduced time spent in travelling to and from banks (M. A. Baqui et al, 1987). Banks can mobilize more deposit when they make themselves closer to their customers.

### **3. Services**

It is known that banks are service giving organizations and the service delivery can affect their business undertakings. (M. A. Baqui et al, 1987) stated that there is some empirical evidence demonstrating the positive influence of services rendered to depositors. Baqui further suggested two innovations to be tested to provide incentives to depositors: - Additional benefit like prize bounds could be given to depositors for maintaining deposits for particular period. As recommended by (Nathan, 1986), one category of deposits might be specifically tied to future loans. Bank customers might be encouraged to participate in a savings program that, for example, provides machinery or housing after a predetermined amount of savings has been accumulated.

Services in the bank should be attractive enough for the depositors so as to mobilize deposits. If the banks could offer these services, the savers would be inclined to keep part of their saving in the form of deposits (V. V. Bhatt, 1970).

## 2.6 Empirical Review

Among the articles written on the subject, the researcher has selected six studies made by:-

- 1) Samuel, (2015) Challenges of Deposit Mobilization for Private Commercial Banks in Ethiopia: A case of Awash international bank.
- 2) Shemsu, (2015) Determinants of commercial bank deposits in Ethiopia: A case of commercial bank of Ethiopia
- 3) Adem, (2015) Determinants of Commercial Bank Deposits in Ethiopia: A case of Commercial Bank of Ethiopia.
- 4) Giragn, (2015) Determinants of Deposit Mobilization and Related Costs of Commercial Banks in Ethiopia.
- 5) Andinet, (2016) Factors Determining Deposit Mobilization Performance: A Case of Private Commercial Banks in Ethiopia.
- 6) Kibebe, (2016) Determinants of commercial bank deposit mobilization Evidence from private commercial banks in Ethiopia

According to **Samuel, (2015)**, the researcher used data from Awash international bank in doing the research uses both primary and secondary data, the researcher uses applied research by using Awash bank as model using descriptive and explanatory analysis. The data of total deposit of AIB for 3 years was used.

Given the summary result of descriptive and explanatory analysis, the study had concluded the following to commercial banks by taking AIB as evidence of the study. The major ones are listed below: -

The main source of capital for commercial banks is deposit and saving deposit is the most used kind of deposit in banks. Profitability of the commercial banks mainly depends on the amount of deposit they collect from the customers, Service excellence, good will of the bank, branch

expansion, forming deposit mobilization team at Head office level and branch level, promotional effort, affects the growth deposit of AIB.

According to **shemsu, (2015)** the researcher used both the descriptive and empirical analysis, the study had concluded the following: -

The survival of every commercial bank in Ethiopia highly depends on deposit because mobilizing deposit for commercial banks is a matter of survival. Without having enough deposit for commercial banks business is nothing. The same is true for commercial Bank of Ethiopia. This study also assured us without having enough deposit CBE can't survive as a bank.

According to the study deposit mobilization is very difficult tasks because of having many factors determine bank deposit. Based on this empirical evidence from the analysis the key factors for CBE's deposit growth are service Excellency, branch expansion , promotional effort, interest rate, awareness creation and using new banking technologies. Among these, interest rate is considered as less significant in deposit growth due to a little market based rate of adjustment are exercised in CBE.

Based on the research findings, the following were recommended for CBE to mobilize more deposits:

- It is well known that mobilizing deposit is a core activity of all commercial banks. By the same analogy CBE's major activity is mobilizing deposit. Therefore the bank should give due emphasis to its deposit mobilizing tasks by considering mobilizing deposit is a way to survival.
- Managing deposits is not possible without knowing and controlling the factors affecting it. Thus CBE should have identified the sources of deposit by considering the determining factors of bank deposit.

It has been clearly noted that enhanced accessibility has a positive relationship with bank deposit growth. Thus, by addressing banking accessibility, CBE can resolve problems experienced in deposit mobilization and can channel the more resources in the hands of the community.

**Adem (2015)**, uses mixed research approach. Regarding to the qualitative data; questionnaire is used to gather information from the employees of commercial bank of Ethiopia particularly for those employees who actively participated in deposit mobilization tasks in CBE city branches. Regarding to the secondary data; time series data covering 1998 -2014 was analyzed. First, the time series data were assessed using descriptive statistics for the variables as well as the test for heteroskedasticity, autocorrelation and normality testing to know if the assumptions of CLRM violated or not. Second, estimated model was a single regression equation with deposit as the dependent variable and explanatory variables as deposit interest rate, overall inflation rate, number of branch opening, gross domestic product, individual foreign remittance and dummy variable.

Estimation was done using Ordinary Least Squares technique by E-views7 statistical package. The results from economic analysis showed that all the explanatory variables were positively correlated with the explained variable. Among these variables, branch opening is an important strategy for deposit mobilization, it is highly significant than others. Individual remittances from diasporas is also next to branch opening is significantly affects CBE's deposit, and finally, the study had recommended what should be done to encouraging deposits growth by Commercial bank of Ethiopia for the benefit of the domestic deposit mobilization.

**Giragn (2015)**, the study revealed that deposit mobilization is the main focus of many banks. However, finding deposit is becoming a challenging job for the banks in Ethiopia compatible with the growing need of loans. Owing to the growing need for finances from new and existing businesses of the country coupled the banks own desire to make profits from those finances, deposit mobilization is becoming the critical success factor for banks. The fast increasing number of branches, the service modernization activities and the growing competition among banks all justify this fact.

There are limited types of deposit products mainly three namely saving, current and fixed time deposits services commonly sold to the customers by the local banks. The great majority of customers are saving account holders.

The main factors for deposit growth are the changing awareness of the people for savings, growth in the number of branches of banks, in per capita income, in money supply and in the

exchange rate to USD. Service excellence and proximity and convenience of bank branches to the public were also mentioned.

**Andinet(2016)**, Results from the regression analysis estimated by fixed effect regression model showed that number of bank branches has positive significant impact on bank deposit growth, deposit interest rate has positive significant impact on bank deposit growth, bank liquidity (liquid asset to deposit ratio) has negative insignificant impact on bank deposit growth, lagged bank deposit has negative significant impact on bank deposit growth, Net interest margin has positive insignificant impact on bank deposit growth, Inflation rate has negative insignificant impact on bank deposit growth and GDP rate has positive significant impact on bank deposit growth.

Overall, the results provide evidence that bank specific and macroeconomic variables determine the growth of deposit in Ethiopia private commercial banks.

**Kibebe (2016)** ,by using descriptive and empirical analysis, the study had concluded the following:-

- The external factors such as Age Dependency Ratio, Money supply and Investment and legal environment affects the operation and performance of financial institutions.
- The internal factors such as literacy about saving, quality customer service and narrow scope of branch affects the total deposit.
- One of the main factors that affect the savings mobilization is the awareness of the people. The more the people are conscious the higher will be the savings mobilization.
- The main challenges of private banks is inaccessibility or having small number of branches, stiff competition , Government participation in banking industry , Government laws such as imposing tax based on bank statement and reports to Financial Intelligence Center.
- The difference in deposit mobilization among branches are convenience of bank branches, quality customer services, and proximity of branches to job or home, awareness of the society, convenient working hours, low cost /charges and General appearance of office materials

**Summary of the empirical review-**Both the internal and external factors are affecting the deposit mobilization efforts of banks with various degree. The empirical review showed that deposit mobilization is a major task for banks survival, from the external factors economic growth and inflation and from the internal factors awareness of the society, convince of banks and service quality are going to be studied, in addition the effect of provision of foreign currency, customer experience, customer segmentation and their effect of on deposit mobilization.

As stated above deposit mobilization in commercial banks is affected by both external and internal factors. Under each major factor there are a number of variables by which deposit mobilization of banks are impacted. Among these variables in this research, economic growth and inflation from external factors, and awareness of the society, convenience of banks for customer, and service quality from internal factors are selected because of their significant impact on deposit mobilization of commercial banks.

## **CHAPTER THREE**

### **3. Research Design and Methodology**

The previous chapter presents literatures on the concept of banking, major determinants for banks' Performance and preview of Ethiopian banking industry. It also briefly narrates the importance of deposit, the types of deposit and factors affecting deposits of commercial Banks. This chapter discusses the methodology employed for the study

#### **3.1 The Research Design**

The researcher chooses to conduct an applied research which is directly related to his career. The primary objective of this study is to assess deposit mobilization of commercial banks in Ethiopia taking Dashen Bank S.C as a model bank through descriptive research and to recommend ways for betterment. The descriptive research approach was used to systematical describe and assess the factors affecting deposit.

The study used both primary and secondary data. The primary data was collected through questionnaire from 75 respondents who have been serving the bank for five years and above since they have adequate experience in deposit mobilization. These respondents were selected from management and supervisory staffs of Dashen Bank S.C who are working in city branches, District offices, Head office and premium branch. The selection for branches was based on their grades. The secondary data was collected on various issues from annual bulletins of the National Bank of Ethiopia, annual reports of Dashen Bank S.C, Proclamations and regulations related to banking and finance, directives issued by the Monetary Authority, Articles, journals, books and pervious research works relevant to this topic in order to get quantitative data such as number of branches, annual deposit by type and profit so that where Dashen bank stands in deposit mobilization can be known.

#### **3.2 Type of Research Design**

Based on the objectives of the study, the research was designed to include questionnaires and secondary data. The questionnaires consisted of both structured, close ended and open ended

questions. They were filled by vice presidents, district office managers, operation managers, branch managers and customer service managers.

### **3.3 Sampling Design**

#### **3.3.1 Target Population**

The data obtained from Dashen bank S.C 21 Annual Report for the year ended June 30, 2017 shows that currently there are 305 branches, 17 Directors, 12 District offices, 4 vice presidents and the president office.

As the primary objective of this study was focused on assessing deposit mobilization of commercial banks in Ethiopia focusing mainly on DB S.C, the staffs that are included in the sample are the once which have better experience in operational and deposit mobilization activities and believed to be better sources of information for the study. For this reason, staffs of DB have been taken as a target population for the study.

#### **3.3.2 Sampling Technique**

In order to obtain data for this study, non probability purposive sampling method was employed. This is because the selected respondents having sufficient work experience and relevant position can best meet the research objective.

#### **3.3.3 Sample Size**

The population of this research was 3(three) vice-presidents, 2(two) premium branch managers, 24(twenty four) district office managers, forty two (42) managers from grade two branches, (eighteen) 18 managers from grade three branches, and 18(eighteen) managers from grade four branches. Therefore, the total number of target population was 111 management groups. From this total population 75 management members (67.57%) have been taken as sample for this study.

### 3.3.4 Sampling Procedure

The sampling procedure employed was that from the target population of branches, district offices and vice presidents , of Dashen bank S.C three(3) vice presidents, twelve (12) district office managers ,twelve (12) district offices operation managers ,twenty five ( 25) branch managers, twenty five(25) customer service managers, who are believed to have a better exposure and experience to deposit mobilization activities, were selected as a sample for the study.

**Table 3.1.** Number of Branches in Addis Ababa starting operation before five years and Selected Branches with their Respective branch managers and customer service managers

<b>Grade</b>	<b>Number of Branches qualifying the criteria</b>	<b>Number of Selected branches</b>	<b>Number of managers</b>	<b>Total staff Selected from Each class</b>
Premium branch	1	1	2	2
4	9	8	16	16
3	9	6	12	12
2	21	9	18	18
<b>Total</b>	<b>39</b>	<b>23</b>	<b>48</b>	<b>48</b>

**Table 3.1** shows that 2,questioners for premium branch ,16 questionnaires to class four, 12 to class three, and 18 to class two will be distributed, total of 48 to branch managers and customer service managers in Addis Ababa city .

As to the District office I have selected all the 12 district office since they are the major players in deposit mobilization activities 24 questioners was distributed for the district office manager and the operation manager to Head Office, 3 to vice-presidents and 2 for premium branch . Totally, 75 questionnaires were distributed to employees in the selected area branches, district offices, premium branch and Head office.

**Table 3.2.** Selected Branches District offices and Head Office Respondents with their Respective Position

<b>NO</b>	<b>Position</b>	<b>No of respondents</b>
1	Vice presidents	3
2	District office managers	12
3	District office operation managers	12
4	Branch managers	24
5	Customer service managers	24
<b>Total</b>		<b>75</b>

**Table 3.2** indicates, out of the 75 questioners prepared, 3 were distributed to Vice presidents, 12 to district office managers, 12 to district office operation managers, 24 to branch managers and 24 to customer service managers of the bank. This shows that the researcher attempted to address the employees who have direct relationship with the banks deposit mobilization activity.

### **3.4 Sources and Tools of Data Collection**

The study used both primary and secondary source of data and in addition, the study used quantitative and qualitative data. In order to address the research objectives, primary data was collected from each sample of vice president offices, district offices, and branches using questionnaires. The secondary data was gathered from, literatures and previous studies in the sector and experience of other countries, Studies, Reports, newsletters and Annual reports of Dashen bank, National Bank of Ethiopia, and other private banks and any other related Journals and Articles

### **3.5 Data Analysis and Interpretation**

As the study uses a descriptive analysis method, the data collected was presented, Organized, analyzed and interpreted using descriptive statistical tools such as frequency, cumulative frequency, and percentages as per the convenience to the type of data used for best interpretation and easy understanding.

The questionnaires were analyzed using descriptive analysis techniques. The researcher uses Excel software to analyze the questionnaires and describe the result. Accordingly 61 questionnaires are analyzed and interpreted using the statistic result that the excel displays.

## **CHAPTER FOUR**

### **4. Data Presentation and Analysis**

The previous chapter's presented orientation of the study, the literature review, the empirical review and the research methods adopted in the study. As discussed in the preceding chapters, this study was aimed at an assessment of deposit mobilization of commercial banks in Ethiopia the case of Dashen bank S.C. and to recommend various ways that can help for the deposit mobilization activities.

Data collected from the respondent through questionnaire and using secondary source were presented using tables and graphs, and analysis was made. In so doing frequency tables and percentages were applied. These help to thoroughly analyze and interpret the questions one by one in order to reach meaningful results.

#### **4.1 Data Presentation and Discussion**

##### **4.1.1 Dashen Bank Deposit Mobilization Performance**

All private banks including Dashen bank S.C mobilize their funds from Customers, from their operational profits and their shareholders contribution. The largest portion is coming from customer's deposit. Therefore, deposit mobilization is a major task for banks and their existence is highly depending on the fund they mobilize from the public in general and their customers in particular.

Dashen mobilize deposit mainly in three forms, i.e. saving deposit, demand deposit, and fixed (Time) deposit. In Dashen bank demand deposit is interest bearing which makes the bank unique from other banks. As indicated in table 4.1 here under, as of June 30, 2016/17, in terms of composition, saving deposit constitutes the largest share of the deposit, i.e. 67%, whereas demand and time deposit make up the remaining portion of the deposit, i.e. 24% and 9%, respectively.

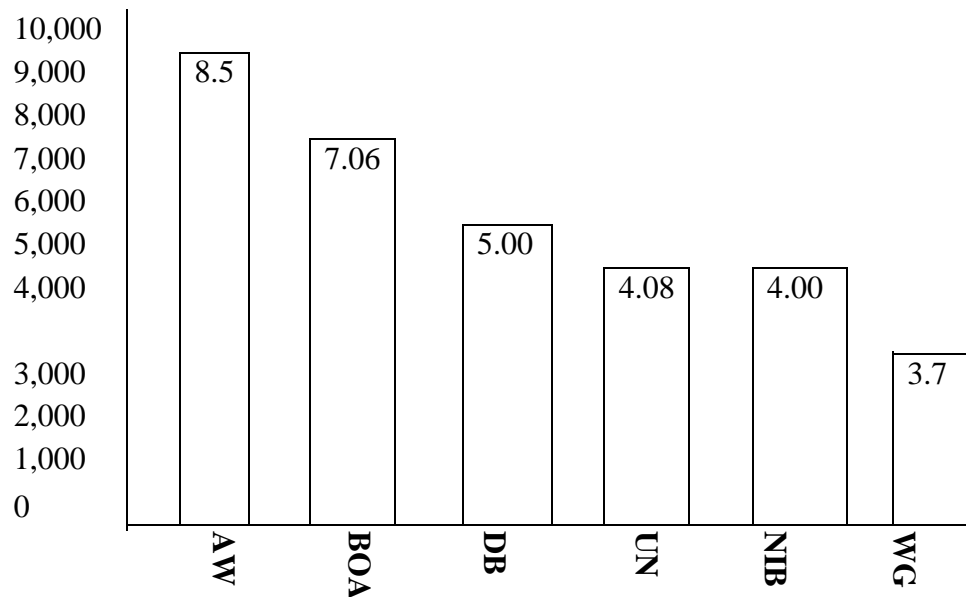
**Table 4.1.** Composition of DB Deposits (In ‘000 Birr)

Description	Financial year		
	2014/2015	2015/2016	2016/2017
Saving	13,595	15,227	18,498
Demand	4,762	5,939	6,749
Fixed(Time )deposit	1,458	1,592	2,536
<b>Total</b>	<b>19,815</b>	<b>22,758</b>	<b>27,783</b>

**Source (DB Annual report 2014/15, 2015/16, 2016/17)**

As indicated in the above table deposit of DB has been growing during the last few years. For example, total deposits of DB has increased by Birr 5.2 billion (18 %) from 2015/16 to 2016/17. On the other hand it has increased by 2.94 billion (13%) from 2013/14 to 2014/15. DB largely believed that the growth reflects the effect of concerted efforts of deposit mobilization, the planned branch expansion, and public confidence on the Bank. But as indicated in the bar graph below the incremental growth was not satisfactory compared to peer groups in the industry.

**Figure 4.1** Absolute Deposit Growth of Selected Private Banks, 2016/17(000,000)) (Annual report of the banks, 2016/17)



**Table 4.2** Composition of Income (In ‘000 Birr)

Description	Financial year		
	2014/2015	2015/2016	2016/2017
Interest Income	1,414	1,522	2,070
Non-interest Income	1,101	1,212	1,345
<b>Total income</b>	<b>2,515</b>	<b>2,733</b>	<b>3,415</b>

The lion’s share of the banks income (61 %) was coming from interest income, the remaining (39%) comes from non interest income, (2016/2017). Interest income is the result of loans and advances that banks extended for their customers. The later is in turn highly affected by deposit mobilized by the banks. This means that if the bank is not able to mobilize deposit, it will not be in a position of granting loans and advances up on requested by its customers. This shows that the bank’s profitability is mainly dependent on the amount of deposit mobilized.

#### **4.1.2 Branch Expansion for Deposit Mobilization**

Banks use branches as a means for deposit mobilization. Hence, as banks increase their number of branches and widen the geographical coverage, they can mobilize more deposits. In 2016/17, 956 new branches were opened by different banks, thereby raising the total number of branches to 4,257 from 3,301 a year earlier. As a result, bank branch to population ratio declined from 1:27,932 people in 2015/16 to 1:22,164 people in 2016/17. About 33 % of bank branches were located in Addis Ababa.

The Major branch expansion was undertaken by Commercial Bank of Ethiopia (160 branches), followed by Cooperative Bank of Oromia (103 branches), Awash International Bank (94 branches), Berhan international Bank (89 branches), Dashen Bank (83 branches) and Abyssinia Bank (77 branches). The share of private banks in total branch network rose to 66.6 percent from 61.8 percent last year, in line with the branch expansion target set for private banks in GTP II .(NBE annual report ,2016/2017).

### 4.1.3 Major Points on Deposit Mobilization Activities of DB (2015-2017)

Average Year-to-year growth is 18.5%, owing to increase in all components of deposits, Time deposits and saving deposits depicted significant growth of 37% and 17% respectively. DB couldn't maintain its deposit market share, the gap between the leader from private banks, Awash bank (AB) and DB increased to Birr 4.98 billion in 2016/17 from birr 1.3 billion in 2015/16. On the other hand the gap between DB and its follower Bank of Abyssinia (BOA) is decreased from Birr 9.16 billion in 2015/16 to Birr 7.1 billion Birr in 2016/17((DB Annual Report 2011/12, 2012/13, 2013/14, 2014/15, 2016/17). The implication is that DB is operating in a challenging situation where by the competition is stiff and there is high possibility of being passed by other competitors.

## 4.2 Survey Results

Seventy five questionnaires were distributed to DB management staffs with job positions such as vice presidents, District managers, District operation managers, Branch managers, and customer service mangers.

**Table 4.3.** Sample size and questionnaires return rate

<b>Respondents' position</b>	<b>Questionnaire distributed</b>	<b>Questionnaires Completed and Returned</b>	<b>Response rate(61/75)</b>
Vice presidents	3	3	100%
District Managers	12	9	75%
District Operation Managers	12	8	67.67%
Branch Managers	24	23	95.8%
Customer Service Manager	24	18	75%
<b>Total</b>	<b>75</b>	<b>61</b>	<b>81.33%</b>

**Source: Own Survey and computation**

From the above table the total rate of return of the questionnaire was 81.33%. The highest rate of return which is 100% was from the bank's Vice Presidents where as the lowest rate of return was from district operation managers which were 67.67%. The rate of return from District Managers and Customer Service Managers was equal, i.e. 75%. While the rate of return from Branch managers was 95.8%.

**Table 4.4.** Job position of the Respondents

<b>Job Positions</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Vice presidents	3	5%	5%
District office managers	9	15%	20%
District office operation managers	8	13%	33%
Branch managers	23	38%	71%
Customer service managers	18	29%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table from the total number of respondents from whom questionnaires were returned three (5%) were vice presidents, nine (15%) were District Office Managers, eight (13%) were District office Managers, Twenty three (38%) were Branch Managers and the remaining 18(29%) were Customer service managers. Therefore, the highest numbers of respondents in terms of job positions were branch managers while the lowest numbers of respondents were Vice Presidents.

**Table 4.5.** Gender Distribution of the Respondents

<b>Sex</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Male	55	90%	90%
Female	6	10%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

The above table shows that from the total number of respondents male respondents constitute the higher share which was 90%, the remaining 10% were female respondents.

**Table 4.6.** Age Distribution of the Respondents

<b>Age</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Below 30 years			
30 - 40 years	37	61%	61%
41 - 50 years	22	36%	97%
51 and above	2	3%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

With respect to age of the respondents 61% respondents were below 40 years, 36% of the respondents were between 41 and 50 years and the rest 3% were 51 and above.

**Table 4.7.** Work experience of the Respondents

<b>Work Experience</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Below one year			
1 - 5 years			
6 - 10 years	6	10%	10%
10 - 15 years	22	36%	46%
16 years and above	33	54%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

With regard to work experience of the respondents, many of the respondents 54% were highly experienced staffs who stay more than 16 years in the banking industry, 36% of the respondents have a banking experience of 10 to 15 years, and 10% of the respondents with 6 to 10 years of banking experience.

## **II. Deposit Mobilization Issues**

The first question raised to respondents with regard to deposit mobilization was about the mechanisms that the bank use to encourage/ motivate deposit mobilization efforts made by branches. With this regard, respondent's states that there are resource mobilization teams formed at the Head office, District office and Branch level. These teams exert relentless effort to increase the volume of deposits. The Head office and district office resource mobilization committee supports the teams at branch level and the strategic office evaluates and rank branches on monthly basis based on their incremental deposit .We can understand that deposit mobilization activity has got attention at the bank level .

Major Key performance indicators (KPI )set for evaluating the deposit mobilization performance of branches include; incremental deposit comparing against the budget set and comparing against the June balance . Number of accounts growth during the month; Number of cards both visa and American Express sold during the month; Number of re-activated or re-instated customer accounts which had been inactive before. As elucidated by respondents, DB classifies its branches in to four grades and one Premium branch based on the number of customers, volume of deposit, and number of loan accounts, outstanding loan balance and

volume of transactions. Therefore, branches compete with in their respective grades. Based on the cumulative results of branches for the whole budget year, DB acknowledges the best performer branches by rewarding them during its staff day celebration from each grade. We can understand that there is competition among branches to record better result against the budget set with in their class and there is monitoring and evaluation at the head office level.

Respondents also identify the strengths and weaknesses of the current deposit mobilization efforts/practices of the bank; from the Strength side It encourages branches to exert their efforts consistently for deposit growth Through the effort of reactivating inactive accounts, it helps to recall loyal customers of the bank; Being net increase in number of accounts as a performance criterion, it helps to widen the customer base of DB; The activities broaden the marketing knowledge of staffs. From the Weaknesses, in evaluating branches, it considers only branches' month end deposit balance, it doesn't consider location advantages/disadvantages of branches and doesn't consider average monthly balance it takes only month end balance.

Branches effort in mobilization of deposit is encouraging, but the monitoring and evaluation needs revision.

**Table 4.8.** Understanding and Commitment of staffs for deposit mobilization

<b>Particular</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Very good	12	20%	20%
Good	38	62%	82%
Satisfactory	8	13%	95%
Poor	3	5%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

Respondents were asked to evaluate the understanding and commitment of DB's staffs on deposit mobilization. 20% of the respondents evaluate as very good, 62% of the respondents evaluate the understanding and commitment of DB's staffs on deposit mobilization as good and 13% of them evaluate as satisfactory and 5% of the respondents evaluate that the understanding and commitment of DB's staffs on deposit mobilization was poor.

The understanding and commitment of the bank staffs towards deposit mobilization needs improvement, the management has to work towards that by giving awareness training on marketing and the importance of deposit for the existence of the bank.

**Table 4.9.** The Contribution of Recently Introduced Various New Products of Deposit accounts in mobilizing Deposit

<b>Particular</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Very good	6	10%	10%
Good	27	44%	54%
Satisfactory	19	31%	85%
Poor	9	15%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

With the intension of expanding its product base, DB introduced various types of special deposit accounts like, Hybrid, saving plus, modified youth, student, and interest plus, salary and current account protection accounts. With this regard, respondents were asked on how they measure the contribution of these new products for deposit mobilization. 10% of the respondents reply that these new products have a very good contribution towards deposit mobilization of the bank, 44% of them measure the contribution as good, 31% of the respondents measure the contribution only as satisfactory, and 15% of the respondents believe that the contribution of these new products for the deposit mobilization effort was poor.

From the above response we can see that the effect of the new products is not that much, the bank has to see the problem why those new products don't contribute much to the deposit mobilization of the bank, is it because of the product itself? Or is it the product knowledge of the staff is not as expected or other reasons.

What has been done in Dashen bank S.C .to promotes awareness of the society pertaining to DB's services?

- Use of advertisements on TV, radio, newspapers, and magazines
- Personal selling.
- Sponsoring films, TV dramas, documentaries and various events.
- Organize public awareness sessions.
- Participating in various exhibitions.
- By distributing leaflets and flyers.

The ability to attract and retain big depositors has a decisive role to the deposit growth of a bank. And so, special consideration and handling to these corporate customers should be given. Respondents mention what they identify as special services that DB provides for corporate customers. These are;-

- Segmentation of customers based on their loan exposure at corporate and district offices.
- Assigning relationship manager for corporate and district customers.
- Providing special consumer loans for their staffs and company owner at relative low interest and equity contribution based on their annual account turnover and foreign currency generation.
- Preferential interest rate on loans and advances taken by the customers based on their export performance.
- Third party financing based on the contract agreement signed between the bank and the customer.
- By establishing premium branch for corporate customers.
- Cash collection directly from the customers' office.

**Table 4.10.** Volume of Deposits Grows because of Special Service provided for the corporate customers

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Yes	34	56%	56%
No	27	44%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As can be seen in the above table, 56% of the respondents believed that because of the special services given to the corporate customer's volume of deposit were increasing; where as 44% of the respondents do not believe the increase in deposit was due to the special services rendered to those customers. We can see that segmentation of customer service has impact on deposit; therefore the bank has to strengthen further.

**Table 4.11.** Customer's satisfaction Rating

<b>Particular</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Very good	4	7%	7%
Good	42	69%	76%
Satisfactory	13	21%	97%
Poor	2	3%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

Respondents were asked about their evaluation on the level of customers' satisfaction, 7% of the respondents believe that the level of satisfaction was very good, while 69% of the respondents say the level of satisfaction was good, 21% of the respondents believe that the level of customers' satisfaction is only satisfactory and 2% of the respondents say that there was poor customers' satisfaction on DB's services. From the above figures we can see that the bank has to work on customer satisfaction in order to win the stiff competition which has effect on the deposit mobilized.

As explicated in the questionnaire, customers express their satisfaction/ dissatisfaction about the service of the bank using the below listed mechanisms:-

- Suggestion boxes.
- Direct reporting to the branch manager.
- Direct reporting to the District office manager or operation manager.
- Direct reporting to Head office through telephone.
- Customer’s opinion Survey.
- Reporting to Deposit Mobilization team members during their visit.
- By using Email and face book.

In order to get feedback from customers the bank is using various means, but it is not that match enough, the bank has to have call center like other banks and the respective branch manager phone no or the respective district office manager phone should be posted at the counter.

**Table 4.12** Major Cause for the variation in deposit among branches of DB

<b>Particular</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Convenience of location	20	33%	33%
Availability of parking areas	14	23%	56%
Effort of the branch staffs	22	36%	92%
Other reasons	5	8%	100%
Interest rate			
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

In relation to the main reason for the variation in deposit among branches of DB, 33% of the respondents believe that convenience of location of the branch were the major reasons for the

variation and 23% gives the main reason to availability of parking areas. 36% of the respondents relate the variation with the deposit mobilization efforts made by the branch staffs. Nevertheless, 8% of the respondents reasoned for other reasons like awareness of the staffs, number of other banks branch found in the area, and competence of the branch manager. From the above response we can see that the effort of the staffs has great impact followed by convince of location of the bank, therefore the bank has to consider selection of the manpower for branches that have deposit mobilization knowledge, and attention should be given to convince of the location in opening branches.

**Table 4.13** Factors affecting Deposit Growth of DB

<b>Particular</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Government Interventions towards privately owned banks	17	28%	28%
People attitude towards private banks	13	22%	50%
Branch office location and poor parking area	12	19%	69%
Computation with other private and governmental bank	13	22%	91%
Other Reasons	6	9%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

The respondents were asked about the factors that affect the growth of Deposit in DB, 28% of them respond Government Interventions towards privately owned banks, 22% respond People attitude towards private banks, 19% respond Branch office location and poor parking area, 22% respond Computation with other private and governmental bank and 9% respond Other Reasons

like DB internal bank policy, lack of commitment and engagement of employees, and lack of flexibility form the executive management.

Government intervention towards private banks, people attitude towards private banks and computation with other private and government banks have impact on deposit mobilization of the bank; therefore the bank has to work on those external factors that affect the deposit mobilization activities.

**Table 4.14.** Major Depositors of DB

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Individual Customers	33	54%	54%
Business Organizations	26	42%	96%
NGOs	2	4%	100%
Government			
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As can be seen in the above table, government organizations, which are the major source of deposits, have no contribution in fulfilling deposit demand of DB. 54% of the respondents view individuals as the major source of deposit for DB, 42% of the respondents consider business organizations as major depositors and 4% of the respondents consider non government organization (NGO).

The bank has to work with NGO in order to increase its deposit balance, this segment have foreign currency resource.

**Table 4.15.** Competition with Other Private and Government Banks

Particularly	Frequency	Frequency percentage	Cumulative Frequency
Weak	4	6%	6%
Moderate	12	20%	26%
Stiff	45	74%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table, majority of the respondents 74% measure the competition with government and other private banks as stiff, 20% of the respondents believe that there is a moderate competition with other private banks and government banks, On the other hand, 6% of the respondents measure the competition as weak. We can see from the above response that the bank has to work hard and build its own sustainable competitive advantage in order to win the stiff competition.

**Table 4.16.** Banks which pose more competition to DB

Particulars	Frequency	Frequency percentage	Cumulative Frequency
Commercial Bank of Ethiopia	23	38%	38%
Awash bank	26	43%	81%
Abyssinia Bank	12	19%	100%
Wegagen Bank			
United Bank S.C.			
Nib International Bank			
Cooperative Bank of Oromiya			
Other Private Banks			
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table 43% of the respondents consider, Awash bank as the key competitor who poses more competition to DB, 38% of the respondents consider commercial bank of Ethiopia who poses competition to DB, and 19% of the respondents consider bank of Abyssinia. Considering the result of the survey the bank has to work to win the competition that is expected from Awash bank and commercial bank of Ethiopia.

**Table 4.17.** The effect of the provision of foreign currency on deposit mobilization of DB

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Yes	56	92%	92%
NO	5	8%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table 92% of the respondents respond that the provision of foreign currency to customers have a big impact on the deposit mobilized of DB, and only 8% of the respondents didn't agree on its impact on deposit mobilized of the bank. As indicated foreign currency provision to the customers has great impact on the deposit mobilization of the bank, therefore the bank has to work on foreign currency generation activities like working closely with exporters, Diasporas, embassies, accepting additional foreign cards through pos and ATMS, and signing additional foreign remittance services.

**Table 4.18.** The total deposit of the bank is not growing as expected comparing to the budget during the last three years

<b>Particular</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Societies preference to invest their money other than saving	10	16%	16%
The bank have less branch net work	2	2%	18%
The service given by the bank is not good	23	38%	56%
The good will of the bank is declining	16	27%	83%
Other reason	10	17%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

The above table indicates that the major reason for the total deposit of the bank was not growing as expected comparing to the budget during the last three years , 38% of the respondents respond that the service given by the bank was not good , 27% the respondents respond that the good will of the bank was declining where as 16% of the respondents respond that societies preference to invest their money other saving, and 17% of the respondents respond that other reasons like ambitious plan, depositors need incentives, in flexible procedure and internal policy of the bank affects the deposit mobilization of the bank.

In order to meet the target set the bank has to work on customer service, as indicated by the respondents the main reason for not meeting the target is the customer service given by the bank is not good and the good will of the bank is declining, the bank has to work to return its good will, which was one of the big asset of the bank.

**Table 4.19.** The effect of the 27% bill purchase on deposit mobilization of DB

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Yes	35	57%	57%
No	26	43%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table 57% of the respondents indicated that the 27% bill purchase has effect on the deposit mobilization of the bank, whereas 43% of the respondent responded that the 27% bill purchase doesn't have effect on the deposit mobilization of the bank.

**Table 4.20.** Different Interest Rate Scheme Provided by the Bank

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Yes	35	57%	57%
No	26	43%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table, 57% of the respondents responded that different interest rate scheme provided by the bank has effect on the deposit mobilized; where as 43% of the respondents didn't agree the effect of different interest rate scheme on the deposit mobilized amount.

The bank has to work on various products that can give interest privilege to the customers that can differentiate from its competitors, since the interest variation has effect on deposit mobilized.

**Table 4.21.** Does your bank use different advertisement to develop people awareness towards using the bank?

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Yes	46	75%	75%
No	15	25%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table, 75% of the respondents responded that DB uses different advertisement to develop awareness towards using the bank, where as 25% of the respondents have other idea, and the advertisement made is not enough to attract customers to use the bank.

The bank has to strengthen further its advertisement, since it has great impact on the awareness of the customers to work with the bank.

**Table 4.22.** The current aggressive branch expansion and advertisement of CBE affect your banks deposit mobilization?

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Yes	53	87%	87%
No	8	13%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

As indicated in the above table, 87% of the respondents responded that the current aggressive branch expansion and advertisement of CBE affect the deposit mobilization of DB; where as 13% of the respondents responded that the effect is not that much. As indicated in the above table the aggressive branch expansion and aggressive advertisement made by CBE has great impact on deposit mobilization of the bank, therefore Dashen bank has to work on branch expansion, in order to get first move advantage in the location and the advertisement work needs revision.

**Table 4.23.** The branch distribution in city and outlying is fairly distributed

<b>Particulars</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Yes	27	44%	44%
No	34	56%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

The above table shows that, 44% of the respondents agreed that the distribution of the branches was fairly distributed between the city and outlying cities whereas, 56% of the respondents responded that the distribution is not fair. The bank has to work on its branch opening strategy to balance the geographical distribution.

**Table 4.24.** Which factors contribute more to increase the deposit amount of the bank?

<b>Particular</b>	<b>Frequency</b>	<b>Frequency percentage</b>	<b>Cumulative Frequency</b>
Aggressive branch expansion	13	21%	21%
Aggressive advertisement	10	16%	37%
Quality customer service	21	34%	71%
Branch working hour	5	8%	79%
Economic development of the country	10	16%	95%
Other reason	2	5%	100%
<b>Total</b>	<b>61</b>	<b>100%</b>	

**Source: Own Survey and computation**

The respondents were asked which factors contribute more to increase the deposit amount of the bank ,21% of them respond aggressive branch expansion ,16% of the respond aggressive advertisement ,34% respond quality customer service ,8% respond branch working hour ,16% economic development of the country and the rest 5% respond other reasons like saving habit of the public at large , and peace and stability of the country .

As indicated in the above table, customer service has great impact on deposit mobilization the bank should give huge emphases on improving customer service in order to meet the customer needs.

## **CHAPTER FIVE**

### **5. Conclusion and Recommendation**

#### **5.1 Conclusion**

The main objective of this paper was to assess the deposit mobilization of commercial banks in Ethiopia taking the case of Dashen bank S.C and go through with a descriptive and explanatory analysis. As a result of the analysis made, the following were the conclusion of the findings.

Dashen bank mobilizes funds from shareholders contribution, operational profit and customers' deposit. From these sources, the largest proportion is deposit where in savings deposits take the lion share. The bank's profitability is mainly dependent on the amount of deposit mobilized. The bank encourages and motivates deposit mobilization efforts made by branches by using resource mobilization teams formed at the head office, district office and branch level.

These teams work to increase the volume of deposits. The head office resource mobilization committee supports the teams at district office and branch level and the district office supports branches. The office of strategy evaluates and ranks districts and branches on monthly basis on the major key performance indicators (KPI). Major criteria set for evaluating deposit mobilization performance of district and branches include; Incremental target Deposit growth and compare it against the pervious June balance, the incremental number of accounts growth during the month, number of ATM cards (Visa, American express Green and Gold) cards sold during the month against the budget and the amount of various money transfer entertained during the month against the budget set for each district office and branches, in addition branches are evaluated on mobile and Internet customers recruited during the month against the budget set for each branch. The bank acknowledges best performer branches from each grade by rewarding them during its annual staff day. Among, E-banking products, the various types of cards both local and international cards play a great role in deposit mobilization of the bank, the mobile and internet banking services following cards also are playing their part in deposit mobilization.

Dashen bank's current deposit mobilization efforts and practices have the following strengths; it encourages branches to exert their efforts consistently for deposit growth through the effort of,

recruiting new customers, reactivating inactive accounts. It also helps to recall loyal customers of the bank. Being the incremental net increase in number of accounts as a performance criterion, it helps to widen the customer base of the bank; The activities broaden the marketing knowledge of the staffs and it gives a chance to properly scan the environment where the branch is operating and it creates uniformity to practice resource mobilization and it also creates awareness among performers. Moreover, it has created the sense of competition among staff.

Dashen bank's current deposit mobilization efforts and practices have the following weaknesses. In evaluating branches, it only considers branches' month end incremental deposit balance; it doesn't consider location advantages or disadvantages of branches. It lacks how to understand the market. The understanding and commitment of bank's staffs on deposit mobilization is partially good. The bank introduced various types of special deposit accounts including Hybrid, saving plus, modified youth, student, interest plus and current account protection but these new products do not contribute much for deposit mobilization. The interest free banking which was introduced recently will have effect on the deposit mobilization of the bank.

Dashen bank uses the following mechanisms to promote awareness of the society pertaining to its services. Use of advertisements on TV, radio, newspapers, magazines, Sponsoring films, TV on dramas, documentaries and various events and Donations. In order to attract and retain big depositors, the bank provides special services for corporate customers. These are presenting gifts and postcards during holidays, higher interest rate for deposits with fixed term, Cash collection directly from the customers' office, handling of staff salary and providing consumer loan to their staffs for the purchase of automobiles, purchase or construction of residential buildings based on their repayment capacity and providing third party financing for their customers. Because of the above special services given to the corporate customers, volume of deposit is increasing and new customers are coming to the bank.

Customers express their satisfaction or dissatisfaction to the bank using the below listed mechanisms. Suggestion boxes, Direct reporting to branch manager, Direct reporting to Head office, and District offices through the telephone and reporting to Deposit Mobilization team members during their visit.

The major cause for difference of deposits among branches of the bank is due to the commitment of the branch manager and the entire staff and in some part location advantage also plays role for the deposit difference. In addition government interventions towards private banks, people attitude towards private banks and competition with other private banks have also effect on the deposit mobilization of the bank. The major head ache of private banks is provision of foreign currency to their customers, the bank that provides foreign currency will be in a better position to collect more deposit, and the deposit of Dashen bank is affected by not satisfying the needs of his customer foreign currency request.

The bank's incremental deposit growth is not as expected compared to its budget and the gap between its peers is decreasing from time to time, the service quality and the good will of the bank is decreasing from time to time, as compared to the previous years. The bank is increasing its branches and the bank is trying to reduce the gap with the competitor, Awash bank but the market share compared to other private banks is reduced. Individuals, business organizations and NGOs are the major source of deposit for Dashen. The bank is operating in a dynamic and highly competitive environment and there is high possibility of catch-up and by-pass among banks.

Awash bank, CBE and Abyssinia Banks are major competitors who pose more competition to DB. Quality customer service and branch expansion were identified as the factors that can boost the deposit of DB.

## **5.2 Recommendations**

Based on the findings and conclusions of the study the researcher recommends the following for the bank:-

In order to achieve its target of mobilizing deposit and inclusion of unbanked resources, Dashen bank should develop a procedure on standard service delivery time to facilitate the delivery of fast and quality services to its customers, since quality customer service have huge impact on deposit mobilization.

DB should work in acquainting the staffs and its customers with the newly introduced various types of special deposit accounts.

In evaluating branches for their performance in deposit mobilization, the bank should consider average of the month deposit balance instead of month end deposit balance, considering the month end balance will lead to factious deposit balance which might be the problem for banks. The bank should take location advantages or disadvantages of branches in to consideration when comparing branches.

The main source of fund for the bank is coming from deposits, the bank should give more attention and effort to mobilize deposits, the deposit mobilization team at all levels should work consistently and effectively since deposit mobilization is not a onetime activity, it should be done throughout the year.

Dashen bank should go beyond the expectation of its customers by further strengthen the E-banking services and products delivered to customers. The bank has to work on improving the customer services since it has huge impact on the deposit mobilization, increase its accessibility to its customers, not only in numbers but also the bank has to work on the branches to be comfortable to customers having enough parking area.

The bank has to work on brand and image building in order to win the stiff competition.

In order to mobilize more deposits, the bank has to work on interest free banking (IFB) products.

Based on the assessment made, the bank has to work towards satisfying the customer needs in provision of foreign currency, and be flexible in its customer services.

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## APPENDIX

### ADDIS ABABA UNIVERISTY

### SCHOOL OF GRADUATE STUDIES

### EXECUTIVE MBA PROGRAM

This questionnaire is prepared to Vice presidents, District managers, District office managers, Branch managers and customers service managers of Dashen Bank S.C The objective is to get an input for the accomplishment of EMBA Project Paper on Assessment of deposit mobilization of commercial banks in Ethiopia (The case of Dashen bank S.C). The information you provide is valuable for the success of the research paper and will only be used for academic purpose. It shall also be kept confidential.

**Instruction:** For the close ended question Please use tick mark (√) or mark (X) in the boxes provided to choose from the options given and for the open ended question use the blank space provided. You don't have to write your name.

#### Part I: Respondent's Profile

1. Sex

Female\_\_\_\_\_ Male\_\_\_\_\_

2. Age

Below 30 years\_\_\_\_\_ 30-40 years\_\_\_\_\_

41-50 years\_\_\_\_\_ 51 and above\_\_\_\_\_

3. What is your position in Dashen Bank S.C?

• Vice President \_\_\_\_\_ • District office Manager\_\_\_\_\_ • District Office operation Manager\_\_\_\_\_ • Branch Manager\_\_\_\_\_ • Customer service Manager\_\_\_\_\_

4. Work experience in the banking industry;

• Below one year \_\_\_\_\_ • 1-5 years \_\_\_\_\_ • 6-10 years \_\_\_\_\_

• 10-15 years \_\_\_\_\_ • 16 and above years \_\_\_\_\_

**Part II. Deposit Mobilization Issues**

1. What mechanisms does Dashen bank S.C. use to encourage/ motivate deposit mobilization

Efforts made by branches? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. How do you evaluate the understanding and commitment of staffs for deposit Mobilization?

Very Good \_\_\_\_\_ Good \_\_\_\_\_ Satisfactory \_\_\_\_\_ Poor \_\_\_\_\_

3. The bank has various types of products on deposit, how do you measure their contribution in the effort to mobilize deposit?

Very Good \_\_\_\_\_ Good \_\_\_\_\_ Satisfactory \_\_\_\_\_ Poor \_\_\_\_\_

4. What has been done in Dashen bank S.C.to promotes awareness of the Society pertaining to DB services? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

5. What special services do the bank provides for corporate depositors/customers? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Does the volume of deposits grow because of such special services provided for the corporate depositors?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. How do you rate your customer's satisfaction?

Very Good\_\_\_\_\_ Good \_\_\_\_\_ Satisfactory\_\_\_\_\_ Poor\_\_\_\_\_

8. What tools or techniques do customers have to express their satisfaction/ dissatisfaction?\_\_\_\_\_

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9. What are the strengths and weaknesses of the current deposit mobilization Strategies of the bank? /practices of the bank

Strength\_\_\_\_\_

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Weakness \_\_\_\_\_

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10. What is the major cause for the variation in deposit among branches of Dashen bank S.C.?

- Convenience of branch office/location \_\_\_\_\_ • Availability of parking areas \_\_\_\_\_
- Effort of the branch staffs \_\_\_\_\_ • Interest rate \_\_\_\_\_
- Other reasons (specify) \_\_\_\_\_

11. Do you think the branch distribution in city and outlying is fairly distributed?

Yes\_\_\_\_\_ No\_\_\_\_\_

12. What factors from the listed affect the deposit mobilization of your bank?

- Government Interventions towards privately owned banks
- People attitude towards private banks

- Branch office location and poor parking area
- Competition with other private and governmental bank
- Other \_\_\_\_\_

13. As per the annual reports, total deposit of Dashen Bank S.C. is not growing as expected comparing to the budget during the last three years. What was the main reason?

- Societies' preference to invest their money other than saving \_\_\_\_\_
- Dashen Bank S.C. has less branches and less market share from private banks \_\_\_\_\_
- The service given by the bank is not good \_\_\_\_\_
- The goodwill of the bank is decline \_\_\_\_\_
- Other reasons (specify) \_\_\_\_\_

14. Who do you think are the major depositors of Dashen Bank S.C.?

- Individual customers \_\_\_\_\_ • Business organizations \_\_\_\_\_
- Government \_\_\_\_\_ • NGOs \_\_\_\_\_

15. How do you measure the competition with other private and government owned banks?

- Weak \_\_\_\_\_ • Moderate \_\_\_\_\_ • Stiff \_\_\_\_\_

16. Which banks pose more competition to Dashen bank S.C?

- Commercial Bank of Ethiopia \_\_\_\_\_
- Awash Bank \_\_\_\_\_
- Abyssinia Bank \_\_\_\_\_
- Wegagen Bank \_\_\_\_\_

- United Bank \_\_\_\_\_
- Nib International Bank \_\_\_\_\_
- Cooperative Bank of Oromia \_\_\_\_\_
- Other Private Banks \_\_\_\_\_

17. In your opinion the provision of foreign currency to customers affects deposit mobilized by banks?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. Do you think the 27% bill purchase government policy affect negatively the deposit mobilization of your bank?

Yes \_\_\_\_\_ No \_\_\_\_\_

If your answer for question no. 18 is yes how? \_\_\_\_\_

19. From the listed, which factors contribute more to increase the deposit amount of the Bank?  
(multiple answer can be given)

Expanding Branch Opening/ Aggressive branch Expansion \_\_\_\_\_

Aggressive advertisement \_\_\_\_\_

Quality Customer service \_\_\_\_\_

Branch working hour \_\_\_\_\_

Economic development of the country \_\_\_\_\_

Others \_\_\_\_\_

20. In your bank do you have different interest rate scheme to attract new depositor/ customer?

Yes \_\_\_\_\_ No \_\_\_\_\_

21. Does your bank use different advertisement to develop people awareness towards using the bank?

Yes \_\_\_\_\_ No \_\_\_\_\_

22. The current aggressive branch expansion and advertisement of CBE affect your deposit mobilization?

Yes \_\_\_\_\_ No \_\_\_\_\_

23. If your answer for question no. 22 is yes, what possible solution do you suggest to overcome the movement of CBE? \_\_\_\_\_

24. In your opinion do you think the starting of interest free banking (IFB) will have effect on deposit mobilization of the bank? \_\_\_\_\_

25. If you have any comment which you think important for this study, please mention \_\_\_\_\_

***Thank You for Your Cooperation***