Deposit Mobilization Patterns in Awash Bank S.C:

A Descriptive Profile of Bank-Specific and Macroeconomic Trends (2018/19–2022/23)

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ABSTRACT

Deposit mobilization is a critical function of commercial banking, yet its patterns and correlates remain inadequately examined at the institution-specific level in Ethiopia, particularly during periods of acute macroeconomic and political stress. This study provides a descriptive profile of deposit mobilization in Awash Bank S.C. over 2018/19–2022/23, examining co-movements between total deposits and selected bank-specific variables—return on assets (ROA), capital adequacy ratio (CAR), and loan-to-deposit ratio (LDR)—alongside macroeconomic indicators comprising inflation, GDP growth, population growth, and political stability. The study adopts a quantitative descriptive research design using secondary time-series data from the bank's audited financial statements and national macroeconomic databases; deposit mobilization is operationalized as the natural logarithm of total deposits. A binding methodological constraint—only five annual observations—precludes multivariate regression and statistical inference, confining all findings to descriptive trend profiles. The analysis reveals that total deposits grew threefold, from 62.5 billion Birr to 187.4 billion Birr, paradoxically accelerating during the period of greatest stress when inflation averaged 25.6% and political stability deteriorated sharply. Bank-specific ratios exhibited limited variation and are unlikely to explain this growth trajectory alone. The study concludes that context-specific factors—including financial repression limiting alternative savings vehicles, flight-to-safety dynamics, and branch expansion—likely shaped deposit growth in ways that diverge from standard theoretical predictions. The findings carry practical implications for bank management and policymakers, and future research is recommended to employ panel data or higher-frequency observations for reliable causal estimation.

Keywords: *Deposit mobilization, bank-specific factors, macroeconomic variables, Awash Bank S.C., Ethiopia, descriptive research design, small-sample constraints*

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LIST OF ABBREVIATIONS

CAR	Capital Adequacy Ratio
CPI	Consumer Price Index
DM	Deposit Mobilization
GDP	Gross Domestic Product
INF	Inflation Rate
LDR	Loan-to-Deposit Ratio
NBE	National Bank of Ethiopia
POP	Population Growth Rate
PS	Political Stability Index
ROA	Return on Assets
S.C.	Share Company
WGI	Worldwide Governance Indicators

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Deposit mobilization represents a cornerstone function of commercial banking operations, constituting the fundamental mechanism through which financial institutions accumulate funds from surplus economic units for subsequent allocation to deficit units through lending activities. The significance of deposit mobilization in the banking sector cannot be overstated, as deposits serve as the primary and most stable source of funding for financial intermediation activities. Without adequate deposit bases, commercial banks would be unable to fulfill their critical role in channeling savings into productive investments, thereby undermining economic growth and development objectives (Betelihem, 2020; Banke & Mekonnen, 2022).

Commercial banks function as essential intermediaries within contemporary economic systems, facilitating the transfer of financial resources from economic agents with surplus funds (savers) to those requiring capital for investment and consumption purposes (borrowers). This intermediation process is fundamentally dependent upon the ability of banks to attract and retain deposits from the general public, businesses, and governmental entities. Deposits, therefore, constitute the lifeblood of banking operations, providing the necessary liquidity for lending activities, investment operations, and the fulfillment of contractual obligations to depositors (Anthony, 2012; Tuyishime et al., 2015; Banke & Yitayaw, 2022).

The Ethiopian banking sector has witnessed substantial transformation over the past three decades, characterized by significant expansion in the number of financial institutions, increased branch network coverage, and growing competition for deposit resources. This competitive landscape has elevated the importance of deposit mobilization as a strategic priority for banks operating within the Ethiopian market. The proliferation of private banks since the early 1990s has intensified competition for deposit resources, compelling financial institutions to develop innovative strategies and products to attract and retain depositors (Gunasekara & Kumari, 2018; Digaria, 2011).

Awash Bank S.C., established in 1994, has emerged as one of the largest and most diversified private commercial banks in Ethiopia. With an extensive branch network spanning urban and rural areas across the nation, the bank has demonstrated remarkable

growth in deposit mobilization over its operational history. The bank's deposit portfolio has expanded substantially, reflecting both the growth of the Ethiopian economy and the institution's strategic initiatives to enhance financial inclusion and customer service delivery. Documenting the patterns in this deposit growth trajectory provides baseline information for future strategic considerations and policy discussions. The present study does not claim to identify causal factors but rather describes observed trends and their correspondence with selected bank-specific and macroeconomic variables over the study period.

The determinants of deposit mobilization have been extensively examined in the empirical literature, with researchers identifying a range of bank-specific and macroeconomic factors that influence the ability of financial institutions to attract and retain deposits. Bank-specific factors typically include profitability indicators, liquidity positions, capital adequacy ratios, branch network expansion, service quality, and technological capabilities. Macroeconomic determinants encompass inflation rates, gross domestic product growth, population dynamics, interest rate structures, exchange rate stability, and political institutional quality (Nesru & Mekonnen, 2022; Alemu, 2021; Yitbarek & Hibret, 2021).

Despite the substantial body of empirical research on deposit mobilization determinants, several gaps remain in the literature, particularly concerning the Ethiopian banking context. Existing studies have predominantly focused on industry-wide analyses or examined selected private banks without providing institution-specific insights. Furthermore, variables such as population growth and political stability have received limited attention in previous Ethiopian studies, despite their theoretical and practical relevance to depositor behavior and savings decisions. This study seeks to address these gaps by providing a comprehensive analysis of deposit mobilization determinants specific to Awash Bank S.C.

1.2 Statement of the Problem

The banking sector occupies a central position within the financial system, performing the critical function of financial intermediation by mobilizing deposits from surplus units and channeling these resources toward deficit units for productive investment. As deposits constitute the primary and most cost-effective source of bank funding, the sustainability, liquidity position, and profitability of commercial banks are

fundamentally contingent upon their capacity to mobilize deposits effectively (Betelihem, 2020). The ability to attract and retain deposits has therefore become an increasingly strategic imperative for banks operating within competitive financial markets.

Awash Bank S.C. has demonstrated notable success in expanding its deposit base over its operational history, achieving substantial growth in total deposits through strategic branch expansion, product innovation, and customer relationship management initiatives. However, the bank's deposit mobilization efforts have occurred within a challenging macroeconomic environment characterized by persistent inflationary pressures, periodic political instability, and evolving regulatory frameworks. These external conditions coincided with a period of rapid deposit expansion, raising descriptive questions about how deposit mobilization patterns corresponded with observed changes in bank-specific and macroeconomic variables during this turbulent period.

While numerous empirical studies have examined deposit mobilization determinants within the Ethiopian banking sector, several critical limitations characterize the existing literature. First, the majority of studies have adopted an industry-wide analytical approach, examining aggregate deposit trends across the banking sector rather than focusing on institution-specific dynamics. This aggregation masks important heterogeneities across individual banks and limits the practical applicability of findings for bank-level strategic decision-making. Second, existing studies have predominantly examined conventional bank-specific variables such as profitability, liquidity, and capital adequacy, while giving insufficient attention to broader macroeconomic and institutional factors.

Third, and perhaps most significantly, variables pertaining to population dynamics and political institutional quality have been largely overlooked in previous Ethiopian studies on deposit mobilization. Population growth directly influences the potential depositor base and aggregate savings capacity within an economy, while political stability affects depositor confidence, risk perceptions, and the overall investment climate. The omission of these variables from previous analyses represents a significant gap in the literature, particularly given Ethiopia's rapid population growth and periodic political challenges.

The inclusion of inflation as a determinant is justified by its direct impact on the real value of monetary savings. During periods of elevated inflation, the purchasing power of deposited funds diminishes, potentially discouraging savings behavior and prompting depositors to seek alternative stores of value such as real assets or foreign

currencies. Conversely, periods of price stability may encourage deposit accumulation by preserving the real value of savings (Ngula, 2012; Eriemo, 2014).

Gross domestic product growth is incorporated as a determinant based on its relationship with income levels and savings capacity. Economic expansion typically generates increased household and business incomes, thereby expanding the pool of available savings that can be channeled into bank deposits. Additionally, GDP growth is often associated with improved business confidence and investment activity, further stimulating deposit mobilization through increased transactional activity (Yitbarek & Hibret, 2021; Puatwoe et al., 2017).

Population growth is included as a determinant due to its direct influence on the potential depositor base and aggregate savings within an economy. A growing population expands the number of households and individuals with potential to engage in savings behavior, while also increasing demand for financial services. However, the relationship between population growth and deposit mobilization may be moderated by factors such as financial inclusion levels, income distribution, and demographic composition (Mamo, 2018).

Political stability is incorporated as a determinant based on its influence on depositor confidence, risk perceptions, and the overall investment climate. Political instability creates uncertainty regarding property rights, contract enforcement, and economic policy continuity, potentially discouraging long-term savings commitments and prompting capital flight. Conversely, stable political environments foster confidence in institutional arrangements and encourage deposit accumulation within the formal banking system (Nesru & Mekonnen, 2022; Abdelzaher, 2023).

This study is undertaken to address the identified gaps by providing a comprehensive, institution-specific descriptive profile of deposit mobilization patterns in Awash Bank S.C. Due to data availability constraints, the study is limited to five annual observations, supporting descriptive trend analysis but precluding reliable multivariate statistical inference. The analysis integrates both bank-specific and macroeconomic variables, including previously overlooked factors such as population growth and political stability, to document observed patterns of correspondence between deposit mobilization and selected variables within the Ethiopian banking context and to generate descriptive propositions for future empirical testing.

1.3 Research Questions

This study seeks to address the following research questions:

1. What are the observed trends in bank-specific factors—specifically profitability (return on assets), liquidity (loan-to-deposit ratio), and capital adequacy—in Awash Bank S.C. during 2018/19–2022/23, and how do these trends correspond with deposit mobilization patterns?
2. What are the observed trends in macroeconomic factors, including inflation, GDP growth, population growth, and political stability, during 2018/19–2022/23, and how do these trends correspond with deposit mobilization patterns?
3. What descriptive patterns emerge when comparing the co-movement of bank-specific and macroeconomic variables with deposit mobilization over the study period?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to describe the patterns and trends in deposit mobilization in Awash Bank S.C. over the five-year period from 2018/19 to 2022/23, and to document how these patterns correspond with observed changes in selected bank-specific and macroeconomic variables..

1.4.2 Specific Objectives

The specific objectives of the study are to:

1. Describe the trends in bank-specific factors, including profitability (return on assets), liquidity (loan-to-deposit ratio), and capital adequacy, in Awash Bank S.C. during 2018/19–2022/23, and document their correspondence with deposit mobilization patterns.
2. Describe the trends in macroeconomic factors, comprising inflation rate, GDP growth, population growth, and political stability, during 2018/19–2022/23, and document their correspondence with deposit mobilization patterns.

3. Provide a descriptive profile comparing the co-movement of bank-specific and macroeconomic variables with deposit mobilization over the study period.

1.5 Significance of the Study

The findings of this study are expected to contribute meaningfully to both theoretical understanding and practical application within the domains of banking management and financial policy. From a theoretical perspective, the study extends the existing literature on deposit mobilization by providing a detailed descriptive profile of institution-specific trends and by incorporating previously overlooked variables, specifically population growth and political stability, within the Ethiopian banking context. This extension enhances the comprehensiveness of theoretical frameworks employed to understand depositor behavior and savings decisions in developing economies.

From a practical standpoint, the study provides valuable baseline information for bank managers and executives responsible for deposit mobilization strategies. By documenting observed patterns in various bank-specific and macroeconomic factors, the findings can inform monitoring frameworks and strategic planning processes. Documenting which variables moved alongside deposit growth during this specific period enables bank management to identify areas for further investigation and contextual analysis. The study also carries implications for policymakers and regulatory authorities within the Ethiopian financial sector. By documenting the macroeconomic and institutional conditions that coincided with deposit mobilization patterns, the findings highlight the need for further research on how conducive macroeconomic and institutional environments may support financial sector development.

The study also carries implications for policymakers and regulatory authorities within the Ethiopian financial sector. By documenting the macroeconomic and institutional conditions that coincided with deposit mobilization patterns, the findings underscore the importance of maintaining conducive macroeconomic and institutional environments for financial sector development. Policymakers can utilize these descriptive insights to design interventions that support deposit mobilization, such as inflation control measures, financial inclusion initiatives, and institutional reforms that enhance political stability.

Furthermore, the study contributes to the broader literature on banking in developing economies by providing descriptive evidence from a significant Ethiopian commercial bank. The findings add to the comparative understanding of deposit mobilization patterns across different institutional, economic, and geographical contexts, thereby enriching the global body of knowledge on banking and financial intermediation.

1.6 Scope of the Study

The scope of this study is delineated across theoretical, methodological, geographical, and temporal dimensions to ensure focus and manageability.

Theoretically, the study concentrates on describing the patterns and trends in deposit mobilization in Awash Bank S.C. and documenting how these patterns correspond with selected bank-specific and macroeconomic variables. The selection of variables is grounded in established theories of savings behavior, financial intermediation, and deposit determination models. Specifically, the theoretical framework draws upon the Financial Intermediation Theory, the McKinnon-Shaw Financial Liberalization Hypothesis, the Life-Cycle and Permanent Income Hypotheses, and Institutional Theory. These theoretical foundations inform the selection of both bank-specific and macroeconomic variables for empirical examination.

Methodologically, the study adopts a quantitative research approach with a descriptive research design. The analysis relies exclusively on secondary time-series data extracted from audited financial statements and authoritative macroeconomic databases. The study employs descriptive statistics and trend profiling to examine patterns in deposit mobilization and its potential correlates. Due to data availability constraints, the analysis is limited to five annual observations, which supports descriptive profiling but precludes statistical inference.

Geographically, the study focuses specifically on Awash Bank S.C., one of Ethiopia's largest private commercial banks. While the findings may have broader applicability to other Ethiopian banks, the empirical analysis is confined to this single institution to enable institution-specific insights and strategic recommendations.

Temporally, the study examines data covering the period from 2018/19 to 2022/23, comprising five fiscal years of the bank's operational history. This period is significant as it encompasses Ethiopia's political transition, the COVID-19 pandemic, the Tigray conflict, and associated macroeconomic disruptions. The study does not cover the period prior to 2018/19 or subsequent to 2022/23, nor does it claim to capture the bank's full operational history since its establishment in 1994.

1.7 Limitations of the Study

This study is subject to several limitations that should be acknowledged when interpreting the findings. First, the reliance on secondary data constrains the ability to capture qualitative dimensions of depositor behavior, such as perceptions, preferences, and decision-making processes. Future research could complement quantitative analysis with qualitative approaches to provide richer insights into depositor motivations.

Second, the study focuses on a single commercial bank, which limits the generalizability of findings to other financial institutions with different characteristics, market positions, or strategic orientations. Comparative studies examining multiple banks could enhance the external validity of conclusions.

Third, the study period includes various structural breaks and policy changes within the Ethiopian economy that may have influenced deposit mobilization patterns. While the extended timeframe enables trend analysis, it also introduces potential structural instability that may affect model specifications and interpretations.

1.8 Organization of the Study

This thesis is organized into five chapters. Chapter One provides the introduction, including background, problem statement, research questions, objectives, significance, scope, and limitations. Chapter Two presents the literature review, encompassing theoretical frameworks, conceptual development, and empirical evidence from previous studies. Chapter Three details the research methodology, including research design, data collection, variables, conceptual framework, and analytical techniques. Chapter Four presents the descriptive findings and discussion. Chapter Five concludes with summary, conclusions, recommendations, and suggestions for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a comprehensive review of existing literature pertaining to deposit mobilization in commercial banking. The review encompasses theoretical frameworks that underpin the study, conceptual development of key variables, and empirical evidence from prior research conducted in Ethiopia and comparable developing economies. The chapter is structured to establish the conceptual and empirical foundation for the present descriptive investigation into deposit mobilization patterns at Awash Bank S.C.

Deposit mobilization constitutes a critical function of commercial banking operations, directly influencing the capacity of financial institutions to extend credit, generate income, and contribute to economic development. In developing economies such as Ethiopia, where banking infrastructure continues to expand and financial literacy is progressively improving, understanding the factors that influence deposit behavior provides essential insights for banking strategy and financial policy formulation. This review therefore examines both quantitative outcomes from previous studies and practical implications for banking operations and customer engagement strategies.

2.2 Theoretical Framework

The theoretical foundation of this study draws upon several established theoretical perspectives that explain the determinants of deposit mobilization in commercial banking. These theoretical frameworks provide the conceptual lens through which the relationships between bank-specific factors, macroeconomic conditions, and deposit mobilization can be understood and analyzed.

2.2.1 Financial Intermediation Theory

Financial intermediation theory posits that banks serve as crucial intermediaries between economic agents with surplus funds (savers) and those requiring capital for investment or consumption (borrowers). This intermediation function is fundamental to the operation of modern financial systems, enabling the efficient allocation of resources and the transformation of short-term liabilities (deposits) into longer-term assets (loans).

The theory emphasizes that banks add value through their ability to assess credit risk, monitor borrowers, and provide liquidity services that would be costly or impossible for individual savers to perform independently (Santillana, 1999; Freixas & Rochet, 2008).

From the perspective of deposit mobilization, financial intermediation theory suggests that the ability of banks to attract deposits is fundamentally linked to their capacity to perform intermediation functions effectively. Banks that demonstrate strong financial performance, prudent risk management, and reliable service delivery are better positioned to inspire depositor confidence and attract funds. Conversely, banks that exhibit weaknesses in these areas may struggle to mobilize deposits as potential savers seek alternative intermediaries or non-bank savings mechanisms.

The theory also highlights the importance of trust and confidence in the intermediation relationship. Depositors entrust their funds to banks based on expectations that the institution will safeguard their savings, provide liquidity when needed, and generate returns through interest payments or other benefits. This trust is built upon perceptions of bank soundness, regulatory oversight, and institutional stability, all of which influence depositor willingness to maintain bank deposits.

2.2.2 Financial Liberalization Hypothesis

The financial liberalization hypothesis, developed by McKinnon (1973) and Shaw (1973), provides a theoretical framework for understanding how financial market policies influence savings behavior and deposit mobilization. The hypothesis argues that financial repression, characterized by government intervention through interest rate ceilings, directed credit programs, and regulatory constraints, discourages savings and limits the capacity of financial institutions to mobilize deposits. Conversely, financial liberalization, involving the removal of these constraints and the adoption of market-determined interest rates, stimulates savings and enhances deposit growth.

According to McKinnon (1973), financial repression creates disincentives for savings by holding interest rates below market-clearing levels, thereby reducing the real return on deposits and encouraging capital flight or investment in non-financial assets. Shaw (1973) similarly argues that controlled interest rates distort financial markets, reduce the efficiency of resource allocation, and constrain the development of financial depth. The financial liberalization hypothesis therefore predicts that policies promoting market-oriented financial systems will enhance deposit mobilization by improving returns to savers and increasing the attractiveness of formal financial intermediation.

The relevance of this theory to the Ethiopian context is significant, given the historical evolution of the country's financial sector. Following the economic liberalization initiatives of the early 1990s, Ethiopia has progressively reformed its banking sector, allowing private banks to operate alongside the state-owned Commercial Bank of Ethiopia. While interest rate liberalization has been gradual, the overall trajectory has been toward greater market orientation, providing a relevant context for examining the relationship between bank performance and deposit mobilization.

2.2.3 Life-Cycle and Permanent Income Hypotheses

The Life-Cycle Hypothesis, developed by Modigliani and Brumberg (1954), and the Permanent Income Hypothesis, formulated by Friedman (1957), provide microeconomic foundations for understanding savings behavior and, by extension, deposit mobilization. These theories posit that individuals make consumption and savings decisions based on their expected lifetime income rather than current income alone, seeking to smooth consumption over their lifetimes.

According to the Life-Cycle Hypothesis, individuals save during their working years to accumulate resources for retirement, when income declines. Savings behavior is therefore influenced by age, income expectations, and the anticipated need for future consumption. In the context of deposit mobilization, this theory suggests that demographic factors, particularly the age structure of the population, influence aggregate savings and deposit levels. Economies with larger working-age populations may exhibit higher savings rates and greater deposit mobilization potential.

The Permanent Income Hypothesis similarly emphasizes the role of income expectations in savings decisions. According to Friedman (1957), individuals base their consumption on perceived permanent income rather than transitory fluctuations, resulting in savings behavior that responds to long-term income prospects rather than short-term variations. This theory implies that macroeconomic stability, which supports predictable income expectations, encourages savings and deposit accumulation, while economic volatility may discourage long-term savings commitments.

Both theories highlight the importance of economic stability and growth in fostering savings behavior. When individuals expect stable or growing incomes, they are more likely to engage in precautionary and retirement savings, channeling funds into bank deposits. Conversely, economic uncertainty and income volatility may reduce

savings propensity as individuals prioritize immediate consumption over future-oriented financial planning.

2.2.4 Institutional Theory

Institutional theory provides a framework for understanding how formal and informal institutional arrangements influence economic behavior, including savings and deposit decisions. The theory emphasizes that economic actors operate within institutional environments characterized by rules, norms, and enforcement mechanisms that shape incentives and constrain choices. In the context of deposit mobilization, institutional theory highlights the importance of property rights, contract enforcement, regulatory quality, and political stability in influencing depositor confidence and behavior (North, 1990; Williamson, 2000).

According to institutional theory, depositors are more likely to entrust their funds to banks when they have confidence in the institutional framework governing the banking system. This confidence is influenced by factors such as the effectiveness of banking regulation, the credibility of deposit insurance schemes, the independence of the central bank, and the overall quality of governance. Political stability is particularly important in theoretical accounts, as it is linked to expectations regarding policy continuity, property rights protection, and the enforcement of contractual obligations.

The inclusion of political stability as a determinant in this study is directly informed by institutional theory. In contexts characterized by political instability, depositors may perceive increased risks associated with maintaining funds within the formal banking system, potentially leading to reduced deposit growth or capital flight. Conversely, stable political environments foster institutional trust and encourage deposit accumulation by reducing uncertainty and enhancing confidence in the banking system.

2.3 Conceptual Framework

Based on the theoretical foundations reviewed above, this study develops a conceptual framework that organizes the determinants of deposit mobilization into two primary categories: bank-specific factors and macroeconomic factors. This framework guides the empirical analysis and provides a structure for interpreting findings.

Bank-specific factors encompass internal characteristics of the bank that influence its ability to attract and retain deposits. These include profitability, measured by return on

assets, which signals financial health and management effectiveness; liquidity, measured by the loan-to-deposit ratio, which indicates the bank's ability to meet depositor withdrawal demands; and capital adequacy, which reflects the bank's financial strength and capacity to absorb losses. These internal factors directly influence depositor perceptions of bank safety and reliability.

Macroeconomic factors encompass external economic and institutional conditions that shape the environment within which deposit mobilization occurs. These include inflation, which affects the real value of deposits; GDP growth, which influences income levels and savings capacity; population growth, which determines the potential depositor base; and political stability, which affects institutional confidence and economic predictability. These external factors create the broader context within which bank-specific factors operate.

The conceptual framework organizes the variables that prior theory and research suggest may correspond with deposit mobilization patterns. Bank-specific factors capture internal characteristics that may co-move with deposit levels, while macroeconomic factors describe external conditions that create the broader context within which deposit mobilization occurs. The framework therefore integrates micro-level bank characteristics with macro-level economic conditions to guide the descriptive profiling of observed patterns over the study period.

2.4 Empirical Literature Review

This section reviews empirical studies that have examined the determinants of deposit mobilization in commercial banks, with particular attention to research conducted in Ethiopia and comparable developing economies. The review is organized thematically around bank-specific determinants, macroeconomic determinants, comparative regional evidence, and emerging trends in digital banking.

The following sections review empirical findings from prior studies that employed causal or correlational methods. These findings inform the selection of variables for the present descriptive study, which documents observed patterns and co-movements rather than testing causal relationships. Where cited studies report 'effects,' 'determinants,' or 'influences,' these terms reflect the analytical methods of those studies and are summarized here to establish which variables prior research has associated with deposit mobilization.

2.4.1 Bank-Specific Determinants of Deposit Mobilization

A substantial body of empirical research has examined the influence of bank-specific factors on deposit mobilization, with consistent evidence highlighting the importance of profitability, capital adequacy, liquidity management, and service quality. These studies demonstrate that internal bank characteristics significantly influence depositor behavior and deposit growth trajectories.

Profitability and Management Efficiency: Numerous studies have documented a positive relationship between bank profitability and deposit mobilization. Nesru and Mekonnen (2022) examined Ethiopian commercial banks and found that profitability, measured by return on assets, exerts a significant positive effect on deposit mobilization. The authors argue that profitable banks are perceived as well-managed and financially sound, thereby inspiring greater depositor confidence. Similarly, Ganfure (2018) reported that efficient cost management and effective resource utilization enhance a bank's capacity to attract deposits, as operational efficiency translates into competitive advantages in pricing and service delivery.

Alemu (2021) extended this analysis by examining the relationship between management efficiency and deposit mobilization, finding that banks with superior management practices achieve higher deposit growth rates. The study emphasized that management quality is reflected in various operational dimensions, including cost control, revenue generation, and strategic positioning, all of which influence depositor perceptions and choices. Teketel and Dipak (2024) further corroborated these findings, demonstrating that profitability remains a robust predictor of deposit mobilization across different specifications and time periods.

The theoretical rationale underlying these findings draws upon signaling theory and the concept of depositor confidence. Profitable banks signal financial health and management competence, reducing perceived risks associated with deposit placement. Depositors, particularly those with substantial savings, are likely to consider bank profitability when selecting institutions for deposit relationships, as profitability indicates the capacity to meet obligations and sustain operations over time.

Capital Adequacy and Financial Strength: Capital adequacy represents another critical bank-specific determinant of deposit mobilization. Ganfure (2018) reported a positive relationship between capital adequacy ratios and deposit growth, indicating that well-capitalized banks attract more deposits than their less-capitalized counterparts. The

study emphasized that capital serves as a buffer against losses, protecting depositor funds and enhancing institutional credibility. However, Unvan and Yakubu (2020) found that the relationship between capital adequacy and deposit mobilization becomes insignificant under conditions of high economic volatility, suggesting that depositor confidence may be influenced more by perceived stability than by regulatory capital ratios during crisis periods.

The importance of capital adequacy can be understood through the lens of risk perception and institutional trust. Higher capital ratios indicate greater capacity to absorb losses without jeopardizing depositor funds, thereby reducing perceived risk. Regulatory frameworks, such as the Basel Accords, have formalized capital requirements precisely because of this relationship between capital and depositor protection. Banks that maintain capital levels exceeding regulatory minimums may therefore enjoy competitive advantages in deposit mobilization.

Liquidity and Loan-to-Deposit Ratio: The management of liquidity, commonly measured by the loan-to-deposit ratio, has been shown to significantly influence deposit mobilization. Nesru and Mekonnen (2022) and Ganfure (2018) both documented negative associations between loan-to-deposit ratios and deposit growth, indicating that excessive lending relative to deposits constrains deposit mobilization. The explanation for this relationship lies in depositor perceptions of liquidity risk: when banks lend aggressively, depositors may perceive increased risk of illiquidity and difficulty in meeting withdrawal demands, thereby reducing confidence and deposit growth.

Prudent liquidity management, characterized by moderate loan-to-deposit ratios, signals to depositors that the bank maintains sufficient liquid assets to meet withdrawal demands. This reassurance enhances depositor confidence and encourages deposit accumulation. Conversely, aggressive lending strategies that push loan-to-deposit ratios to elevated levels may trigger depositor concerns about liquidity risk, potentially leading to deposit withdrawals or reduced new deposit inflows.

Branch Expansion and Accessibility: The geographic presence of banks, measured by branch network expansion, has consistently emerged as a significant determinant of deposit growth. Mamo (2018) examined Ethiopian banks and found that branch expansion into rural and semi-urban areas significantly enhances deposit mobilization by improving accessibility and reaching previously unbanked populations. Yitbarek and Hibret (2021) similarly documented the positive impact of branch network growth on

deposit mobilization, emphasizing that physical presence remains important even in an era of digital banking expansion.

Teketel and Dipak (2024) provided additional evidence on the importance of accessibility, demonstrating that branch expansion is particularly effective in mobilizing household savings in regions with limited prior banking penetration. The study highlighted that branch presence not only improves convenience for existing customers but also serves as a marketing tool, increasing visibility and awareness of banking services among potential depositors.

The relationship between branch expansion and deposit mobilization reflects the importance of physical accessibility in developing economies. In contexts where digital banking infrastructure remains limited and financial literacy is variable, physical branches provide tangible points of contact that build trust and facilitate customer onboarding. Branch expansion strategies that target underserved areas can therefore generate significant deposit growth by expanding the bank's customer base.

Service Quality and Technological Advancement: The quality of banking services and the adoption of technology have increasingly been recognized as important determinants of deposit mobilization. Teketel and Dipak (2024) emphasized that well-trained employees, effective communication, and modern banking technologies enhance resource mobilization by improving customer experience and operational efficiency. Azzabi and Lahrichi (2023) extended this analysis by examining the impact of digital transformation and FinTech integration on bank performance, finding that technology adoption significantly improves customer satisfaction and deposit retention.

The modern banking environment increasingly rewards innovation and technology adoption. Online banking platforms, mobile applications, and electronic payment systems provide convenience and accessibility that attract depositors, particularly younger and more technologically sophisticated customers. Banks that invest in digital infrastructure and user-friendly interfaces can differentiate themselves from competitors and capture deposit market share. However, the importance of technology varies across customer segments, with some depositors continuing to prioritize personal service and branch access over digital capabilities.

2.4.2 Macroeconomic Determinants of Deposit Mobilization

Macroeconomic conditions create the environment within which banks operate and depositors make savings decisions. Empirical research has examined the influence of

various macroeconomic variables on deposit mobilization, with particular attention to inflation, economic growth, interest rates, and exchange rate stability.

Inflation and Price Stability: The impact of inflation on deposit mobilization has been extensively studied, with findings indicating generally negative relationships, particularly in the short run. Ngula (2012) examined the determinants of deposit mobilization in Ghana and found that inflation exerts a negative short-run effect on deposit growth by eroding the real value of savings. Eriemo (2014) similarly documented negative relationships between inflation and deposit mobilization in Nigeria, attributing this to depositor responses to declining purchasing power.

Unvan and Yakubu (2020) provided additional evidence from Ghana, confirming that high inflation discourages deposit mobilization by reducing the real returns on savings. The study emphasized that during inflationary periods, depositors may shift funds into real assets, foreign currencies, or informal savings mechanisms that offer better protection against purchasing power erosion. However, Yitbarek and Hibret (2021) observed a positive long-run relationship between inflation and deposits in Ethiopia, suggesting that moderate inflation may stimulate nominal deposit growth even as real value declines.

The theoretical explanation for inflation's negative impact on deposit mobilization centers on the concept of real returns. When inflation exceeds nominal interest rates on deposits, the real return becomes negative, penalizing savers and discouraging deposit accumulation. Even when nominal rates exceed inflation, high inflation creates uncertainty regarding future real returns, potentially reducing depositor willingness to commit funds to long-term deposit relationships.

Economic Growth and GDP: The relationship between economic growth and deposit mobilization has been consistently documented as positive across numerous studies. Yitbarek and Hibret (2021) examined Ethiopian banks and found that GDP growth enhances deposit mobilization by increasing household and business incomes, thereby expanding the pool of available savings. Puatwoe et al. (2017) similarly documented positive relationships between economic growth and deposit levels in Sub-Saharan African countries, emphasizing that economic expansion creates the income foundation for savings accumulation.

The theoretical rationale for this positive relationship draws upon the income-savings nexus. Economic growth generates increased employment, higher wages, and expanded business profits, all of which contribute to greater disposable income. With

higher incomes, households and businesses have greater capacity to save, with bank deposits representing a significant component of savings in developing economies. Additionally, economic growth is often associated with improved business confidence and investment activity, further stimulating deposit mobilization through increased transactional activity.

Population Growth and Demographics: While less frequently examined than other macroeconomic variables, population growth represents an important determinant of deposit mobilization through its influence on the potential depositor base. A growing population expands the number of households and individuals with potential to engage in savings behavior, thereby increasing aggregate deposit demand. However, the relationship between population growth and deposit mobilization is moderated by factors such as financial inclusion levels, income distribution, and demographic composition.

In the Ethiopian context, rapid population growth has contributed to an expanding market for banking services, but financial inclusion remains limited, particularly in rural areas. Banks that successfully extend services to previously unbanked populations can capture deposit growth driven by demographic expansion. However, population growth without corresponding income growth may not translate into increased savings, highlighting the importance of the interaction between demographic and economic factors.

Political Stability and Institutional Quality: Political stability and broader measures of institutional quality have been shown to significantly influence deposit mobilization by affecting depositor confidence and risk perceptions. Nesru and Mekonnen (2022) found that measures of political and regulatory stability positively correlate with deposit growth in Ethiopian banks, emphasizing the importance of confidence in the banking system. Abdelzaher (2023) examined Egyptian banks and documented that stable governance and effective regulation enhance depositor confidence and support deposit mobilization.

The theoretical foundation for this relationship lies in the concept of institutional trust. Political stability reduces uncertainty regarding property rights, contract enforcement, and policy continuity, thereby encouraging long-term financial commitments such as bank deposits. Conversely, political instability creates fears regarding the safety of deposited funds, potentially triggering withdrawals, capital flight, or shifts to informal savings mechanisms. The inclusion of political stability in this study

addresses a gap in previous Ethiopian research and provides a more comprehensive analysis of deposit mobilization determinants.

2.4.3 Comparative and Regional Evidence

Comparative studies across different regions and countries provide valuable insights into the contextual variations in deposit mobilization determinants. While certain factors, such as profitability and economic growth, appear consistently significant across contexts, others demonstrate varying importance depending on institutional, economic, and cultural conditions.

In Ethiopia, research has emphasized the importance of branch expansion, profitability, and GDP growth as primary determinants of deposit mobilization (Mamo, 2018; Yitbarek & Hibret, 2021). The Ethiopian banking context is characterized by relatively low financial inclusion, limited digital banking penetration, and significant rural-urban disparities in banking access. These contextual factors elevate the importance of physical branch presence and basic service delivery in deposit mobilization strategies.

In Ghana and Kenya, studies have highlighted the significance of financial liberalization policies, interest rate flexibility, and technological innovation in driving deposit growth (Lomuto, 2008; Unvan & Yakubu, 2020). These countries have implemented more extensive financial sector reforms than Ethiopia, resulting in greater competitive dynamics and faster adoption of digital banking solutions. The comparative evidence suggests that as financial sectors develop, the relative importance of traditional factors such as branch expansion may decline while technology and innovation become more significant.

In Egypt, research has emphasized the critical role of inflation control and market efficiency in supporting deposit mobilization (Abdelzaher, 2023). Egypt's experience with high inflation and currency volatility has underscored the importance of macroeconomic stability for maintaining depositor confidence. This evidence reinforces the inclusion of inflation and political stability variables in the present study, as these factors may be particularly salient in contexts characterized by economic uncertainty.

The comparative evidence highlights that while certain determinants of deposit mobilization appear universal, their relative importance varies across institutional and economic contexts. This variation underscores the value of context-specific studies that examine deposit mobilization within particular national or institutional settings. The present study contributes to this comparative literature by providing detailed analysis of

Awash Bank S.C., thereby enriching understanding of deposit mobilization determinants in the Ethiopian banking context.

2.4.4 Emerging Trends and Digital Transformation

Recent literature has increasingly focused on the transformative impact of digitalization and financial technology (FinTech) on deposit mobilization and broader bank performance. These emerging trends represent important developments that are reshaping the competitive landscape of banking and creating new opportunities and challenges for deposit mobilization.

Azzabi and Lahrichi (2023) conducted a comprehensive review of bank performance determinants and identified digital transformation as a critical emerging factor. The study argued that technology adoption enhances operational efficiency, reduces transaction costs, and improves customer satisfaction, all of which contribute to enhanced deposit mobilization capacity. The authors emphasized that banks must adopt technology-driven strategies to remain competitive in an evolving financial services landscape.

The rise of mobile banking and digital payment platforms has particularly significant implications for deposit mobilization in developing economies. In Kenya, the success of M-Pesa in mobilizing savings through mobile platforms has demonstrated the potential of technology to extend financial services to previously unbanked populations. Similar developments are occurring in Ethiopia, though at a slower pace due to infrastructure limitations and regulatory considerations.

However, the impact of digital transformation on deposit mobilization is not uniformly positive. Some studies have noted that digital banking may reduce customer loyalty and increase price sensitivity, as customers can more easily compare offerings across banks and switch institutions. Additionally, cybersecurity risks associated with digital platforms may create concerns among certain depositor segments, potentially constraining deposit mobilization from risk-averse customers.

The emerging literature on digital transformation suggests that while technology adoption is increasingly important for competitive positioning, traditional factors such as branch presence, service quality, and financial strength remain relevant. Successful deposit mobilization strategies in the contemporary banking environment likely require balanced attention to both technological innovation and fundamental banking principles.

2.5 Critical Review and Research Gap

The empirical literature reviewed above provides substantial evidence regarding the determinants of deposit mobilization in commercial banking. Studies consistently demonstrate that both bank-specific and macroeconomic factors influence deposit growth, with profitability, capital adequacy, branch expansion, GDP growth, and inflation emerging as particularly significant variables across multiple contexts. However, several gaps and limitations in the existing literature justify the present study.

First, existing Ethiopian studies have predominantly adopted industry-wide analytical approaches, examining aggregate deposit trends across multiple banks rather than focusing on institution-specific dynamics. While such analyses provide useful overview perspectives, they mask important heterogeneities across individual banks and limit the practical applicability of findings for bank-level strategic decision-making. Institution-specific studies, such as the present examination of Awash Bank S.C., can provide more targeted insights that inform management strategies and operational priorities.

Second, previous Ethiopian studies have given insufficient attention to certain macroeconomic and institutional variables that may significantly influence deposit mobilization. Specifically, population growth and political stability have been largely overlooked in prior research, despite their theoretical relevance and practical importance in the Ethiopian context. Population growth directly affects the potential depositor base and aggregate savings capacity, while political stability influences institutional confidence and depositor risk perceptions. The inclusion of these variables in the present study addresses a notable gap in the literature.

Third, the existing literature exhibits mixed findings regarding the direction and significance of certain relationships, particularly concerning interest rates and GDP effects. These inconsistencies suggest that contextual factors, including institutional arrangements, regulatory frameworks, and economic conditions, may moderate the relationships between determinants and deposit mobilization. Additional descriptive evidence from diverse contexts would help document whether similar patterns emerge across different institutional settings and would contribute to a richer comparative understanding of deposit mobilization trends.

Fourth, most prior studies have relied on relatively short time periods for analysis, limiting the ability to capture long-term trends, structural breaks, and cyclical variations

in deposit mobilization. The present study examines a five-year period (2018/19--2022/23) that captures significant macroeconomic disruption, including the COVID-19 pandemic and the Tigray conflict. While this period is institutionally significant, the limited number of observations constrains multivariate statistical inference, as discussed in Chapter 4.

Finally, the existing literature has given limited attention to the integration of theoretical perspectives in empirical analysis. While individual studies often cite theoretical frameworks, few have systematically operationalized theoretical concepts or examined their predictive validity across multiple specifications. The present study addresses this gap by grounding variable selection and descriptive proposition development in multiple theoretical perspectives.

2.6 Descriptive Propositions

Based on the theoretical framework and empirical literature reviewed above, this study develops descriptive propositions that guide the identification and description of patterns in deposit mobilization and its potential correlates in Awash Bank S.C. These propositions orient the descriptive analysis toward variables that prior theory and research suggest may be relevant to observe. They are not tested statistically; rather, they serve as an organizing framework for the descriptive profile.

Profitability Proposition: Drawing upon signaling theory and empirical evidence documenting positive associations between profitability and deposit mobilization, this study examines whether return on assets and deposit mobilization exhibit similar directional trends during the study period.

Capital Adequacy Proposition: Based on the theoretical importance of capital as a buffer against losses and empirical evidence of positive associations with deposit growth, this study examines whether capital adequacy ratio and deposit mobilization exhibit similar directional trends.

Liquidity Proposition: Drawing upon evidence of negative associations between loan-to-deposit ratios and deposit mobilization, this study examines whether the loan-to-deposit ratio and deposit mobilization exhibit opposing directional trends.

Inflation Proposition: Based on the theoretical expectation that inflation erodes real returns and discourages savings, this study examines whether inflation and deposit mobilization exhibit opposing directional trends.

GDP Growth Proposition: Drawing upon the income-savings relationship and empirical evidence of positive associations, this study examines whether GDP growth and deposit mobilization exhibit similar directional trends.

Population Growth Proposition: Based on the theoretical expectation that population expansion increases the potential depositor base, this study examines whether population growth and deposit mobilization exhibit similar directional trends.

Political Stability Proposition: Drawing upon institutional theory and the importance of confidence in the banking system, this study examines whether political stability and deposit mobilization exhibit similar directional trends.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodological framework employed in this study to examine the determinants of deposit mobilization in Awash Bank S.C. The chapter outlines the research philosophy, research design, data collection methods, variable definitions and measurements, and analytical techniques. The methodology is structured to ensure rigor and transparency in addressing the research questions and guiding the descriptive analysis developed in Chapter Two.

3.2 Research Philosophy

Research philosophy refers to the system of beliefs and assumptions that underpins the design and conduct of a study. It encompasses the researcher's position on ontology (the nature of reality), epistemology (how knowledge is generated and validated), and axiology (the role of values in research). Articulating the research philosophy is a necessary step in establishing methodological coherence and demonstrating that the chosen research approach is appropriately aligned with the nature of the research problem and objectives (Saunders, Lewis, & Thornhill, 2019).

Ontological Position. This study adopts an objectivist ontological position. Objectivism holds that social phenomena — including financial institutions, deposit balances, and macroeconomic indicators — possess a reality that is independent of social actors and of the researcher's perception or construction. Deposit mobilization patterns, bank-specific financial ratios, and macroeconomic variables are treated as objective, externally verifiable facts that can be systematically measured and documented. This stance is entirely consistent with the study's exclusive reliance on numerical data drawn from audited financial statements and internationally standardised macroeconomic databases.

Epistemological Position. The study is anchored in a positivist epistemological paradigm. Positivism maintains that authentic, reliable knowledge is derived from the objective observation and measurement of the empirical world, and that the researcher's role is to report patterns in data without imposing subjective interpretation (Creswell &

Creswell, 2018). Under this paradigm, the methods employed must be systematic, replicable, and transparent. Positivism is the dominant philosophical tradition in quantitative financial and banking research, where emphasis is placed on numerical precision, verifiable data sources, and the objective documentation of observed phenomena. The positivist stance is directly appropriate for this study, in which the research questions are concerned with measurable trends in deposit mobilization and co-movements with selected bank-specific and macroeconomic variables.

Axiological Position. Consistent with positivism, this study seeks to maintain value-freedom throughout the research process. The researcher's involvement is confined to the systematic collection, computation, and descriptive presentation of data from existing institutional sources. No primary data collection involving human subjects is undertaken. Where interpretive observations are offered — particularly in explaining divergences between observed patterns and theoretical expectations in Chapters Four and Five — these are explicitly identified as provisional and exploratory, clearly distinguished from empirically validated conclusions. This transparent separation between descriptive documentation and interpretive commentary preserves the axiological integrity of the study.

Research Approach. The study employs a deductive research approach. Deduction proceeds from established theoretical propositions — drawn from Financial Intermediation Theory, the McKinnon–Shaw Financial Liberalization Hypothesis, the Life-Cycle and Permanent Income Hypotheses, and Institutional Theory — to the specific empirical examination of whether observable patterns in Awash Bank S.C. correspond with those theoretical expectations. The descriptive propositions developed in Chapter Two provide the organising structure for the empirical profiling conducted in Chapter Four. This deductive logic is standard in positivist, quantitative research: theory precedes and guides observation, and observed patterns are interpreted against the backdrop of prior theoretical expectations (Bryman, 2016; Saunders et al., 2019).

In summary, the philosophical foundation of this study comprises an objectivist ontology, a positivist epistemology, a value-neutral axiology, and a deductive research approach. This configuration is coherent and appropriate for the quantitative, descriptive research design adopted, and it ensures that the study's findings are grounded in objective, verifiable evidence rather than subjective interpretation.

3.3 Research Design

This study adopts a quantitative research approach with a descriptive research design. The descriptive design is appropriate given the nature of the research questions, which seek to document and characterize patterns, trends, and associations in deposit mobilization and its potential correlates over time. Rather than testing causal relationships or making predictive claims, the descriptive design enables systematic documentation of what occurred during the study period and identification of observable co-movements among variables.

The choice of a descriptive design is further justified by the severe data constraint: with only five annual observations, statistical inference regarding causal effects or multivariate relationships is not feasible. The descriptive approach allows for rigorous documentation of trends and patterns without overreaching into unsupported causal claims. This aligns with established methodological guidance that descriptive research is appropriate when the primary goal is to portray characteristics of a phenomenon or population (Saunders et al., 2019).

The study employs secondary data analysis, utilizing existing data from audited financial statements and authoritative macroeconomic databases. This approach ensures data reliability and consistency with regulatory reporting standards.

3.4 Data Collection Methods

Given the nature of the variables employed in this study, the data required are entirely quantitative and available from established institutional sources. Therefore, the study relies exclusively on secondary data collection methods. The reliance on secondary data is appropriate and advantageous for several reasons: first, secondary data provide objective, verified information that is not subject to respondent bias or recall errors; second, secondary data enable the examination of longer time periods than primary data collection would permit; third, secondary data from audited financial statements and official macroeconomic databases are considered highly reliable and valid for research purposes.

The bank-specific variables, including return on assets, loan-to-deposit ratio, and capital adequacy ratio, are obtained from the annual audited financial statements of Awash Bank S.C. for the period 2018/19–2022/23. These financial statements provide comprehensive, verified information on the bank's financial performance, position, and

operations. The use of audited statements ensures data reliability and consistency with regulatory reporting standards.

The macroeconomic variables, including inflation rate, GDP growth, and population growth, are sourced from authoritative national and international databases. Specifically, data are obtained from the National Bank of Ethiopia (NBE), the World Bank Development Indicators database, and reports published by the Ethiopian Ministry of Planning and Development. These sources provide consistent, internationally comparable macroeconomic data that meet standards for empirical research.

Political stability data are collected from the World Governance Indicators (WGI) database maintained by the World Bank. The WGI provides composite measures of various dimensions of governance, including political stability and absence of violence/terrorism. These indicators are widely used in empirical research and provide standardized, comparable measures across countries and time periods.

3.5 Target Population and Data Sources

The target population for this study comprises the complete set of annual observations of Awash Bank S.C.'s financial and operational performance from 2018/19–2022/23, along with corresponding macroeconomic indicators for Ethiopia during the same period. Given that the study relies on secondary data from institutional sources, sampling of individual respondents or branches is not applicable.

The study utilizes the full set of available annual observations for the specified period, ensuring that the analysis captures the complete operational history of the bank from 2018/19–2022/23. This census approach to data collection eliminates sampling error and maximizes the statistical power of the analysis. The availability of five annual observations (2018/19–2022/23) is insufficient for reliable estimation of multivariate relationships. This constraint necessitates reliance on descriptive statistics and trend profiling only.

3.6 Variables and Measurement

This section defines the dependent and independent variables employed in the study and describes their measurement approaches. The variable selection is grounded in the theoretical framework and empirical literature reviewed in Chapter Two.

3.5.1 Dependent Variable

Deposit Mobilization (DM): Deposit mobilization is the dependent variable in this study, representing the primary outcome of interest. Following common practice in the empirical literature, deposit mobilization is measured as the natural logarithm of total deposits held by Awash Bank S.C. at year-end. The natural logarithm transformation is applied to normalize the distribution of the variable and to interpret coefficients as elasticities, facilitating comparison with previous studies.

Total deposits include all categories of deposit liabilities, comprising current accounts, savings accounts, fixed-term deposits, and other specialized deposit schemes offered by the bank. This comprehensive measure captures the full scope of the bank's deposit mobilization activities and provides a robust indicator of depositor engagement with the institution.

3.5.2 Independent Variables

Return on Assets (ROA): Return on assets is employed as a measure of bank profitability. It is calculated as net income divided by average total assets, expressed as a percentage. ROA indicates how efficiently the bank utilizes its asset base to generate earnings. Higher ROA values signal stronger financial performance and management effectiveness, a variable that prior research has associated with deposit mobilization patterns.

Loan-to-Deposit Ratio (LDR): The loan-to-deposit ratio is employed as a measure of bank liquidity. It is calculated as total loans divided by total deposits, expressed as a percentage. The LDR indicates the proportion of deposits that have been extended as loans, with higher ratios suggesting more aggressive lending and potentially lower liquidity. Prior literature has documented negative associations between loan-to-deposit ratios and deposit growth, suggesting this variable merits descriptive examination.

Capital Adequacy Ratio (CAR): The capital adequacy ratio is employed as a measure of bank financial strength and solvency. It is calculated as total regulatory capital divided by risk-weighted assets, expressed as a percentage. The CAR indicates the bank's capacity to absorb losses without jeopardizing depositor funds. Higher CAR values signal greater financial resilience, a variable that prior research has linked to depositor confidence and deposit mobilization trends.

Inflation Rate (INF): The inflation rate is measured as the annual percentage change in the consumer price index (CPI). Inflation captures the rate of price increase in

the economy and affects the real value of deposits. Prior literature has documented negative associations between inflation and deposit mobilization, making this variable relevant for descriptive profiling.

GDP Growth (GDP): GDP growth is measured as the annual percentage change in real gross domestic product. GDP growth captures the overall performance of the economy and is linked to income levels and savings capacity. Prior literature has reported positive associations between GDP growth and deposit mobilization, suggesting this variable warrants descriptive examination.

Population Growth (POP): Population growth is measured as the annual percentage change in total population. Population growth affects the potential depositor base and aggregate savings capacity within the economy. Theoretical accounts suggest population expansion increases the number of potential bank customers, a pattern this study documents descriptively.

Political Stability (PS): Political stability is measured using the Political Stability and Absence of Violence/Terrorism indicator from the World Governance Indicators database. This composite index captures perceptions of the likelihood of political instability and politically motivated violence. Higher values indicate greater stability, a condition that prior research has associated with depositor confidence and deposit mobilization patterns.

3.6 Conceptual Framework for Descriptive Analysis

Given the descriptive nature of this study and the severe sample size constraint (five annual observations), no multivariate regression model is specified or estimated. Instead, the analysis proceeds through systematic description of individual variable trends and examination of directional co-movements. The following set of variables is examined for descriptive profiling: DM (Deposit Mobilization), ROA (Return on Assets), LDR (Loan-to-Deposit Ratio), CAR (Capital Adequacy Ratio), INF (Inflation Rate), GDP (GDP Growth Rate), POP (Population Growth Rate), and PS (Political Stability Index). This listing indicates the variables subject to descriptive examination, not a functional model to be estimated.

The conceptual relationship under examination is expressed as:

DM = f(ROA, LDR, CAR, INF, GDP, POP, PS)

Where:

DM = Deposit Mobilization (natural logarithm of total deposits)

ROA = Return on Assets

LDR = Loan-to-Deposit Ratio

CAR = Capital Adequacy Ratio

INF = Inflation Rate

GDP = GDP Growth Rate

POP = Population Growth Rate

PS = Political Stability Index

This framework serves as an organizing structure for the descriptive analysis, guiding the identification of variables to be profiled and compared. No coefficients, standard errors, or hypothesis tests are reported.

3.8 Data Analysis Techniques

The collected secondary data are processed, analyzed, and interpreted using descriptive statistical techniques suited to the dataset's characteristics and the study's descriptive design.

Descriptive Statistics: Descriptive statistics are computed to summarize the basic characteristics of each variable, including measures of central tendency (mean, median), dispersion (standard deviation, range), and distribution (skewness, kurtosis). These statistics provide an overview of the data and identify patterns in individual variables over the study period. Given the small sample (n = 5), descriptive statistics constitute the primary analytical tool.

Trend Analysis: Variables are examined individually through time-series profiles and year-over-year percentage changes to identify directional patterns, turning points, and periods of stability or volatility.

Descriptive Correspondence Analysis: Pairwise comparisons between deposit mobilization and each independent variable are conducted to document directional correspondence (whether variables moved together or in opposite directions during the study period). These comparisons are explicitly framed as descriptive observations of co-movement, not as evidence of causal relationships or statistical dependence.

3.9 Diagnostic Tests

Given the descriptive research design and the absence of regression estimation, standard regression diagnostics are not applicable to this study. The analysis relies exclusively on descriptive statistics and visual trend inspection, which do not require the diagnostic procedures necessary for causal inference (e.g., tests for multicollinearity, autocorrelation, heteroscedasticity, or normality).

The limitations associated with the small sample size (n = 5) are acknowledged throughout the analysis. Trending behavior in time-series data is noted as a potential source of spurious correspondence between variables, and all observed patterns are interpreted with appropriate caution.

3.10 Ethical Considerations

This study relies exclusively on secondary data from publicly available sources, including audited financial statements and official macroeconomic databases. As no primary data collection involving human subjects is conducted, the ethical considerations are limited. However, the study adheres to principles of research integrity, including accurate reporting of data sources, transparent disclosure of analytical methods, and honest presentation of findings without fabrication or misrepresentation.

The use of secondary data from institutional sources ensures that the study does not involve any risks to individuals or organizations. All data sources are properly cited and acknowledged, respecting intellectual property rights and academic conventions for attribution.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the descriptive analysis of deposit mobilization in Awash Bank S.C. over the period 2018/19–2022/23. Consistent with the descriptive research design, the analysis documents trends, patterns, and observable co-movements among variables without claiming causal relationships or statistical significance. Given the methodological constraint of five annual observations, findings are presented as descriptive profiles subject to severe small-sample limitations.

4.1 Introduction

This chapter presents the descriptive analysis of deposit mobilization in Awash Bank S.C. over the period 2018/19–2022/23. The analysis proceeds through data presentation, descriptive statistics, trend profiling, and descriptive correspondence analysis. Given the descriptive research design adopted for this study, findings are presented as documented patterns and observational trends rather than statistically validated causal claims.

The chapter is organized as follows: Section 4.2 presents the raw financial data and macroeconomic indicators. Section 4.3 details the computation of variables and provides descriptive statistics. Section 4.4 examines deposit growth dynamics. Section 4.5 presents the descriptive trend profile documenting how each variable moved over the study period. Section 4.6 discusses the findings in light of the theoretical framework. Section 4.7 summarizes the chapter's key descriptive observations.

4.2 Data Presentation

The study utilizes secondary data extracted from the annual audited financial statements of Awash Bank S.C. and authoritative macroeconomic databases. Table 4.1 presents the raw financial data in millions of Ethiopian Birr.

Table 4.1: Summary of Financial Data (Million Birr)

Year	Deposits	Loan	Total asset	Capital	Profit before tax
2018/19	62,464	47,262	74,635	9,640	3,344
2019/20	74,266	57,274	89,280	11,968	3,600
2020/21	108,074	87,539	128,695	15,852	4,823
2021/22	152,007	129,244	183,391	20,951	7,453
2022/23	187,367	161,952	224,024	27,968	9,751

Source: Awash Bank S.C. Annual Reports (2018/19–2022/23)

the data reveal a remarkable expansion in Awash Bank's deposit base over the five-year period, with total deposits growing from 62.5 billion Birr in 2018/19 to 187.4 billion Birr in 2022/23 — a threefold increase. This growth trajectory reflects both the bank's strategic expansion and broader macroeconomic conditions in Ethiopia.

Table 4.2 presents the macroeconomic variables sourced from the National Bank of Ethiopia, World Bank Development Indicators, and the Worldwide Governance Indicators database.

Table 4.2: Macroeconomic Indicators

Year	Inflation (%)	GDP Growth (%)	Population Growth (%)	Political Stability (WGI)
2018/19	15.3	9.0	2.7	-1.35
2019/20	21.6	6.1	2.71	-1.42
2020/21	24.6	6.3	2.61	-2.01
2021/22	33.8	6.4	2.62	-1.95
2022/23	32.6	7.2	2.6	-1.97

Sources: NBE Annual Report (2022/23); World Bank WGI Database

Several notable macroeconomic patterns emerge. Inflation accelerated sharply from 15.3% in 2018/19 to 33.8% in 2021/22, before moderating slightly to 32.6% in 2022/23. This sustained high inflation represents a significant departure from the single-digit rates

experienced during 2013–2017, and coincides with the Tigray conflict (2020–2022), supply chain disruptions, and expansionary fiscal and monetary policies. GDP growth, while positive throughout, declined from 9.0% to 6.1% during the COVID-19 pandemic and conflict period, before recovering to 7.2% in 2022/23. Political stability deteriorated markedly, with the WGI index falling from -1.35 to a nadir of -2.01 in 2020/21 — the year the Tigray conflict escalated — indicating substantial erosion in institutional confidence.

Having presented the raw financial and macroeconomic data, the following section details the computation of study variables and provides descriptive statistics that summarize their basic characteristics over the study period.

4.3 Variable Computation and Descriptive Statistics

Following the measurement approaches specified in Chapter Three, the study computes the bank-specific variables as follows:

• Return on Assets (ROA) = Profit Before Tax / Total Assets

• Loan-to-Deposit Ratio (LDR) = Total Loans / Total Deposits

• Capital Adequacy Ratio (CAR) = Total Capital / Total Assets

• Deposit Mobilization (DM) = ln(Total Deposits)

Table 4.3 presents the computed variables.

Table 4.3: Computed Variables for Descriptive Analysis

Year	ln(Deposits)	ROA	LDR	CAR	INFLATION(%)
2018/19	11.0423	0.0448	0.7566	0.1291	15.3
2019/20	11.2154	0.0403	0.7712	0.1341	21.6
2020/21	11.5906	0.0375	0.8100	0.1232	24.6
2021/22	11.9317	0.0406	0.8503	0.1142	33.8
2022/23	12.1408	0.0435	0.8646	0.1248	32.6

Table 4.3 (continued): Macroeconomic Variables

Year	GDP Growth (%)	Population Growth (%)	Political Stability (WGI)
2018/19	9.0	2.7	-1.35
2019/20	6.1	2.71	-1.42
2020/21	6.3	2.67	-2.01
2021/22	6.4	2.62	-1.95
2022/23	7.2	2.60	-1.97

Table 4.4 presents the descriptive statistics for all variables.

Table 4.4: Descriptive Statistics

Variable	N	Mean	Std. Dev	Minimum	Maximum	Range
Deposit Mobilization (ln Deposits)	5	11.5842	0.4468	11.0423	12.1408	1.0985
ROA	5	4.13	0.27	3.75	4.48	0.73
LDR	5	81.05	4.34	75.66	86.46	10.80
CAR	5	12.51	0.73	11.42	13.41	1.99
Inflation	5	25.58	7.56	15.30	33.80	18.50
GDP Growth	5	7.00	1.14	6.10	9.00	2.90
Population growth	5	2.66	0.04	2.60	2.71	0.11
Political Stability	5	-1.74	0.27	-2.01	-1.35	0.66

Note: All statistics are purely descriptive. With n = 5, standard deviation and range should be interpreted with caution.

The descriptive statistics reveal several important patterns. Deposit mobilization, measured as the natural logarithm of total deposits, exhibits substantial variation (range = 1.0985) relative to its mean, reflecting the strong upward trend. The loan-to-deposit ratio shows a clear increasing pattern, rising from 75.7% to 86.5%, indicating that Awash Bank has become progressively more aggressive in deploying deposits into loans. This trend merits attention from a liquidity management perspective.

Return on assets remained relatively stable around 4%, with a slight dip in 2020/21—likely reflecting pandemic-related provisioning and operational disruptions—before recovering. Capital adequacy declined from 12.9% to 11.4% in 2021/22, suggesting that asset growth outpaced capital accumulation, though the ratio improved slightly in 2022/23.

Among macroeconomic variables, inflation shows the highest variability (coefficient of variation = 29.6%), reflecting the severe price instability that characterized the Ethiopian economy during the study period. Political stability exhibits substantial negative values throughout, with the lowest point in 2020/21 coinciding with the escalation of the Tigray conflict.

While descriptive statistics provide a snapshot of variable characteristics, examining year-over-year changes offers insight into the dynamics of deposit growth and the contextual factors associated with each period.

4.4 Deposit Growth Dynamics

To understand the dynamics of deposit growth, it is instructive to examine the year-over-year changes in deposits, as presented in Table 4.5.

Table 4.5: Year-over-Year Deposit Growth

Period	**Opening Deposits (Million br)**	**Closing Deposits (Million br)**	**Absolute Growth (Million br)**	**Growth Rate (%)**	**Contextual Factors**

2018/19 to 2019/20	62,464	74,266	11,802	18.9	Political transition, early reform period
2019/20 to 2020/21	74,266	108,074	33,808	45.5	COVID-19 pandemic, liquidity injection
2020/21 to 2021/22	108,074	152,007	43,933	40.7	Conflict escalation, high inflation
2021/22 to 2022/23	152,007	187,367	35,360	23.3	Post-conflict stabilization

Note: Growth rates are computed as descriptive year-over-year changes. No statistical inference is attempted.

The deposit growth trajectory reveals an interesting pattern. The highest growth rates occurred during 2019/20–2021/22—precisely the period of maximum macroeconomic stress (pandemic, conflict, soaring inflation). This apparent paradox may reflect several factors: (1) flight to safety during uncertainty, with depositors preferring established banks like Awash over informal savings; (2) government liquidity injections and stimulus measures; (3) limited alternative investment options in a constrained financial market; and (4) the bank's aggressive branch expansion during this period. The deceleration to 23.3% in 2022/23 may indicate normalization as the economy stabilized post-conflict.

Beyond individual growth rates, a systematic profile of how each variable moved relative to deposit mobilization over the entire study period provides a comprehensive descriptive picture of observed co-movements.

4.5 Descriptive Trend Profile

Given the descriptive nature of this study and the small sample size (n = 5), formal correlation analysis and statistical significance testing are not conducted. Instead, this section presents a descriptive trend profile documenting the directional movement of each variable relative to deposit mobilization over the study period. Table 4.6 presents the

year-by-year values, overall trends, and directional correspondence with deposit mobilization for all variables included in the study.

Table 4.6: Descriptive Trend Profile — Variable Movements Over the Study Period

Variable	2018/19	2019/20	2020/21	2021/22	2022/23	Overall Trend	Directional Movement Relative to Deposits
Deposit mobilization (in deposits)	11.04	11.22	11.59	11.93	12.14	↑ Strong Increase	_
ROA	4.48	4.03	3.75	4.06	4.35	→ Stable (slight dip 2020/21)	Weak (stable while deposits rose)
LDR	75.7	77.1	81.0	85.0	86.5	↑ Steady Increase	Same direction (both trended upward)
CAR	12.9	13.4	12.3	11.4	12.5	↔ Declined then recovered	Mixed
Inflation	15.3	21.6	24.6	33.8	32.6	↑ Sharp Increase	Same direction (paradoxical)
GDP Growth	9.0	6.1	6.3	6.4	7.2	↓ Decreased then slight recovery	Opposite direction
Population Growth	2.70	2.71	2.67	2.62	2.60	↓ Gradual Decline	Opposite direction
Political Stability	-1.35	-1.42	-2.01	-1.95	-1.97	↓ Deteriorated	Opposite direction

							(paradoxical)

Note: Directional movement indicates whether variables moved in the same or opposite direction as deposits during the study period. These are descriptive observations of co-movement only; no causal relationships or statistical significance are claimed. n = 5.

The descriptive trend profile reveals several notable patterns. First, deposit mobilization exhibited a strong and consistent upward trend throughout the study period, increasing from 11.04 to 12.14 in logarithmic terms. Second, bank-specific indicators showed divergent behaviors: ROA remained relatively stable, LDR increased steadily alongside deposits, and CAR declined in the middle years before recovering. Third, macroeconomic conditions worsened significantly during the period when deposits grew most rapidly, with inflation accelerating and political stability deteriorating markedly in 2020/21.

The most striking descriptive observation is the apparent paradox that deposits grew most rapidly during the period of maximum macroeconomic stress (2020/21–2021/22). Inflation reached 33.8%, political stability hit its nadir (-2.01), and GDP growth remained subdued, yet deposits expanded by 45.5% and 40.7% year-over-year. This divergence from theoretical expectations is discussed in Section 4.6.

The descriptive trend profile documented above reveals several notable patterns that warrant interpretation in light of the theoretical framework established in Chapter Two.

4.6 Discussion of Findings

4.6.1 Bank-Specific Factors

Return on assets remained remarkably stable during the study period (3.75%–4.48%), varying by less than one percentage point. This stability suggests that depositors did not face significantly changing profitability signals from Awash Bank during these five years. The consistency of ROA makes it an unlikely primary driver of the dramatic deposit growth observed.

The loan-to-deposit ratio rose steadily from 75.7% to 86.5%, indicating that the bank deployed deposits into loans at an accelerating pace. While theory suggests aggressive lending may concern depositors about liquidity risk, the descriptive data show this trend coinciding with—not preceding—deposit growth. This pattern is more consistent with

joint growth driven by underlying economic expansion than with lending causing deposit attraction.

Capital adequacy declined from 12.9% to 11.4% before recovering slightly to 12.5%, suggesting that asset growth outpaced capital accumulation in the middle years. The ratio remained above regulatory minimums throughout, but the thinning buffer during rapid expansion merits monitoring.

4.6.2 Macroeconomic Factors

The macroeconomic environment during 2018/19–2022/23 was exceptionally challenging by Ethiopian standards. Inflation accelerated from 15.3% to 33.8%, far exceeding the maximum savings deposit interest rate of 8% set by the National Bank of Ethiopia. This implies substantial negative real returns for depositors. Nevertheless, nominal deposits grew threefold. Several contextual factors may help explain this apparent paradox, though none can be verified with the available data:

- **Limited alternatives:** Ethiopia's controlled interest rates, capital account restrictions, and underdeveloped securities markets leave bank deposits as one of the few accessible savings vehicles for most households.
- **Flight to safety:** The Tigray conflict (2020–2022) may have prompted depositors to move funds from informal mechanisms or smaller institutions to established banks like Awash.
- **Nominal wage adjustments:** Sustained high inflation may have been partially offset by nominal income increases, sustaining deposit inflows despite real value erosion.
- **Institutional requirements:** Mandatory payroll deposit arrangements and limited cash alternatives may sustain formal banking regardless of real returns.

GDP growth decelerated from 9.0% to 6.1% during the pandemic and conflict period before recovering modestly. Theoretically, slower growth should reduce savings capacity, yet deposit growth accelerated during this slowdown. This disconnect suggests that factors other than real income expansion—possibly those listed above—were more influential.

Political stability deteriorated markedly, with the World Governance Indicator falling from -1.35 to -2.01 in 2020/21. While institutional theory predicts such deterioration should undermine depositor confidence, deposits grew most rapidly during this period. As with inflation, this may reflect the concentration of Awash Bank's operations in regions less directly affected by the northern conflict, or a preference for established banks during uncertainty.

The preceding discussion interpreted the observed descriptive patterns through the lens of established theory. The following section summarizes the key descriptive findings of this chapter

4.7 Conclusion

This chapter presented descriptive analysis of Awash Bank S.C.'s deposit mobilization over 2018/19–2022/23. The key descriptive findings are:

1. Total deposits grew from 62.5 billion to 187.4 billion Birr—a threefold increase—despite deteriorating macroeconomic conditions.

2. Bank-specific indicators (ROA, CAR) showed limited variation, making them unlikely primary drivers of deposit growth. The loan-to-deposit ratio rose alongside deposits, contrary to theoretical expectations of a negative relationship.

3. Macroeconomic conditions worsened significantly (high inflation, political instability, GDP deceleration), yet deposits grew rapidly—a pattern inconsistent with standard theoretical predictions.

Due to the small sample size (n = 5) and the descriptive research design, no statistical inference is attempted. The patterns and directional correspondences reported here should be understood as observational, not causal. The divergence between observed patterns and theoretical expectations, particularly the growth of deposits alongside inflation and political instability, suggests that context-specific factors in Ethiopia's financially constrained environment may override predictions derived from more liberalized markets. These patterns are explored further in Chapter Five.

Chapter Four documented the descriptive patterns in Awash Bank S.C.'s deposit mobilization during 2018/19–2022/23. Chapter Five synthesizes these findings, offers provisional conclusions, and presents recommendations grounded in the observed patterns

Chapter 5: Conclusion and Recommendations

5.1 Introduction

This chapter synthesizes the descriptive findings from Chapter Four regarding deposit mobilization patterns in Awash Bank S.C. during 2018/19–2022/23. It offers provisional conclusions drawn from observed patterns and theoretical reasoning, acknowledges the methodological constraints that limit causal inference, and presents recommendations for bank management, policymakers, and future researchers.

All conclusions in this chapter are framed as provisional insights derived from theoretical reasoning and descriptive observation, not as statistically validated causal claims. The severe sample size constraint (five annual observations) precludes reliable multivariate statistical inference, as detailed in Chapter Four.

5.2 Summary of Key Findings:

Directional Correspondence Observations:

- Deposit mobilization and ROA showed weak correspondence (ROA stable, deposits rose).
- Deposit mobilization and LDR showed same-direction correspondence, though this likely reflects shared trending behavior rather than a genuine relationship.
- Deposit mobilization and inflation showed same-direction correspondence, which appears paradoxical given theoretical predictions.
- Deposit mobilization and GDP growth showed opposite-direction correspondence (GDP slowed while deposits accelerated).
- Deposit mobilization and political stability showed opposite-direction correspondence, which also appears paradoxical.

No valid statistical inference regarding the relative importance of bank-specific versus macroeconomic factors was possible due to the descriptive design and small sample.

5.3 Reflections on Observed Patterns

The most striking descriptive pattern is the rapid growth of nominal deposits during a period of severe macroeconomic and political stress. Standard theoretical models developed in liberalized financial markets predict that high inflation erodes real savings and that political instability undermines confidence in formal financial institutions. The fact that deposits grew threefold while both conditions worsened suggests that these models may require adaptation for Ethiopia's specific context.

Several factors, consistent with the country's institutional and economic structure, may help explain this divergence:

- **Financial repression:** Ethiopia's controlled interest rates, limited capital account convertibility, and underdeveloped alternative savings vehicles mean that bank deposits often persist as the default savings option even when real returns are negative. Depositors may lack accessible alternatives.

- **Crisis-induced consolidation:** During the Tigray conflict and COVID-19 pandemic, depositors may have transferred funds from informal savings mechanisms or smaller institutions to established banks like Awash Bank S.C. This would produce deposit concentration at larger banks rather than net growth in aggregate savings.
- **Nominal dynamics:** Sustained high inflation may have been partially offset by nominal wage adjustments and monetary expansion, sustaining deposit inflows in nominal terms even as real purchasing power stagnated or declined.
- **Regional heterogeneity:** Awash Bank S.C.'s operations are concentrated in central and southern Ethiopia, regions less directly affected by the northern conflict. This geographic concentration may have insulated the bank from the worst effects of political instability.

These are interpretive possibilities, not verified explanations. They are offered to stimulate future research rather than as conclusions of this study.

5.4 Conclusions

Subject to the severe methodological limitations acknowledged throughout this study --- including the impossibility of valid multivariate statistical inference with five observations and eight parameters. the following provisional conclusions are offered:

1. Bank-specific financial indicators (profitability, capital adequacy, liquidity ratios) showed limited variation during the study period and are unlikely to have been the primary drivers of the dramatic deposit growth observed. External macroeconomic conditions, institutional factors, or unobserved bank-specific strategies (such as branch network expansion) may have been more influential than the financial ratios captured in this study.
2. Macroeconomic conditions during 2018/19–2022/23 were exceptionally challenging by historical standards, yet nominal deposits grew rapidly. This divergence from theoretical predictions highlights the need for context-specific

theoretical frameworks that account for financial repression, limited savings alternatives, and institutional constraints on depositor behavior.

3. The relationship between inflation and deposit mobilization in Ethiopia appears more complex than the simple negative prediction suggested by standard theory. In contexts where depositors lack alternative stores of value, nominal deposit growth may persist even as real value erodes. However, this represents a potentially fragile equilibrium that could shift suddenly if alternative savings vehicles emerge.

4. Political stability, while theoretically important, cannot be reliably assessed as a **correlate** in this study due to the descriptive design and small sample. The descriptive pattern does, however, suggest that regional heterogeneity in conflict exposure may matter for individual bank performance.

5. Methodologically, this study demonstrates that single-bank time-series analysis with very small samples faces severe constraints that fundamentally limit causal inference. The gap between theoretical expectations and observed patterns underscores the importance of matching analytical methods to data availability.

5.5 Recommendations

5.5.1 Recommendations for Bank Management

The following recommendations are grounded in theoretical reasoning and observed descriptive patterns rather than statistically validated causal inference. They should be treated as provisional and subject to verification through more robust empirical analysis.

- Maintain Prudent Liquidity Management: While the rising loan-to-deposit ratio coincided with deposit growth during the study period, this pattern may not persist under adverse conditions. Maintaining a prudent LDR — consistent with regulatory expectations and depositor reassurance — remains a sound risk management strategy.

- Strengthen Financial Soundness Signaling: Continue prioritizing robust capital adequacy and profitability as signals of institutional strength. While these variables showed limited variation during the study period, they remain theoretically important determinants of depositor confidence, particularly for corporate and large-scale depositors.

- Pursue Strategic Geographic and Demographic Expansion: Population growth and urbanization continue to expand the potential depositor base. Targeted outreach through physical branch expansion in underserved areas and digital financial services may capture demographic dividend effects. This should be balanced against liquidity management considerations.

- Develop Products for Inflationary Environments: Given sustained high inflation, the bank may consider developing inflation-indexed deposit products or hybrid savings-investment instruments that better protect real returns. While regulatory constraints may limit flexibility, product innovation could differentiate Awash Bank from competitors if alternative savings vehicles emerge.

- Maintain Scenario Planning for Political Risk: The study period suggests that deposit growth can persist even during political instability, possibly due to flight-to-safety effects. However, this should not engender complacency. Contingency planning for scenarios where political instability affects core operational regions remains prudent.

5.5.2 Recommendations for Policymakers

- Recognize Inflation Control as Financial Sector Policy: Sustained high inflation undermines the real value of domestic savings and may eventually trigger disintermediation if alternative savings vehicles emerge. Price stability is not merely a macroeconomic objective but a financial sector stability imperative.

- Pursue Gradual Financial Liberalization: The apparent resilience of deposit mobilization despite negative real returns partly reflects the absence of alternatives. As financial liberalization proceeds — potentially including interest rate flexibility, capital account adjustments, and FinTech expansion — policymakers should anticipate that depositor behavior may shift rapidly. Gradual,

sequenced reforms with adequate safety nets are preferable to sudden liberalization that could trigger deposit flight.

- Maintain Institutional Stability and Confidence: Ensuring political and economic predictability remains essential for sustaining long-term confidence in formal financial intermediation. While this study cannot statistically validate this relationship, institutional theory and comparative evidence strongly support its importance.
- Improve Data Availability for Research: The severe sample size constraints of this study reflect limited publicly available data in the Ethiopian banking sector. Policymakers should encourage standardized, higher-frequency financial reporting that would enable more robust empirical research and evidence-based policy formulation.

5.6 Suggestions for Future Research

This study's limitations point to several priority directions for future research:

1. Panel Data Analysis: Extend the analysis to include multiple Ethiopian commercial banks over the same period. A panel data approach would substantially increase sample size, enables bank-fixed effects, and improve the generalizability of findings.
2. Higher-Frequency Data Collection: Collect quarterly or monthly data from Awash Bank S.C. to increase observations from 5 to approximately 20 (quarterly) or 60 (monthly). This would enable reliable estimation of the full model and meaningful statistical inference.
3. Inclusion of Omitted Variables: Future studies should incorporate variables not included here due to data constraints, including: deposit and lending interest rates, branch network expansion metrics, digital banking adoption indicators, and competitor bank characteristics.
4. Qualitative Complementary Research: Given the divergence between observed patterns and theoretical predictions, qualitative research — including depositor surveys, focus groups, or interviews with bank management — could provide

richer insights into depositor motivations and decision-making processes during crisis periods.

5. Comparative Crisis Analysis: Compare deposit mobilization patterns across Ethiopian banks during the COVID-19 pandemic and Tigray conflict to assess whether Awash Bank's experience was idiosyncratic or representative of broader sector dynamics.

6. Post-Conflict Follow-Up Study: As macroeconomic conditions stabilize and political stability improves, a follow-up study examining whether deposit mobilization patterns normalize toward theoretical predictions would test the robustness of the contextual interpretations offered here.

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