



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
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**FACTORS AFFECTING DEPOSIT MOBILIZATION; THE CASE OF PRIVATE
COMMERCIAL BANKS IN ETHIOPIA**

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COMMERCIAL BANKS IN ETHIOPIA**

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Approval sheet

This is to certify that the thesis prepared by Mekdes Dawit entitled “**factors affecting deposit mobilization; the case of private commercial banks in Ethiopia**”, which is submitted in partial fulfillment of the requirements for the Degree of Masters in business administration complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

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Acronym

- AB — Awash bank
- ACH —Automatic clearing house
- ATM— Automated Teller Machine
- BA — Bank of Abyssinia
- CBE —Commercial bank of Ethiopia
- CLRМ — Classical linear regression model
- DB — Dashon bank
- DEP —Deposit of private banks
- DW — Durbin Watson
- ESA — Ethiopian statistics agency
- GDP — Gross domestic product
- IN — Inflation rate
- IT — Interest rate
- NB — Number of branch
- NBE — National bank of Ethiopia
- NCA — National communication agency
- NE — Number of employee
- NIB — Nib international bank
- NO — Number of employee
- OLS — Ordinary least square
- OIB — Oromia international bank
- WB — Wegagen bank
- STATA—Statistics and data
- SWIFT —Society for worldwide interbank financial telecommunication
- VIF— Variance inflation factor

Abstract

The survival of every commercial bank is highly depends on the bank deposit because making of profits of these banks is determined by the strategies adopted by each bank to mobilize deposits from the public that is an input to earn income for most conventional banks. In order to make good strategies, yet, the banks should know what factors determine the deposit mobilization activity in the real world. As the result, the issue of banks deposit and its factors is crucial to the financial sector. Therefore, this study main objective is to identify and evaluate those factors affecting bank deposit in general by taking eight private commercial banks in Ethiopia as evidence the sampled private commercial Banks are Awash International Bank S.C, Bank of Abyssinia S.C, Wegagen Bank S.C, United Bank S.C, Nib International Bank S.C, Dashen Bank S.C, Cooperative Bank of Oromia and Oromia International Bank by using purposive sampling. Accordingly, the researcher adopts primary and secondary data similarly qualitative and quantitative (mixed) method of research approach was applied. Regarding to the qualitative data; questionnaire is used by using non probability sampling to gather information from the employees of selected private commercial banks particularly for those employees who actively participated in deposit mobilization tasks by using a census to study a population of 153 staff from this 127 was returned. Regarding to the secondary data; time series data covering 2014/15 – 2018/19, the data were assessed using explanatory method of analysis as well as the test for heteroskedasticity, autocorrelation and normality testing was done to know if the assumptions of CLRM violated or not. Second, developed model was a multiple linear regression equation with deposit as the dependent variable and explanatory variables are interest rate, inflation rate, number of bank branch, number of employee, gross domestic product, individual foreign remittance and exchange rate estimation was done using Ordinary Least Squares technique by using STATA 14 software The results from analysis showed that all the explanatory variables were correlated with the explained variable. Among these variables, interest rate is an important strategy for deposit mobilization; it is highly significant and has positive effect on deposit than others. Employees and Individual remittances from diasporas are also next to interest rate to significantly and positively affects deposit. The other variables have negative effects and can decrease private commercial banks deposit. And finally, the study had recommended what should be done to encouraging deposits growth by private commercial bank in Ethiopia for the benefit of the superior domestic deposit mobilization.

Keywords: private Commercial Banks, Deposit Mobilization, interest rate, inflation rate, number of bank branch, number of employee, gross domestic product, individual foreign remittance exchange rate.

CHAPTER ONE

1.1 Introduction

Achieving great and sustainable amounts of economic development has long been the aim of economic improvement in all countries. The economic development of any country is dependent on its financial system which includes its banks, stock markets, insurance sector, pension funds and government run central bank with authority. Generally, financial institutions are the foundation for nationwide monetary structure by performing an in-between part of activating resources as of savers then afterward loaning to venture entrepreneurs.

Deposits mobilization is the crucial concern as local money which offers low-priced plus consistent means of resources for growth, which is of great value to those countries, especially when the economy has difficulty in raising capital from international donors, financiers and markets. In the context of Ethiopia there is a limited number of bank branches to meet the demand of financial services to all its corners, especially in remote rural areas. Financial facilities are mainly intense in urban areas. The country's economic progress needs an enormous amount of investment and great saving that has been given high care to motivate and developed domestic saving mobilization culture. (Giragn 2015), the deposit mobilization accomplishment is the focus area for both the national and private banks in Ethiopia.

Total deposit liabilities of the banking system reached Birr 688.1 billion birr in the fiscal year 2018/2019, indicating 30 percent annual growth owing to strong expansion of bank branches and improved access to finance, as well as growing saving culture of the society. Similarly, Demand deposits, which accounted for 37.9 percent saving deposits went up 33.2 percent and accounted for 51.3 percent of the total deposits while time deposits, which constituted 10.8 percent of the total deposit liabilities, increased by 25.5 percent over the same period of 2018/19, demand deposits. Therefore customer deposits have a dramatic impact in resource mobilization of Commercial Banks. The share of public banks in total deposits outstanding was 64 percent while that of private banks stood at 36 percent.

The main objective of this study is asses the issue of private commercial banks deposits mobilization factors that are affecting it. So the research assists financial institutions as well as

supervisory body to cling on regulating the subject of deposit that is essential to the safety of the process plus the development as a entire nation. Consequently, the study intended to classify plus estimate the factors of deposit mobilization of private commercial banks of Ethiopia.

1.2 Statement of the problem

One of the most important basis for the financial institutions is deposits, by enabling the usages of reserves. Having greater deposit capacity, leads to the higher loaning plus investments that will sustained to stand the spreading out plus upcoming development. Banks, the world over, succeed on their capability to produce revenue through their loaning actions. Meanwhile commercial banks are highly influenced by creditor's cash as a basis of funds, which clarifies nearly interactions among the capability to mobilize deposits with the volume of cash permitted to the clients. For the purpose of achieving self-sufficiency there is the need to improve ways of mobilizing domestic deposits. Financial institutions essentially need sufficient savings to encounter the borrowing capacity requisite by the community, the financial giant dominant Commercial Bank of Ethiopia (CBE) which embarks an aggressive branch network expansion by opening 807 new branches in 2018/19 fiscal year aimed at mobilization of deposit resources; continued amassing of foreign currency 268.7 million dollar which is profits of export items that is grater of private banks gross profit, channeling of savings made for the housing project in the capital city though it also lends householders for 20/80 and 40/60 projects at a lower interest rate which is 11%, the sum effect of the above and other factors enable the CBE secure competitive advantage over private banks with market share accounting for more than 64 percent of the industry's total holdings, but the dominance of public sector banking certainly restricts financial intermediation and economic growth. It contrasts with regional and international peer countries where banking industries have a much higher share of private sector participation (Dereje, 2017) for instance the case of Kenya's banking industry is that the market share of domestic privately owned banks increased from 51.3 percent in 2008 to 64 percent in 2016. The market share for government owned commercial banks marginally declined from 5.7 percent in 2008 to 5 percent in 2016 (Central Bank of Kenya, 2015). According to (Abay 2010), by sub-Saharan Africa canons, Ethiopia's proportion of domestic saving has been very small. From 1997 to 2010, the average saving rate in low-income countries of the region was about 9 percent, while it was about 19 percent for middle-income countries. In the same period, the average saving rate of fragile sub-saharan African states was 11.5 percent, still significantly higher than Ethiopia saving rate which is 4 percent. Moreover, there have been multiple small enterprises incubated in the last decades and increasing number of import and export values for instance,

imported value increase from 5,207,320 USD thousand in 2009 to 25,815,264 USD thousand in 2018, heavily relying on commercial banks for loans, foreign currency and trade assurances. This calls for an increased demand for deposit mobilization from public institutions, private sector and other potential contributors (Hibret, 2015).

In 2017, there were 19.3 million bank accounts (33% of total adult population) 11% more than in 2014 particularly in rural areas. (Findex, 2017) conditions that nearly four million adults (7%) do not have a financial organization account for the reason that the access point is excessively far away. 18 banks functioned 4,257 bank subdivisions in Ethiopia, over 950 more than the year before. 33% of bank branches, however, are located in Addis Ababa whereas only about 3% of the population lives in the principal city (UN Habitat, 2017). The publicly-owned Commercial Bank of Ethiopia operates about 1,200 bank branches; by far the largest share (Findex, 2017) revealed that 85% of adults without an account with a financial institution cited insufficient deposit as the reason.

A resource mobilization through customer deposit of the private commercial banks in Ethiopia is affected by many aspects. Subsequently saving is supreme beneficial source of the financial institutions it is significant inventing the factors plus defining the connection between the factors. Stastical evidence from National Bank of Ethiopia indicates that from deposits that should be mobilized by banks only 7% is mobilized. which indicates that from the money that should be deposited in the bank 93% of it did not mobilized(NBE, 2017). The banks have to mobilize unbanked peoples by explaining them the importance and benefits related to savings. Financial institutions essentially should ensure ample amount of savings in order to encounter the borrowing capacity which is obligatory of the public and at the same time maintain extra cash for withdrawals by depositors. The bank cannot achieve this, if there are no clear strategies of mobilizing more people to make deposit and do savings. From the peoples habit of deposit is saved in old-fashioned way. Most of the time which illustrates that the saving repetition amongst customers is not technologically advanced so there must develop some tools to increase saving deposit rather than sitting and waiting for depositors to come and deposit their money.

The researcher was motivated to undertake a research in this particular area to fill these gaps. Identifying those factors and appreciation will be significant for the successful operation of the organization because those factors will be a means for measuring the weakness and strength to realize the changing deposit environment.

Various research works are reviewed; there is inconsistency among researcher findings. The contradiction of the outcomes may be because of the methodology of data examination that was undertaken by investigators, the type of data used and different category of banks.

For instance; Inflation Rate taken as explanatory variable by (ketema, 2017) the result of his study indicates inflation has a negative relation and insignificant to Commercial Banks Deposit. (Giragn, 2015) also used the variable in his study to determine the effect of inflation to Commercial Bank Deposit Growth result of the study was positive relation and significant for deposit. Finally (Shemsu, 2015) used Inflation rate as an explanatory variable to determine the effect on the Commercial Bank of Ethiopia deposit result was positive relation and insignificant to the dependent variable which is total deposit.

Interest rate: was taken as an explanatory variable by many researchers but the finding are not the same for instance according to (Andinet, 2016), the result is positive and significant to deposit. As of (Shemsu, 2015) the result is positive and insignificant as per (Girang, 2015) the result is negative and insignificant and lastly (Wubitu, 2012) describes that interest has positive and insignificant effect to deposit.

The research gaps, based on the different studies highlighted above and others have room for this study to be carried in order to fill these gaps the researcher used mixed approach(qualitative and quantitative) data, triangulation(primary and secondary) data and also method of data analysis is STATA 14 then interpretation of questioner analysis is done, thus this study investigates factors affecting of deposit mobilizations of private commercial banks in Ethiopia and which of those factors are significant as well as the effect will be identified.

1.3 Objective of the Study

1.3.1 General objective

The main objective of the study was to investigate the effect of factors affecting deposit Mobilization in private commercial banks of Ethiopia.

1.3.2 Specific Objectives

The specific objectives of the study are

- To examine the effect of bank specific factors which are branch expansion, number of employees as well as interest rate in the deposit of private commercial banks in Ethiopia.

- To identify the effect of non-bank specific factors those are inflation, Gross Domestic Product (GDP), exchange rate of Ethiopian Birr to USD as well as foreign remittances on deposit mobilization of private commercial banks in Ethiopia.

1.4 Research questions

The study is aimed to answer the following research question:

- What is the effect of bank specific factors which are branch expansion, number of employees and interest rate on the deposit of private commercial banks in Ethiopia?
- What is the effect of non-bank specific factors those are inflation Gross Domestic Product (GDP) exchange rate of Ethiopian Birr to USD and foreign remittances on deposit mobilization of private commercial banks in Ethiopia?

1.5 Significance of the study

This study has great importance for banking industry in Ethiopia. This research will give the insight and contribution to the stakeholders especially bank managers and policy makers to evaluate the factors that affect deposit mobilization, to develop the strategies that will help into mobilizing more deposit from the customers. The findings from this study will also be useful to researchers, practitioners and policy makers who will have an interest on the factors that affects deposit mobilization. Furthermore the study will assist both commercial banks and non-bank institutions to understand their dimensional factors on deposit mobilization through the factors identified on this study then to apply the appropriate strategies to gain the competitive edge within the deposit market.

1.6 limitation and Scope of the study

The work of this research is delimited to some major bank specific and non-bank specific factors that affect private commercial banks deposit mobilization in Ethiopia. The research did not cover all private commercial banks and all factors which affects the deposit mobilization of the private commercial banks in Ethiopia rather some banks has be selected purposively also factors are selected in the study based on different literatures to manage the scope of the paper, the study used data of only eight private commercial banks by using purposive sampling, with respect to the quantitative data collection and analysis was limited to Addis Ababa region, the final limitation is that of having access to long duration secondary data before the time period of 2014 then after 2018.

1.7 Organization of the study

Chapter one does present the background of the study, the research problem, the research objectives and the research questions. Additionally, the significance of the study and highlight on the organization of the study has been presented. Chapter two presents the literature that discuss issues pertaining to be factors that influencing the deposit mobilization in commercial banks with empirical studies discussion and experiences of both developing and developed countries are presented. The methodology to be used for this research is discussed in chapter three, whereas chapter four cover center on the research findings, data testing as well as data analysis. The final chapter (chapter five) presented the conclusions and recommendations for the study.

Chapter Two

Literature review

2.1 Introduction

This chapter has three parts; the first part is theoretical reviews, the second part is empirical studies reviews and finally the third part is conceptual framework. In the theoretical review part the literatures that are related to commercial banks and bank deposits are discussed. In the empirical studies part past studies which were conducted on the area of factors affecting commercial banks deposits growth are discussed. Finally, based on the literatures conceptual framework was developed.

2.2 Theoretical Review

Theories are articulated to clarify, forecast, and recognize phenomena and, in several cases, to encounter and spread current knowledge inside the limits of critical clearing conventions. The theoretical literature can hold or support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists (Abend, 2008). The theoretical literature review help establish what theories already exist, the relationships between them, to what point the current concepts have been examined, and to advance new hypotheses to be tested. Often this system is used to help create an appropriate theories or expose that present theories are insufficient for clarifying new or evolving research problems. The unit of analysis can focus on a theoretical concept or a whole theory or framework (Kothari, 2004).

2.2.1 The concept of Banking

Banking is one of the eldest careers in human history, it also succeeded with civilizations. Meanwhile humans happening, using money bank facilities were in use throughout history. Up-to-date banking as we know it nowadays was recognized in Italy and Greece in the 15th century. Today, banks are one of the supreme vital organizations for a modern bargain to work in any country (Gedey, 1990). Different ancient foundations states that the first basics of the banking facility in the world were put by goldsmiths and silver smiths. They have a safe box to put & they were the most trusted. They used to accept gold, silver and various jewelries to put with them. Therefore an individual or a wholesaler places his wealth under their supervision, for their facility they charge a small extent of money and stretch the client a receipt to assurance their approval. Then they started

using, money paying device what we now call this document as ‘check’. However as time goes by , the gold smiths and silver smiths observed that their customers wouldn’t take their jewelry soon, and those clients, whenever they face the deficiency of money, they started loaning to this people and started to grow revenue from their facility. They stimulated putting and providing and rather than creation the clients to fee a custody for depositing, they started to fee them interest and announced the public to work with money. It is assumed that, ancient Assyrians, Babylonians, Athenians, Romans and Abyssinians also used the banking service (Gedey, 1990).

Banks play a precise significant role in the economic growth of every state. They have control over a great part of the supply of money flow. Banks are the central stimulus of the economic improvement of a nation. The financial segments involvement to progress lies in the vital role it acting in mobilizing savings and allotting these resources competently to the most creative uses and investments in the actual sector (Ayalew, 2009).

2.2.2 Commercial banks in Ethiopia

Commercial banks are the most dominant depository institution. They serve investors by offering a wide variety of deposit accounts, and they transfer deposited funds to deficit units by providing direct loans or purchasing debt securities. Commercial banks serve both the private and public sectors, as their deposit and lending services are public sectors, as their deposit and lending service are utilized by households, business and government agencies (Ketema, 2017). They also render numerous services such as collection of cheques, safe custody of valuables, remittance and payment of insurance premium, etc. Commercial banks may be owned by the government or may be run in the private sector (Kumar and Mittal, 2002).

Currently private commercial banks in Ethiopia reached to sixteen as shown in the table below.

Table 2.1 Private commercial banks in Ethiopia

No	Private Commercial	Establishment Year
1	Awash Bank	1994
2	Dashen Bank	1995
3	Abyssinia Bank	1996
4	Wegagen Bank	1997
5	United Bank	1998
6	Nib International Bank	1999
7	Cooperative Bank of Oromia	2004
8	Lion International Bank	2008
9	Oromia International Bank	2008
10	Zemen Bank	2008
11	Bunna International Bank	2009
12	Birhan International Bank	2009
13	Abay Bank	2010
14	Addis International Bank	2011
15	Debub Global Bank	2012
16	Enat Bank	2013

Source: www.nbe.gov.et

2.2.4 The Importance of Deposits

According to (Ongore and Kusa, 2013), Intermediation task of financial institutions show a vivacious character in the well-organized distribution of funds of nations by organizing capitals for useful accomplishments. banks handover monies commencing individuals who do not require productive usage of it to individuals using productive usage. (Nwanko et al., 2013) describes that, deposits are capitals which one chooses to set sideways on behalf of speculation dedications also not for extravagance. What individuals save, escaping to use all their returns, is called "personal savings". Deposits can persevere on the bank financial records for future usage or be actively sponsored in houses, real estate, bonds, shares plus additional monetary tools.

Banks create revenue by means of savings (Mahendra, 2005) believed that savings give utmost of the resources for bank secured loan plus he illustrate absolute basis for the bank's profits besides development. Banks make profits by loaning the deposits they have at hand, for that reason it is believed that savers can devotee banks. (Maria and Sergio, 2001), found that saver's self-discipline banks through taking away savings in addition by necessitating greater interest rates. On behalf of financial companies mainly credit cash banks the main goals are making monetary intermediation to generate revenue and increase the stockholders importance (Sheku, 2005). They achieve their objectives mainly by attracting deposits and investing the money on profitable investment portfolio is inexpensive than nurturing equity: Banks, as one of supplementary commercial establishments, capitals as of debit in addition/otherwise equity. In the banks structure mobilizing saving is more costly that of motivating deposits. (Lorenzo et al, 2010), describes that, if the lending channel performing a part, the saving development had better increase to an improvement in the rivulet of giving a loan in line for the additional foundation of funding for them. By means of request of landing increases for the reason that of the advancement work done by individuals, industries plus administration, banks must feast the credit foundation. While a profit-making bank produces a profit by lending to a business individuals or industries,

Deposit savings as well as/or else development plans: loan is mainly held by local banks that supported mainly from savings. The management mandate for bank resources permitted banks to keep on increasing their savings foundation rapidly (Herald and Heiko, 2009). investors and administration bodies are mostly reliant on the savings of banks to supply investments plus development projects.

In general, the banking scheme can be practical only if it can activate deposits at the essential rate. And this can be done only by making a bank deposit more attractive (Bhatt, 1970).The ability of a

bank's administration in addition to workers to entice savings accounts as of business as well as peoples is an significant amount of the bank's recognition as a result of the community (Mahendra, 2005). Banks' administration main worry is the inconsistency of savings by means of numerous causes. (George, 1972) mentioned the reasons why the variability of banks' deposit is important as follows deposit variability is frequently included as an important determinant of portfolio strategy.

2.2.5 Types of Deposits

Bank deposits function diverse drives for different people. Some people cannot protect frequently. They pledge money in the bank merely when they have additional revenue. The determination of deposit then is to preserve money harmless for upcoming needs. Some might want to deposit cash in a bank for as long as likely to receive interest or to collect reserves with interest so as to purchase a flat, or to meet hospital expenditures in old age, etc. Some, typically entrepreneurs, deposit all their revenue from sales in a bank account and pay all business expenditures out of the credits. Bank deposits are largely categorized into three types; (S.Venkatesan, 2012).

Time or term deposits: In this deposit, deposited money will be kept by bank for some specified terms to mature with a predetermined or negotiated interest rate. The money can be withdrawn only after a given period of time or term (S.Venkatesan, 2012).

Saving deposits: saving deposits needed by a lot of individuals who want the capital that is in their hand commonly to be out there present usage plus in looking forward of upcoming asset such as constructing their own company, purchase car and to education to build their own home etc. In undertaking so the account owner makes interest on the deposit amount. Saving accounts are the highest chosen saving for profitable banks as they are cheap plus are regularly it is created than others saving deposits are means by which the banks reach its services to the community as a general. (S.Venkatesan, 2012).

Current deposits: current savings are usually opened by commercial individuals to resolve loans commonly by means of use of cash. They are greatest repeatedly arranged for expense upon request anytime plus commonly definitely not interest are rewarded going on current accounts.(Giragn, 2015).

2..6 The Effects of Poor Deposit Mobilization

According to (Khalayi, Ondiek, and Musiega, 2014) there are a number of effects that are brought about as a result of the poor deposit mobilization. These comprise incompetence to spend loans to

be qualified participants on request, Incapability to run into process charges, Incapability to facility loans, unbalanced board of directors because of regular reorganization as displeased shareholders elect administrators out, leaving of shareholders to contestants, Distortion of financial information. As a result of electing the chosen representative on allegation or deception. Financial negligence will be created and also poor performance. Will be resulted In addition, dissatisfied members can quit in large numbers to join alternative and emerging financial institutions for fear of losing their savings if the situation deteriorates.

2.3 Empirical review

2.3.1 Empirical studies in overseas

Empirical research is research using empirical evidence. It is also a method of acquisition awareness by means of straight and indirect observation or practice. Empiricism principles such investigation more than other types. Empirical confirmation (the record of one's direct observations or experiences) can be examined quantitatively or qualitatively. Quantifying the symptom or making intelligence of it in qualitative form, an investigator can response empirical requests, which should be obviously defined and responsible with the data collected (usually called data). Research strategy differs by field and by the problem being examined. Many researchers combine qualitative and quantitative forms of analysis to better answer questions which cannot be studied in laboratory settings, particularly in the social sciences and in education (Kothari, 2004).

Ostadi and Sarlak (2014), studied on effective factors on the absorption of bank deposits in Isfahan Sepah Bank. The aim of the study was determining the effective factors on the absorption of bank deposits in Isfahan Sepah bank. The research was applied and in terms of research methods, the branch of the field was descriptive – survey. Data collection and statistical tests using panel data Stationarity test assumptions of classical collinearity regression model, test t, Fisher F test, Durbin Watson test was significant, F Lymr personal effects, Hausman test, the variance test anisotropy the remaining residues of Normality review for multiple regression analysis was used. The research population consisted of Sepah Bank deposits in the province during the period 1379 to 1389. The results indicated that

was increased relative share of bank deposits. Exchange rates ‘effect on deposits was negative.

(Boadi, Li and Lartey, 2015) did a study to find out the determinants of bank deposits in Ghana. Their research examined, the consequences of the study exposed that the interest rate liberalization

and gross domestic product mutually accounted for around 78% of the deviation in the level of bank investments deposits in Ghana. The results also showed that the liberalization of the interest rates is attractive for people with idle funds to save in financial institutions especially in banks. It correspondingly exposed an adverse association among the actual Treasury bill with actual savings rate the rate predicted in a great inflationary situation. each and every one of the explanatory variables have significant effect.

(Ngula, 2012) made research with the aspiration of examining the factors of deposit mobilization plus its responsibility to encourage economic development in Ghana. Data from the period of 1980 to 2010 was adopted for the study in the analysis. By using unit root tests to observe the connection of each variable Time series condition of the data were identified. a test for serial relation in addition to heteroskedasticity was used in order to know the robustness of the Ordinary Least Squares (OLS) regression coefficients,. The need for real bank savings was equated by means of the OLS technique. outcome from the study clarifies that exchange rate as well as inflation have a significant effect on the deposit mobilization in Ghana. saving interest rate on the other hand, found to be a weak factor of bank deposit mobilization. This is because of the lack of confidence that people had in the banking system. Successful mobilization of domestic resources requires a stable macroeconomic environment in which inflation is under control and possible currency substitution is tamed by a stable exchange rate. The functions performed by banks, especially their use of deposits to allocate credit to the private sector for investment, promote growth to an extent. However, government borrowing and other factors constrain the economy from realizing the full growth benefits of functions performed by the banks. Financial policies by government can also augment this development process by assuring greater amount of information on credit worthiness of businesses and households in the economy.

In the study (Katalai, 2008) the test for co integration was performed to determine the long run relationship of the non-stationary variables. Lastly, developed model was a linear regression model through deposit as the explained variable plus explanatory variables as nominal exchange rate, deposit rate, investment income ratio, amount of cheques cleared (used as proxy for innovations in the financial sector), real GDP, ratio of monetary GDP to total GDP and Structural Adjustment Programs (SAPs). Estimation was done using Ordinary Least Squares (OLS) technique and Econometric Views (E-views) statistical package. Analysed results showed that lagged Commercial

bank deposits and all the other variables including Structural Adjustment Programs (SAPs) significantly affect Commercial banks deposit growth in Kenya.

2.3.2 Empirical studies in Ethiopia

(Sisay, 2013) The research used questionnaire and structured interview discussion for employees and the management of Awash International Bank Share Company. The result shows that the reconstruction of Addis Ababa roads, Aggressive branch expansion of CBE, the current condominium house construction program, peoples attitude towards using private banks and poor parking area are strongly influence the deposit mobilization process of Awash International Bank S.C. Opening of additional branches, aggressive promotion and upgrading service deliverance can boost the deposit balance of a bank positively.

(Kibebe, 2016) the research tried to investigate the factors that affect deposit mobilization, the related expenses of deposit mobilization in commercial private banks. The study used both primary and secondary approach in order to collect the data. Questionnaire was adopted in order to collect the primary data. And also, data were extracted from annual reports of Central Statistical Authority (CSA) as well as NBE from each and every one of private commercial banks in Ethiopia, time series data from 2000-2014 was collected for the secondary data were for the purpose of collecting secondary data. Sampling method of the primary data was purposive sampling technique. The analysis was made by using Classical linear regression method. The study showed that, Age dependency ratio, Investment and money supply, have positive significant effect on deposit mobilization activity. The additional variable that have insignificant effect on the total deposit variable are per capital income.

(Shemsu, 2015) The researcher adopted mixed research approach questionnaire was conducted concerning to the collection of qualitative data; to collect data as of the staffs of commercial bank of Ethiopia mainly for those staffs who aggressively working in deposit mobilization scheme in CBE branches. ; time series data in the time period of 1998 - 2014 was used for the secondary data. using descriptive statistics, the time series data were tested for the variables and also the diagnostic for normality, heteroskedasticity and autocorrelation testing in order to be acquainted with if the assumptions of CLRM violated or not. subsequent, estimated equation was a linear regression equation with deposit as the dependent variable as well as explanatory variables as individual

foreign remittance, overall inflation rate, deposit interest rate, number of branch opening, gross domestic product, in addition to dummy variable. Ordinary Least Squares technique with the help views E-7 views statistical means was applied in order to approximation. Explained variable was positively correlated among the explanatory variables which is clearly shown in the outcome from E-7 views analysis. From all explanatory variables, branch opening was a significant policy for deposit mobilization, then there was highly significant than others. Individual remittances from diasporas were also significantly affecting CBE's deposit next to branch opening. The others factors had positive effect and can increase CBE's deposit.

(Hibret, 2015) this study focus on determinant factors on commercial bank of Ethiopia deposit mobilization by applying Vector Error Correction Model (VECM) for the time period of 1974/75 to 2013/14. The researcher investigate the fundamental correlations among determinant factors of deposit with deposit mobilization (Branch Expansion, Inflation, Economic Growth, Exchange Rate, Interest Rate, and Population Growth). The outcome discovered that interest rate has insignificant but positive impact on deposit growth together in the long run plus short run. Whereas branch expansion as well as exchange rate significantly increases banks deposit together in the short run with long-run. Economic growth along with Population as well had a positive effect with deposit growth furthermore the correlation were significant in the long run merely. though, Inflation has positive as well as significant effect on deposit in the long-run with negative effect in the short run.

(Mamo, 2017) the study determine customer deposit mobilization by the commercial bank of Ethiopia by using data for 20 years. Both descriptive and econometric analysis was applied in order to investigate factors that determine deposit mobilization in the case of commercial bank of Ethiopia. As determinants of customer deposit mobilization in the bank five explanatory variables such as loan, existence of competitors, interest rate and branch expansion were included. The econometric result indicated that loan provision, branch expansion and number of customers were found to have significant positive impact on the growth of deposit mobilization. However the emergence of new competitors and interest rate were not found to have positive impact to induce deposit mobilization in the bank.

(Getahun, 2014) this study examined the determinants of deposit mobilization in commercial bank of Ethiopia using secondary data. The data were collected from national bank of Ethiopia from 1971 up to 2013. Multiple regression model was developed to determine the effect of dependent variables (bank deposit) and independent variables (real interest rate, real per capital income, active labor

force and last year deposit. In order to know whether the model is valid or not different analytic tests were conducted. The tests revealed none of the assumptions was violated. The regression result revealed that all the four variables positively and significantly affect deposit mobilization in Ethiopia. The diagnostics tests and the regression were done by using EVIEWS 7.

(Yannet, 2016) the aim of study was to identify the factors having an impact on banks deposits and even assesses which ones are more significant or less significant by taking CBE as evidence. To do the practical investigation, the researcher collected in cooperation of primary with secondary data. In order to collect primary data questioner was used. The secondary data for the research was eleven years' (2006-2015G.C) values of explained with explanatory variables which were collected from national bank of Ethiopia, commercial bank of Ethiopia and CSA. Four variables are regressed with the dependent variables, i.e. total deposit; including inflation rate, loan disbursement, per capital income and bank branches. The data examination was through SPSS software. In order to identify whether the model is suitable or not some analytic tests were conducted. The study revealed that deposit is significantly plus positively affected by branch expansion while total deposit is insignificantly as well as negatively affect inflation rate. And the remaining two variables loan provision and per capital income has positive but insignificant effect.

(Bahredin, 2016) his paper intended to find the factors of commercial banks deposit growth in Ethiopia. To attain this objective quantitative research approach was used. Target populations were all banks that engage in commercial activities and registered by National Bank of Ethiopia to act. Consequently, eight banks, out of the eighteen commercial banks in existence as at 2014, were purposively selected for the study. The dependent variable used to the study was bank deposit growth. Explanatory variables used for the study was lagged bank deposit, deposit interest rate, inflation, bank branches, loan-to-deposit ratio, money supply growth, as well as per capita income growth. In order to determine the cause and effect relationship between dependent and independent variables 15 years' secondary data from NBE and purposively selected commercial banks were used. In order to test the suitability of the model different diagnostic tests were performed. To get out the mainly significant variables the chance effects technique was applied. Per-capita-income and bank branches growth effect is positive and statistically significant in accordance to the final outcome accomplished by using panel data techniques,; while, bank loan-to-deposit ratio as well as deposit influence is negative plus statistically significant. Money supply increase has insignificant negative

influence; while inflation and deposit interest rate have insignificant positive influence on bank deposit growth.

(Fisseha, 2017) the aim of the study was to reveal the insight dynamics that determine commercial banks deposit with reference to Ethiopian commercial banks. In order to achieve this objective the study adopted mixed research approach. Regarding to the qualitative data; the study used semi structured personal interview from the employees of sampled commercial banks of Ethiopia. Regarding to quantitative data the study referenced to Ethiopian commercial banks on basis of data covers sixteen years (1999/2000-2014/2015) period. The data were collected from NBE, Central Statistical Authority, Ministry of Finance and Economic Cooperation and the 22 selected commercial banks. The target population was all banks that engage in commercial activities and registered by National Bank of Ethiopia to act. Consequently, eight banks, out of the eighteen commercial banks in existence at 2014/15, were purposively selected for the study. Results from random effect panel least square regression exhibited that deposit interest rate, annual inflation rate, number of branch, loan to deposit ratio, real gross domestic product and population number have significant effect on commercial banks deposit.

(Ketema,2017) this paper look at the factors affects that deposit mobilization in case of commercial banks in Ethiopia for the periods 2000-2015. From total of seventeen Commercial Banks which are engaged in commercial bank activities, seven selected based on the historical time formation of banks. The researcher adopted quantitative research approach. Bank specific and macroeconomic variables were analyzed by using the balanced panel fixed effect regression model. Different diagnostic tests (test for assumption of homoscedasticity, autocorrelation, normality, average value of the error is zero plus explanatory variables are non-stochastic) while performing to test the suitability of the model. The results revealed that the effect of credit risk, exchange rate, and Bank Profitability are positive and statistically significant; while, dept to Deposit ratio have negative and significant consequence on bank deposit increase. Deposit Interest Rate had insignificant positive effect on bank deposit growth. as a final point, Inflation and Government spending had insignificant negative effect on bank deposit mobilization.

2.4 Factors that affect deposit mobilization

Based on the empirical and theoretical reviews the following are factors affecting deposit mobilization of private commercial banks in Ethiopia. According to (Ongore and Kusa, 2013), the performance of commercial banks can be affected by internal and external factors these factors can

be classified into bank specific (internal) and Non-bank specific variables. The interior influences are individual bank features which disturb the bank's performance. These influences are mainly predisposed by the inner decisions of management and board. The Non-bank specific factors are sector wide or country wide factors which are beyond the control of the company.

2.4.1 Non-Bank specific factors

Non bank specific factors are factors so as to originate from country and banks that can have an effect on the progress of commercial banks deposits. Nations development, political as well as social factors have effect on the commercial banks savings. According to (Herald and Heiko, 2008) nations with minimal risks such as financial risks, economic and political might influence the tendency for depositors to save earnings in the banking system. some bank functions under the law with guideline of the nations where it is in the right manner, as well some troubles as well as fright that has caused in the country has its own distress in the banks day to day business. in general, a financial institution achievement in their business is mostly relay on the surroundings wherever the business is progressed.

The investigator has recognized four non-bank specific factors that have affected the private commercial banks deposits from the literature. They are inflation, Gross domestic product (GDP), exchange rate and remittance.

1. Inflation

As to (Herald and Heiko, 2008), commercial banks deposits are mainly determined by inflation. the consequence of inflation on deposit as a general and time deposit to GDP was negative in Latin America and it is clearly acknowledged by Fischer (Mohammad and Mahdi, 2010). The classical faith is that, because bank assets and obligations are articulated in financial expressions for the reason that these properties will usually produce in line with development in money supply, banks are reasonably insusceptible from the belongings of inflation (Devinaga, 2010). In short, monetarist strategy works by supervisory the cost and obtainability by recognition. For the duration of inflation, the central bank is able to increase the price of lending and decrease the money generating ability of them. as to (Devinaga, 2010) this would lead borrowing more expensive than the prior time plus by this means the need for finance will be decreased. Likewise with a decline in their cash generating ability, the banks will be further cautious in their loaning strategies. From the time when the banks need for finances declines clearly the deposits will reduced. Banking scheme was influenced by inflation in case of deposit inclusion plus services contribution (Mohammad and Mahdi, 2010). Regarding to (Mohammad and Mahdi, 2010) in advanced nations indirect relation

among inflation and collected deposits plus arranged facilities has been documented. on the other hand, in developing ones the contradictory is happening.

Inflation is understood as an development trouble in advanced nations in the second half of 20th century.

(Mohammad and Mahdi, 2010). Banking system as a significant actual influence in economic performance has similarly been under the effect caused by inflation. at the same time the consequence of inflation on banks is regarded the literature described that inflation touches the ability of banks for most advantageous conveying of assets. That is as inflation rate boosts, factual acquiesce pricing of money plus resources will decreases; for that reason deposits are not eye-catching. Ratification of banks over the market credits and in turn is highly dependent on the rise of inflation rate. by means of the consequence of inflation on treasury, it is clearly visible that in general, each and every one entity who deposit a fraction of their earnings in banks are straightforwardly harm because of inflation furthermore their financial resources decline in relation with monetary value reduction. (Mohammad and Mahdi, 2010) defines community attempt to modification their money as well as assets to additional trustworthy plus unwavering forms for instanse territory, ornaments, antiques, fine art collected works, foreign currencies that creates to exact reduce in commercial bank's entirety deposit. increase inflation rates decrease the actual worth of savings (M. A. Baqui and Richard, 1987) also inflation in principle do not reduce savings; on the other hand it reduces the worth of savings.

2. Gross Domestic Product (GDP)

GDP (Gross Domestic Product) is a useful tool to measure economic performance, GDP as well become is the worldwide metric for 'standards of living'. It is comprehensively practical rendering to joint standards, and has some undisputable assistance mostly due to its minimalism.

According to (Herald and Heiko, 2008), for commercial banks deposits development is one of the influential factors. GDP is done by summing up the value-summed at every phase of production (reduction the cost of manufactured inputs and equipments that was acquire from an industry's providers. (Erna and Ekki2004) formulates four variables profit sharing rate, number of Islamic bank's branch offices, interest rate and GDP so as to are considered to have effect on the amount of deposits. as a result, GDP be able to effect the progress of commercial banks savings.

3. Exchange rate

Foreign currency for every element of local money otherwise local money for each element of foreign currency is termed as exchange rates (Bishop, 2006).Exchange rate allows denominating the

cost or price of a good or service in a common currency. As (Thomas, 2014) explanation, the term depreciation and appreciation is used to show the decrease and increase in the value of currency. Depreciation is a decrease in the value of currency relative to another currency. Gratitude is an upsurge in the value of a currency relative to additional currency. The main factors that influence exchange rate are: inflation, interest rate, speculation, and change in competitiveness, balance of payment, government debt, government intervention and Economic growth / recession. Accordance to (Nugel, 2012) as currencies decreased in one nation saving tend to be lowered in view of the fact that it lead investors to extract savings plus exchanged to stay it by appreciating money 17 (Hard currency) or spend in a new type of investment relatively than that of savings. (Alemayeh, 2015) as well described that used for emergent nation in common deposit is indirectly interrelated through unsound exchange rate.

4. Foreign remittance

Remittance collected by means of Diasporas to households in home-country is also one of the considerable factors of family deposit as well as domestic private deposits (Athukorala and Sen, 2001). Foreign Remittance is one of branch of the non-refundable revenue of receiver households, in addition to as receivers mutual earnings increment, deposit is also estimated to increase. On the other hand, supposed with the purpose of remittance leads to households than that of expending in expenditure as well as forcing recipients to Western living fashion. Because of this negative observation, remittance is exhausted on day to day spending, in addition to uncreative venture when viewed in conditions of the financial system. On the positive way that remittances permit deprived households to supply on strong commodities as well as individual wealth development children's schooling plus healthiness, therefore be remittance believed to be encouraged as well as facilitated.

2.4.2 Bank Specific Factors

1. Number of branch

Private commercial banks use different strategies to strengthen the level of deposits and number of customers. One of the strategies is branch expansion at different location of home country as well as opening of multinational banks at host country. Branch expansion is opening new branches or service outlets inside and outside the country. (Carlson and Mitchener, 2005), private commercial banks in Ethiopia expend huge investment budget for branch expansion in and outside Addis Ababa yearly, because branch expansion play significant role for resource mobilization and customer attraction. Opening bank branches at different locations facilitate for proximity to customers, supports the bank mobilize deposit and attract more customers. However, before opening branch at a

certain location the marketing department of a bank conducts feasibility study and identify the target market. Then assignment of employees and customer attraction endeavor will take place. Therefore number of branches for banks is very crucial with regard to deposit mobilization and customer attraction.

2. Number of employees

In recent years and particularly with the entry of private banks into the era of activities we have been seen the fierce competition in the banking subsidiaries establishing that the situation has become more competitive edge. The number of employees at branches can be influenced in the amount of bank deposits and banks are more successful in mobilizing resources that the number of its employees more than others. Today, an increasing number of bank branches and credit institutions and the development of its activities, the necessity for cooperation between banks in order to create harmony between requirements and economic development and the banks activities and banking developments is felt. Banks play effective role in investment in the economic development and in productive. Increasing the number of employees and the increasing of the volume of the bank turnover nationwide, banking system became as a fundamental goal of economic development. (Alipour, 2014)

According to (Tegene, 2012) unrestrained access to public goods and services is an essential condition of an open and efficient society. It is contended that equally banking facilities are in the nature of a public good, it is important that the accessibility of banking facilities to the whole people deprived of taste should be the main impartial of public policy of any country. Prospects of deprived people from the financial scheme is security and safety of deposits, low transaction costs, convenient operational time, minimum paper work, recurrent deposits, and rapid and easy access to credit and other products, containing remittances appropriate to their income and consumption.

3. Interest rate

One of the mainly actual influences for determining to deposit in banking industry is the interest rate (Mohammad and Mahdi, 2010). in addition, this study clarifies the effect of interest rate on the day

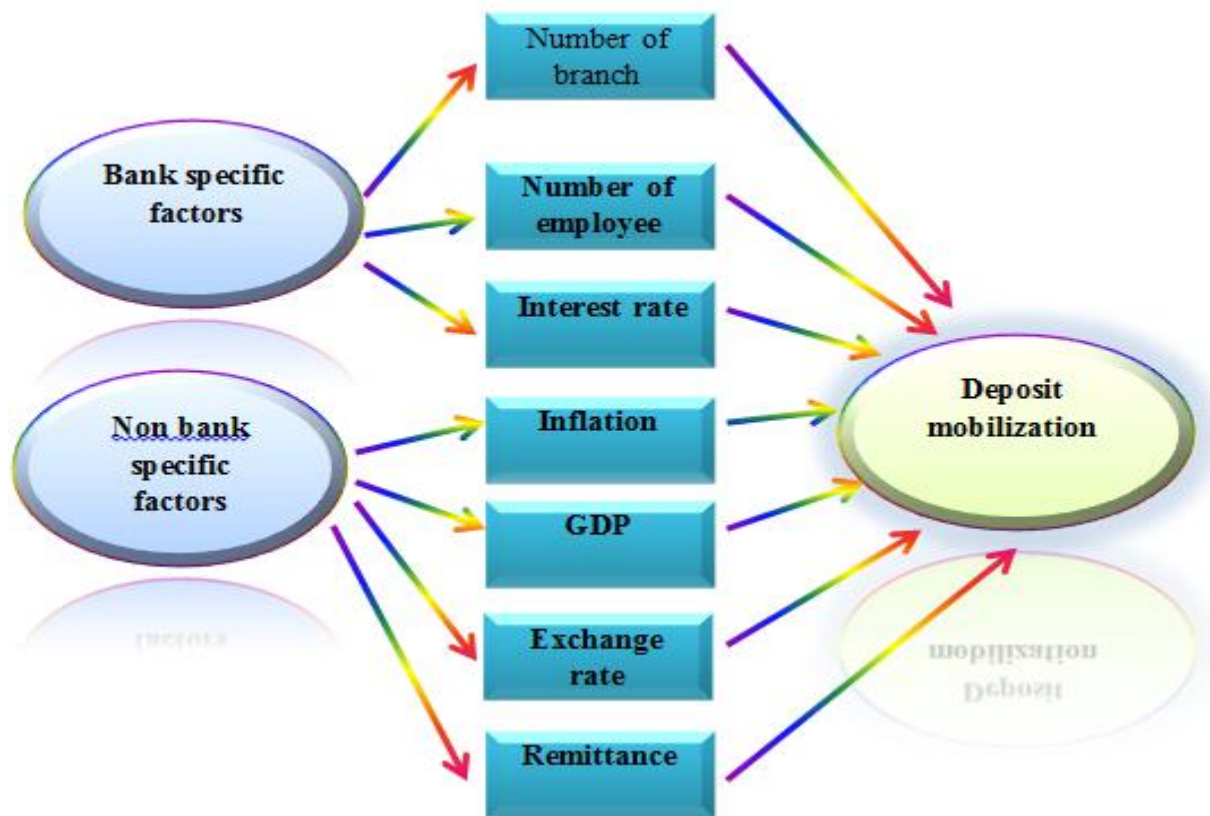
to day activity of the banking industry to accomplish the objective so as to are projected on behalf of the banking industry. (Herald and Heiko, 2008) as well discussed for commercial banks deposits interest as one of the factor . (Philip, 1968) furthermore described so as to the contribution of high interest rate on bank savings may be thought to have had a valuable effect. furthermore, (Mustafa and Sayera, 2009) supposed so as to small deposit rates tend to depressing deposit mobilization.

(Bhatt, 1970) said that the banking system is unlikely to be in a position to meet the demand for bank credit unless concerted policy is pursued to raise the rate of saving usually and the degree of saving in the custom of deposits in specific. Interest rate in the financial organization is detained as savings price as of the depositors position of observation in addition to opportunity price as of the savers position of observation (Mohammad and Mahdi, 2010).therefore, investment pushes to equilibrium interest rates. supplementary influence, then immediately with precise interest rate will be formulated by the market, t interest rate is secure in deliver plus insist conditions in part by way of the inflation rate. (Eustacius and David, 1995), described that savings are very interest rate responsive and banks might prefer to enlarge savings in interest rate responsive resources in addition to to reduce investments in depts. Since commercial bank capitals are interest rate fragile, as a result as the interest rate varies the saving of the commercial banks this is means to change. This is known that savings is means of money to the bank then they will in turn borrow it to the lenders. The total income of the bank is optened by means of amount plus type of finance capable money plus the rates that borrowers are loaned. later than cost of achievement be deducted, total income pay for a limit not in of interest on savings will be rewarded. for the reason that of the conflict for these finances among bankers who have desire to lend them at a revenue, a bank have to pay interest or miss saving to an challenger. The cost of interest on savings is elucidated because of this prudent, similar to several additional interest rate. As to (Erna and Ekki, 2004), financers, mostly conformed ones, believe with the intention of depositors are bothered to save their cash in banks for the reason that of the chance price of investment money in supply is grater at the time of greater interest rate. Which is straightforwardly be described by the effective increment (cost reduction) basis, as savers principally prefer an achievement that typically increases benefit or wealth. at the same time as to (Richard, 1971), ethics of the commercial financial institutions disturbs the income that commercial banks realize on their saving amount and capital. This is while savers are the main source for revenue of banks that is given on the instruction of the nation. for that reason, the superior return

rate on demand savings is to a enormous amount the consequence of the avoidance beside the expense of interest on the type of deposits.

2.5 Conceptual framework

Different empirical evidences suggested that the deposit mobilization of commercial banks is determined by bank specific and non-bank specific factors. The bank specific and non-bank specific factors used in this study included number of branch, number of employee, interest rate, inflation, GDP, exchange rate and remittance.



Source: by the researcher

CHAPTER THREE

Research Methodology

3.1 Introduction

This unit exemplifies the procedure that has been tracked to obtain the anticipated results as per the specified general and specific objectives. Research methodology is the theoretical framework that is used to produce valid knowledge about the particular study that the researcher already proposed to engage, and it clearly present the appropriate information on the basis of understanding the existing reality of factors affecting of deposit mobilization in the selected Ethiopian private commercial banks. Besides, this section demonstrates the way or procedures used during data collection and the analytical tools to interpret and analyze data. Therefore, the study requires careful selection of methodologies to produce reliable information; the entire research process is guided by the following methodological components.

3.2 Research Design

Research design is the framework of research methods and techniques chosen by the researcher. The scheme permits investigators to advance in on research methods that are appropriate for the subject matter and set up their lessons up for achievement. The type of research problem the researcher is facing will determine the research design (Bartlett et al., 2001), as per the study objective which is to examines the cause and effect relationships between private commercial banks deposit and its factors, explanatory research was used because explanatory research is a research conducted in order to identify the extent and nature of cause-and-effect relationships, explanatory research was conducted in order to assess patterns of relationships and impacts of selected variables on mobilizing deposit of private commercial banks,

Research topics might use either quantitative or qualitative methods, selecting one method or the additional depends on what the researcher expectation would deliver the best indication for the study aims. Researchers sometimes choose to incorporate both qualitative and quantitative data in their research since these methods provide different perspectives on the topic hence to generate necessary

information and come up with more rich and comprehensive data, both qualitative and quantitative approaches (**Mixed approach**) is used. The word “mixed methods” mentions to an evolving approach of research that advances the systematic assimilation, or “mixing,” of quantitative and qualitative data inside a single examination or continued program of examination. The basic evidence of this method is that such combination permits an extra whole and synergistic operation of data than distinct quantitative and qualitative data gathering and examination. The qualitative approach focuses on examining the real experiences of the respondents including their own expression and articulation with more subjective views, whereas the quantitative mostly concentrate on the critical interpretation of quantifiable empirical data. The rationale for which selecting the integrated approach is due to the fact that using a combination of qualitative and quantitative data can improve an evaluation by ensuring that the restrictions of one type of data are well-adjusted by the strengths of another. This will ensure that understanding is improved by integrating different ways of knowing. mixed method of the study include the following tasks: Collecting and analyzing both quantitative (closed-ended) and qualitative (closed and open-ended) data which is appropriate to each method's, ensuring the appropriate sample for quantitative and qualitative analysis, integrating the data during data collection, analysis, or discussion. Developing interpretation for qualitative data and model of research for quantitative data, which linear regression model that helps to understand the main findings of the study within one model.

3.3 Population and Sample

Population can be explain as a comprehensive group of individuals, institutions, objects and so forth who have a common characteristics that are the interest of a researcher. The mutual features of the groups differentiate them from other individual, organizations, objects and so forth. There are three types of populations included in this study these are general Population, target population and sample population specifying the general, target and accessible populations in enables the researcher to become adequately familiar with characteristics of the study population, making it possible to avoid bias choices of participants. The General population is probably what is specified by researcher nevertheless it marks little cleverness deprived of being specified alongside target and nearby population. It is the largest group of potential participants of a qualitative study, which Banerjee and Chaudhury (2010) defined as “an entire group about which some information is required to be ascertained”. Members in the over-all residents must share at least a single feature of interest (Creswell, 2003). In this aspect that makes participants suitable as population members. With respect to this study the general populations are all private commercial banks.

As of the year 2013 there are eighteen banks operating in Ethiopia, 16 registered private banks and 2 public owned banks these are Commercial Bank of Ethiopia, Awash International Bank S.C, Bank of Abyssinia S.C, Wegagen Bank S.C, United Bank S.C, Nib International Bank S.C, Dashen Bank S.C, Development Bank of Ethiopia, Cooperative Bank of Oromia S.C, Lion International Bank S.C, Zemen Bank S.C, Oromia International Bank S.C, Buna International Bank S.C, Berhan International Bank S.C, Abay Bank S.C, Addis International Bank S.C, Debub Global Bank S.C, and Enat Banks S.C. Though, from all the above listed banks, Development Bank of Ethiopia is not commercial bank. With that of the whole eighteen banks, only two of the banks are owned by the government with the left over sixteen are privately owned (Birritu, 2015) consequently, The central objective of the paper is to examine the factors so as to influence commercial banks savings in Ethiopia, the seventeen commercial banks can be considered as population of the study but according to (NBE. 2017) Commercial Bank of Ethiopia has the largest branch network in the country and hence is able to capture a large share of consumers by holding 64 percent of total bank deposits. Private banks cannot compete with commercial bank of Ethiopia whose inclusion in the study would violate the research goal, assumptions, and/or context Thus, the researcher uses only private commercial banks because associating things that are not comparable lead to mistakes of analysis that result in poor decisions and failed strategies to meet the desired objective of this study.

The part of the general population left after its refinement is termed as target population, which is defined as the group of individuals or participants with the specific attributes of interest and relevance (Bartlett et al., 2001; Creswell, 2003). The target population is more refined as compared to the general population on the basis of containing no attribute that controverts a research assumption, context or goal the fact that the researcher focuses on participants who can best share experiences and thoughts to address the research goal. To determine the target population therefore, the researcher ought to identify banks of the general population who may have the ability to share experiences and thoughts in ample clarity and depth made must be consistent with the research goal, context and assumptions, out of sixteen private commercial banks that are registered and operated in Ethiopia, seven are selected as target population due to their high yearly deposit in the end of fiscal year 2018 that is grater of twenty trillion (2×10^{10}) birr and also long term experience which means banks operating before and in 2008 are selected because using few most qualified and convenient participants in qualitative enquiry could be made more scientific and less subjective. The target populations of this study are Awash International Bank, Bank of Abyssinia, Wegagen Bank, United Bank, Nib International Bank, and Dashen Bank S.C, cooperative bank of Oromia and Oromia

international bank. These private Commercial Banks are selected purposively, because the use of purposive sampling enables the researcher to generate meaningful insights that help to gain a deeper understanding of the research phenomena by selecting the most informative participants that is satisfactory to the specific objectives.

The researcher was concerned about drawing study participants from large populations because it has time, cost and data quality implications. In addition, if the above mentioned systematic approach is not applied in selecting study participants from the population, data collection in the study could delay unnecessarily, and the researcher may suffer an oversight of individuals who can provide superior quality information under more convenient conditions. As a consequence, the researcher may incur avoidable costs. The sample population is reached after taking out all individuals of the target population who will or may not participate or who cannot be accessed at the study period (Bartlett et al., 2001). It is the final group of participants from which data is collected by surveying a sample drawn from it. It represents the sampling frame (Bartlett et al, 2001), if the intention is to draw a sample from it. With respect to the given context, sample members are **deposit mobilization team at head office** level and also bank managers, assistances and accountants who greatly engage in deposit mobilization task in five high deposit bank branches for every selected private commercial banks by using judgmental (purposive) non probability sampling the rational for the selection is their knowledge, their sufficient and relevant work experience in the field of banking sector also and active involvement with the phenomenon under investigation which is deposit mobilization tasks mostly works on developing saving programs, ensuring deposit mobilization policies, advising on deposit mobilization topics raised in the bank and also other deposit mobilizing tasks.

3.4 Data type and sources

The research design is also focused on how data sources are to be collected. In order to triangulate and getting deep analysis in the study area and to come up with optimal solution for the proposed challenges, the researcher put forward to employ both primary and secondary data source collection methods by means of triangulation. Triangulation means consuming more than one technique to gather data on the same topic. Triangulation is a technique used to upturn the trustworthiness and legitimacy of research results. Trustworthiness refers to credibility and how convincing a study is; validity is worried with the range to which a study precisely redirects or assesses the concept or thoughts being examined. Triangulation, by linking theories, approaches or viewers in a research study, can help certify that vital biases ascending from the use of a single method or a single viewer

are overcome. Triangulation is also an exertion to help discover and clarify multifaceted human conduct using a diversity of approaches to bargain a more sensible description to readers. It is a way that allows authentication of data and can be used in both quantitative and qualitative studies (Helen and Roberta, 2019)

3.4.1 primary data

Primary data is a data that can be obtained either through observation or through direct communication with respondents in one form or another or through personal interviews (Kothari, 2004). Secondary data is the data that has already been collected through primary sources and made readily available for researchers to use for research. The rationale for using both primary and secondary data is there are faults with both types of research. First, primary data is subject to the researcher's interpretation of the data, which might not always be accurate. Another, the investigator may unintentionally bias the research by using a partial viewpoint. On the other hand, secondary data has to be confirmed by the investigator. Not all secondary data is trustworthy, so using the mistaken kind of secondary data can negotiation the new study. Consequently the primary and secondary data have been collected to upsurge the rationality of the research by examining secondary data. In addition, secondary data reverses up the primary data the investigator collected.

Taking this in to consideration, the researcher collected primary data by making direct contacts with the respondents and observing all the activities being and is done. Primary data is obtained directly from the stakeholders and secondary sources as an additional Meta data to support the information obtained from the primary sources. The researcher uses questionnaire as one important tool to collect the necessary data from the selected private commercial banks. The questionnaires were dispersed for the staff of Private commercial banks of Ethiopia mainly for individuals workers who aggressively working in deposit mobilization tasks those are **deposit mobilization team at head office** level and also bank managers, assistances and accountants who greatly engaged in deposit mobilization task in five high deposit bank branches of selected private commercial banks by using judgmental (purposive) non probability sampling, non-probability sampling is that sampling procedure, which does not afford any basis for estimating the probability that each item in the population has of being included in the sample. In other arguments, in non-probability selection the managers of the review purposively select the specific units of the universe for establishing a sample on the basis that the slight mass that they so choice out of a giant one will be typical or illustrative of the whole (Kothari 2004),The rationale for this selection is because of good knowledge of the

respondents on the research concern as the selected respondents mostly works on developing saving programs, ensuring deposit mobilization policies, advising on deposit mobilization topics raised in the bank and also other deposit mobilizing tasks. The numbers of questionnaires distributed were **153**. The questionnaire design by the researcher is also contains both closed and open ended questions based on the nature of information the question is bringing about. Important details regarding the research objectives are obtained by using questionnaire.

3.1 Number of Participants in study population

Banks	Deposit mobilization team at head office	bank managers, assistances and accountants At selected 5 branches
Awash Bank	9	15
Dashen Bank	7	15
Wegagen bank	6	15
United Bank	7	15
NIB international bank	6	15
Cooperative Bank of Oromia	6	15
Oromia International Bank	7	15
Total	48	105
Sub total	153	

As it can be seen from the above table the selected population from head office is 48 staffs and from the selected five branches of each bank under study is 105 staffs, As the sample population is 153 there is no need to take sampling procedure for questionnaire survey so the researcher used the population as sample which is 153. Since questionnaire is not the only and the dominant method of data collection in the study, considering this sample size could not have any negative impact on the credibility of evidences and the total quality of the paper. Therefore the total sample size for the study is **153** staffs.

From a total of 153 distributed 127 are questionnaires returned. The returned questionnaires are carefully checked.

3.4.1.1 Description of the respondents

Characteristics of the 127 staff from different the selected commercial banks were presented and discussed in this part. The characteristics of the respondents include sex, education level and experience at working place. This was important because the structure and the characteristics of the respondents helped the researcher to validate findings based on sex education level and bank's experience.

Table 3.1 Background of respondents

Respondents sex		Frequency	Percent
	Female	41	32.28%
	Male	86	67.72%
	Total	127	100%
Respondents educational background			
	Diploma holders	23	18.11%
	Degree holders	40	31.49%
	Second degree holders	64	50.39%
	Total	127	100%
Respondents experience			
	Less than 1 year	12	9.44%
	In between 1-5 years	22	17.32%

	More than 5 years	93	73.24%
	Total	127	

3.4.1.2 Respondents Sex

The research questioners are distributed for 153 staff of private commercial banks, 127(83%) returned bank staffs from five private commercial banks include. Among 127 bank staffs, 86(67.71%) of the respondents were male and 41 (32.28%) were female.

3.4.1.3 Respondents Education

Education level was considered as an important attribute to consider when assessing factors that influence deposit mobilization. This was because, education was assumed to have a crucial role in enabling respondents to understand different questions based on the assessment of the factors that influencing deposit mobilization in selected private commercial banks. The results from this study revealed that 23(18.11%) of the respondents were diploma holders, 40 (31.49%) were degree, and 64 (50.39%) of the respondents were second degree holders.

The findings of this research revealed that 93(73.24 %) of the respondents have bank experience of more than 5 years, 22(17.32%) of the respondents have more than experience of between 1 and 5 years, and only 12(9.44 %) of the respondents have less than 1 year experience. The results of this kind means that the information provided from the banks staff are more accurate, since working experience to bank staff built existing job skills, learn new skills, demonstrate abilities to potential employers and stay connected to the workforce.

3.4.2 Secondary Data Sources

Secondary data means data that are already available, it is a data which have already been collected and analyzed by someone else or secondary data is data collected by someone else and the researcher need only to extract the required information (Kothari, 2004). Keeping this in mind, the researcher in this study used the secondary sources of data which is five years (2014/15 -2018/2019) of annual data were collected to explore the effect of the quantitative factors to yearly deposit through time series analysis, it is extracted from annual reports of the Central Statistical Authority

(CSA), from the National Bank of Ethiopia (NBE) and data and from selected private commercial banks of Ethiopia,

3.5 Data Analysis and Discussion

Data examination is the greatest vital part of any investigation. Data analysis summarizes collected data. It involves the interpretation of data gathered through the use of analytical and logical reasoning to determine patterns, relationships or trends. The quantitative method is used **STATA 14** software to analyze and interpret the data. Because Stata is a complete, integrated statistical software package that provides everything needed for data analysis, data management, and graphics. Basically, Stata is software allows to store and manage data (large and small data sets), to undertake statistical analysis, and to create some really nice graphs.

Quantitative data were analyzed by using the multiple regressions by means of OLS (Ordinary Least Square which). estimates of the dependent (Total Deposit Amount) and for the independent three bank specific variables these are number branches, number of employees plus saving interest rate in addition four non-bank specific variables Inflation, GDP, Exchange rate as well as remittances were employed. It uses time series for 5 years of data in the regression analysis from 2014/15 – 2018/19. Regression analysis is one of the best used and most powerful multivariate statistical techniques by minimizing the sum of squared errors from the data, it infers the existence and form of a functional relationship in a population, Moreover, multiple regression models accommodate seven explanatory variables is correlated with the independent variable. Thus, multiple regression analysis is used to build better models for predicting the effect of independent variable on the dependent variable. An additional reason for using of multiple regression analysis is that it incorporates fairly easy functional form relationship and the model allows for much more flexibility.

3.5.1 Independent variables

The following independent variables hypothesis is proposed to increase understanding of the main factors of deposit growth in commercial banks. These factors were determined by detailed review of the literatures.

➤ Number of branches

There is a relationship between commercial banks savings with that of commercial bank's branch expansion, not merely are savings predisposed by bank branch amounts, nevertheless the extension of bank branches is correspondingly prejudiced by the amount of deposits in to

some extent places (Baqui and Meyer, 1987).. It is expected to banks score inferences on growing their services by bearing in mind factors such as stage of opponents, saving potential, regional revenue and occurrence of infrastructure and means of transportation. As saving potential is solitary thing with the intention of banks believe all the way through in increasing its branches, the saving be capable of also be a motivation for branch expansion policy so as to the banking sector uses. According to (Erna and Ekki, 2004) nearby is a extended time link surrounded by commercial bank branch extension and commercial banks deposits. Bank branch extension permits a financial organization to enlarge its services close the customer's site, But this is not cost-effective approach When the number of branch increase, each branch tends to serve only a limited number of clients then it lead to decrease the share of the population to be served causing in reduction of the bank efficiency as well as the amount of deposit, and also increase more rent opportunities therefore banks are able to recover higher costs associated with establishing new branch relatively in longer period.

➤ **Number of employees:**

Employment is a bond between two revelries, typically constructed on a contract where work is paid for, where one party, which might be a corporation, for profit organizations, cooperative or other group is the employer and the new is the employee. Amongst the factors significantly acknowledged while affecting saving changeability was number of employees. facts shows to the amount plus variety of the possession of person saving accounts as well as the allocation of savings by means of variety differ among number of employees (Kaufman, 1972). (Herald and Heiko, 2008) set up that although irrelevant as soon as controlled by other variables bank employees have an outcome on deposits. Smaller numbers of bank employees encompass to produce smaller amount of savings in complete conditions to attain the equivalent deposit **development than** higher number of employee banks.

➤ **Saving interest rate**

Deposit interest rate can be defined as the reward or profit that has been compensated to savors by means of appreciated to their deposited cash. This payment be used for yielding present expenditure on behalf of the future expenditure (Garo, 2015). One of the utmost outfitted influences in favor of deciding to deposit in banking display is the interest rate (Mohammad and Mhadi, 2010). (Harald and Heiko 2009) similarly confirmed interest as solitary of the influential component for commercial banks deposits. (Philip, 1968) in the same way describes that the involvement of superior interest rate on bank deposits might be

measured to comprise had a favorable consequence. Moreover, Mustafa and Sayera (2009) assumed that little deposit rates are depressing saving mobilization. (Bhatt, 1970) assumed with the intention of the banking agreement is implausible to be capable to approach crossways the requirement for bank credit except indomitable policy is followed to enlarge the rate of saving normally plus the rate of saving in the structure of deposits in exacting.

According to the study by (Siyabola,2012) there is a positive relationship between the deposit interest rate and the volume of deposits and that interest rate has a major influence on deposit mobilization. Low interest rates on saving forced depositors to take their money out of banks and seek out higher-yielding investments.

➤ **Inflation rate**

Inflation is a situation time. Inflation responses the discount in the purchasing influence per unit of money. since inflation rapidity up, deposits turn out to be a smaller amount appealing, contingent on the interest rate. Regarding to this context, the assumption would be so as to as deposit interest rates enlarge, and then deposits would increase. The smaller the difference among deposit rates and inflation, the not as much of eye-catching it be supposed to be to grasp deposits on top of the necessary amount, where the general price level witness persistent rise inflation an increase in price level of widespread or on a large scale of goods and services in country consistently over as it relates to macroeconomic stability inflation has negative impact on the deposit mobilization.

➤ **Gross Domestic Product (GDP)**

GDP is one of the explanatory variables commonly used as significant factor of economic growth. According to (Mamo, 2017) inhabitants of a nation or otherwise a state divided by the GDP is what is known as per capita income. Fluctuations in actual GDP with in point in time be frequently understood as a assess of changes in the common regular of livelihood of a nation. therefore the family member among earnings of the society and deposit volume is expected to be positive and significant. Studies by (Mahendra, 2005) and M. A. Baqui et al, (1987) both expose that progress in revenue have a constructive result on deposits.

➤ **Exchange rate of Ethiopian Birr to USD**

U.S. dollar is the most common currency transferred to Ethiopia, as with many African countries the US dollar is the preferred foreign currency in Ethiopia also there is no trouble exchanging US cash wherever there are Forex facilities, For the major net importing country which is a country that imports more than it exports like Ethiopia, for Instance Ethiopia

exports \$2.2 billion and imports \$8 billion in 2018, the import is grater of 3.6 times of the export, variability of the exchange rate of the local Ethiopia money (Birr) to foreign currency values is enormous. As the exchange rate of Birr to USD ratio grows, local deposits will deplete in the process of importing goods and services. This means as the country does by far more imports than exports and the exchange rate of Birr to USD grows, then local deposits in banks will reduce showing that there is inverse relationship. There are also circumstances where it displays the contradictory tendency by aggregate the overseas direct inflows. However, the study by (Ngula, 2012) confirmed that a worsening in the Ghanaian currency with admiration to the US currency causing in a greater deposit mobilization.

➤ **Remittances**

Nowadays, remittances are one of the most significant sources of capital in many of emerging countries. According to World Banks’ Migration and Remittances (World Bank, 2016), remittance inflows to developing countries are more than three times official development aid and even bigger than foreign direct investment inflows. Remittances have been rising progressively, display their resilience to worldwide headwinds. Ethiopia is a net receiver of transfers; Remittance approximations for Ethiopia differ significantly: net remittance flows in Ethiopia according to World Bank remittance figures for 2018 erected at USD762 million, with USD 792 curving keen on the country and merely USD 30 million curving out (World Bank, 2018).The National Bank of Ethiopia (NBE), however, estimated private individual transmissions keen on Ethiopia to be over USD4.4 billion in the 2018/2019 financial year, a Outflows were estimated to be around USD60 million (NBE, 2017) Remittance as of Diasporas to the receivers have to be an additional significant factor of family saving along with local personal savings (Athukorala and Sen, 2002) . Remittance is element of the disposable income of beneficiary households, as well as their mutual revenue will be higher, deposit is anticipated toward perform consequently.

as a result the formulated equation that includes each and every one of the variables to check the hypotheses of this study are:

$$DEP = \alpha t + \beta_1(NB)t + \beta_2(NE)t + \beta_3(IN)t + \beta_4(IF)t + \beta_5(GDP)t + \beta_6(EX)t + \beta_7(RI)t + \epsilon t$$

Where:

- DEP_t = Represents amount of deposit in private banks at period t

- NB_t = Represents number of bank branches at period t
- NE_t = Represents number of bank employees at period t
- IN_t = Represents Interest rate charged for depositors at period t
- IF_t = Represents Inflation rate at period t
- GDP_t = Represents gross domestic product at period t
- EX_t = Represents birr to USD exchange rate at period t
- RI_t = Represents the amount of remittance at period t
- ϵ_t = Represents error term with zero mean and constant variance at time t
- t = Represents the period in year that is 2014/2015-2018/2019 G.C
- α is parameter constant and
- β_1 - β_7 are coefficients of the respective variables

3.6. Diagnostic test methods

The study used ordinary least square (OLS) econometric approximation procedure that, in relative to the classical linear regression model (CLRM) there are five expectations made in this study. The investigator has verified if there are harms of these assumptions. The technique used to test these expectations by the investigator is described as follows

3.6.1 The average value of error is Zero

The primary assumption requisite is so as to the errors that are the average value is zero if the regression line does not intercept through the origin this assumption is not violated. This hypothesis is disrupted if the model does not have unbroken term.

3.6.2 Test for Heteroscedasticity

Heteroscedasticity (or heteroscedasticity) happens when the standard errors of a variable, monitored over a specific amount of time, are non-constant, constant variance of the errors known that homoscedasticity hypothesis. the errors without a constant variance, are believed to be heteroscedasticity. It would be decided that there is significant suggestion of heteroscedasticity, so that it would not be rational to accept that the variance of the errors is constant.

The OLS customary errors would be excessively great for the interrupt at the time when errors are heteroscedastic. The result of heteroscedasticity on the slope standard errors will depend on its form. For example, if the variance of the errors is positively related to the square of an explanatory variable, the OLS standard error for the slope will be too low. On the other hand, the OLS slope

standard errors will be too big when the variance of the errors is inversely related to an explanatory variable, the researcher was used Breush-Pagan Godfrey test (BPG).

3.6.3 Test for Autocorrelation

Autocorrelation is the resemblance among observations as a meaning of the time lag concerning them. The CLRM's disturbance terms is so as to the covariance among the error values along time (or cross-sectional, for this kind of data) is zero. In supplementary arguments, it is expected that the errors are unrelated with each other. but the errors are related with each other, it will be acknowledged so as to they are serially correlated. A test of this assumption is therefore essential.

These is hypothesis so as to the errors are linearly related of each another (unrelated with each other). but the errors are unrelated with each another, this will be clarified so as to that they are auto correlated. To test for the existence of autocorrelation or not, the popular Durbin-Watson test was employed.

DW = 2 this is the case where there is no autocorrelation in the residuals. So roughly speaking, the null hypothesis would not be rejected if DW is near 2 →i.e. there is little evidence of autocorrelation.

DW = 0 this corresponds to the case where there is perfect positive autocorrelation in the residuals.

DW = 4 this corresponds to the case where there is perfect negative autocorrelation in the residuals.

3.6.4 Test for normality

Normality checks are done to normalize if a statistics set is well-modeled by a normal dissemination and to calculate how likely it is for a chance variable essential the data set to be normally disseminated.

One of the most usually practical tests for normality which is Bera-Jarque (BJ) test was working for examination normality. BJ applies the belongings of a normally disseminated random variable so as to the whole distribution. The standardized third and fourth moments of a distribution are known as its skewness and kurtosis. Skewness defines the degree of scattering whchi is not symmetric around its mean and kurtosis procedures how overweight the tails of the spreading are. A normal dissemination is not skewed and is well-defined to have a coefficient of kurtosis of 3. It is conceivable to describe a coefficient of additional kurtosis, equivalent to the coefficient of kurtosis minus 3; a normal spreading will thus have a coefficient of extra kurtosis of zero (Brooks, 2008).

3.6.5. Test for multicollinearity

Multicollinearity is a state of very high inter-correlation or inter-associations among the independent variables, while adopting OLS technique so as to the independent variables are not interrelated among each another. They would be understood to orthogonal to one another because there is no relationship between the independent variables. Therefore, there should be no any perfect linear relationship between two or more of the descriptive variables. So, the descriptive variables should not associate too extremely. If there is perfect collinearity between explanatory's it becomes impossible to obtain unique estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well.

Multicollinearity can also be detected with the help simple correlation coefficients r and Variance inflation factor (VIF). If the value of simple correlation coefficients r is less than 0.8 and, simultaneously, the value of VIF 5 and above, then the multicollinearity is problematic, to test for the existence of multicollinearity or not, the popular test correlation coefficients r was employed.

Chapter four

Research findings and analysis

Overview

This chapter examines the research findings, analysis and discussion with the view to understand the factors of deposit mobilization and the effects of those factors on deposit mobilization in private commercial banks of Ethiopia. The information presented in this chapter relied heavily on questionnaire, key informant interviews and various documents on what has been done to curb the situation as well as the field data from the selected private commercial banks.

4.1 Description of the Study

This part of the research is presented in to two parts, the first part is analysis of quantitative data and the second part is the qualitative data analysis. The quantitative data is obtained from the National Bank of Ethiopia and multiple simple linear regression method is conducted. The succeeding portion is the qualitative data examination and demonstration. This is obtained from the questionnaires distributed.

4.2 Analysis of Quantitative Data

This section presents the empirical findings from the STATA 14 software result for the factors affecting deposit mobilization in the selected private banks of Ethiopia. The model for Dependent variable, Total deposit of selected private banks and independent variables has been tested for the assumptions of the classical linear regression model (CLRM) before interpreting the result. According to the test results, the model satisfies all the assumptions for the CLRM which is discussed here under. These tests are indicated under the following sections.

4.2.1. Test results for the classical linear regression model assumptions

as mentioned in e above chapter five analytical tests were done to make certain so as to the data fits the essential assumptions of classical linear regression model. as a result, the outcome for the developed equation are offered as follows

4.2.1.1 Test for error term that is the average value is zero ($E\epsilon_t=0$)

In dispute to (Brooks, 2008), since a constant term is comprised in the regression model, the statement of the average value error is zero will certainly not be despoiled. therefore, in view of the fact that the

regression equation that is formulated in this study incorporated a constant value then, this statement is not violated.

4.2.1.2 Test for Heteroskedasticity

Ho: There is no Heteroskedasticity

H1: There is Heteroskedasticity

Fig 4.1 Heteroskedasticity test result

```
. estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of Deposit

chi2(1)      =      3.42
Prob > chi2  =      0.0646
```

Source: - STATA analysis from the beruschpegan test

The null hypothesis is constant variance means the variability of a deposit is unequal across the range of values of other variables so as to predicts there is no proof for the existence of heteroscedasticity in view of the fact that the **values of p** was in grater of **0.05** this as well predict similar that thought about that there is no proof for the existence of heteroscedasticity problem. The value of **P** is more than 0.05 so the null hypothesis of no Heteroscedasticity (constant variance) is not rejected because the data is free of heteroscedasticity problem.

4.2.1.3 Test for Autocorrelation

Ho: There is no Autocorrelation

H1: There is Autocorrelation

Fig 4.2 autocorrelation test result

```
. dwstat

Durbin-Watson d-statistic( 8, 40) = 2.040471
```

Source: - STATA analysis of Durbin Watson test

If $DW = 2$ this is the case where there is no autocorrelation in the residuals. So roughly speaking, the null hypothesis would not be rejected.

Therefore, as per the regression result found, the DW is 2.040471 and it is near 2. It implies that there is no autocorrelation because DW value in range of 1.5 to 2.5 is relatively normal, so the null hypothesis of no Autocorrelation is not rejected because the data is free of Autocorrelation problem.

4.2.1.4 Test for Normality

Ho: There is Normality

H1: There is no Normality

Fig 4.3. Normality test result

```
. jb residual
Jarque-Bera normality test: 25.57 Chi(2) 2.8
Jarque-Bera test for Ho: normality:
```

Source: - STATA analysis for JarqueBera test for normality in STATA

If the p-value is lower than the Chi (2) value then the null hypothesis cannot be rejected. Therefore residuals are normality distributed.

As per the above figure, Chi (2) is 2.8 which is greater than 0.05. Therefore, the null hypothesis cannot be rejected. Moreover, there is no violation of the normal distribution assumption of error terms as the residuals are coming out to be normal.

4.2.1.5 Test for multicollinearity

Ho: There is no Multicollinearity

H1: There is Multicollinearity

Fig 4.4. Multicollinearity test result

vif

Variable	VIF	1/VIF
RI _t	1.78	0.561852
NE _t	1.65	0.605559
EX _t	1.61	0.623046
GDP _t	1.53	0.655170
NB _t	1.26	0.792458
IF _t	1.24	0.808955
IN _t	1.09	0.918583
Mean VIF	1.45	

Source: - Analysis of STATA

From the High Variance Inflation Factors (VIFs) method, it can be seen that there is no dependent variables with **VIF > 5** which describes that if every time one variable changes, another variable doesn't change in an identical manner, Therefore the null hypothesis of no multicollinearity problem cannot be rejected because the data is free of multicollinearity problem.

4.2.2 Interpretations of the Regression Analysis

This section presents the regression result of simple linear regression model that is completed to inspect deposit factors of private commercial banks in Ethiopia. For that reason, the regression outcome was prepared plus estimation of coefficients of the variables was done with STATA version 14 software. As declared previous in model choice section, simple linear regression model is a suitable model applied in this paper. Consequently, in this study the model used to examine the factors for mobilizing deposit of private commercial banks in Ethiopia was:

$$DEP_t = \alpha + \beta_1(NB)_t + \beta_2(NE)_t + \beta_3(IN)_t + \beta_4(IF)_t + \beta_5(GDP)_t + \beta_6(EX)_t + \beta_7(RI)_t + \epsilon_t$$

Where:

- DEP_t = Represents amount of deposit in private banks at period t
- NB_t = Represents number of bank branches at period t
- NE_t = Represents number of bank employees at period t
- IN_t = Represents Interest rate charged for depositors at period t
- IF_t = Represents Inflation rate at period t
- GDP_t = Represents gross domestic product at period t

- EXt= Represents birr to USD exchange rate at period t
- RI_t = Represents the amount of remittance at period t
- ε_t= Represents error term with zero mean and constant variance at time t
- t= Represents the period in year that is 20014/2015-2018/2019 G.C
- α is parameter constant and
- coefficients of the respective variables are β₁- β₇

ordinary least square (OLS) technique was used to estimate the coefficient of the dependent variables

Fig 4.4 regression result

```

. import excel "C:\Users\12345\Desktop\deposit stata 2.xlsx", sheet("Sheet1") firstrow cle
> ar
. regress Deposit NBt NEt INt IFt GDPt EXt RIt

```

Source	SS	df	MS	Number of obs	=	40
Model	2.1989e+27	7	3.1412e+26	F(7, 32)	=	14.22
Residual	7.0696e+26	32	2.2092e+25	Prob > F	=	0.0000
				R-squared	=	0.7567
				Adj R-squared	=	0.7035
Total	2.9058e+27	39	7.4508e+25	Root MSE	=	4.7e+12

Deposit	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
NBt	-51576.36	128919.1	-0.40	0.692	-314176 211023.2
NEt	128051.7	45819.98	2.79	0.009	34719.49 221384
INt	7733881	3133938	2.47	0.019	1350258 1.41e+07
IFt	-1.41e+07	5.43e+07	-0.26	0.797	-1.25e+08 9.66e+07
GDPt	2.02e+11	8.35e+10	2.42	0.021	3.18e+10 3.72e+11
EXt	-1197489	471515.1	-2.54	0.016	-2157934 -237044.7
RI _t	3477.085	1161.108	2.99	0.005	1111.986 5842.184
_cons	-7.62e+12	5.80e+12	-1.31	0.198	-1.94e+13 4.19e+12

Source: -regression Analysis sf STATA

As per the results of simple linear regression analysis the coefficient of determination (**R²**) of **0.7567** means that **75.67%** of the variation in factors of deposit in private commercial banks of Ethiopia is expressed by the independent variables in the above model by having is a high correlation among independent variables and the total deposits. However, the remaining **24.33%** is changes in factors of private commercial banks deposit of Ethiopian are caused by other variables that are not included in the model. Furthermore, the F-statistic was 14.22 and the probability of rejecting the null hypothesis that there is statistically significant relationship existing between the dependent variable (DEPt) and the independent variables, is 0.000000 indicates that the overall model is highly significant at 5%

and that all the independent variables are jointly significant in causing variation in determinants of commercial banks deposit.

Expansion number of branches

A simple linear regression coefficient shows, other explanatory variables remaining constant, a unit increase in bank branch decrease the level of yearly deposit by fifty one thousand five hundred seventy six **(51,576)** birr. effectively expanded physical presence and diversified customer base branches enable more people to have access to the Bank's products and services, but in the other hand it has negative effect on the total amount of deposit, when the number of branch increase, each branch tends to serve only a limited number of clients then it lead to decrease the share of the population to be served causing in reduction of the bank efficiency as well as the amount of deposit, and also increase more rent opportunities therefore banks are able to recover higher costs associated with establishing new branch relatively in longer period.

Number of employees

A simple linear regression coefficient shows that, other explanatory variables remaining constant, a unit increase in employee increase the level of yearly deposit by one hundred eight thousand and fifty one **(128,051)** birr. Well trained and effectively managed employees are a critical driver of business success in today's competitive marketplace. High levels of employee engagement foster customer loyalty also employees are responsible for customer satisfaction, quality of products, and services that the bank offers.

Saving interest rate

A simple linear regression coefficient shows that, other explanatory variables remaining constant, a unit increase in saving interest rate increase the level of yearly saving deposit by seven million seven hundred thirty three and eight hundred eighty one **(7733881)** birr, The higher the rate of saving interest, the more money will be saved, since at higher interest rates people will be more willing to forgone present consumption.

Inflation

A simple linear regression outcome indicates that other explanatory variables remaining constant, a unit increase in inflation will result in about one million and four hundred ten thousand (1,410.000)

birr decrease in Private commercial banks yearly deposits by reducing the real value of financial holdings, discouraging financial savings by prompting their holders to shift them into physical or real assets which are better store of value.

Gross Domestic Product (GDP)

A simple linear regression outcome signifies GDP has positive and significant effect on the amount of bank's deposit, other explanatory variables remaining constant, a unit increase in Gross domestic product (GDP) will result in about one million and four hundred ten thousand (1,410,000) birr decrease in Private commercial banks yearly deposits, Thus the positive sign implies that in times of strong economic growth, commercial banks deposit is higher, because it increases the lifetime earnings of the people.

We can also conclude that GDP had positive and significant effect on commercial banks deposit. The finding is consistent with the previous empirical finding of (Mahendra, 2005) in India and (Fisseha, 2017) in Ethiopia.

Exchange rate of Birr to USD

Exchange Rate was found to have a negative insignificant relationship with commercial bank deposit growth according to the model in fig 4.4 above. But the correlation coefficient for exchange rates indicates that a 1 unit increase in exchange rate leads to one million one hundred ninety seven and four hundred eighty nine (1,197,489) birr decrease in private commercial banks deposit. For the major net importing country like Ethiopia, variability of the exchange rate of the local Ethiopia money (Birr) to foreign currency values is enormous. As the exchange rate of Birr to USD ratio grows, local deposits will deplete in the process of importing goods and services. This means as the country does by far more imports than exports and the exchange rate of Birr to USD grows, then local deposits in banks will reduce showing that there is inverse relationship.

Remittance

Remittance was found to have a positive relationship with private commercial banks deposit growth according to the model in fig 4.4 above. The correlation coefficient for remittance indicates that a 1 unit increase in remittance leads to three thousand four hundred and seventy seven (3477) birr

increase in private commercial banks deposit by increasing recipients' income which makes the recipient eligible for some financial products. It is predictable that remittance receiver may open the account at formal financial organizations to deposit money. This might lead to increase in savings and borrowing capacity of the recipient. Remittances can have an impact in increase of demand for savings (savings instruments). If remittance inflow is steady, one might have excess cash and would start saving (Adams, 2007) also shows that remittance receiving households tend to save more than the average households.

4.3 Analysis of Qualitative data

Factors affecting deposit mobilization (questioner that is distributed)

Table 4.1 Perception of the bank employees on the selected factors of Deposit Mobilization in private commercial banks of Ethiopia

	SD -Strongly disagree; A- Agree	D- Disagree; SA-Strongly agree;	N- Neutral;		
Factors of deposit Mobilization	The effect of Factors affecting deposit mobilization				
	SD	D	N	A	SA
branch expansion has positive effect on deposit mobilization	80(62.9%)	29(22.83%)	10(7.87%)	5(3.93%)	3(2.36%)
branch expansion has a significant effect on deposit mobilization	15(11.81%)	13(10.23%)	18(14.17%)	76(59.84%)	5(3.93%)
opening new branches benefit the bank in terms of market share as well as deposit mobilization	2(1.57%)	6(4.72%)	7(5.51%)	89(70.07%)	23(18.11%)
branch expansion in order to mobilize deposit is cost effective.	35(27.55%)	60(47.24%)	19(14.96%)	8(6.29%)	5(3.93%)
number of employee has positive	7(5.51%)	13(10.23%)	34(26.77%)	72(56.69%)	1(0.78%)

Effect on deposit mobilization					
Number of employees has a significant effect on deposit mobilization	3(2.36%)	8(6.29%)	33(25.98%)	81(63.77%)	2(1.57%)
Increasing number of employees increase customer satisfaction quality of product and that the bank offers.	4(3.15%)	10(7.87%)	12(9.44%)	90(70.86%)	11(8.66%)
Number of interest rate has positive effect on deposit mobilization	1(0.78%)	2(1.57%)	4(3.15%)	66(51.96%)	54(42.52%)
Interest rate has a significant effect on deposit mobilization	2(1.57%)	6(4.72%)	12(9.44%)	34(26.77%)	73(57.48%)
Banker to attract high deposits from customers the interest rate provided by other banks should be comparable to the interest rate	3(2.36%)	6(4.72%)	9(7.08%)	82(64.56%)	27(21.25%)
Inflation has positive effect on deposit mobilization	69(54.33%)	40(31.49%)	15(11.81%)	1(0.78%)	2(1.57%)
Inflation has a significant effect on deposit mobilization	11(8.66%)	9(7.08%)	7(5.51%)	71(55.90%)	29(22.83%)
When the rate of inflation increases the customer withdraw their deposit and shifted to physical assets	2(1.57%)	3(2.36%)	20(15.74%)	65(51.18%)	37(29.13%)
GDP has positive effect on deposit mobilization	7(5.51%)	13(10.23%)	19(14.96%)	50(39.37%)	38(29.92%)
GDP has a significant effect on deposit mobilization	8(6.29%)	21(16.53%)	10(7.87%)	60(47.24%)	28(22.04%)

increasing the GDP leads to shift the depositors transaction by decreasing the price of goods	3(2.36%)	45(35.43%)	17(13.38%)	57(44.88%)	5(3.93%)
exchange rate has a significant effect on deposit mobilization	10(7.87%)	47(37%)	16(12.59%)	50(39.37%)	4(3.14%)
exchange rate has a significant effect on deposit mobilization	4(3.14%)	14(11.02%)	3(2.36%)	87(68.50%)	19(14.96%)
decrease in the exchange rate of birr per USD leads depositors to deplete in the process of importing good and services.	15(11.81%)	40(31.49%)	20(15.74%)	42(33.07%)	10(7.87%)
decrease in exchange rate has positive effect on deposit mobilization	1(0.78%)	6(4.72%)	4(3.14%)	89(77.07%)	27(21.25%)
exchange rate has a significant effect on deposit mobilization	13(10.23%)	45(35.43%)	8(6.29%)	52(40.94%)	9(7.08%)
increase in remittance leads recipient to deposit more money	7(5.51%)	47(44.88%)	18(14.17%)	49(38.58%)	6(4.72%)

Source survey data

Section one: Branch Expansion

Does branch expansion has positive effect on deposit mobilization

Table 4.1 shows that out of 127 respondents the majority of them i.e. 109 (85.82%) disagree or strongly disagree branch expansion has positive effect on deposit mobilization. In contrast only 8 (6.29%) said that branch deposit mobilization is positively affected by branch expansion whereas 10 (7.87%) of the respondents reply neutral.

Branch expansion has a significant effect on deposit mobilization.

It can be seen from **Table 4.1** regarding the significance effect of branch expansion on mobilizing deposit that a higher number/percentage 81 (63.78%) of the respondents agree or strongly agree. In contrast only 28(22.04%) of the respondents disagree or strongly disagree that branch expansion has a significant effect where as 18(14.17%) of the respondents had answered neutral.

Opening new branches benefit the bank in terms of market share as well as deposit mobilization

The above table again shows that 112(88.2%) superiority of the respondents agree or strongly agree opening new branches benefit the bank in terms of market share of deposit mobilization while 8(6.3%)of the respondents replied that strongly disagree or disagree plus 7(5.51%)of the respondents had answered neutral.

Branch expansion in order to mobilize deposit is cost effective.

From out of 127 respondents 95(74.80%) of respondents disagree or strongly disagree that opening new branch is cost effective approach for deposit mobilization. Further only 13(10.23%) of the respondents agree or strongly agree that branch expansion is cost effective for deposit mobilization the rest 19(14.96%) had answered neutral.

- Respondent of the study expressed that number of bank branches seems to affect deposit positively specially for the inhabitants of unbanked area, but there is significant and negative relation between deposits and branch expansion that is the expansion of bank branches progressively lower deposit with the spread of banking network.

Section Two: Number of Employee

Does number of employee has positive effect on deposit mobilization

Table 4.1 shows that 73(57.48%) of the respondent agree or strongly agree that increasing number of employee has positive effect on deposit mobilization whereas 20(15.74%)of the respondents disagree or strongly disagree and the remaining 34(26.77%) of the respondents had answered neutral.

Number of employee has a significant effect on deposit mobilization

Table 4.1 shows that, out of 127 respondents nearly two-third i.e. 83(65.35%) of the respondents agree or strongly agree that employee has a significant effect on deposit mobilization while

11(8.66%) of the respondents disagree or strongly disagree and 33(25.98%) of the respondents had answered neutral.

Increasing number of employees increase customer satisfaction quality of product and that the bank offers.

From the above table it is observed that majorities of respondents agree or strongly agree that increasing number of employees increase customer satisfaction, quality of product that the bank offers, then again 14(11.02%) of the respondents disagree or strongly disagree in addition 12(9.44%) of the respondents had answered neutral.

- Respondent of the study expressed that number of bank employee affect deposit mobilization positively and have significant effect because high levels of employee engagement foster customer loyalty also employees are responsible for customer satisfaction, quality of products, and services that the bank offers.

Section Three: Interest rate

Does number of interest rate has positive effect on deposit mobilization

The above table again shows that nearly all 120(94.50%) of the respondents agree or strongly agree that increasing interest rate has positive effect on deposit mobilization however only 3(2.36%) the respondents disagree or strongly disagree and 4(3.15%) of the respondents had answered neutral.

Interest rate has a significant effect on deposit mobilization

It can be seen from Table 4.1 regarding the significance effect of interest rate on mobilizing deposit that a higher number/percentage 107(84.25%) of the respondents agree or strongly agree. In contrast only 8(6.30%) of the respondents disagree or strongly disagree that branch expansion has a significant effect whereas 12(9.45%) of the respondents had answered neutral.

In order to attract high deposits from customers the interest rate provided by private banks should be comparable to inflation rate.

Many of the respondent 109(85.83%) agree or strongly agree that in order to mobilize more deposit interest rate provided by private banks should be comparable to inflation rate, then again only

9(7.1%) of the respondents disagree or strongly disagree the rest 9(7.1%)of the respondents had replied neutral.

- Thus, answers of the respondents show that deposit interest rate is an important factor of deposit mobilization in Ethiopia. There exists a positive and significant relationship between the two variables. Hence an increase in savings products with a higher return can positively affect deposit growth in Ethiopia. Ethiopian banks can pool back funds into the formal banking system if they innovate savings products with attractive returns.

Section four: Inflation

Does inflation has positive effect on deposit mobilization

Although there are a few, i.e. 3(2.36%) respondents who agree or strongly agree that inflation has positive effect on deposit mobilization but the majorities of the respondents 109 (85.83%) disagree or strongly disagree and 15(11.81%) of the respondents had replied neutral.

Inflation has a significant effect on deposit mobilization

It can be seen from Table 4.1 regarding the significance effect of inflation rate on mobilizing deposit more than three quarter of the respondent i.e. 100(78.74) of the respondent agree or strongly agree that it has a significant effect, on the other hand 20(15.75%) of the respondents disagree or strongly disagree in addition 7(5.51%) of the respondents had replied neutral.

Does the rate of inflation increases the customers drown there deposit and shifted to physical assets.

The above table shows that more than three quarter 102(80.31%)of the total respondents agree or strongly agree that growing of inflation rate increases the customers drown there deposit and shifted to physical assets, however 5(3.93%) of the respondents disagree or strongly disagree and the rest 20(15.74%) of the respondents had replied neutral.

- Thus, answers of the respondents show that inflation has negative and significant effect on deposit as inflation rises there is a predictable response to declining purchasing power is to buy now, rather than later. Cash will only lose value, so it is better to get shopping out of the way and stock up on things that probably won't lose value rather than saving.

Section five: Gross Domestic product (GDP)

As it can be seen in **Table 4.1** regarding the positive effect of GDP in deposit mobilization 88(69.29%) of the respondents agree or strongly agree that GDP has a positive effect while 20(15.74%) of the respondents replied disagree or strongly disagree and the remaining 19 (14.96%) of the respondents put it under neutral.

GDP has a significant effect on deposit mobilization.

From the total 88(69.29%) of the respondents agree or strongly agree that GDP has a significant effect on deposit mobilization, on the other hand 29(22.83%) of the respondents respond disagree or strongly disagree and the remaining 10(7.87%) of the respondents had replied neutral.

Does GDP growth leads to shift the depositors in to transaction by decreasing the price of goods.

The above table shows that almost half i.e. 62(48.89%) of the total respondents agree or strongly agree that GDP growth leads to shift the depositors in to transaction by decreasing the price of goods, however 48(37.79%) of the respondents disagree or strongly disagree and the rest 17(13.38%) of the respondents reply neutral.

- Thus, answers of the respondents show that GDP has positive and significant effect on deposit as GDP growth affects bank's lending activities so during high economic growth central bank and private bank's management introduce loans for businesses and industries as a result they can mobilize their deposit.

Section six: Exchange rate

Does exchange rate has positive effect on deposit mobilization

As it can be seen in **Table 4.1** regarding the positive effect of the exchange rate in deposit mobilization 54(42.52%)of the respondents agree or strongly agree that exchange rate has positive effect on deposit mobilization, on the other hand57(44.88%)of the respondents disagree or strongly disagree while 16(12.59%)of the respondents had answered neutral,

Exchange rate has a significant effect on deposit mobilization

As it can be seen in **Table 4.1** regarding exchange rate has a significant effect on deposit mobilization more than three quarter of the respondents 106(83.46%) of the replied that agree or strongly agree, but 18(41.17%) of the respondents disagree or Strongly disagree. While 3(2.36%) of the respondents put it under neutral,

Does the exchange rate of birr to USD growth leads depositors to deplete in the process of importing good and services.

The above table shows that 52(40.94%) of the total respondents agree or strongly agree the exchange rate of birr to USD growth leads depositors to deplete in the process of importing good and services, however 55(43.30%) of the respondents disagree or strongly disagree and the rest 20(15.74%) of the respondents had replied neutral.

- Thus, answers of the respondents' show that exchange rate has negative and significant effect on deposit as when exchange rate of birr to USD growth the people who have the amount of remittance will reduce, since remittance from abroad will have less money in local currency.

Section seven: Remittance

Does Remittance has positive effect on deposit mobilization

As it can be seen in Table majority of the respondents i.e. 116(91.33%) strongly agree or agree that remittance has positive effect on deposit mobilization, but only 7(5.5%) of the respondents disagree or strongly disagree the rest 4 (3.14%) of the respondents put it under neutral.

Remittance has a significant effect on deposit mobilization

Table 4.1 regarding the significance effect of remittance on mobilizing deposit that a higher number/percentage 61 (48.03%) of the respondents agree or strongly agree. In contrast 58(45.67%) of the respondents disagree or strongly disagree that remittance has a significant effect where as 8(6.29%) of the respondents had answered neutral.

Remittance growth leads recipient to deposit money.

The above table again shows that 55(43.30%) of the respondents agree or strongly agree that growth of remittance leads recipient to deposit money while 54(42.52%) of the respondents replied that strongly disagree or disagree plus 18 (14.17%) of the respondents had remittances transferred through

- Thus, answers of the respondents' show that remittance has positive and significant effect on deposit as when remittances transferred through financial institutions remittances may actually induce receivers to look for financial services and increase their financial awareness, as well as supply factors as financial institutions could perceive the benefits of serving remittances receivers and become more willing to propose them adapted financial products and services.
- The study used triangulation and mixed methods to make better research by gathering data from primary and secondary method is being fully analyzed by means of triangulation to obtain a more comprehensive view of deposit mobilization through the use of both primary and secondary data both methods are having same number of variables ,different data types and different type of analysis in order to capturing more detail, thus using questioner as well as secondary data added a depth to the results that would not have been possible by using only one strategy study, thereby increasing the validity and utility of the findings These two research methods don't conflict with each other both method found basically the same results, namely that there is a positive and statistically significant relation between Ethiopian private banks deposit and interest rate, GDP, remittance as well as number of employee on the other hand there is negative and statistically significant relation between Ethiopian private banks deposit and branch expansion, inflation and exchange rate of birr to USD.

Chapter Five

Conclusion and recommendations

5.1 Overview

This chapter presents the conclusion, recommendation and the area of further study. The conclusion is curving up the outcomes found on chapter four. The recommendations suggesting those measures which are to be applied and not to be applied by the commercial banks to effective deposit mobilization based on the results obtained from the study. Moreover, the chapter offerings the areas for additional investigation where a researcher is going to suggest what is needed to be done in the next research based on the results obtained from this study. The central objective of the study was to measure the influences upsetting deposit mobilization of private commercial banks in Ethiopia.

5.2 Conclusion

The paper discovered so as to deposit mobilization be the main focal point of numerous banks. though, collecting deposit along with mobilizing is a difficult task for the banks in Ethiopia well-matched with the increasing want of borrow money. due to the increasing want for funds as of new as well as old businesses of the nation jointly possess the banks aspiration to create earnings as of those funds, mobilization deposit is being the serious accomplishment means for banks. fast-increment in number of branches, modernization of the service activities plus the increasing opposition along with banks the entire give explanation for this reality. There are limited types of deposit chiefly three that is saving, current with fixed time deposits services usually sold to the clients through the local banks. According to the result of the current studymost factors identified have significant effect on deposit mobilization. The factors for deposit mobilization pose great challenges to commercial banks in Ethiopia. As deposits existence more potential to the presence of the financial organizations particularly commercial banks and growing of the country economy, more commercial banks started to design and implementing control mechanism that will mobilize more deposits. Various circumstances of deposit mobilization have been discovered by many investigators.

This study examined the factors of deposit mobilization of private commercial banks in Ethiopian. Based on the result of chapter four the study had concluded the following:

- Gross Domestic Product (GDP) had a positive and significant effect on deposit mobilization
 - a. It clarifies so as to in times of strong economic growth, commercial banks deposit is higher, because it increases the lifetime earnings of the people clearly points toward a positive impact of economic expansion on saving, or it can say that revenue of the country does play an imperative role to lead the saving in case of Ethiopia.
- The other non-bank specific factor of private commercial banks deposit is exchange rate of birr to USD which has a negative and significant impact on the commercial bank deposit. When the exchange rate of Birr to USD ratio grows, local deposit will reduce because of the increment of importing goods and services and also the decrement of remittance.
- The result of this paper clarifies that with the bank specific variables branch expansion is negatively plus significant to the increase of private commercial banks savings by decreasing efficiency, which is exacerbated by increased distance between the headquarters and branches, by increasing operating costs and also rental costs.
- Inflation increment will result to decrease of the deposit growth for the reason that inflation can reduce the value of savings, because prices typically go up in the future savings may not grow fast enough to completely offset the inflation loss which leads to customers to buy fixed asset than saving which result decrease in deposit mobilization by commercial banks because
- Remittance inflows has positive and significant effect on deposit mobilization, it is a significant contributor to the economy and also to the households, Remittance as a source of income allows receiving households , to save residually from amounts received in good months, to affect monthly loan repayments, or to support investment in productive assets.
- Employees 'amount, performance, motivation and job satisfaction with result of positive and significant effect on deposit. This is because the achievement of high deposit depends highly on number and quality of its workforce. Therefore ,top management within banks should realize the importance of investing in employees' increment for the sake of improving their deposit mobilization performance..
- Increasing interest rate has positive and significant effect on deposit mobilization, an increase in interest rates will make saving more attractive and should encourage customers. high interest rate encourage long-term deposits as it provides benefit for the client's from the extended interest that is garnered, mostly it offers more liquidity to the institution. By having

more money on deposit, an organization can create additional lending dealings, such as loans and credit cards, available to its customers.

5.3 Recommendations

Based on the conclusion as well as examination over in the preceding chapters, the following recommendations are projected:

- For all commercial banks It is well known that mobilizing deposit is a core activity, as a result private commercial banks must provide appropriate weight toward their deposit mobilizing tasks by considering mobilizing deposit is a way to survival.
- Encouraging savings and mobilizing financial resources requires a sound and positive interest rate and hence, the central bank will need to focus on combatting inflation through an appropriate target of an optimal level of inflation, in order to encourage national savings.
- The banks have to attract unbanked peoples by explaining them the importance and benefits related to savings and also providing them different kinds of incentives for different kinds of financial services.
- Saving practice amongst customers is not technologically advanced most of the customers use banks services by going directly to branches, so banks must develop some tools in order to create awareness about usage of new technologies for the customer to increasing saving deposit plus create good operational environment.
- The private commercial banks need to increase deposit interest rate after consultations with the central bank that is comparable with the rate of expected inflation in order to attract more deposits in the bank. If the inflation degree is great than deposits rate, it means that a customers will get an adverse net deposit rate at the end of the era. This may discourage depositors to deposits in private commercial banks, thus finding other opportunities where to invest the money which they get higher return.
- In order to achieve higher deposit growth; public policy shall be oriented accordingly to increase the national savings towards creating the necessary market conditions for banks to enhance their efficiency. The study suggests the importance of ensuring and promoting favorable economic situations such as lower inflation rate and sustainable economic growth like GDP.

- Policies should be made accordingly to increase the national savings. An effective monetary policy could be helpful for it and by cooperating with government banks needs to educate and attract people, towards overall savings.
- Private Banks should be expanded as public limited they have to substantially slow the pace of branch expansion by focusing higher use of digital banking, expansion of business correspondents' network and need to cut down costs. Banks should made emphasis on shifting to optimum use of various channels branches, alternate channels such as ATMs and digital banking. Physical contact points will still be needed because Ethiopia is a huge country. Banks will focus on quality of reach and customer service than just presence in the neighborhood.
- The Central bank should reduce exchange rates. Lower exchange rate of birr to USD, which helps to reduce imports. (Higher price of imported goods) help to increasing demand for exports. Increasing incentive for exporters by providing exchanges at lower cost.
- Governments should make awareness by putting in place the right incentive structures and then engage in an extensive publicity campaign to raise awareness among the diaspora community about the opportunities created. What needs to be done is to create conditions whereby the actions of the diaspora would amount to simultaneously helping their motherland and helping themselves by creating diaspora saving accounts in foreign currencies in the Ethiopian banking system and to eliminate or considerably reduce remittance taxes which provide disincentives for sending money from abroad and deter the use of formal channels.
- Private commercial bank should hire more employees in order to increase the efficiency and customer satisfaction as well as to increase product and service quality not only this but they also should attend regular training and orientation programs designed to impart knowledge about linkages; their concerned personnel at all levels should be involved in this deposits and credit sensitization process.

5.4 Areas for Further Studies

The present study assess only 7 factors includes interest rate, GDP, inflation, exchange rate, branch expansion, remittance and number of employees useful into the banks to mobilize deposit. The study only assess banks includes AB, OIB, DB, BA, and NIB, CBO and WB all of these banks mainly based on their deposit rate in 2018/19. Therefore further studies could asses more factors that

influence deposit mobilization; focus on bank staff, customers and regulation bodies. Further studies could assess the factors that affect deposit mobilization in other banks and/or other financial institution.

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ANNEXES

Questionnaire

This questionnaire is prepared for the research paper written for partial fulfillment of masters degree of business administration in finance at Addis Ababa University. The title of the research is “**Factors affecting deposit mobilization; the case of privatecommercial banks in Ethiopia**“. Therefore, information from the bankers is considered as vital input for the successful completion of this study. Hence you are kindly requested to complete the questions properly and return back to the researcher. I am grateful in advance for your cooperation extended to me.

- ✓ Any information that you give is used confidentially
- ✓ The trustworthiness of the information obtained from you determines the success of the study.

Prepared by: MK

Addis Ababa University, School of Graduate Studies

Department of MBA

Addis Ababa, Ethiopia

General instruction: Please put a tick mark in the appropriate box.

Part I. Background of the respondent

1. Sex: female male
2. Age: Below 25 26-35 36-45 46 and above
3. Educational achievement: Diploma 1st degree Masters and above
4. Your Job Title:.....
5. Work experience: less than 1 year Between 1-3 years
 Between 3-5years More than 5 years

Part II: Factors affecting deposit mobilization (Independent Variables)

Instruction: please indicate the level of your agreement or disagreement for each question based on the following magnitude. Put ✓ or X mark for your choice.

1;Strongly disagree; 2- Disagree; 3- Neutral; 4- Agree; 5- Strongly agree

Section one: Branch Expansion

1. Does branch expansion has positive effect on deposit mobilization

Strongly disagree Dis agree Neutral Agree Strongly agree

2. Branch expansion has a significant effect on deposit mobilization

Strongly disagree Dis agree Neutral Agree Strongly agree

3. Opening new branches benefit the bank in terms of market share as well as deposit mobilization.

Strongly disagree Dis agree Neutral Agree Strongly agree

4. Branch expansion in order to mobilize deposit is cost effective.

Strongly disagree Dis agree Neutral Agree Strongly agree

5. In your own word, how do you express the effect of saving interest rate on the mobilization of deposit of commercial banks in Ethiopia?

Section Two: Number of Employee

6. Does number of employee has positive effect on deposit mobilization

Strongly disagree Disagree Neutral Agree Strongly agree

7. Number of employee has a significant effect on deposit mobilization

Strongly disagree Disagree Neutral Agree Strongly agree

8. Does increasing number of employees increase customer satisfaction quality of product and that the bank offers.

Strongly disagree Disagree Neutral Agree Strongly agree

9. In your own word, how do you express the effect of number of employees on the mobilization of deposit of commercial banks in Ethiopia?

Section Three: Interest rate

10. Does number of interest rate has positive effect on deposit mobilization

Strongly disagree Disagree Neutral Agree Strongly agree

11. Interest rate has a significant effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

12. In order to attract high deposits from customers the interest rate provided by private banks should be comparable to influence.

Strongly disagree Disagree Neutral Agree strongly agree

13. In your own word, how do you express the effect of saving interest rate on the mobilization of deposit of commercial banks in Ethiopia?

Section four: Inflation

14. Does inflation has positive effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

15. Inflation has a significant effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

16. Does the rate of inflation increases the customer drown there deposit and shifted to physical assets.

Strongly disagree Disagree Neutral Agree strongly agree

17. In your own word, how do you express the effect of inflation rate on the mobilization of deposit of commercial banks in Ethiopia?

Section five: Growth Domestic product (GDP)

18. Does GDP has positive effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

19. GDP has a significant effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

20. Does increasing the GDP leads to shift the depositors transaction by decreasing the price of goods.

Strongly disagree Disagree Neutral Agree strongly agree

21. In your own word, how do you express the effect of Growth Domestic Product on the mobilization of deposit of commercial banks in Ethiopia?

Section six: Exchange rate

22. Does exchange rate has positive effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

23. Exchange rate has a significant effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

24. Does the exchange rate of birr per USD growth leads depositors to deplete in the process of importing good and services.

Strongly disagree Disagree Neutral Agree strongly agree

25. In your own word, how do you express the effect of exchange rate on the mobilization of deposit of commercial banks in Ethiopia?

Section seven: Remittance

26. Does exchange rate has positive effect on deposit mobilization

Strongly disagree Disagree Neutral Agree strongly agree

27. Exchange rate has a significant effect on deposit mobilization

Year	Selected banks	Deposit	no of branches	No of employees	interest rate	Inflation	exchange rate	GDP
2014	DB	1.7681E+10	133	4284	5	8.1	0.0508	55.61
2014	BOA	9096476942	100	2800	5	8.1	0.0508	55.61
2014	OIB	5003995809	106	1883	5	8.1	0.0508	55.61

Strongly disagree Disagree Neutral Agree strongly agree

28. Does remittance leads recipient to deposit money.

29. In your own word, how do you express the effect of remittance on the mobilization of deposit of commercial banks in Ethiopia?

2014	CBO	5450097267	106	1636	5	8.1	0.0508	55.61
2014	NIB	7923293176	88	2351	5	8.1	0.0508	55.61
2014	WB	8026269740	95	2779	5	8.1	0.0508	55.61
2014	AIB	1.504E+10	150	4787	5	8.1	0.0508	55.61
2014	UB	8909070169	94	2424	5	8.1	0.0508	55.61
2015	DB	1.9814E+10	156	4597	5	9.6	0.0483	64.46
2015	BOA	1.1118E+10	132	3290	5	9.6	0.0483	64.46
2015	OIB	8006000000	151	2425	5	9.6	0.0483	64.46
2015	CBO	7368004706	141	1957	5	9.6	0.0483	64.46
2015	NIB	9774115874	105	2622	5	9.6	0.0483	64.46
2015	WB	9870945433	116	2948	5	9.6	0.0483	64.46
2015	AIB	1.852E+10	202	5847	5	9.6	0.0483	64.46
2015	UB	1.1164E+10	127	2921	5	9.6	0.0483	74.27
2016	DB	2.2759E+10	220	5630	5	6.6	0.0458	74.27
2016	BOA	1.3635E+10	185	4144	5	6.6	0.0458	74.27
2016	OIB	9369000000	200	2880	5	6.6	0.0458	74.27
2016	CBO	8488330000	174	2286	5	6.6	0.0458	74.27
2016	NIB	1.2423E+10	130	3063	5	6.6	0.0458	74.27
2016	WB	1.1866E+10	161	3385	5	6.6	0.0458	74.27
2016	AIB	2.2832E+10	240	6003	5	6.6	0.0458	74.27
2016	UB	1.3038E+10	161	3213	5	6.6	0.0458	74.27
2017	DB	2.7848E+10	303	7297	5	10.7	0.0417	81.72
2017	BOA	2.0701E+10	233	5005	5	10.7	0.0417	81.72
2017	OIB	1.3462E+10	223	3066	5	10.7	0.0417	81.72
2017	CBO	1.4058E+10	256	2956	5	10.7	0.0417	81.72
2017	NIB	1.6416E+10	180	3681	5	10.7	0.0417	81.72
2017	WB	1.57E+10	213	3656	5	10.7	0.0417	81.72
2017	AIB	3.0591E+10	316	6772	5	10.7	0.0417	81.72
2017	UB	1.6587E+10	205	3431	5	10.7	0.0417	81.72
2018	DB	3.5987E+10	373	8950	7	13.8	0.0364	84.36
2018	BOA	2.5633E+10	334	5825	7	13.8	0.0364	84.36
2018	OIB	1.9927E+10	248	3266	7	13.8	0.0364	84.36
2018	CBO	2.5392E+10	298	3505	7	13.8	0.0364	84.36
2018	NIB	2.1442E+10	215	4332	7	13.8	0.0364	84.36
2018	WB	2.0429E+10	277	4165	7	13.8	0.0364	84.36
2018	AIB	4.5747E+10	366	7881	7	13.8	0.0364	84.36
2018	UB	1.9761E+10	229	3726	7	13.8	0.0364	84.36