

**ST. MARY'S UNIVERSITY
FACULTY OF BUSINESS
DEPARTMENT OF ACCOUNTING**

**CHALLENGES AND PROSPECTS OF DEPOSIT
MOBILIZATION IN THE CASE OF WEGAGEN BANK**

**BY
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**JUNE, 2014
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ADDIS ABABA**

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BANK**

**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT
OF ACCOUNTING
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING
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**IN PARTIAL FULFILLMENT OF THE REQUIRMENTS
FOR THE DEGREE OF BACHLOR OF ARTS IN
ACCOUNTING**

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ACRONYMS

ATM Automatic Teller Machine

POS Point of Sale

CD Certificates Deposit

MMDA Money Market Deposit Account

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Chapter One

1. Introduction

1.1. Background of the Study

There are many large business industries established all over the world by public and private sectors. These are operate their business in two forms giving service and producing and selling products one of those long service provider industry is banking industry. The word bank is derived from Italian word “Banko”. It refers to a bench for keeping, lending and exchanging of money or coin in the market by money lenders and exchangers.

The industry of banking is one of the largest service giving industries in developed as well as in developing countries. It plays the role of intermediation. The bank receives money from surplus units by issuing financial assets or in the form of deposit and lending to the deficit units. Banking service is vitally important for investment growth. Thus; the contribution of banking service economic development of a country is significant.

The experience of banking system in Ethiopia began when the first bank was established in 1905 (Bank of Abyssinia). The expansion of banking business in Ethiopia is currently encouraged by expansion of private companies.

The main objective of any business organization is to earn more return and maximizing the wealth of the company and stay in business for indefinite period of time with and acceptable growth rate. Therefore, the management of banks needs to know what kind of challenges they face in operating their deposit mobilization activities. And also what is the prospect of their customers towards their deposit mobilization. This study paper will focus on the challenges and prospects of deposit mobilization in fast developing banking sector specifically in Wegagen Bank Main Branch.

1.2. Background of the Organization

Wegagen Bank is a privately owned share company which started operations on June 11, 1997 with a subscribed capital of Birr 60 million and a paid-up capital of Birr 30 million. The number of shareholders reached 2,130 while the total capital (including paid-up capital, share premium and legal reserves) reaches over 1.5 Billion as at June 30, 2014.

Currently, Wegagen bank is a full service bank that offers a full range of commercial banking service with its 63` branch offices (out of which 28 branch offices are located in Addis Ababa and other 35 branches are in major cities and towns of the country).

The bank is currently using modern computer facilities to customers, in this course, it has successfully transfers its past data from fox to flex cube computer system. It provide different service to it's customer through the use of computer like international banking service, render local and international money transfer, payment card service through ATM and POS network.

The vision of Wegagen Bank is “To becoming the most preferred bank in Ethiopia” in the banking industry. And the mission of the bank is “To provide a wide range of qualified banking services through a dynamic workforce and up-to date IT solution to satisfy the desires of all stakeholders”.

And also, the objectives of the bank is to maximize profitability through increased efficiency, enhance growing market share, expanding the bank's capital base, ensuring excellence in customers service, provide differentiated, varied and value added banking service.

1.3. Statement of the Problem

In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such savings as most people have incomes so low that vertically all current income must be spent in maintain a subsistence level of consumption. Investment is an essence of the national economy. Banking system is the integral part of investment system in productive sector. It involves the sacrifice of current birr for future birr. It is concerned with the allocation of present fund for later reward, which is uncertain. When people deposit money in a saving account in bank for example; the bank must invest the money in new factories, equipments to increase their production and in other investment areas. In addition borrowing from the banks most issues stocks and bonds that they sell to investors to raise capital needed for business expansion.

In the process of mobilization, i.e. accepting deposit and granting loan, banks encounter problems. Few of the problems include; most of the time customers use assets with low values as collateral for borrowing money from banks. Hence, in case the borrowers fail to pay back the loan, they obviously forced to sell the pledged asset at the amount less than the borrowed money (at loss). Banks also face problems while they determine interest rate, i.e. since there are many competitors; they try to overcome so many challenges to determine the interest rates that are equivalent to their competitors. Unless its difficult exist longer. The other problem is that, since most of the capital of the bank is composed of the deposit they accept from their customers, with out promoting modern banking technology they may get also loosing there customers.

Therefore, this study will confine to deal with problems of deposit mobilization in Wegagen Bank main brunch. It will cover all source of deposit, major customer types and account holders, major classification and related facts.

1.3.1 Research Question

This study will try to investigate answer to certain specific issues that are related to the problem. Among the major research questions:

- 1) How Wegagen Bank is mobilizing deposits?
- 2) What are the strength and weakness of the bank in relation to deposits mobilization?
- 3) What are the best ways of deposit mobilization for the concerned bank so as to improve the current situation?

1.4. Objectives of the Study

1.4.1 General Objective

The general objective is to assess the challenges and prospects of deposit mobilization of Wegagen bank at the main brunch.

1.4.2 Specific Objectives

1. To assess the way Wegagen Bank is following towards the deposit mobilization.
2. To evaluate the deposit mobilization system of Wegagen Bank in relation to other similar Commercial Banks.
3. To identify the strength and weakness of Wegagen Bank pertaining to its deposit mobilization system.
4. To analyze the factors that affect deposit mobilization.
5. To assess the duties and responsibilities of the bank and its customers so as to smoothen the relationship between the two parties.
6. To appraise the effect of the government policies and the current economic condition upon deposit mobilization system of the concerned bank.

1.5. Significance of the Research

The findings of this research will have a multi dimensional significance. Among these significance.

- it help the organization to evaluate its performance and improve its weakness.
- It is important for the organization in knowing what are the challenges that kept the customer to deposit their money and the efficiency of the bank towards lending in general.
- It creates best opportunity to have a good knowledge about challenges and prospects of deposit mobilization, and also help the researchers to the partial fulfillment of degree program.
- To lay the ground for other researchers.

1.6. Scope of the Study

It is impossible to encompass all aspects of deposit mobilization in this study. Therefore, the study will be delimited on the challenges and prospects of deposit mobilization of Wegagen Bank specifically Main Branch. That is the population from which will become representative sample.

1.7. Research Design and Methodology

The research design will be a descriptive type; because, it enables the researchers to describe the challenge and prospects of the company. In short, a descriptive survey study design will be used to conduct the study.

1.7.1 Population and Sampling Technique

The sampling techniques that the researchers are going to use, to acquire the primary data, are simple random sampling and purposive/ judgmental sampling techniques. The reason behind in selecting such techniques is to enable the researchers in selecting those respondents which are more relevant to the researchers' topic and better provide information. Although the population from which representative sample will consist of employees and managers, it is found to be helpful in selecting representative sample employees and managers who are knowledgeable about deposit mobilization.

The sample selection for the sampling techniques will carries out to obtain relevant and reliable information. Because of, time and cost limitation, only 20% of the total population is going to be selected. That is, 80 sample employees will be selected from a total of 360 employees of the organization. Simple random sampling is going to be used to select sample employees. Simple Random Sampling is the sampling technique in which each and every item of the population is given an equal chance of being included in the sample. This selection is thus free from personal bias because the investigator does not exercise his discretion of preference in the choice of items. The purpose of this technique is to represent all groups in the population by the method of chance selection and purposive sampling will be used to select the managers for interview, provide relevant information for the study.

1.7.2. Type of Data Collection

The data needed for the study will be collected by using primary and secondary data source. The primary data will be collected to evaluate the organization's deposit mobilization, by using observation and questionnaires with employees. And also, the secondary will be gathered from documents provided by the bank and previous year performance.

1.7.3. Method of Data Collection

The researchers will employ both primary and secondary data in the study. Primary data will be obtained through questioner And, the secondary data will be collected by referring relevant documents and previous year performance.

1.7.4. Method of Data Analysis

The data analysis method,that will be descriptive analysis method that uses tables and percentages. Thus, the correct interpretation of the data by descriptive form is made to draw basic findings and leads to valid conclusion.

1.8. Organization of the Paper

The research will be organized into four chapters. The first chapter will give a brief introductory background about the study, statements of the problem, objective, significance, scope and methodology. The second chapter is concerned with presenting the review of related literature. The third chapter will present data analysis and interpretation. The fourth and the final chapter will bring to an end of the study with summary of findings, conclusions and recommendations.

CHAPTER TWO

2. RELATED LITERATURE REVIEW

2.1. Definition of Deposit Mobilization

Deposit mobilization: refers to the act of making financial and investing in various financial markets. It is the banking activity of accepting deposit from individuals/business with surplus money and then investing in different sectors in need of money (with scarcity).

Basically deposit mobilization is related to the creation of credit. Banks would have special campaigns where they would interact with a lot of people and invite them to make deposit with their bank. E.g. a bank may have a campaign with advertisement and gifts, to attract deposit and that is called deposit mobilization. (Friedrich S. Mishkin INC. 1992)

2.2. Importance of Deposit Mobilization

There has recently been an upsurge of interest among development economists, governments and international donors in programs to increase financial saving in developing country, particularly in rural areas and from non wealthy house holder. This upsurge is in part a reaction to the failures of subsidized credit program, especially for the agricultural sectors, to achieve their goals of increasing output and transferring income to the rural poor. These failures have been attributed to resource waste, regressive credit rationing and decreased viability of financial intermediaries resulting from attempt to influence resource allocation and income distribution through the provision of credit, at below equilibrium interest rate. In addition to the failure of subsidized credit, the myth that the poor have no margin over consumption for saving and in any case do not respond to economic incentives are increasingly being questioned.

A growing number of successful saving mobilization program in developing country together related studies, indicate that safe, liquid deposit of reasonable yield can be

crucial in raising the incomes of non wealthy households. This is especially true under the inflationary conditions so common in developing countries where the value of cash balance is rapidly eroded, thereby forcing on wealthy house holders to save in the form of inflation hedges that often entail high transaction and storage costs. Although some dissent continues there is growing recognition that adequate yields on deposit at FLS and other financial assets are essential. (1986 by Western Illinois University)

2.3. Depository Institutions

Depository institutions are financial intermediaries that accept deposit from individuals and make loans depositor institutions are the most important source of credit to consumers and small business. Are financial intermediaries that issue debt instruments the call deposits among these deposits such as demand deposits or negotiable order of withdrawal (now) account depository institutions is that they issue debt instruments that function as medium of exchange and are included in common measures of money. Depository institutions also issue deposits denominated in foreign currencies commonly called Euro currencies. (Roger Leroy David D. Van Hoose 3rd Edition P: 97).

2.4. Types of Depository Institutions

2.4.1. Commercial Banks

They are the most important of all financial institutions: commercial banks are by far the largest depository institutions. Commercial banking definitions focused on commercial bank's assets and liabilities. It is depository institutions that is relatively unrestricted in its ability to make commercial loans and that is legally permitted to issue checking accounts.

Commercial banks the only institution that legally could issue checking account as liabilities.

Commercial bank is the dominant privately owned financial institution with economies of most major countries. This institution offer the public both deposit and credit service, as

well as growing list of newer and more innovative services, such as investment advice, security under writing and financial planning. Commercial Banks are major buyer of debt security issued by federal, state and local governments.

The name commercial implies that banks devote most of their resources to meeting the financial needs of business firms. However commercial banks have significantly expanded their offering of financial service to customers and units of government. The importance commercial banks may be measured in number of ways. They hold more than a third of the total assets of all financial institutions.

Commercial banks are still the principal means of making payments. Through the checking account (demand deposits) and electronic fund transfers service they often. Banks are important because of their ability to create money from excess reserves made available from the public deposits. Commercial banks are the most important source of consumer credit and one of the major services source of loans to small business. (Patters Rose 6th Edition, P: 82)

According to **Prof. Sayers**, "A bank is an institution whose debts are widely accepted in settlement of other people's debts to each other." In this definition Sayers has emphasized the transactions from debts which are raised by a financial institution.

According to the Indian **Banking Company Act 1949**, "A banking company means any company which transacts the business of banking . Banking means accepting for the purpose of lending of investment of deposits of money from the public, payable on demand or other wise and withdraw able by cheque, draft or otherwise.

Commercial bank being the financial institution performs diverse types of functions. It satisfies the financial needs of the sectors such as agriculture, industry, trade, communication, etc. That means they play very significant role in a process of economic social needs. The functions performed by banks are changing according to change in time and recently they are becoming customer centric and widening their functions. Generally

the functions of commercial banks are divided into two categories viz. primary functions and the secondary functions. The following chart simplifies the functions of banks.

Commercial bank acquires fund by issuing (selling) liabilities. The funds obtained from issuing liabilities are used to purchase income-earning assets. The source of fund in commercial banks is checkable deposits, no transaction deposits, borrowing and bank capitals.

2.4.1.1 Primary Functions of Commercial Banks

Commercial Banks performs various primary functions some of them are given below

1. **Accepting Deposits:** Commercial bank accepts various types of deposits from public especially from its clients. It includes saving account deposits, recurring account deposits, fixed deposits, etc. These deposits are payable after a certain time period.
2. **Making Advances:** The commercial banks provide loans and advances of various forms. It includes an over draft facility, cash credit, bill discounting, etc. They also give demand and demand and term loans to all types of clients against proper security.
3. **Credit creation:** It is most significant function of the commercial banks. While sanctioning a loan to a customer, a bank does not provide cash to the borrower Instead it opens a deposit account from where the borrower can withdraw. In other words while sanctioning a loan a bank automatically creates deposits. This is known as a credit creation from commercial bank.

2.4.1.2 Secondary Functions of Commercial Banks

Along with the primary functions each commercial bank has to perform several secondary functions too. It includes many agency functions or general utility functions. The secondary functions of commercial banks can be divided into agency functions and utility functions.

- A. **Agency Functions** : Various agency functions of commercial banks are
- To collect and clear cheque, dividends and interest warrant.
 - To make payment of rent, insurance premium, etc.
 - To deal in foreign exchange transactions.
 - To purchase and sell securities.
 - To act as trusty, attorney, correspondent and executor.
 - To accept tax proceeds and tax returns.
- B. **General Utility Functions** : The general utility functions of the commercial banks include
- To provide safety locker facility to customers.
 - To provide money transfer facility.
 - To issue traveler's cheque.
 - To act as referees.
 - To accept various bills for payment e.g. phone bills, gas bills, water bills, etc.
 - To provide merchant banking facility.
 - To provide various cards such as credit cards, debit cards, Smart cards, etc.
- information about the money banking and business trends of the economy.*
(Jhingan M. L 4th Edition, P: 135-136).

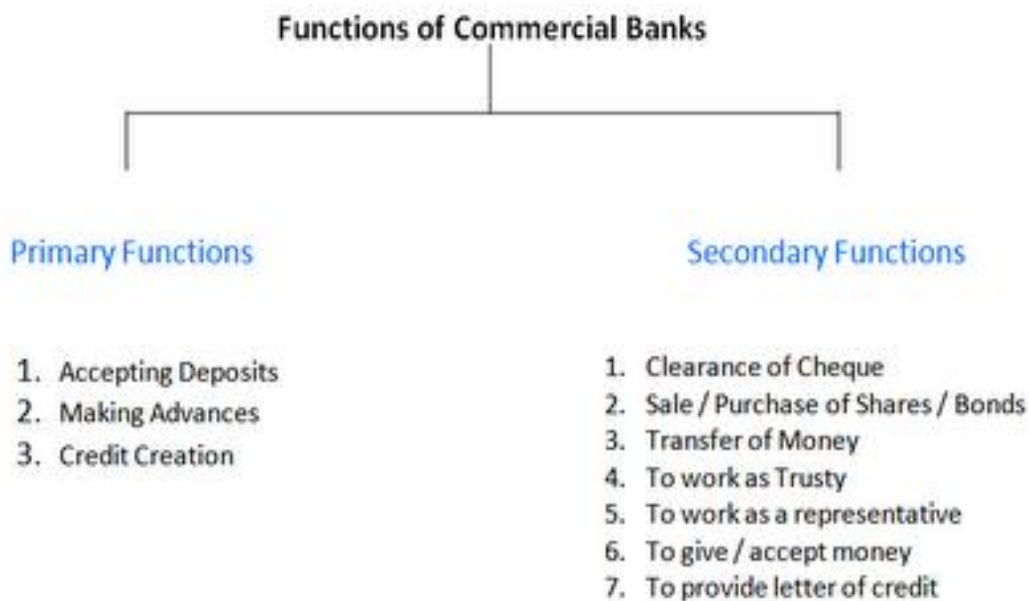
As summary Commercial banks perform a variety of functions, which can be divided as:-

i. Accepting deposits: - this is the oldest functions of banks and the banker used to charge a commission for keeping the money in its custody when banking developing as an institution. Nowadays bank accept three kinds of despot's form its customers:-

- A. Saving deposit: - these are deposits, on which the bank pays small interest to the depositors who are usually small savers. Depositors can withdraw up to the balance in their account without giving any notice out anytime.
- B. Current/demand/ checking deposit: A non-interest bearing deposit account that is operated by checks and depositors in this account can withdraw any account

- standing to their credit by checks without notice. The bank does not pay any interest on these accounts.
- C. Fixed and time deposit:- savers who do not need money for a stipulated period from six months to longer period running up to ten years or more are encouraged to keep in fixed account deposits. The bank pays a higher rate of interest on such deposits. The interest rate increases with the length of time period of fixed deposits. Early withdrawals (before the maturity date) are made up giving advance notice.
- ii. Advanced loans:- Bank lends certain percentage of cashing in deposits on a higher interest rate than it pays on such deposits. They advance loans in the following ways.
- A. Cash deposit:- Bank advance loans to business men against certain specified securities. The amount of loan is credited to the account of borrower. The borrower can withdraw money through checks according to his requirement, but pays interest on the full amount.
- B. Cash loan:- these are very short term loans advanced to the bill broker for not more than fifteen days. Such bills can be recalled at every short notice.
- C. Over drafts:- a bank often allows a business man to draw checks for a sum greater than the balance lying in this account. The business man is charged interest on the amount by which his current account is drawn.
- D. Discounting bill of exchange:- if a credit holder holding a bill of exchange wants money immediately, the bank provides him the money by discounting the bill of exchange.
- iii. Financing foreign trade: - a commercial bank finances foreign trade of its customers by accepting foreign bills of exchange and collecting them from foreign banks. It also buys and sells foreign currencies.
- iv. Agency services:- as an agent, a bank:-

- A. Acts as an agent of its customers in collecting and paying checks, bills of exchange, draft bills of exchange etc...
 - B. Buys and sells shares, securities debentures...etc. for its customers.
 - C. Pays insurance premiums, rent electric, water bills, and other similar charges on behalf of its clients.
 - D. Acts as trustee and executor of the property and will it.
- v. Miscellaneous services:- besides the above noted service, the commercial bank:-
- A. Acts as custodian of valuables of its customers by providing them with lockers where they can keep their jewelry and valuable accounts.
 - B. Issue various forms of credit instruments, such as checks, drafts, travelers' checks etc. which facilitates transactions.
 - C. Issues letter of credit and act as a reference to its clients.
 - D. Under writer shares and debentures of companies and help in the collection of funds from public.
 - E. Same commercial banks also publish journals which provide statistical *information about the money banking and business trends of the economy.* (Jhingam M. L 4th Edition, P: 135-136).



(Jhingam M. L 4th Edition, P: 135-136)

2.4.2. *Credit Union*

These institutions are house-holds oriented intermediaries, offering deposits and credit services to individual and families their long run survival stem from mainly being able to offer low loans rates and high deposit rates to their customers.

Credit Union are cooperatives self help associations of individuals rather than profit motivated financial institution saving deposits and loans are offering only to members of each association, and the members are technically the owners, receiving dividends and sharing in only losses that occurs. (Peters, Rose 6th Edition P: 110).

2.4.3. Saving and Loan Associations

Saving and loan association are credit union, extended financial services primary to households, in their heavily emphasis on long term lending rather than short term.

Saving and loans are a major source of mortgage loans to finance the purchase of single family homes and multifamily dwelling. And like credit union today they are developing new financial services to attract customers and protect their earnings. Many savings and loans are multi and therefore have no stock holders. Technically, they are owner by their depositors. (Peters. Rose 6th Edition, P: 113)

2.4.4. Saving Banks

These institutions play an active role in the residential mortgage market, as do savings and loans, are more diversified in their investments, purchasing corporate bonds, and common stock making consumer loans, investing in commercial mortgage. Technically, saving banks are owned by their depositors. All earning available after fund are set aside to provide adequate reserve must be paid to depositor as owners dividends. Saving banks from earliest or regions, they have designed their financial services to appeal to

individuals and families. Deposit accounts can be opened for amounts as small as and 1.
(Peter Rose, 6th Edition, P: 120)

2.5. Deposits

Deposit constituted a major liability on bank balance sheet the size of the bank f the amount of profit depends on the total deposits received from the public. Deposits are the act of giving money or security to a bank. The main purpose of deposit is safety for money. Deposit creates bank customer relationship. (Dr. N. Radhak Rishna study material for financial institutions and market. P: 24)

Deposit is the act of giving money or other property to another who promises to preserve it or to use it and return it in kind; especially, the act of placing money in a bank of safely and convenience. (Dr. Guruzwami study materials for banking and practice 2007, P: 1)

2.5.1. Types of Deposit

To carry out their extensive lending and investing operations banks drown on a wide variety of deposit and non-deposit source of fund. The bulk of commercial bank funds almost three fourth of the total comes from deposits. There are the main types of deposit:- demand, saving and time deposits. (Peter S. Rose 6th Edition, P: 93)

2.5.1.1 Demand Deposits

More commonly known as checking account are the principal means of making payment because they are safer than cash and are widely accepted. (Peter S. Rose 6th Edition, P: 93)

2.5.1.2 Saving Deposit

Saving deposit generally are in small dollar amount they bear a relatively low interest rate but may be withdrawn by the depositors with no notice. (Peter S. Rose 6th Edition, P: 93)

2.5.1.3. Time Deposit

Time Deposits carry a fixed maturity and usually offer the highest interest rates a bank can pay. Time deposit may be divided into non-negotiable certificates of deposit (CDs), which are usually small consumer type accounts and negotiable CDs that may be traded in the open market in million-dollar amounts and are purchased mainly by corporations. (Peter S. Rose, 6th Edition, P: 93)

2.5.2 Checkable Deposit

Are bank accounts that allow the owners of the account to write checks to third parties. Checkable deposits include all accounts (demand deposits).

Interest bearing notes (negotiable order of withdrawal) accounts and money market deposits accounts (MMDAS). One's checkable deposit was the most important source of bank funds (over 60% of bank liabilities in 1960), but with the appearance of new, more attractive financial instruments, such as money market mutual funds the share of checkable deposits in total bank liabilities has shrunk over time. Checkable deposits and money market deposits accounts are payable on demand. That is, if a depositor shows up at the bank and requests payment by making a withdrawal, the bank must pay by making a withdrawal, the bank must pay the depositor immediately.

Checkable deposits are an asset for the depositor because it is a part of his/her wealth. Conversely it is a liability for the bank. They are usually the lowest cost source of bank funds because depositors are willing to forego some interest in order to have access to a liquid asset that can be used to make purchases. The bank cost of maintaining checks, preparing

and sending out monthly statements, proving efficient tellers maintain an impressive building and marketing to entire customers to deposits there funds with the given bank and conveniently located branches, and advertisings. In recent years, interest paid on deposit (checkable and time) has accounted for around 48% of total bank operating expenses, while the cost involved in serving accounts (Employee's salaries, building rents and so on) have been approximately 50% of operating expenses. (Frderic S. Mishkin 5th Edition P: 228)

2.5.3. Non Transaction Deposits

Are the primary sources of funds (49% of bank liabilities). Owners cannot write checks on non transaction deposits, but the interest rates are usually higher than those on checkable deposits. There are two basic types on non transaction deposits: saving accounts and time deposits (also called certificate of deposit). (Frederic S.Mishkin 5th Edition, P: 229)

Saving accounts: was once the most common type of non transaction deposit. In these account, to which fund can be added or from which fund can with drown at anytime, transaction and interest payments are recorded in monthly statement or in small book (the bass book) held by the owner of the account. (Frederic S. Mishkin 5th Edition P: 229)

Time deposit: have affixed maturity length ranging from several months to over five years and have substantial penalties for early withdrawal (the for future of several month interest).

2.6. Term of Contract between Bank and customer

1. The banker must receive cash and collect the proceeds of such item as cheques, money order and bills of exchange for his customer for his customers account.
2. The money so received becomes at the property of the banker, hence the banker does not hold the money as his customer's agent or his trustee.

3. Although the banker becomes indebted to his customer as explained above, the ordinary rule that a debtor must seek out creditor does not apply, the banker duty is to repay the money or any part of it up on demand being made by the customer at the branch of the bank where the account is kept and during working hours. (J. Milnes Holden 4th Edition, P: 36)
4. The obligation to honour cheques (unless there are no legal bars for payment) is the most important of the banker's duties. The breach of this duty may involve the banker in a claim for damages. (J. Milnes Holden, 4th Edition, P: 37)
5. The banker has the right to charge his customer an agreed sum for the services rendered.
6. If a customer maintains two or more accounts with his banker:-
 - It is usually an implied term of the contract between banker and customer that the banker will keep the accounts separate.
 - If the customer makes a payment to credit to his account he has the right to appropriate the funds to whichever account he chooses. (J. Milnes Holden, 4th Edition, P: 35)
7. The banker must not disclose to third persons without the consent of the customer express or implied, either the state of the customer's account, or any of his transactions with the banker or any information relating to the customer acquired through the keeping of his account, unless the bank is compelled to do so by order of a court, or the circumstances give rise to a public duty of disclosure, or the protection of the banker's own interest requires it.
8. The customer must exercise reasonable care in drawing his cheques so as not to mislead his banker or to facilitate forgery.
9. If the customer discloses that checks purporting to have been signed by him have been forged, he must inform his banker, and likewise it would seem that if the banker becomes aware the forged checks are being presented for payment, he must inform his customer.
10. There is probably an implied term in the contract between banker, and customer that the bank will supply his customer with either a pass-book or statement containing a copy of the customer's account with the banker.

11. The relationship between banker and customer may be terminated by lesser mutual consent, or unite rally, by either party.
12. Finally, there are certain events which affects, to a greater or lesser degree the relationship between banker and customer; the death, mental in capacity, and bankruptcy of the customers, winding up of a company customer; the winding up of the bank's the service garnishee order or summons; the issue of unit of requisition; and the put break of war. (J. Milnes Holden, 4th Edition, P: 39)

CHAPTER THREE

3. DATA PRESENTATION AND ANALYSIS

3.1. Overview

This chapter presents the data collected through questioner analysis and interpretation made on the data in an attempt of spotting out the basic finding on the research. The researcher distributed 25 questionnaires and was able to collect 16 from all the questionnaires'' which were analyzed using descriptive analysis techniques which are analyzed using purposive sampling method. The data analysis and interpretation made on the data are presented here under.

3.2 Profile of the Respondent

In any research endeavor, the researcher needs to assess the relevance of its respondents with respect to the data needed to be obtained for making certain findings for evaluating the given answers to what we observe. Accordingly the researcher collected the following data about Sex distribution, Education Qualification, Work position, and Work Experience of selected employees of Wegagen Bank S.C.

3.2.1. Sex Distribution

The gender of the respondents might indicate the key role players of the bank deposit mobilization activities and it declared equality of the gender. In this regard the researcher gathered the data regarding sex of the respondents as summarized in table 1.

Table 3.1. Sex Distribution of respondents

Sex	Frequency	Percentage (%)
Male	10	62.5%
Female	6	37.5%
Total	16	100%

(Source: Researchers' Survey, 2014)

As it is shown in the above table 62.5% of the respondents are male while 37.5% of them are females. From the above presentation it can be say that male are larger than female. One of the challenges of banking services is lack of competitiveness of employees of developing countries.

Educational Qualification

Education of course, is one of the crucial bases to support work achievements especially in such institutions like banks which show so along with the dynamic movement of global financial transaction. In this regard, educational qualification of the respondents is shown in the table below.

Table 3.2 Educational Qualification of the respondents

Level of Education	No of Respondents	Percentage (%)
BA Degree	13	81.25%
Diploma	3	18.75%
Others		-
Total	16	100%

(Source: Researchers' Survey, 2014)

The above table shows that 81.25 % of the respondents are BA degree holders and 18.75% of the respondents have Diploma. The data shows that there are no respondents having qualification below diploma..

Employment Position in the Bank

For any researcher studying the position of the respondent is beneficial in better understanding. In this regard the researcher gathered the data regarding position in the bank of the respondents as summarized in Table 3.

Table 3.3 Position in the Bank

Position	Frequency	Percentage (%)
Officer	11	68.75%
Clerical	5	31.25%
Total	16	100%

(Source: Researchers' Survey, 2014)

The above table shows that 68.75 % of the respondents are officer and 31.25 % of the respondents are clerical. This shows that most of work is done by officers. This implies the bank emphasizes on close supervision as the number of officers are by more than clerical staff. This also indicates the bank's operation is handled safely.

Work Experience

Deposit mobilization is one of the banking service areas, which is characterized by dynamic and fierce competition. As a result such areas shall be performed with relatively experienced bank professionals. In this regard the researcher gathered the data about work experience of the respondents as summarized in Table 4.

Table 3.4 Work Experience of the Respondents

Year of Experience	No of Respondents	Percentage (%)
Less than one year	3	18.75%
From 1-3 years	6	37.5%
From 4-5 years	5	31.25%
Above 5 years	2	12.5%
Total	16	100%

(Source: Researchers' Survey, 2014)

As it is shown in the above table even if the composition of experience is well diversified, the employees of Wegagen Bank are not well experienced. In the competitive world experienced employees are preferable; because experienced employees can make the function smooths and easy.

3.4. Questionnaires for the Employees

Questionnaires has been distributed to 14 employees of Wegagen Bank and responded accordingly, the returned questionnaires were tabulated and analyzed systematically in terms of percentage.

Table 3.5 Objective of Wegagen Bank in conducting banking service

No	Item	Respondents	
		No	%
2	What is your ultimate objective to get in banking activity?		
	To obtain high income	5	35.71
	To increase market share	4	28.57
	To increase profitability and efficiently	3	21.42
	To contribute to the general economic development effort of the nation	2	14.28
	Total	14	100

(Source: Researchers' Survey, 2014)

Table 5. show that, 5(35.71%) of the respondents responded that the objective of Wegagen Bank to get into banking services is to obtain high income 4(28.57%) of the respondents replied that Wegagen Bank participate in banking service to increase market share, 3(21.42%) of the respondents replied that the bank entered in banking service to increase profitability and efficiency, 2(14.28%) of the respondents also responded in the same way that the bank participated in such activity to contribute to the general economic development efforts of the nation's economic. Hence Wegagen Bank has encountered with banking services to achieve all of the implied objectives like if the market share increase, high income objective will be achieved.

Table 3.6 problem with regard deposit mobilization

No	Item	Respondents	
		No	%
4	What problem (s) with regards to deposit ?		
	To little incentive to develop a rural branch network	3	21.42
	Less number of branches	4	28.75
	Less or no campaign to advertising and promotion	5	35.71
	Community attitude towards the bank	2	14.28
	Total	14	100

(Source: Researchers' Survey, 2014)

From table,6. Shows, 3(21.42%) of the respondents replied that Wegagen Bank too little incentive to develop a rural branch network, 4(28.75%) of the respondents responded less number of branches, 5(35.71%) of the respondents said that the bank also less or no campaign to advertizing and promotion, 2(14.28%) of the respondents replied the community attitude towards the bank. Hence, Wegagen Bank face all problems with regard to deposit mobilization.

Table 3.7 the major share of total deposit of Wegagen Bank

No	Item	Respondents	
		No	%
20	What types of deposit took the major share of the total deposit?		
	Demand deposit	5	35.71
	Saving	6	42.85
	Time deposit	3	21.42
	Total	14	100

(Source: Researchers' Survey, 2014)

Table 7 shows 5(35.71%) of the respondent replied that demand deposit took the major share of the bank deposits 6(42.85%) of the respondents stayed the bank has more saving deposit 3(21.42%) of the respondents responded time deposit took the major share of deposit. Hence, according to the observation of the researcher Wegagen Bank offer to his customers all types of deposits.

Table 3.8 bank special campaign strategies to increase deposit

No	Item	Respondents	
		No	%
5	Youth special deposit?	3	21.42
	Elders special deposit	5	35.71
	Women special deposit	6	42.85
	Total	14	100

Source: Researchers' Survey, 2014)

Table 8 show that, 3(21.42%) of the respondents agree that the bank has youth special deposit campaign strategies, 5(35.71%) of the respondents agree that the bank has elders special deposit strategies. 6(42.85)of the respondent strongly agree the bank has women special deposit strategies. Hence according to the observation of the researcher wegagen bank has more women special deposit campaign strategies.

Table 3.9 major account holder of the bank

No	Item	Respondents	
		No	%
16	The major account holder in your bank		
	Public sector	7	50
	Public agencies, enterprise	5	35.71
	Co operative and association	2	14.28
	Total	14	100

(Source: Researchers' Survey, 2014)

Table9.sows that, 7(50%) of the total respondents replied that Wegagen Bank Head office major account holder are public sector, 5(35.75%) of the respondents answered major account holder are public agencies, enterprise 2(14.28%) of the respondents replies the remaining co operative and association, . Hence the researchers observe that Wegagen Bank has different account holder.

3.5. Questionnaires for the Customers

Questionnaires has been distributed to customers of Wegagen Bank and responded accordingly, the returned questionnaires were tabulated and analyzed systematically in terms of percentage.

Table 3.10 Customer relation with the bank

General Information	No of Years	No of customers	Percentage (%)
For how long have you been a customer of Wegagen Bank	Less than 2 years	5	38.46
	3 to 5 years	3	23.07
	6 to 15 years	4	30.76
	Since the Establishment	1	7.69
	Total	13	100

(Source: Researchers' Survey, 2014)

Table 10 shows 5(38.46%) of the respondent are customers' of Wegagen Bank for less than two years, 3(23.07%) of the respondent said we are customers of Wegagen bank for three to five years, 4(30.76%) of the respondent are customers of Wegagen bank for six to fifteen years and out of the total population 1(7.69%) are customers of Wegagen bank since the establishment date. Hence, from the entire population the majority of the respondents are new customers to the bank.

Table 3.11 Service Delivery Effort

General Information	Respondent	No of customers	Percentage (%)
Since you become a customer of Wegagen bank have you seen any new service delivery	Yes	13	100
	No	-	-
	Total	13	100

(Source: Researchers' Survey, 2014)

The above table11 shows that out of the total population the entire respondent said Wegagen Bank introduced new service delivery mechanism like AGAR card, Wide area networking system, to connect each and every branch. It will enhance customer satisfaction.

Table 3.12 Service delivery as compared to competitors

General Information	Respondent	No of customers	Percentage (%)
How do you compare Wegagen Banks service delivery effort as compared with competitors	Very Good	11	84.61
	Good	2	15.38
	Poor	-	-
	Total	13	100

(Source: Researchers' Survey, 2014)

Table 12 shows that the majority of Wegagen Bank customers appreciate the banks service delivery system which attract customers.

Table 3.13 Evaluation of employees' performance

General Information	Respondent	No of customers	Percentage (%)
How do you evaluate the employees overall performance regarding customer handling	Very Good	9	69.23
	Good	4	46.66
	Low	-	-
	Total	13	100

(Source: Researchers' Survey, 2014)

The above table shows that the majority of the respondents are happy about the banks employees' performance towards service delivery.

Table 3.14 Examining the level of customer satisfaction

General Information	Respondent	No of customers	Percentage (%)
How do you examine your overall level of satisfaction about service delivery	Satisfied	11	84.61
	Not satisfied	2	15.38
	Total	13	100

(Source: Researchers' Survey, 2014)

The above table shows that the 11(84.61) populations are satisfied with the banks service giving activities. 2(15.38) are not satisfied. Hence the majority of the customer are satisfied by the service of the bank.

Table 3.15 Employees' motivation towards their job.

General Information	Respondent	No of customers	Percentage (%)
How do evaluate the employees motivation towards their job	Very High	8	61.53
	High	3	23.07
	Low	2	15.38
	Total	13	100

(Source: Researchers' Survey, 2014)

The above table shows that the majority of the respondent likes the employees motivation towards their job but some customers complains about the employees' motivation.

CHAPTER FOUR

4. SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 Summary of the Major Findings

This study was intended to assess the practical implementation of challenges and prospects of deposit mobilization in the case of Wegagen Bank. To conduct the study the researchers used both primary and secondary data collection method through questioner, , and referring different reports and related books.

The study shows that the bank faces some problems relation to the money it grants loan and accepting deposit from there customers.

- Some of the problems are customers may not payback their obligation on specific date, disproportion in regarding to accepting deposit and granting loan.
- customers expect higher interest from the money they deposit at the bank.
- Customers expect modern banking technology to minimize time conception and qualified service.

This study shows some solutions to the above problems that are significant to both the bank and the customers.

4.2. CONCLSION

Wegagen Bank head office which was found in June 11,1997, is a private owned bank in Ethiopia, it provides commercial and international banking service, it offer various deposit including over draft account , checking deposit ,negotiable order of withdrawal accounts ,zero balance accounts, saving deposit accounts and fixed time deposit are few of the service render by Wegagen Bank. It provides different kinds of loans, term loan, merchandise loan, trade and service loan, agricultural productions loan manufacturing loan, building loan, bridge loan, consumer's loan and automobile loan.

The sources of deposit are saving deposit, demand deposit, and time deposit. The interest rate charged on these sources of deposit is different. It charge 4% on saving deposit, but demand deposit is non-interest bearing deposit, that means the bank doesn't pay interest .rate on demand deposit.

The interest rate paid on time deposit is based on agreement with depositor. Wegagen Bank has a potential to attract new customer, to mobilize more deposit by its behavior of and service , by giving local and international banking service ,by granting different types of loan, by using modern banking technology, by using relaxed policy which makes customers flexible enough if they become unable to repay back loan.

The bank objective to engage in banking activity to obtain high income, to increase market share, to increase profitability and efficiency in particular and to contribute to the general economic development effort of the country in particular. Wegagen Bank evaluates its customer to grant loan through different mechanisms like evaluating credit information of the applicant and through reporting agencies justification of customers' creditability. The bank evaluates the information it gates from different source through factors called good Cs (5 characteristics) which include (character, capacity, capital, collateral and condition). It accepts assets like fixed asset, liquid asset and inventory by giving priority to fixed assets. Customers (borrowers) of Wegagen Bank have the

characteristics to pay loan on time because of the banks continuous follow up and handling customer in good manner.

Therefore Wegagen Bank (main branch) is a successfully competing private bank with the exception of certain factor that affects deposit mobilization. Some of the factors are:

- The existence of strong competitors, that means there are strong competitors that compete with Wegagen bank in mobilizing deposit.
- Interest rate charged on deposit: those competitors charged different interest rate on deposit. Since customers are interest motive, they select those banks that pay higher interest rate for their deposit.
- Loan balance between applicant (debtors) and deposit available to grant to the applicants.
- Modern technologies: now a day banking technology emerging day to day. Since customers are modern technologies motive to minimize time conception ,they select those who use modern technologies.

4.3. RECOMMENDATION

Wegagen Bank accept deposit and mobilize it to the society this process accelerates the economic growth of the country and the bank itself build its capacity and can compete in a wider market. The more the bank accepting deposit and granting loan the better profitable it becomes.

Based on the above discussion and analysis the researcher suggests the following points: depositors save their money in that bank that changes higher interest rate. This causes low mobilization of deposit for Wegagen Bank. Therefore, to improve these problems the bank should increase their interest rate on saving deposit above 4%.

Depositor is attracted not only by interest rate but also by and specialized service. Due to this Wegagen Bank should expand its head office and give near to home service to the communities as CBE currently do.

Currently they have started giving services on the rest day, i.e. they are giving service on Saturday afternoon. Still they have to give additional over time services out of the normal working time of the country to attract more customers and to become more profitable.

The bank should closely work with customers to the awareness of the people towards private bank. This makes the bank more preferable than other computing bank.

The bank should also expand computerized banking activity to offer customers fast and efficient service. This enable the bank to decrease cost of banking by having the customer interact with computer facility.

However, from the findings of the research paper the following recommendation can be made to reduce risk of affect deposit mobilization.

- Close supervision by the management, appropriate bank regulatory frame work and networked communication with the branch are critical input for deposit mobilization.
- Attention should be given to customers by giving reward and by providing dynamic qualified bank service.
- Awareness should be created among borrowers that they should be close to the bank. When they observe or facing any difficulty to meet their obligation.
- As service giving industry, the bank should focus on how to satisfy its customer by paying high interest, near home service and give efficient service, rather focusing on just profit. If the bank handle or satisfy its customer the ultimate target which is profit maximization will be successful..
- It is advisable to narrow the gap between customers' expectation and actual performance. The bank should use modern technologies like mobile banking, and others technologies.
- The bank should be conscious enough that customers' have a choice /alternative in most case so the bank keep its customers as long as it operates.
- The bank should start special youth deposit as currently (CBE) do in this case it hold the new youth depositor.

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2. What is your ultimate objective to get in such business activity (banking activity)

- To obtain high income
- To increase market share
- To increase profitability and efficiency
- To contribute to the general economic development effort of the nation

3. What is the source of deposit for your bank and the interest rate charged specify in the following table.

Types of Deposit	
	rate
Demand deposit	
Saving deposit	
Time (current) deposit	

if any other please specify -----

4 What problem (S) do you think with regards to deposit?

- too little incentive to develop a rural branch network
- less number of branches
- less or no campaign to advertising and promotion
- community attitude towards the bank
- other please specify _____

5 Does the bank perform the following campaign (strategies) to increase deposit ?

	Strongly agree	agree	disagree	Strongly disagree	comments
A. youth special deposit					
B. elders special deposit					
Prizes					
C. women special deposit					
D. other please specify and strategies used by					

6 What is the major purpose behind accepting deposit?

- To advance loan
- To invest in security
- To invest in other industrial and service investment area
- If any other specifies_____.

7 On what base the bank give compounding interest rate to the depositor ?

- | | | | |
|---------|--------------------------|---------------|--------------------------|
| daily | <input type="checkbox"/> | quarterly | <input type="checkbox"/> |
| monthly | <input type="checkbox"/> | semi annually | <input type="checkbox"/> |

if any other please specify -----

8 Do you have credit policy?

- Yes No

9 Which of credit policy do you use?

- Strict credit policy
- Relaxed credit policy

10 If you answer to the above question is strict credit policy, what is its advantage over the other?

- Reduced supervision cost
- Reduced collection cost
- Reduced cost of receivable
- Reduced cost of bad debt
- Specify if any other_____.

11. What is the effect of your deposit mobilization for your bank?

- General interest
- Expanding investment
- Share risk of handling more money
- Create money multiplication
- If any other specifies_____.

Section 3 related to Wegagen Bank services

12 What advantage do you banks offer to the depositor?

- Pay higher interest rate
- Near to home service
- Give efficient service
- To provide dynamic qualified banking service
- If any other specify_____.

13. How much time does it take for a customer to open a new deposit in your bank?

- Less than 10 minutes Between 10 and 20 minutes
- Between 30 to 30 minutes
- More than 30 minutes

14 what are the major problem to attract depositor in your bank?

- lack of branch office
- Government compliance
- If any other please specify-----

15 what types of deposit took the major share of the total deposit?

- Demand
- Saving
- Time

16 what are the major account holder in your bank

- public sector
- puplic agencies ,enterprise
- Co_operative & association
- If any other please specify.....

17 Rate the services giving habit of the bank

	Excellent	High	Moderate	Low	Poor
Promptness to responses					
Efficiency in service					
Courtesy					
Continuously ensure bank's profitability in increase public confidence					

18 .what types of modern banking technology use in your bank?

- ATM
- POS
- CORE BANKING
- Net working
- If any other please specify.....

Section 4 customer relation with the bank

19 For how long have you been a customer of Wegagen Bank ?

- Less than 2 years
- 3 to 2 years
- 6 to 15 years

20 Since You become a customer of Wegagen Bank have you seen any new servise delivery

- YES
- NO

21 How do you compare Wegagen Bank Service Delivery effort as compared with competitors

- Very Good
- Good
- Poor

22 How do you evaluate the employees overall performance regarding customer handling?

- Very Good
- Good
- Low

23 How do you examine your overall level Of Satisfaction about service delivery

- Satisfied
- Not satisfied

24 How do evaluate the employees motivation towards their job

- Very High
- High
- Low

Declaration

The undersigned, declaration that this essay/project is our original work prepared under the guidance of Ato Mekonnen A. All source of materials used for the manuscript have been duly acknowledged.

Hilegiorigis Ayalew: _____

Million Asalif: _____

Epherem Asfaw: _____

Place of submission: _____

Date of submission: _____

Submission Approval Sheet

This paper has been submitted for examination with my approval as an advisor.

Name _____

Signature _____

Date _____