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**THE FACTORS AFFECTING DEPOSIT MOBILIZATION IN BANK OF
ABYSSINIA, ETHIOPIA**

**THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATES STUDIES IN PARTIAL FULLFILLMENT OF
DEGREE IN MASTER OF BUSINESS ADMINISTRATION (MBA)**

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Statement of Declaration

I, the undersigned, declare this study by the name of “Factors that Affect Deposit Mobilization in Bank of Abyssinia” original work and the whole thesis had been done through the guidance and support of my advisor Tewodros Wuihb (Ass. Prof). All the references had been done duly acknowledged in the prescribed manner. I can assure this study had not been submitted either in part or in full to any other higher educational institution for any academic award.

Name Yadamnesh Aderaw

Signature

Date

Statement of Certification

This is to certify that “Factors that Affect Deposit Mobilization in Bank of Abyssinia” is my original work submitted to the award of Masters in Business Administration.

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Approved by the Examining Committee

Advisor Signature Date

External examiner Signature Date

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Acronyms and Abbreviations

CBE Commercial Bank of Ethiopia

DIR Deposit Interest Rate

GDP Gross Domestic Product

LNRGDP Logarithm of Real Growth of Domestic Product

LNTBD Logarithm of total deposits growth rate Commercial Bank of Ethiopia

NPL Non-performing loan

NBE National Bank of Ethiopia

SPSS Statistical Package for Social Science

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Abstract

Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other specialized schemes. Bank Deposit is affected by both exogenous and endogenous factors. Exogenous can be country specific and bank specific factors. Endogenous factors can be controlled by the banking system. The objective of this study was on factors affecting deposit Mobilization in Bank of Abyssinia using primary data. Purposive sampling technique was used. The study included all grade two, grade three and corporate branches of Abyssinia Bank. Primary data source was used to collect data from Bank of Abyssinia senior management staff. The collected data was entered, coded, and interpreted by using Stastical Package for Social science software 25. Linear regression analysis has been used with 95%CI with p value <0.05 . In this study the dependent variable was bank's deposit and independent variables were deposit mobilization strategy, Gross domestic product, Bank profitability and number of branch opened. Different diagnostic tests were used to know whether the model was valid or not,

Result and recommendation; *In the descriptive analysis, stationary and office supplies, stiff competition among Banks, government laws/regulations and attractive interest rate for customers are affecting deposit mobilization. According to the regression analysis; branch expansion, deposit mobilization strategy and profitability of Bank have significant relationships with deposit mobilization for bank of Abyssinia.*

It is recommended that the government needs to revise Bank performance and conformance (laws/regulations) simultaneously to increase Banks profitability. As well as the government and Bankers association office it is advisable to manage stiff competition among Banks by formulating and implementing strong monitoring and evaluation strategy to increase Banks profitability.

Key words; *deposit, BOA, Mobilization, customer, branch*

CHAPTER ONE INTRODUCTION

1.1 Background of the Study

Bank is financial institution that delivers banking services such as accepting deposits and allocates resources. Banks are major parts in the financial service industry (Kapila, 2001). Commercial Bank is one of the profitable financial institution that give financial service by accepting deposits from the depositors and providing loans from the depositors (Islam et.al, 2019). Banks play in mobilizing funds from savers and give to investors (Gunasekara.CH and Kumari.P, 2018).

According to (Gunasekara.CH and Kumari.P, 2018), deposit is the working capital of once country economy. Deposit mobilization is a vital part of banking service. It is saving through deposit collection has been a major activity of the bank. According to deposit is referred to as oxygen of Banks. Deposit mobilization is the collection of cash/funds by financial institution through its current, saving fixed, opening new account and other bank products. According to (Abiodun and Ogundipe, 2021) deposit serves for three purposes. First, it serves as money creation. Second, deposit growth boosts the volume of savings in an economy. Third, deposit used as one of the two variables in the calculation of money supply in the economy. So, deposit mobilization is the primary function of Banks.

Therefore, the bank's deposit mobilization activity needs to increase time to time with objectively and practically to achieve high profit. As well as, the customers' demand increasingly diverse requiring the bank administrators to study the markets and factors affecting the customers savings deposit decision, regaining ex-customers, introducing the methodology to keep the existing customers (Vuong et.al, 2020). After deregulation of interest rates and development of other financial products, deposit products are become costly for Banks. So, their focus shifted to wholesale funding. The relaxation in liquidity constraints and highly liquid wholesale markets enabled an acceleration of banks' lending activities. They lent money for longer terms and funded this for short terms, believing that they could get funds from wholesale markets whenever they need (Srivastava, 2020).

According to (Legass, et.al, 2021) the life cycle of population growth emphasizes that income varies systematically throughout life. This allows consumers to shift their income to high to low. The two objectives of commercial banks (acquiring deposits and advancing credit) cannot be attained without good banking habits of the people.

Based on the study conducted by (Banke and Yitayaw, 2022) revealed that growth domestic product is the market value of all goods and services produced in a country over one year period. According to (Ongore and Kusa, 2013), during the declining GDP growth, the demand for credit falls which is negatively affects the profitability of Banks. On the other hand, in a growing economy expressed by good GDP growth, the demand for growth is high because of the nature of business cycle.

According to the study done by (Bogale, et.al, 2020) showed that the twin objectives of Bank are acquiring deposit and advancing credit. So, the objectives of the Bank will not attained without good banking habit of the people. The number of deposit account is important because it ensures that the probability of account holders withdrawing cash decreasing at a time as the number of accounts increases. This will increase the Bank's size of loanable fund. Economic growth is generally being measured by Gross Domestic Product (GDP). It has also become the de facto universal metric for standard of living. It is universally implemented according to common standards and has real benefit (Yanne et al, 2007).Based on the study stated by (Herald and Heiko(2009)) , economic growth is one of the determinant factor for banks deposit. On the other hand 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). Based on Erna and Ekki (2004) finding, GDP and interest rate are thought to have affected the volume of deposit. Researchers argue that demand for deposit is influenced by education level which increases the awareness of the rural people about banking services. It was also found that literacy as a proxy for awareness about banking; positively affect deposit (Baqui, 1987).

Based on (Ayene, 2020) states that liquidity in the banking system comprising of the financial instruments in the financial market. It shows smooth transaction with no barriers. Liquidity is related to solvency (the obligation of Banks to pay money for their customers). The importance of liquidity, asset, liability, capital adequacy, credit and interest rates risk management are now a day's challenging. The bank liquidity management involves requesting sufficient liquid asset to meet the bank's obligation to depositors.

Profit is the ultimate goal of commercial Banks. It is a ratio of income with its total asset. It measures the Bank management staff potential and commitment (Ongore and Kusa, 2013). Based on (Goro, 2015), there is strong relationship between banks' deposits and profitability. Larger Banks attract more deposit than smaller once due to bigger Banks have many branches, huge capital (asset) and provide a better chance of security for their customers. Based on (Thao, 2020) stated that Profitability of a bank is measured by ratio of profit after tax to average total asset.

According to (Gunasegaram, 2018), security of banks is much concerned factor affect deposit mobilization. When Bank security is high, con attract more depositors. Now days, many banks address the issue and risks related to deposit by adopting deposit insurance method. It is a signal for the depositors that their deposit is protected in an event of Bank failure.

Branch expansion takes in to account like deposit potential, level of competition and regional income. So, Bank branch expansion help to expand their customer base across different geographic area (Legass, 2021). According to (Thao, 2020) Bank size is highly influential factor for deposit volatility. In most studies, Bank total asset is used as a representative of bank size. Based on (Bogale, et al, 2021) indicates that the number and diversity of ownership of customers deposit accounts and distribution of deposits by type vary with bank size. According to Herald and Heiko (2009) finding, bank size has significant effect on bank deposit. Smaller bank has to generate less deposit to achieve the same deposit growth than large banks, thus possibly favoring smaller banks in achieving higher deposit target growth. Whereas larger bank with economies of scale as well as larger branch network can be able to better attract deposits of the bank.

According to Bank of Abyssinia (annual report, 2022), Abyssinia Bank S.C was established as a private bank after the dawn fall of the Dergue regime in 1996. The number of stockholders and total capital has been increasing and currently its capital stood at birr 88.76 billion. Total work force of the bank reaches more than 15,000 and numbers of account holders are 10.8million. BOA has a total of 864 branches. That is corporate 2, grade3 12, grade2 30, grade1 805 and sub branch 15. All branches provide both domestic and international banking service. Bank of Abyssinia has its own 127 Automatic Teller Machines (ATM) 1191 Point of Sales (POS) machines.

1.2 statement of problem

In emerging markets deposits are core in banking operations. Most Banks highly depend on loans as a source of financing .The size of the local economy and prevailing legal restrictions coupled with other financial variables have a significant influence on growth of deposits in Banks (Charles, 2022). Factors affecting commercial Bank deposit are macroeconomic and Bank specific factors. Macroeconomic factors include inflation, real interest rate, population growth, per capita income, economic growth, consumer price index, money supply, shocks and others. Whereas Bank specific factors are liquidity, profitability, number of bank branches, bank size, preserves, loan loss provisions, asset quality and transaction cost. Now a day, Banks are highly interested to mobilize deposits and the most liquid money reserved in their treasury ready to loan (Jifar, 2021).

Based on the study conducted in Bangladesh, number of bank branches, deposit interest rate, loan to deposit ratio, gross domestic product, growth rate and inflation rate have no significant relationship to deposit mobilization of banks (Islam, N, 2019).Whereas in Vietnam, Bank promotion forms, Bank brand, service quality, interest rate policy and employee knowledge and attitude have significant effect on bank deposit mobilization (Vuong, 2020).

Ethiopia has low geographic penetration of bank branches. Most of banks found in the country are concentrated in Addis Ababa, In Ethiopia, both government and private banks facing several challenges like; shortage of foreign exchange and current devastating political unrest.(Kumar,2021).Efficient marketing strategy has a direct effect on commercial banks deposit. If there is bank strategy problem, there will be shortage of bank deposit and lead to unable to meet its financial obligation, granting of loans and advances (Osuala, 2020).

In Ethiopia banking business is not developed by estimating capacity for the reason behinds that the banking business performance depending on their resources. Ethiopian commercial banks have great role to support financial gaps of the all-business with Government project but not enough the problem that the levels of Ethiopian bank deposit are very low especially private commercial banks of Ethiopia deposits are cover the minimum percentages to the total deposit levels of the country. During fiscal Year 2016/17 the national bank of Ethiopia reported share of

private banks are 34.4% of the total deposit and the growth of the deposit birr 493.3 billion indicating 23.9% annual growth rate on the backdrop of accelerated expansions of bank branch, improving access finance, growing saving culture for the society and increases in per capital income and the fiscal year 2015/16 also share of private bank 33.6% total deposit liability of the banking system reached birr 413.6 billion at the end of 3rd quarter indicating 3.5% quarterly and 22.6% annual growth rate as bank contributing to expand their branch Network and sustained economic growth.(National Bank of Ethiopia, quarterly bulletin 2017 & 2016) (Jim,S,2008).

According to (Abay, 2010), based on sub-Saharan Africa standards Ethiopia's domestic saving rate is very low. The banks deposit can be affected by multiple factors. Deposit is important to find out factors affecting banks and to determine the relationship between them .But, most banks are not successful and managing their deposit since they are not aware of the factors that can affect the deposit.

Whereas, (Federal Negaret Gazeta, 2013) under the proclamation 780/2013 the finance intelligence center announced to control money Anti-money laundry. Commercial Banks also have obliged to take due diligence and identify the source of income and funds of the customer when new customer account is opened and give information on every deposit and withdrawal above birr 300,000 and USD 15,000.This lead customers to think as government is tracking their money. So, this is also the big challenge for banks deposit mobilization.

Based on my searching, there is a limited research done in Bank of Abyssinia on deposit mobilization. Hence, filling the knowledge gap, this study wants to examine the deposit mobilization of the bank, through identifying the factors affecting the deposit of the bank and suggests the possible way out. Accordingly, this research will attempt to respond to the following research questions.

1.3. Research Questions

- What are internal factors affect deposit mobilization in Bank of Abyssinia.?
- What approach need to be applied to improve deposit balance in BOA?
- What are external factors affect deposit mobilization in BOA?

1.4. Objectives of the study

1.4.1. General Objective

To assess factors affect deposit mobilization in Bank of Abyssinia S.C.

1.4.2. Specific Objectives

- To identify internal factors affect deposit mobilization in Bank of Abyssinia S.C
- To determine the strategies need to improve the deposit balance of the BOA
- Identify external factors influence the deposit mobilization in BOA

1.5 significance of the Study

This study focuses on factors affecting deposit mobilization in Bank of Abyssinia and the significance of this study is as follows;

- ✓ It will help the management in Bank of Abyssinia S.C. and other commercial banks to identify factors affect deposit mobilization strategy of bank and enable them to take proper adjustments to alleviate such problems.
- ✓ The findings of this study will be used as an input for various scholars, who are going to make further studies on similar issues.
- ✓ Provides information about deposit mobilization in the banking industry, stockholders, Bank board management and those banking customers to minimize risks and design strategic plan for the bank
- ✓ Useful for regulatory body of the banks to use as an additional input for future policy and strategy amendment.

1.6 Limitation of Study

The limitation of this study was use of purposive sampling technique and another limitation of the study was only included Bank of Abyssinia.

1.7 The scope of the study

The aim of this study was to examine factors affect deposit mobilization in Bank of Abyssinia. Thus, objectives were mainly focus on internal and external factors, and the bank deposit mobilization strategy.

1.8 organization of the study

This study was organized as follows; chapter I covered by introduction of the study. The second chapter explained by theoretical and empirical literatures. Whereas third chapter; focused on research methodology. Fourth chapter was presented on data analysis and interpretation section. And fifth chapter was covered by conclusion and recommendation section.

CHAPTER TWO LITERATURE REVIEW

2.1 Basic terms and theoretical review

A bank is financial institution that gives banking and other financial service to customers (Kapila, 2001) Bank deposit cannot be controlled and managed without have experience on Bank deposit factors. The result of this study explained that consciousness of the society is the main factor for deposit mobilization in Banks (Islam et.al, 2019).

The history of banking in Ethiopia goes back to the year 1905 E.C. when the bank of Abyssinia was first established with a capital of \$500,000.00. It was the foundation of this bank that marked the beginning of modern banking in Ethiopia. The government of Ethiopia and the National Bank of Egypt jointly owned it under a 50 years franchise agreement (BOA annual report, 2021/22).

Therefore, the bank's deposit mobilization activity needs to increase time to time with objectively and practically to achieve high profit. As well as, the customers' demand increasingly diverse requiring the bank administrators to study the markets and factors affecting the customers savings deposit decision, regaining ex-customers, introducing the methodology to keep the existing customers(Vuong et.al,2020). After deregulation of interest rates and development of other financial products, deposit products are become costly for Banks. So, their focus shifted to wholesale funding. The relaxation in liquidity constraints and highly liquid wholesale markets enabled an acceleration of banks' lending activities. They lent money for longer terms and funded this for short terms, believing that they could get funds from wholesale markets whenever they need (Srivastava, 2020).

2.2 Major Types of Deposit

A bank deposit account is account which is maintained by customer willingness through contractual application letter such as a current account, savings account (various value preposition saving account or term/time deposits of bank account, at a banking institution that allows money to be deposited and withdrawn by the account holder. These are recorded on the bank's books, and represent the amount owed by the bank to the customer (Tariq, M.A, 2015).

According to (Abiodun, 2021);

Demand /Current /checking accounts: -is a type of account named noninterest bearing account deposited at a bank or other financial institution, for the purpose of securely and quickly providing frequent access to funds on demand. It used to generate revenue for the bank in the form of commission on turnover.

Savings accounts: - is interest bearing account maintained by commercial banks that pay interest for depositors. It has a floating with the interest attached to it (saving account earning interests monthly provided the intermediation process of the Bank is not disrupted with the number of withdrawals of the customer).

Fixed /Term or time deposit: - is a type of deposit account has a fixed maturity, prevents customers from early withdrawal. It enhances the Bank's ability to invest short to long term financial activities and lead Bank to generate more profit. However, withdrawal of this deposit requires notification for termination.

2.3 The cost of Deposit mobilization

The cost of deposit mobilization has their own cost benefit profiles that affect the profitability of banks. Average cost of deposit is a percentage of interest cost to total deposits, can be used as an indicator of cost of deposit and banks overall profitability. The higher the ratio, the lower will be the productivity of funds management and vice versa. Lower ratio has a positive impact on banks profitability (Shollapur, 2010).

2.4 Importance of Deposit Mobilization

I. Source of investment; according to (Ongore and Kusa, 2013), intermediation function of banks play crucial role in efficient allocation of resources in countries by mobilizing idle resources for productive activities. Transfer of funds from those who don't have idea for use of it to those with productive investment.

II. Low cost; According to (Shettar&Sheshgiri, 2014), the success of banking depends on deposit mobilization .performance of bank depends on deposits like cost effective source of working fund (capital). Based on (Elsar , 1999), savings are a source of funds with low financial costs i.e., interest costs. With regard to financial costs, most of the banking institutions apply different interest rate schedule, compensating the higher administrative costs with no/low interest rates on small savings and increasing the size and deposit.

III. A source of profit; Deposits provide most of the raw materials for bank loans; represent the ultimate source of bank profits and growth. Deposits are an indispensable tool commercial banks use to enhance its profitability through advancing deposits mobilized to its customers in form of loans which make in return interest to commercial banks(Tuyishime, Memba, Mbera, 2015).

IV. Economic Growth and Development; based on (Ongore , kusa,2013),in addition to resource allocation best bank performance reward the bank shareholders of sufficient return for their investment.. When there is return there shall be an investment create economic growth. On the opposite side, poor banking performance has a negative banking performance create a negative repercussion on the economic growth and development can lead to runs, failures and crises. Banking crisis lead the economic crisis (meltdown)

2.5 Factors affect deposit mobilization

According to study conducted by (Jifar, 2021 and, Ongore, 2013) revealed that Factors affecting commercial Bank deposit are macroeconomic and Bank specific factors. Macroeconomic factors include inflation, real interest rate, population growth, per capita income, economic growth, consumer price index, money supply, shocks and others. Whereas Bank specific factors are liquidity, profitability, number of bank branches, bank size, preserves, loan loss provisions, asset quality and transaction cost. Now a day, Banks are highly interested to mobilize deposits and the most liquid money reserved in their treasury ready to loan.

2.5.1 External Factors

There are factors beyond the control of Banks and influence the development of commercial banks deposit.

2.5.1.1 Types of external factors

According to (Ayene, 2020), are variables that are beyond the Bank management but reflect economic and legal environment that affect deposit mobilization of Banks. Therefore, the following are components of external factors in deposit mobilization;

1. Interest rate

Interest rate is the significant factor for deposit in banking system. It is an encouraging factor for depositors. There is arguing that deposit to Bank is attractive if opportunity cost of holding cash in hand is high. But it must be above the floor per directive issued by regulatory body of the country (Ayene, 2020).

According to (Garo,2015), low interest rate on saving forced depositors to take their money out of Banks and seek out other higher investments. Similarly, it attempts to get around deposit rate ceilings and reserve requirements lead to the financial innovation of money market mutual funds. According to (Gunasekara, 2018), interest rate is also defined as the reward or profit have been paid to depositors with respect to their deposited money. Interest rate in the banking system is considered as investment cost from the investor's point of view and opportunity cost from the depositor's point of view according to (Mohammad and Mahidi, 2010).

According to (Ema and Ekki,2004),economists believe that depositors are attractive to save their money in banks due to opportunity cost of holding cash in hand is high when the interest rate is also high.

Using an adaptive expectation model (AEM) found that depositors are indeed motivated by returns in Malaysia (Erna and Ekki, 2004).It shows that the rate of interest does not have influence on the volume of deposit. But, banks increase their deposit by increasing high deposit rate. These are articles that contradict to each other in identifying the relation between commercial banks deposit and deposit rate.

2. Inflation

According to (Legass, et.al, 2021) inflation is defined as an increase in prices accompanied by a decrease in the value of money. It is highly affected saving in variety of reasons. The classical belief is that, because bank assets and liabilities are expressed in monetary terms and these assets will normally grow in line with grow in money supply, banks are immune from the effect of inflation (Davinga, 2010). According to (Gunasekara, 2018), inflation is a key determinant factor in making deposits more attractive. Based on (41, Vietnam) report, inflation was seen as an economic problem in developed countries. It affects economic growth, employment, income distribution and wealth. This is when inflation increases, the real interest rate on money and assets decrease.

In another study done by (Yitayew, 2022, inflation is described as a general and sustained rise in prices of goods and services in the general population/economy. Inflation affects Bank deposits in two ways. Firstly, it reduces the purchasing power of money and lead to high living costs. Secondly, in situations hyperinflation occurs.

3. Real interest rate

According to (Mohmed and Mehadi (2010) Real interest rate is nominal interest rate minus inflation rate. In negative real interest rate, customers withdraw their resources from banking system. Based on this finding, decrease real interest rate can decrease true demand for money. So, it states that the interest rate and deposit of the bank have positive relationship. According to Voon-choong et al (2010), interest rate risk is the main concern for banks due to nominal nature of their assets and asset liability. Some researchers emphasize that higher interest rate have a positive impact on banks.

4. Population growth of the country

According to (Legass, et.al, 2021) the life cycle of population growth emphasizes that income varies systematically throughout life. This allows consumers to shift their income to high to low. The two objectives of commercial banks (acquiring deposits and advancing credit) cannot be attained without good banking habits of the people. Another study (Kumar, et.al, 2021)) stated that banking development in a country can be explained by the number of banks in relation to total population of that country. As well as, number of deposit account is more vital because it insures the probability of account holder withdrawing cash at a time decrease the number of deposit accounts increase .This will creating advantage for banks in term of increasing the size of

the loan able fund is more important because it ensures that the probability of account is more important.

5. Per capita income of the society

Based on the study conducted by (Banke and Yitayaw, 2022) revealed that growth domestic product is the market value of all goods and services produced in a country over one year period. According to (Ongore and Kusa, 2013), during the declining GDP growth, the demand for credit falls which is negatively affects the profitability of Banks. On the other hand, in a growing economy expressed by good GDP growth, the demand for growth is high because of the nature of business cycle. On another study conducted in Ethiopia (Ayene, 2020), stated that per capita is the level of GDP divided by the population of a country. Change in real GDP per capita overtime explained as a measure of changes in the average standard of living of a country. If individuals desire to deposit more money, deposit will increase. Therefore, the relationship between income and deposit is positive.

On the other hand, based on the (IMF, 2007) report Ethiopia is one of the poorest countries in the world with estimated per capita income of USD 203.

6. Economic Growth

According to the study done by (Bogale, et.al, 2020) showed that the twin objectives of Bank are acquiring deposit and advancing credit. So, the objectives of the Bank will not attained without good banking habit of the people. The number of deposit account is important because it ensures that the probability of account holders withdrawing cash decreasing at a time as the number of accounts increases. This will increase the Bank's size of loanable fund. Economic growth is generally being measured by Gross Domestic Product (GDP). It has also become the de facto universal metric for standard of living. It is universally implemented according to common standards and has real benefit (Yanne et al, 2007).Based on the study stated by (Herald and Heiko(2009)) , economic growth is one of the determinant factor for banks deposit. On the other hand 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). Based on Erna and Ekki (2004) finding, GDP and interest rate are thought to have affected the volume of deposit.

7. Consumer price index

According to Herald and Heiko (2009) conclude that price can determine bank deposit and it can be indicated by consumer price index.

8. Awareness of the society;

According to (Baqui, 1987) shows that, researchers argue that demand for deposit is influenced by education level which increases the awareness of the rural people about banking services. It was also found that literacy as a proxy for awareness about banking, positively affect deposit.

2.5.1.2 Bank specific factors

1. Liquidity of the banks

Based on (Ayene, 2020) states that liquidity in the banking system comprising of the financial instruments in the financial market. It shows smooth transaction with no barriers. Liquidity is related to solvency (the obligation of Banks to pay money for their customers). The importance of liquidity, asset, liability, capital adequacy, credit and interest rates risk management are now a day's challenging. The bank liquidity management involves requesting sufficient liquid asset to meet the bank's obligation to depositors.

2. Profitability of the Bank

According to (Ongore and Kusa, 2013) show that profit is the ultimate goal of commercial Banks. It is a ratio of income with its total asset. It measures the Bank management staff potential and commitment. Based on (Goro, 2015) finding, there is strong relationship between banks' deposits and profitability. Larger Banks attract more deposit than smaller once due to bigger Banks have many branches, huge capital (asset) and provide a better chance of security for their customers. Based on (Thao, 2020) stated that Profitability of a bank is measured by ratio of profit after tax to average total asset.

3. Security of the bank

According to (Gunasegaram, 2018) study finding, security of banks is much concerned factor affect deposit mobilization. When Bank security is high, can attract more depositors. Now days, many banks address the issue and risks related to deposit by adopting deposit insurance method. It is a signal for the depositors that their deposit is protected in an event of Bank failure.

4. Branch Expansion

According to (Legass, 2021) branch expansion takes in to account like deposit potential, level of competition and regional income. So, Bank branch expansion help to expand their customer base across different geographic area.

5. Bank size

According to the study (Thao, 2020) revealed that Bank size is highly influential factor for deposit volatility. In most studies, Bank total asset is used as a representative of bank size. Based on (Bogale, et al, 2021) indicates that the number and diversity of ownership of customers deposit accounts and distribution of deposits by type vary with bank size. According to Herald and Heiko (2009) finding, bank size has significant effect on bank deposit. Smaller bank has to generate less deposit to achieve the same deposit growth than large banks, thus possibly favoring smaller banks in achieving higher deposit target growth. Whereas larger bank with economies of scale as well as larger branch network can be able to better attract deposits of the bank.

6. Reserves

According to Richard .G and Richard .S (1959) study, reserves that are fixed legally can affect deposits of the bank. Based on this study finding on reserve requirements determine the maximum amount of loans and investments each bank and the banking system as a whole maintain a relation to deposits. Based on this, if the reserve requirement is 20% of deposits, So, reserve requirements limit the total increment of bank deposit that can occur the bases of any primary increase in deposits.

Reserve requirement also have the impact of limiting the reduction in bank credit and deposit that is forced up on the banking system by primary decrease on deposits. The banks can get currency to pay out to customers only by drawing down their reserved deposits at the national bank or by using till money (Richard .G and Richard .S (1959)).

7. Transaction Cost

Important indicator of management's effectiveness in any bank is 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 have. Every Bank should deal with managing its deposits. Bank managers should be sure that there is enough deposit to support the volume of loans (Bogale, 2020).

8. Convenience of Bank's

According to (Vuong , et.al, 2020) reveals that convenience of Bank facilities. It is contributing to build the Bank's image in the customers eyes. When a Bank has good facilities, convenient and safe locations, customers feel more secure to deposit their money in the Bank. Technical and materials like offices, networks of branches, transaction points, equipment and facilities for banking operations, information system and banking technology are important for the growth of Bank deposit. Based on the study (Kumar, 2021)) showed that a good bank branch location ensures profitability. Among factors affect deposit mobilization depositors preference of a convenient location is crucial.

9. Service Quality

According to the study done by (Vuong, et.al, 2020) shoes that service quality is the service capacity provided by a Bank and reflected in the satisfaction of customers' needs and desires. Customers assess the quality of banking services through processes, procedures, transaction times and complains from the customers. Based on the fact that banks are service giving organizations and the service delivery can affect their business. Based on this study, below are evidences;

- ✓ Door to door collection of small saving in the form of deposit.
- ✓ Offering land revenue/insurance premium, if the banks offer to pay land revenue or insurance premium out of interest earned on deposits, most individuals or societies may be inclined to put deposits of such amounts as would earn enough interest to meet their insurance premium or land revenue liability.
- ✓ Investment service; some depositors have neither the inclination nor the time to select an appropriate plan of financial investment. Banks can select the portfolio of investments on their behalf and keep the securities in safe custody.
- ✓ Some farmers get their income once/twice in a year, while their expenditure is spread over the whole year

Based on study conducted (Gunasekara, 2018) reveal that customers are emphasize on factors; convenience, service provision, employers influence and Bank image.

2.7 Conceptual Framework

This conceptual framework contains the dependent and independent variables. Independent variables are internal and external factors whereas deposit mobilization is the outcome variable.

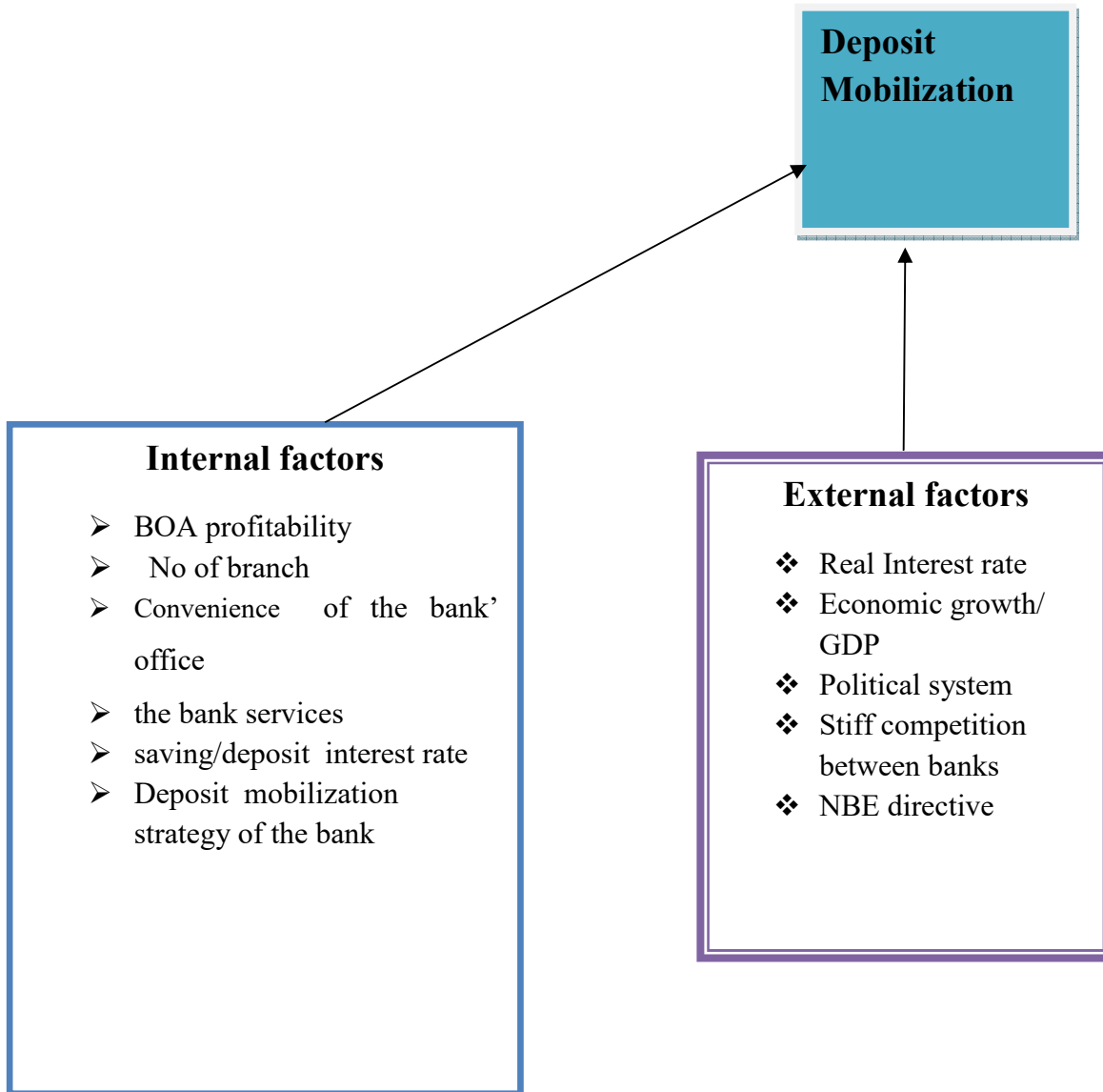


Figure 2: Conceptual framework of research study, developed by the researcher from existed literatures.

2.8 Empirical Review

The empirical literature part discusses past studies that were conducted on the area of factors affect commercial bank deposits.

2.8.1 Empirical review about factors affecting commercial banks deposit outside Africa

According to (Samantraya and Patra(2014)) study for determinants of household savings in India, real GDP, interest rate and inflation have statically significant impact on household saving in India both in long run and short run. Similar study done in the same country, Athukoral and Sen(2004)) examine the determinants of private saving during 1954-1998 period. The result shows real interest rate, growth and level of per capita income on domestic saving have a statistically positive effect on saving deposit mobilization.

similarly, Ozcan Guny and Ertac(2012) macro and socio-economic determinants of Turkish private saving during the period of 1975-2008,found that interest rate and income level are increase saving. In the same country study, Mevlit(2014) attempts to ascertain the determinants of private saving level in turkey, which experienced a sharp decline in private saving rates in the 2000s,the result shows real interest rates influence private saving. Related to deposit interest Nabar(2011), assess how interest rate affects household savings in Chinese provincial level administration units between 1996 and 2009. A strong positive correlation between household savings and interest rates was established. This is suggesting that Chinese save to meet a number of needs example retirement consumption and durables purchase.

2.8.1.2 Factors Affecting bank deposit in a regional financial center

According to herald finger and Heiko Hesse(2009) study revealed that the demand for banks deposits in Lebanon, regional financial center. They classified the variables in to macro and micro level variables. At macro level, they found that domestic factors such as economic activity, prices, and the interest difference between the Lebanese pound and the U.S dollar are stastically significant in explaining deposit demand, as are external factors like advanced economic and financial conditions. At the micro level, the study stated that bank specific variables, like the perceived riskiness of individual banks, liquidity buffers, loan expenditure, and interest margins lead to a significant influence on the demand for deposits. At the micro level, they found that in addition, bank-specific variables, such as the perceived riskiness of individual banks, their liquidity buffers, loan exposure, and interest margins, bear a significant influence on the demand for deposits.

Based on this study, both domestic and international factors help explain deposit demand. Among domestic variables, they found that the coincident indicator for real economic activity Lebanon, consumer prices and the interest difference between the local currency and US dollar matters. Among the external variables, advanced economy and financial conditions appear significant (especially advanced economy industrial production and the Goldman Sachs Risk Aversion Index), as do some variables proxy the availability of funds from the Gulf. Both domestic and external variables are significant in explaining deposit demand, impulse response functions and variance decomposition analysis underscore the relative importance of the variables. Regarding bank specific variables, this study found that the banks perceived riskiness, their liquidity buffers, loan exposures and interest margins lead to a significant factor on deposit increasement in banks level, control domestic and external macroeconomic factors.

2.8.2. Factors of Kenyan commercial banks deposit growth

According to Lomuto and Joel Katalai (2008) time series data covering 1968-2006 with linear regression with deposit as dependent variable and explanatory variables deposit rate ,nominal exchange rate ,investment income ratio, number of checks cleared(used as proxy for innovation in the financial sector),real GDP, ratio of monetary GDP to total GDP and structural adjustment programs(SAPS).

Based on this study finding, commercial bank deposits and all other explanatory variables including structural adjustment programs significantly affect bank deposit growth in Kenya. In addition to this, several policy implications were drawn that aim at encouraging deposits growth by commercial banks for the benefit of domestic deposit mobilization. Growth enhancing policies promote deposit growth, the stability of macro-economic system should be maintained and financial sector innovations encourage deposit growth at commercial banks in Kenya as people reduce their demand for carrying cash.

2.8.2.1 Macroeconomic determinates of bank deposit in Nigeria

According to the study done in Nigeria(Nathnael.O,Eriemo,2014), the effects of various macroeconomic indicators that influence bank deposits in Nigeria on data covering the period between 1980 to 2010,the performance of banks within the context of deposit mobilization of banks and it's determinants. Based on this finding, bank investment, number of bank branches, interest rate and the general price level are significantly affect bank deposit.

In another study, Epapher (2014) Empirical examine the Determinants of Tanzania's National Savings during the period of 1970-2010. The study reveals that disposable income, real GDP growth and population growth have a positive impact on savings in Tanzania.

2.8.2.2 Factors affecting commercial bank deposit: An Empirical study on commercial bank of Ethiopia

Based on the study (Wubitu Elias,2012) empirically examine both endogenous and exogenous determinant factors which affect bank deposit in commercial bank of Ethiopia using time serious data covering the period 2000 to 2011.

According to this research, both exogenous and endogenous factors influence the deposit mobilization potential of commercial bank of Ethiopia positively. In addition to getting access to government budget, the bank also mobilizes funds from its customers and profit from operation. Among the three kinds of deposits,(demand deposit, fixed time deposit and saving deposit),saving deposit is mainly used by the bank and its customers.

2.8.2.3 Determinates of commercial bank deposit a case of commercial bank of Ethiopia

According to the study done by (Shemsu 2015) the aim was to identify and evaluate those factors affect bank deposit in general by taking commercial bank of Ethiopia as evidence by using time series data covering between 1998 to 2014 with deposit as the dependent variable and explanatory variables were deposit, interest rate, overall inflation rate, number of branch opening, gross domestic product, individual foreign remittance and dummy variables. Based on this study finding, all the explanatory variables were positively correlated with the dependent variable (bank deposit).Among these variables branch opening is an important strategy for deposit mobilization, it is highly significant than other variables. In addition to that, individual remittance from Diaspora is significantly affect bank deposit next to branch opening. The other variables affect positively and can increase the deposit.

2.8.2.4 The determinants of commercial banks deposit growth in Ethiopia

According to (Bahredin(2016)) time series data used the year between 2000 to 2014, the number of bank branches and per capita income growth influence is positively and statistically significant on bank deposit; whereas, lagged bank deposit and loan to deposit ratio influence is negatively and statistically significant on bank deposit growth. Money supply growth had no association or relationship with bank deposit. On the other hand, deposit interest rate had insignificant positive relationship with bank deposit growth. This study implies that stimulation of economic growth; number of bank branches and financial intermediation are the most important factors that affect bank deposit growth.

2.8.2.5 Empirically examined determinants of deposit mobilization in private commercial banks of Ethiopia

Based on (Jembere,2014) study was focused on six private commercial banks in Ethiopia from year 2002 to 2012. The result showed that number of bank branches and real gross domestic product significantly affect bank deposit. Whereas, capital adequacy and liquidity negatively affect private banks deposit. According to (Goro, 2015), analyze the determinants of deposit mobilization and related cost of commercial banks in Ethiopia during the period of 2001/2 to 2012/13. The study reveals that the branch expansion is the most significant factor of deposit mobilization. Deposit rate and real per capita GDP growth rate have insignificant factors bank deposit. In this research, as opposed to the conventional economic theory, the deposit rate is found to have negative relation against the bank deposit under this study.

CHAPTER THREE; RESEARCH METHODOLOGY

Research design

Study design is purposive with inspecting the effect of external and internal variables on bank deposit. It is an overall structural framework for the proposed research. The study was done in Bank of Abyssinia to assess factors affecting deposit mobilization. The data was collected from bank management staffs working in grade2, grade3 and corporate branches of BOA. This study used explanatory design with quantitative approach. Primary data was used for this study.

Source of Data

These were populations we are intended to generalize in the specific study. All staffs working in all branches of bank of Abyssinia were the source population of the study. In BOA, there were a total of 864 branches, corporate 2, grade3 12, grade2 30, and grade1 805. This study had selected all grade II, grade III and special corporate branch management staff of the bank purposively.'

The target population

The target populations are group of individuals included in this study. So, all above or equal to grade two senior management staffs working in bank of Abyssinia were included because it was believed that senior management staffs have better experience on deposit mobilization activities and good source of information for this study and avail during data collection period.

Sampling technique

There are probable and non probable types of sampling techniques. Probable sampling techniques are used when each population element has known (non-zero) chance of being chosen for the sample. Whereas non probable methods, are we do not know the probability that each population element being chosen. One of among non probable sampling methods is purposive sampling. Purposive sampling is used when the desired population for the study is rare or very difficult to locate or recruit for a study. So, to get representative data in this study Purposive sampling technique was applied due to wider study area in the study to get representative data.

Sampling procedures

In bank of Abyssinia, there are grade I, grade II, and grade III and special corporate branches. This study had selected all grade II, grade III and special corporate branch management staff of the bank purposively.

There are 2 corporate branches, 12 grade three branches and 30 grade two branches in BOA. From this grade and corporate, there were 14 management staff from corporate, 36 management staff from grade three and 90 management staff from grade two branches. Therefore, the total sample size was 140.

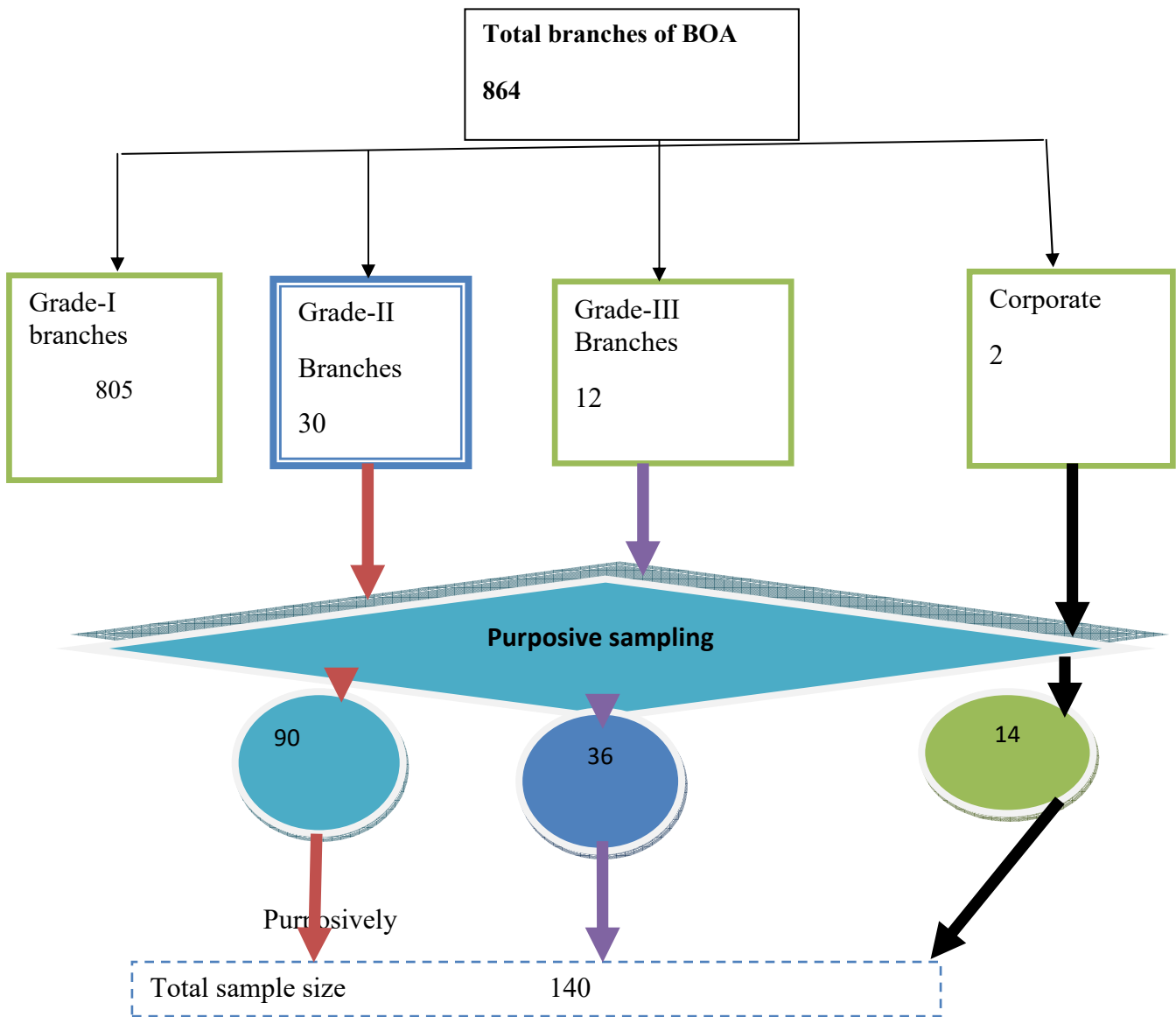


Figure 3: Schematic presentation of sampling procedure

Data source, and Tools of Data Collection

This study used primary sources of data to investigate deposit mobilization in Bank of Abyssinia. Primary data was collected from each sample branch management staff. It was done by using prepared, structured and unstructured questionnaires and filled by assigned data collectors. Data quality was assured by continuous supervision, data checked for completeness and filling during software analysis.

Data Analysis and, interpretation

The collected data was checked for completeness by the principal investigator before the data entry and coded, entered and analyzed using SPSS version 25.0 software. Frequencies, percentages and figures were used to describe the descriptive part of the study. Correlation was used to detect the relationship between dependent and explanatory variables and their direction. Linear regression analysis was done to check association between dependent and independent variables with 95%CI and P-value <0.05.

Diagnostic Test of Methods

To set up the model this study used linear regression to establish relationship between Banks deposit, GDP, number of branch opening, bank profitability and deposit mobilization initiatives.

The socio-demographic data is summarized by using descriptive statistics (frequencies and percentages).

Ethical Consideration

Each participant in the study has given informed consent after being clearly informed of the purpose of their participation in the study, and any engagement has only occurred with their full consent. Everyone has the right not to participate in the study if they choose not to. By not including any personal information on the questionnaire and keeping the questionnaires closed, confidentiality has been guaranteed from all data collectors and lead investigators.

Validity and Reliability

The study was conducted by primary sources and therefore any error from that data collection process definitely affects the outcome. All the information collected was checked for completeness by the principal investigator before the data entry. The methodology applied for this study selected because of its suitability in its dependence on certified information from recognized institutions other than subjective opinions, which would have been associated with primary sources. The coefficient of determination (R^2) was used to test the validity and reliability of the relationship established by the regression analysis. The coefficient of determination of R^2 showed the variation in deposits is explained by the independent variables within the model and shows the relationship between deposits and the independent variables.

Variables

Dependant variable

Deposit mobilization

Independent variables

Number of bank branches

Bank profitability-

Deposit mobilization strategy

Growth Domestic Product (GDP)-

Growth Domestic Product (GDP);Based on the study conducted by revealed that growth domestic product is the market value of all goods and services produced in a country over one year period (Banke and Yitayaw, 2022). According to (Ongore and Kusa, 2013), during the declining GDP growth, the demand for credit falls which is negatively affects the profitability of Banks. On the other hand, in a growing economy expressed by good GDP growth, the demand for growth is high because of the nature of business cycle.

Profitability of the Bank; bank deposit performance is based on return on assets (ROA) or return on equity (ROE).Return on assets reflects the management's ability to utilize the banks financial and real investment resource to generate profit. It is a ratio of income with its total asset. It measures the Bank management staff potential and commitment (Ongore and Kusa, 2013). There is strong relationship between banks' deposits and profitability. Larger Banks attract more deposit than smaller once due to bigger Banks have many branches, huge capital (asset) and provide a better chance of security for their customers (Goro, 2015),.

Branch Expansion; Branch expansion takes in to account like deposit potential, level of competition and regional income (Legass, 2021).

Bank size; indicates that the number and diversity of ownership of customers deposit accounts and distribution of deposits by type vary with bank size. It has significant effect on bank deposit. Smaller bank has to generate less deposit to achieve the same deposit growth than large banks, thus possibly favoring smaller banks in achieving higher deposit target growth(Bogale, et al, 2021).

Deposit Mobilization; deposit is the working capital of once country economy. Deposit mobilization is the collection of cash/funds by financial institution through its current, saving fixed, opening new account and other bank products (Gunasekara.CH, 2018),

CHAPTER FOUR

4. Data Presentation and Analysis

During the study, questionnaires prepared in English language were distributed to bank respondents and most of the distributed questionnaires were returned. The questionnaires are mainly prepared by two components with demographic characteristics of respondents and deposit issue. There was also Likert scales by five scales ranging from five to one. Where 5 represents strongly agree, 4 agree, 3 neutral, 2 disagree and 1 strongly disagrees. The Bank of Abyssinia senior management staffs filled all the questionnaires.

4.1. Descriptive data analysis

A total of 140 respondents were involved in this study giving an overall response rate of 92.86%. The mean age of the study participants was 25.85 years \pm SD, (SD = 0.78). Around 97 (74.6%), of the participants have 6-10 years of working experience. And those Bank professionals had working experience ≥ 15 were 9(6.9%) (**Table1**).

Table 1; Background of respondents' Personal information staffs working in Bank of Abyssinia, 2023

Variables	Frequency(n)	Percent (%)
Age(in years)		
20-30	45	34.6
31-40	64	49.2
41-50	16	12.3
>50	5	3.8
Total	130	100
Sex		
Male	120	92.3
Female	10	7.7
Total	130	100.0
Years of service in the Banking industry		
0-5	6	4.6
6-10	97	74.6
11-14	18	13.8
>=15	9	6.9
Total	130	100.0
Current position in bank of Abyssinia		
operation manager	54	41.5
branch manager	29	22.3
branch business manager	47	36.2
Total	130	100.0

Based on this study, transaction cost 60(46.2%) of Bank of Abyssinia (BOA) expense was on stationary and office (**figure1**).On the other hand, on profitability of Bank of Abyssinia were 11(8.5%)(**figure2**).According to deposit mobilization strategy of BOA, money tracking was 37(28.5%)(**figure3**).

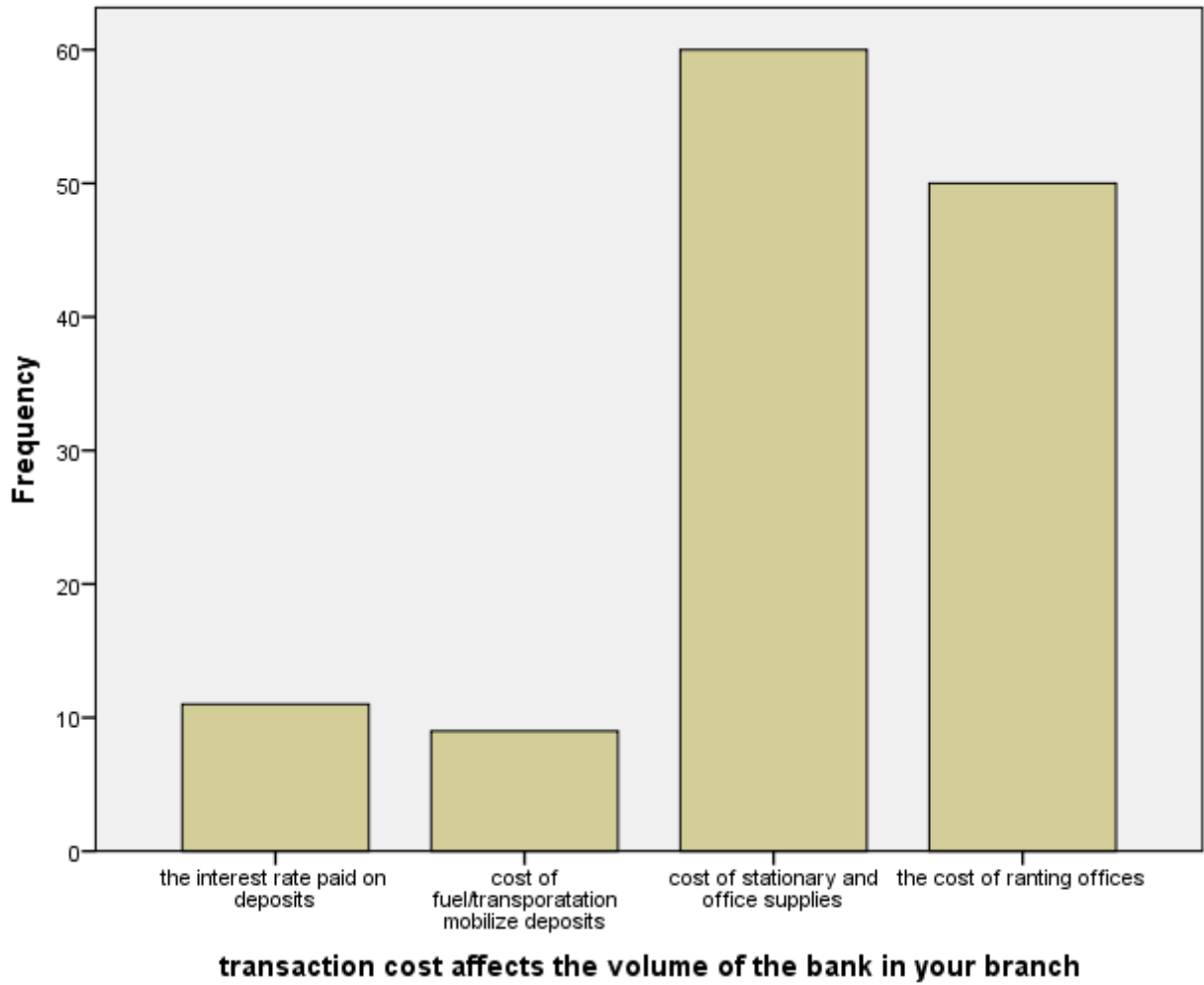


Figure2: transaction cost that affect the volume of bank of Abyssinia, Ethiopia, 2023

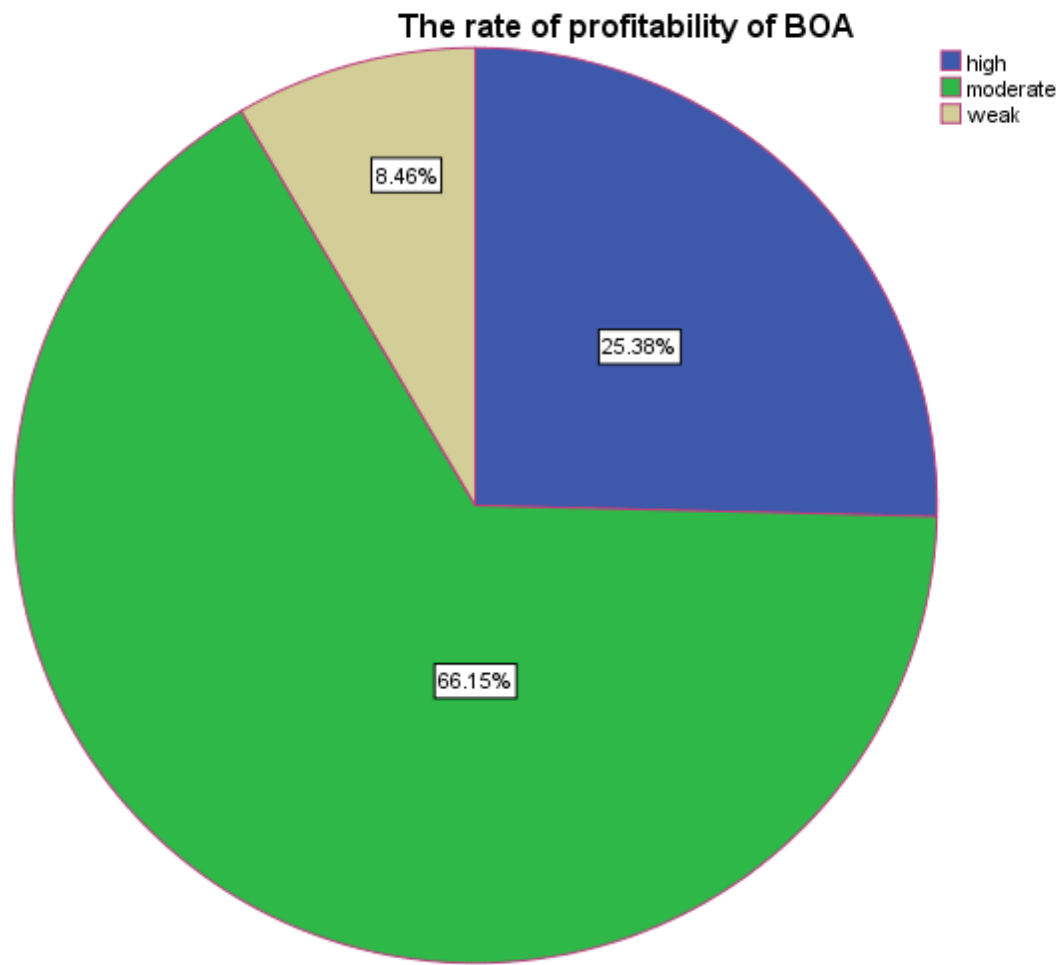


Figure 3: Rate of profitability of Bank of Abyssinia, Ethiopia, 2023

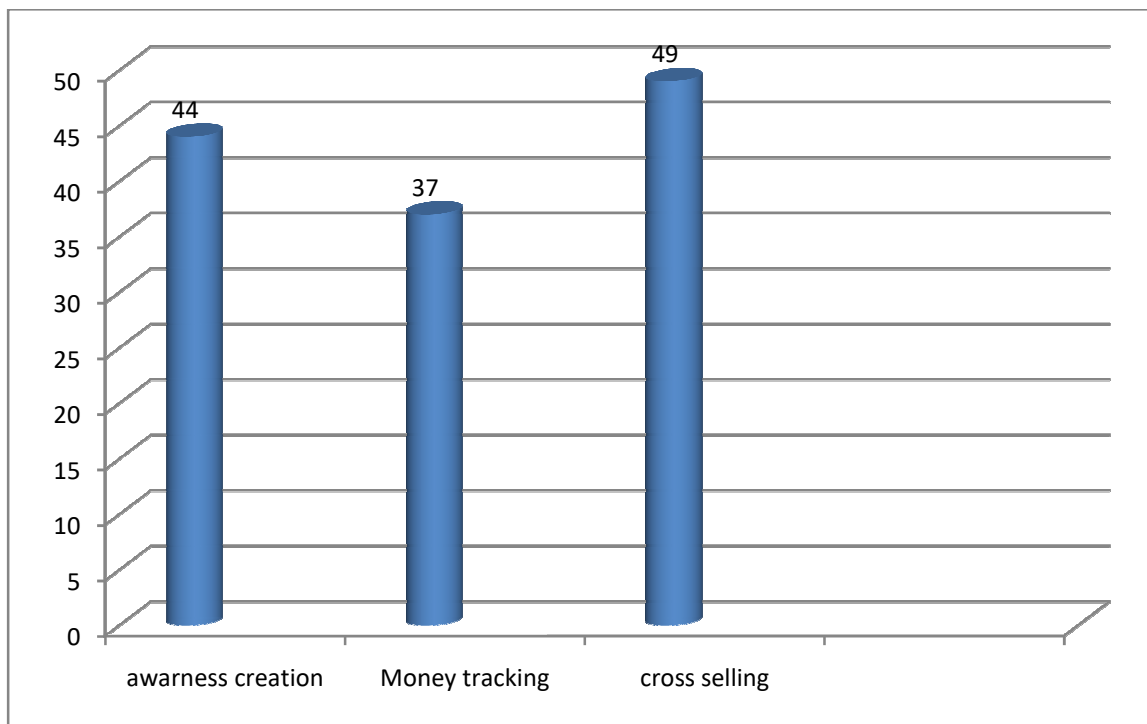


Figure4; Deposit mobilization strategy of Bank of Abyssinia, Ethiopia, 2023

The result of this study showed that 82 (63.10%) and 22(16.9%) of the bank workers disagreed and strongly disagreed on the item “<10 minutes take for a customer to open new account in your bank” respectively. Also bank professionals showed their disagreement on item “>30 minutes take for a customer to open new account in your bank” were 9 (6.9%) and 121 (93.01%) of the respondents were disagreed and strongly disagreed respectively from measuring scale. On the other hand, majority 72 (55.38%) respondents strongly agreed item “the branch expansion can be considered as the most significant factor which affects Bank of Abyssinia’s deposit”. Another finding of this study showed that high respondents 102(78.46%) strongly agreed with the likert scale measuring item "is Low cost/charge cause for the variation in deposit among Banks?. Another major finding of this study showed that high respondents 114(87.70%), 15(11.50%) strongly agreed and agreed respectively with the likert scale measuring item ‘is deposit mobilization of BOA increase year to year’. **(Table: 2).**

Table 2: Assessment of bank professional' awareness with likert scale towards deposit mobilization of Bank of Abyssinia, Ethiopia, 2023

Awareness assessing items	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total
	No	%	No	%	No	%	No	%	No	%	
Branch expansion can be considered as the most significant factor which affects Bank of Abyssinia's deposit?	0	0	0	0	0	0	58	44.62	72	55.38	130
Give Attractive interest rate for customers is a reason of deposit increasement of BOA year to year?							60	46.15	70	53.85	130
Availability of parking are cause for the variation in deposit among branches of BOA							30	23.10	100	76.90	130
Low cost/charge cause for the variation in deposit among branches of BOA							28	21.54	102	78.46	130
<10minutestake a customer to open new account in your bank	22	16.90	82	63.10			26	20.00	0		130
10-30minutestake a customer to open new account in your bank	0		5	3.85	0		22	16.92	103	79.23	130
>30minutestake a customer to open new account in your bank	121	93.01	9	6.99	0		0		0		130
<10minutes time take a customer to withdraw/deposit cash to his account in your bank	88	67.70	20	15.38	22	16.92	0		0		130
10-30minutes time take a customer to withdraw/deposit cash to his account in your bank	31	23.85	33	25.38	0		14	10.77	52	40.00	130
>30minutes time take a customer to withdraw/deposit cash to his account in your bank	2	1.54	31	23.82	0		30	23.10	67	51.54	130

Is deposit mobilization of BOA increase year to year?					1	0.80	15	11.50	114	87.7	130

4.2 Reliability, Correlation and Linear regression Analysis

In this study, correlation and Linear Regression Analysis were used to see relationship between dependent and independent variables. In this study, deposit mobilization is the dependent variable whereas GDP, deposit mobilization initiatives, Bank profitability and branch expansions are the independent variable.

4.2.1 Reliability Test

Based on the liability test result, and got a coefficient a value of 0.754(75.4%) this indicates that there is good reliability.

Reliability Statistics	
Cronbach's Alpha	N of Items
.754	5

Co linearity Test

This test is important to identify the correlation between independent variables to the regression model by using variance inflation factor(VIF).Normal value of VIF is <10,between 1 and 10.Therefore,in this study all independent variables entered in regression analysis had good correlation.

Coefficients^a

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.436	.264		16.797	.000	
	deposit mobilization initiatives of the Bank	-.014	.037	-.032	-.374	.709	.954 1.048
	GDP	-.009	.070	-.012	-.135	.892	.926 1.080
	the rate of profitability of your bank	.160	.075	.247	2.128	.035	.531 1.883
	new branches opened in ended 2022	.074	.089	.099	.836	.405	.512 1.952

a. Dependent Variable: deposit mobilization of BOA

4.2.2 Correlation test

The statistical method used to determine how dependent and independent variables are related. In this analysis, variables will have different types of correlation;

- A value ranging from 0.1 to 0.4 would be classed as a weak correlation, and anything above 0.5 would be regarded as a strong correlation (Cohen, 1988).
- A value approaching zero indicates the absence of any relationship between two variables, in other words no correlation.
- It ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables. A perfect positive correlation (+1) where there is a one-to-one incremental relationship between the two variables. The correlation between two variables can be positive (i.e., higher levels of one variable are associated with higher levels of the other) or negative (i.e., higher levels of one variable are associated with lower levels of the other). The sign of the correlation coefficient indicates the direction of the association. The magnitude of the correlation coefficient indicates the strength of the association.
- Pearson correlation coefficient is the test statistics that measures the statistical relationship or association between two variables.
- Correlation coefficient, r , indicates that the strength and direction of the linear relationship between x and y . Correlation coefficient, r is always between -1 and +1, with $r=-1$ means points are in a perfect straight line with negative slope. Goodness of fit test is observed frequencies on a single variable are compared with a corresponding set of expected values.

Based on the result of this study, there is strong statistically significant relationship between the deposit mobilization and Bank profitability. And the increase in Deposit at a confidence level of 95% ($r=0.672$) with $p\text{-value} < 0.05$.

On the other hand, bank expansion has strong statistical significant relationship between deposit mobilization and the increase in Deposit at a confidence level of 95% ($r=1$) with $p\text{-value}=0.014$.

In this study, deposit mobilization technique of the bank has significant relationship to deposit mobilization ($r=0.144$) $p\text{-value}= 0.003$. On the contrary, the independent variables which do not

have significant relationship with deposit mobilization is found to be GDP with ($r=0.156$) p-value =0.076 in the Pearson correlation (**table3**).

Table 3; correlation deposit mobilization in BOA, Ethiopia, 2023

		Deposit mobilization	Bank Expansion	Bank Profitability	GDP	Deposit mobilization initiatives
Deposit Mobilization	Pearson Correlation	1	1	.672	.156	.144
	Sig. (2-tailed)		**0.014	**0.000	0.076	**0.003
	N	130	130	130	130	130

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

* Correlation is significant at the 0.05 level (2-tailed).

4.2.2 Linear regression Analysis

Linear Regression analysis is a type of regression analysis that explains the relationship of dependent and independent variables and used to make predictions. R squared value indicates that the variance of dependent variable being studied is being explained by the variance of independent variables. It ranges from 0-1. Adjusted R2 test different independent variable against the model but r2 does not. Always adjusted r2 is $\leq r^2$. In most researches, the value of best adjusted r2 ranges 0.5 to 0.7. Low r2 means that important variables were missed that were important for association of outcome variable. But always it might not be a problem.

Therefore, it is indicated as follows;

Deposit mobilization = $\beta_0 + \beta_1$ (GDP) + β_2 (deposit mobilization initiatives) + β_3 (Bank profitability) + β_4 (branch expansion).

Table 4; Linear Regression Analysis Model Summary

Model summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.321 ^a	.103	.075	.347

a. Predictors: (Constant), branch expansion of the bank, deposit mobilization technique, GDP and bank profitability.

b. Dependent Variable: Deposit Mobilization

As a result indicated in table 4, 7.5% of the variance change in the dependent variable can be predicted by the independent variables.

Table 5; Linear Regression Analysis

Coefficient^a

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper bound	
1	(Constant)	4.436	.264		16.797	.000	3.913	4.959
	deposit mobilization initiatives of the Bank	-.014	.037	-.032	-.374	.009	-.087	.059
	Bank profitability	.160	.075	.247	2.128	.035	.011	.308
	GDP	-.009	.070	-.012	-.135	.892	-.148	.129
	Bank branch expansion	.074	.089	.099	.836	.005	.102	.250

a dependent variable ; Deposit mobilization

As the above table result indicated that deposit mobilization initiatives of the Bank, Bank profitability, GDP and bank branch expansion are independent variables where as deposit mobilization is the dependent/outcome variable. Based on this study finding, deposit mobilization initiatives in the bank of Abyssinia (b=-0.014, t= 0.374 with p value=0.009) has negative significance at 95% level of confidence. It implies that the deposit mobilization strategy of the bank have a 1.40% inverse effect on deposit mobilization. Profitability of the Bank has a positive relationship with deposit mobilization. As this study showed that, Profitability of the Bank (b=0.16, t= 2.128, p= 0.035) is significant at 95% level of confidence. It implies that bank profitability has 16% to effect on deposit mobilization in the Bank of Abyssinia. Whereas bank branch expansion has strong relationship with deposit mobilization (b=0.074, t= 0.836, p= 0.005) at 95% level of confidence. It implies that bank branch expansion has 7.4% to effect on deposit mobilization in the bank of Abyssinia. On the contrary, this study found that GDP (b=-0.009, t= 0.135 p>0.05) has insignificant relationship with deposit mobilization of BOA at 95% level of confidence.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

In the previous section, data analysis and interpretation was done through text, figure, and linear regression analysis. Where as in this section there is summary and recommendation of the major findings.

Summary of Major Findings

The descriptive statistics result demonstrates that transaction cost, rate of profitability and deposit strategies had contributing factors for deposit mobilization in the banking industry. When we see the deposit mobilization strategies, cross selling, money tracking and awareness creation had great contribution to deposit of banks. In the descriptive analysis, availability of parking area, low cost/charge and gives Attractive interest rate for customers were the cause for the variation in deposit among branches in Bank of Abyssinia. This implies that banking industry have greatly affected with bank strategies, cost balancing system and working on customer attraction system/mechanism can increase deposit of Banks. This finding is supported by studies conducted by (Abiodun, (2021), collapur (2010),Vuong.B.N, et.al.(2020), Srivanstava.N,(2020), Charles.Kamugesha(2022), Jifar.(2021), Ongore.V.O and Kusa.G.B.(2013) and Shettar, R. M, and Sheshgiri , S.M.(2015).

In this study, stiff competition among Banks, government participation in the Banking industry and government laws/regulations was the main challenges of banks deposit. This finding is similar with studies conducted in Mohammad. N. and Mahdi, S. (2010), Legass,H.A,Shikur,A.A, and Ahmed,O.M.(2021), Devinaga Rasiah(2010), Kumar, B, Raman, M.S, and Singh, D.(2021).

When we come to regression analysis result for this study, the relationship between independent variables of branch expansion, deposit mobilization strategies and profitability of the Bank have significant relationships with dependent variable (deposit mobilization). Branch expansion and bank profit strategy applied in the bank are found to be very crucial approach to deposit mobilization through large customer attraction by making availability and accessibility of the bank, and it will significantly increases deposit to Bank of Abyssinia.

The finding of this study also identified that the relationship between deposit mobilization strategy and bank deposit. Deposit mobilization is significant and negative relationship but it has a great contribution, positively affects the deposit mobilization process of the banking industry by money tracking, awareness creation and cross selling initiatives. The deposit mobilization strategy needs solitary assessment attached with another variable that could chip in for deposit mobilization. Improper resource allocation, not providing loan services to middle level customers, and having no unique activity between other commercial banks in the industry cause low performance in the process. Even the government roles and political conditions of the country, national bank of Ethiopia directives negatively/positively affects bank deposit strategy through controlling by establishing different rules and regulations. In addition to this, high competition among banks has great challenge to deposit mobilization for banks.

In this study, growth domestic product (GDP) of the country not found to be statistically significant effect with the Bank deposit but in the overall performance of the bank it relies on its strategies. GDP in a bank is very vital resource and the major driving force for successes and failures for banks deposit by affecting its profitability. Even beyond banks it has great influence once country economy in addressing customer needs to deal with their satisfaction. The deposit mobilization process is highly linked with the countries government policy and political conditions.

5.1 Conclusion

According to this study, the transaction cost affecting deposit mobilization in bank of Abyssinia were cost of stationary and office supplies and renting of offices. In this study finding, availability of parking area, giving attractive interest rate for the customers and give low cost cause for the variation in deposit among branches in Bank of Abyssinia. Based on the finding, the main challenge is stiff competition among Banks, government participation in the Banking industry and government laws/regulations.

The correlation result shows that branch expansion, deposit mobilization strategy and profitability of the Bank are positively related to deposit mobilization. On regression analysis branch expansion and profitability of the Bank have significant and positive relationships with deposit mobilization in Bank of Abyssinia. On the other hand, deposit mobilization strategy of the Bank has significant and negative relationship with deposit in Bank of Abyssinia. On the contrary, GDP has no significant relationship with deposit in Bank of Abyssinia.

5.2 Recommendations

- ✓ Bank of Abyssinia management staffs need to have new strategic plan to reduce cost of stationary and office supplies.
- ✓ The government and Bankers association office it is advisable to manage stiff competition among Banks by formulating and implementing strong monitoring and evaluation strategies.
- ✓ It is better to give attractive interest rate for customers and do on bank branch expansion to increase deposit mobilization in the bank of Abyssinia.
- ✓ The government needs to revise bank performance (laws/regulations) and conformance simultaneously to increase Banks profitability.
- ✓ To be effective, bank of Abyssinia better to work on deposit mobilization initiatives of cross selling, awareness creation and money tracking aggressively.
- ✓ In this study Availability of parking area cause for the variation in deposit among branches of Bank of Abyssinia. So, BOA needs to work strongly on availability of parking areas around bank's office.

❖ Recommendations for researchers

- Further research better to be conducted that can address the limitations of this study and design strategies to improve deposit mobilization quality of Banks in general..

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Appendix

Dear Respondents, This questionnaire is designed by the final year post graduate student of Addis Ababa university entitled: **Factors Affect Deposit Mobilization in of Bank of Abyssinia** to gather data from the employees of banks of Abyssinia management staff on which will be used as an input for the accomplishment of Master's Thesis. Your genuine response is solely used for academic purpose and the data will be treated utmost confidentiality. Therefore, your kind co-operation is appreciated in advance for giving me your valuable time in responding the issues raised below.

For further information, I will be available with the following address;

Name; Yadamnesh

Tele; 0913994981

Instruction

You are not expected to write your name

Put a(√) mark for your response

Requested to duly fill and return the questionnaire

I. Background of respondents Personal information

1. Sex. Male Female
- Year of service in the banking industry
0-5 yrs 6-10 yrs 11-15 yrs 16-20 yrs
2. Age;
20-30yrs 31-40yrs 41-50yrs 50yrs
3. Your current position at bank of Abyssinia?

Branch Operation manager A

Branch manager

Branch business manager

II. Deposit mobilization issues

4. Which group of customers are the most significant depositors in your bank in terms of the size of the deposit?

Individual customers

Business organizations

Government entity

NGOS

If there is, specify -----

5. Which deposit type has the most significant deposit volume

Saving account deposits

Current account deposits

Fixed time deposits

If there is, specify-----

6. How many new branches does your bank have as of the year ended June, 2022?

<50

51-100

>100

Following questions are related to deposit mobilization likert scale, All of the following statements refer to the way you feel						
S no		Options				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	The branch expansion can be considered as the most significant factor which affects Bank of Abyssinia's deposit?					
	Give Attractive interest rate for customers is a reason of deposit incresement of BOA year to year?					
	Availability of parking areas cause for the variation in deposit among branches of BOA					
	Low cost/chargecause for the variation in deposit among branches of BOA					
	<10minutestake for a customer to open new account in your bank					
	10-30minutestake for a customer to open new account in your bank					
	>30minutestake for a customer to open new account in your bank					
	<10minutes time take for a customer to withdraw/deposit cash to his account in					

	your bank					
	10-30minutes time take for a customer to withdraw/deposit cash to his account in your bank					
	>30minutes time take for a customer to withdraw/deposit cash to his account in your bank					

15. Which transaction cost affects the volume of the bank in your branch?

The interest rate paid on deposits

Cost of fuel or transportation mobilize deposit

The cost of stationery and office supplies

The cost of renting offices

Other, specify -----

16. How do you rate the profitability of your Bank?

High

Moderate

Weak

17. Which deposit mobilization strategy initiative is more appropriate in your branch?

Money tracking

Cross selling

Awareness creation

THANK YOU FOR YOUR COOPERATION

Table 5; Linear Regression Analysis

Coefficient^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper bound	
1	(Constant)	4.436	.264		16.797	.000	3.913	4.959
	deposit mobilization initiatives of the Bank	-.014	.037		-.374	.009	-.087	.059
	Bank profitability	.160	.075		2.128	.035	.011	.308
	GDP	-.009	.070		-.135	.892	-.148	.129
	Bank branch expansion	.074	.089		.836	.005	.102	.250

a dependent variable ; Deposit mobilization

Table 4; Linear Regression Analysis Model Summary

Model summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.321 ^a	.103	.075	.347

b. Predictors: branch expansion of the bank, deposit mobilization technique, GDP and bank profitability.

b. Dependent Variable: Deposit Mobilization

Table 3; correlation on deposit mobilization in BOA, Ethiopia, 2023

Correlation

		Deposit mobilization	Bank Expansion	Bank Profitability	GDP	Deposit mobilization initiatives
Deposit Mobilization	Pearson Correlation	1	1	.672	.156	.144
	Sig. (2-tailed)		0.014	0.000	0.076	0.003
	N	130	130	130	130	130

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

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

Reliability Statistics	
Cronbach's Alpha	N of Items
.754	5

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.436	.264		16.797	.000	
	deposit mobilization initiatives of the Bank	-.014	.037	-.032	-.374	.709	.954 1.048
	GDP	-.009	.070	-.012	-.135	.892	.926 1.080
	the rate of profitability of your bank	.160	.075	.247	2.128	.035	.531 1.883
	new branches opened in ended 2022	.074	.089	.099	.836	.405	.512 1.952

a. Dependent Variable: deposit mobilization of BOA