



**ST.MARRY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM**

**ASSESSMENT OF DEPOSIT MOBILIZATION PRACTICE: THE  
CASE OF BANK OF ABYSSINIA S.C**

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**June, 2017  
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY UNIVERSITY, SCHOOL OF  
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**APPROVED BY BOARD OF EXAMINERS**

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## DECLARATION

I the undersigned, declare that this thesis is my original work which was prepared under the guidance of Zenegnaw Abiy (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Abera Kassa Mekonnen

Name

\_\_\_\_\_  
Signature

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor

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Signature

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## **LIST OF ACRONYMS**

BOA	Bank of Abyssinia
CBE	Commercial Bank of Ethiopia
NBE	National Bank of Ethiopia
CRM	Customer Relationship Managers
BM	Branch Managers
ATM	Automated Teller Machine
CSO	Customer Service Officer

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## **ABSTRACT**

*This study intends to assess the deposit mobilization practice of Bank of Abyssinia. Descriptive method particularly survey design approach was adopted for the study. Those having four years and above experience city and outline branches and head office employee and customers were selected for data collection. The research has used 100 and 60 questionnaire for employees and customers of BOA and structured interview discussion for the management of Bank of Abyssinia Share Company the sampling size of the study is 424 clerical staffs of BOA and Sampling method of the primary data is stratified random sampling, and reviewed five year annual report of Bank of Abyssinia S.c. The study identifies that BOA is registering a continuous deposit growth for the last few years. From three major types of deposit saving deposit accounts more than half of BOA's total deposit. The findings of the study show that BOA is operating in a dynamic and highly competitive environment, doesn't offer different products to its customers, the bank tries to reactivate inactive accounts, aggressively promoting its service, sales officers are effective by increasing account number, government law and regulation is the challenge to mobilize deposit. Finally bank of Abyssinia were recommended to extend evening hours and services on weekends to provide excellent customer service, evaluate the existing products and develop new product types which customized to the needs of different target groups, to make efforts and awareness creation campaigns to have well informed society, increase its branch number, to arrange and apply incentive program for new depositors.*

*Key words: deposit mobilization, branch expansion, service quality, private banks*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

According to Sylvester (2011) a bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also non banking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. A banking system also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day (Kapila, 2001).

According to Jember (2014) one of the financial institutions in the world which give financing services is commercial banks (Desinga, 1975). Commercial banks are financial institutions that give financial service to those in need of the service. They accept money from the depositors and lend it to the borrowers. Thus for commercial banks to lend, there have to be deposits in their treasury. According to Mohammad and Mahdi (2010), financial resources of banking systems are naturally provided from people's deposit. Therefore, we can say that deposits are the most important resource of commercial banks. Thus the amount of deposit a commercial bank should have at hand should be enough to make the bank involve in the market and to satisfy the financial needs of its customers. Now a day, commercial banks are managing their deposit to fulfill the need of their customers.

According to Nwanko, (2013) savings mobilization and subsequent investment is the key to economic growth and development. According to Laura (1999) at the level of the national economy, high levels of savings increase the amount of national resources and decrease the need to resort to foreign indebtedness in order to cover domestic investment and consumption demand. Numerous countries with low internal savings rates must borrow from abroad, which results in a debt service burden. This clearly underlines the importance of saving mobilization to sustain economic growth with national financial resources (Kibebe, 2016).

According to NBE (2015/2016) Ethiopian financial sector has been resilient and continued to operate under safe and sound environment. Commercial banks have continued to expand their financial intermediation and remained highly profitable. With the opening of 494 new branches in a single year their total branch network increased to 3,187 from 2,693 a year earlier which resulted in improved access to finance. They have also stepped up their deposit mobilization, loan collection and disbursement. Accordingly, deposits depicted a 19.3 percent annual growth while loan collection rose 28.6 percent and new loan disbursement 16.6 percent during the review fiscal year. About 79 percent of the new loan disbursement went to finance was the private sector.

The main business for banks is accepting deposits and granting loans. The more the loans the banks disburse the more profit they make. Also, banks do not have a lot of their own money to give as loans. They depend on customer deposits to generate funds for granting loans to other customer. Therefore, this study main aim is to assess the existing deposit mobilization practice of bank of Abyssinia and to what extent BOA is exercising deposit mobilization strategies and what tools and techniques are being practiced.

### **BACKGROUND OF THE COMPANY**

The present-day Bank of Abyssinia was established on February 15, 1996 (90 years to the day after the first but defunct private bank was established in 1906 during Emperor Menelik II) in accordance with 1960 Ethiopian commercial code and the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

BOA started its operation with an authorized and paid up capital of Birr 50 million, and Birr 17.8 million respectively, and with only 131 shareholders and 32 staff.

In about nineteen years since its establishment Bank of Abyssinia has registered a significant growth in paid up capital and total asset. It also attracted many professional staff members, valuable shareholders and large customers from all walks of life. This performance indicates public confidence in the Bank and reliability and satisfaction in its services.

Currently, employing the state-of-art banking technology, the Bank provides excellence domestic, international and special banking services to its customers. It also strives to serve all economic and services sectors via its ever increasing branch networks throughout the country (BOA, 2015/2016).

## **DEPOSITS OF THE BANK**

The deposit mobilization efforts of the Bank showed encouraging results in the Fiscal Year 2015/16, thus, the total deposit mobilized has reached Birr 13.6 billion, registering an absolute growth of Birr 2.5 billion or 22.6% as compared to the total deposit balance of the previous Fiscal Year. Except time deposit, growth has been observed in savings and demand deposits registering increase of Birr 1,698 million (22.2%), and Birr 835 million (32.5%), respectively as compared to the preceding Fiscal Year (BOA, 2015/2016).

Apart from this, the number of deposit account holders of the Bank went up by 107,299 (22.4%) and reached 585,735 from its position of 478,436 in June 2015. During the review period, the share of savings, demand and time deposits from total outstanding deposits stood at 68.6%, 24.9 % and 6.4%, respectively (BOA, 2015/2016).

### **1.2 Statement of the problem**

According to Shemsu (2015), Mobilization of deposit is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively.

Deposit is one of the resources banks highly motivated to mobilize and the most liquid money that is found in the treasury of the bank and which is ready to be borrowed in need of the fund. Private Banks should mobilize enough deposit to disburse the loan request of the customer. Deposit mobilization is an integral part of banking activity. Mobilization of savings through intensive deposit collection has been regarded as the major task of banking in Ethiopia today (Samuel, 2015).

According to NBE (2016), In Ethiopia, while deposits have been growing rapidly, further mobilization is needed to satisfy the significant demand for financing. Policies that promote the expansion of bank branches, increase financial awareness, and diversify savings instruments will help boost savings. To promote savings, banks were being encouraged to expand their branch network and to develop better-targeted savings instruments (for example for homebuyers and Ethiopia's Diaspora). The NBE agreed with staff that higher interest rates (especially for term deposits) could also promote savings, though they saw greater impact



from structural policies. The importance of savings in the development experience of Asian countries may be relevant in this regard. (NBE, 2016)

Despite many researches were conducted in Ethiopia in the area such as, Sisay (2013), Jember(2014), Hibret (2015), and Kibebe (2016), this studies reviewed were focusing on the determinant and factors affecting deposit mobilization in commercial banks in Ethiopia.

When we came to in the case of BOA, the bank is computing strongly in the industry specially on mobilizing higher amount of deposit. According to BOA (2016), the bank mobilizes significant deposits within a challenging environment. Bank of Abyssinia has developed five year strategic plan. The current deposit performance and the new strategic plan of the bank leads the researchers as indices to take a preliminary study on the deposit mobilization practice of the bank. Therefore, this study were focused the current deposit mobilization practice of bank of Abyssinia. Thus the problem stated above along with the knowledge gap in the literature calls a researcher to assess this important area of concern taking the deposit mobilization practices of bank of Abyssinia.

### **1.3 Basic Research Questions;**

In order to deal with the issue stated in the above problem statement, the following research questions have been addressed:

- ✓ What deposit mobilization strategies and activities performed by the bank?
- ✓ Have the deposit mobilization techniques of the bank successful?
- ✓ What are the challenges of the bank to mobilize deposit?
- ✓ How customers are perceived about the bank customer service to mobilize deposit?
- ✓ Which bank is the main competitor of the bank?

### **1.4 Objectives of the study**

#### **1.4.1 General objectives**

The general objective of the study was to assess the current deposit mobilization practice of bank of Abyssinia.

#### **1.4.2 Specific objectives:**

The following were specific research objectives.

- To review the deposit mobilization activities performed by BOA.

- To evaluate the implemented techniques in managing deposit mobilization used by the bank.
- To assess the challenges BOA is facing with respect to deposit mobilization.

### **1.5 Significance of the study**

This study is expected to be important in supporting the deposit mobilization practice of bank of Abyssinia and help banks to design and implement effective deposit mobilization strategies. The findings of this study provide the clear understanding and awareness of deposit mobilization practice and activities for bank managers. This can also give a clue for future amendments of the existing strategies. Hence, relevant and appropriate policies, procedures and frameworks can be developed and implemented for effective deposit mobilization systems for Bank of Abyssinia.

Besides, the study also is helpful to researchers since it may serve as a stepping-stone for them when they want to address issues related to deposit mobilization.

### **1.6 Scope of the Study**

This study was limited to the area branches and different department of Bank of Abyssinia S.C. other private banks were not included in the study due to budget and time constraints. Hence, the data were collected from city and outline area branches and head office employees and customers of Bank of Abyssinia S.C. The study focused only on one of the area of finance which is the bank of Abyssinia deposit mobilization practices.

### **1.7 Limitation of the study**

Although this study has been completed successfully, there were practical difficulties. In its best, this research work should have been extended to cover all the commercial banks in Ethiopia to collect facts however, the inadequacy of relevant data and material have compelled the researcher to limit the study to only one commercial banks which is bank of Abyssinia.

The study is conducted using the data of the past five years. The sample of the study is shortened and so it is the main limitation of the study in interpreting and using the result of the study.

## **1.8 Organization of the study**

The paper is organized in to five chapters; the first chapter is an introduction for the study which introduces the overall study. This part consists of introduction or back ground of the study, problem statement, research question, objectives, significance and scope of the study.

The second chapter focuses on review of literatures in which previous studies were consulted. In this chapter general concepts and definitions, basic issues and empirical evidences and summary and knowledge gap related to deposit mobilization were discussed in detail. The major and results of previous studies have also been presented.

The third chapter, research design and Methodology, emphasizes on the design of the study and the methodologies used. In this chapter; source of data, data collection, sample size & sampling techniques and selection of study organizations are discussed.

The fourth chapter is devoted to data presentation, analysis and interpretation in which the collected primary and secondary data analyzed and organized in meaningful manner so asto meet the objectives of the study.

The fifth and last chapter is concerned with summary, conclusion and recommendations. Here the findings of the study are summarized, conclusions clearly presented and recommendations are provided for the findings of study.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 Theoretical Review

For a nation economic development, banks have an important place. Banking institutions form an important part of the money market and are vital in a modern developing society. Banking is the life blood of modern economy. It may truly be said that modern commerce is so dependent upon banking that any termination of banking activity, even for a day, would completely paralyze the economic life of a nation. ( Kibebe, 2016)

##### 2.1.1 The Role of Banks in Financial Systems

According to Jember (2014) financial sector is broad which consists of the banking sector and other financial institution (such as insurance corporations and pension funds, brokers, public exchange and securities markets etc), however in the context of African continent the banking industry carries the greater share of the financial system (Sheku, 2005). Most of the business relies on banking sector as a source of financing (Medhat, 2004). Banks have historically been viewed as playing role in financial markets for two reasons. One is that they perform a critical role in facilitating payments. Commercial banks, as well as other intermediaries, provide services in screening and monitoring borrowers; and by developing expertise as well as diversifying across many borrowers, banks reduce the costs of supplying credit (Katherine, 2004). Thus in their role as lenders, banks are often not merely buying someone's debt, rather they are providing significant financial services associated with extending credit to their customers and to the extent that investors want to hold banks liabilities, banks can fund borrowers directly. The main providers of additional financing are domestic commercial banks (Herald *and Heiko*,)

##### 2.1.2 Bank Services

According to Shemsu (2015), it is known that banks are service giving organizations and the service delivery can affect their business undertakings. M. A. Baqui et al (1987) stated that there is some empirical evidence demonstrating the positive influence of services rendered to depositors. Baqui further suggested two innovations to be tested to provide incentives to depositors:-

- ✓ Additional benefit like prize bounds could be given to depositors for maintaining deposits for particular period.
- ✓ As recommended by Nathan (1986a), one category of deposits might be specifically tied to future loans. Bank customers might be encouraged to participate in a savings program that, for example, provides machinery or housing after a predetermined amount of savings has been accumulated.

According to Shemsu (2015), Services in the bank should be attractive enough for the depositors so as to mobilize deposits. If the banks could offer these services, the savers would be inclined to keep a part of their saving in the form of deposits (Bhatt, 1970).

The followings are services that Bhatt (1970) claims to use to mobilize deposits:-

- ✓ Door-to-door collection of small saving in the form of deposits.
- ✓ Offering land revenue or insurance premium: If the banks offer to pay land revenue or insurance premium out of the interest earned on deposits, some persons may be inclined to put deposits of such amounts as would earn enough interest to meet their land revenue or insurance premium liability. To attract deposits these types of services are worth providing.
- ✓ An investment service: Some savers have neither the inclination nor the time to select an appropriate portfolio of financial investment. Banks can select the portfolio of investments on their behalf, keep the securities in safe custody, collect Interest/dividend income and even fill income-tax forms; with such services offered, some savers would be inclined to keep their liquid funds in the form of deposits.
- ✓ Some persons like farmers get their incomes say once or twice in a year, while their expenditure is spread over the whole year. If banks could collect deposits from them at the harvesting season, and assure them regular withdrawals during the year, farmers may be inclined to keep deposits with the banks. This scheme would ensure safety of their funds, prudence in their management and certainty of regular monthly means to meet their current liabilities. In addition they would earn some interest. With a sympathetic and persuasive approach, farmers could be attracted to such a scheme.
- ✓ While giving loans to farmers and small sector, the banks could provide them with facility of purchases from recognized dealers instead of giving cash. In this case, the dealers could send the bills to the banks, which would debit the accounts of the loan receivers. Some banks have introduced agri-cards with such a purpose in mind. If

such facilities are provided to others also, the customers would use bank money rather than currency for making payment and once they form this habit, they would be induced to keep their transaction balances in the form of deposits rather than in the form of currency.

According to Samuel (2015) these are some of the new deposit schemes which, if introduced, could raise the rate of saving as well as the rate of growth of bank deposits. To the extent to which the rate of saving is raised, the growth rate of the economy would be higher. To the extent to which the deposit growth rate is raised, the community would have more effective control over the allocation of financial resources for Plan purposes (Bhatt,1970).

### **2.1.3 Commercial bank deposit**

Demand for savings services is diverse and robust. A small amount of savings in a secure place can provide resources to manage consumption needs, smooth irregular income, cover expenditures for health and education, or provide the capital necessary to invest in household assets or new tool sand operations that improve productivity and contribute to higher incomes. Savings also help to manage shocks through providing resources during times of crisis. In recent years the volume of demand and consumer preference for safe and convenient savings services has been increasingly acknowledged, outdating a previous, widely held view that the poor do not save. (Ledgerwoodct, 2013).

In Ethiopia, traditionally customers of banks walk to the banking premises to deposit money. This method of savings mobilization is not able to mop up enough savings. In response to the problem of mobilizing enough savings, many banks have devised mechanisms of generating savings. Among the mechanisms for savings mobilization identified by bank's include, collecting the salary of any company for their employees, trying to reach to the public by increasing branch number, internet banking, the use of the agent banking, sending agents to economic zones to mobilize savings, among others. It is evident that the bank uses a number of mechanisms to mobilize savings.

### **2.1.4 Innovative Marketing Strategies towards Deposit Mobilization**

According to Silvester (2011) the greatest challenge facing the banking industry in recent times is competition among the banks. All the commercial banks have similar products

designed to attract the same customers. It is therefore imperative to adopt the best customer care services to attract and retain valuable customers.

The innovative marketing strategies currently used by commercial banks are the use of automated teller machines (ATM) to facilitate cash withdrawals, telephone banking, net working of bank branches to speed up credit deliveries and computerization of banks to encourage interbank transactions.

### **2.1.5 Saving Mobilization strategy**

According to Kibebe (2016), financial institutions are actively pursuing innovations in areas such as mobile technology, information management, and agent distribution systems, which show promise of lowering the costs of servicing mass numbers of low-balance deposit accounts. Over the next several years the microfinance community will likely learn whether lowering transaction costs for both savers and providers not only increases access, but also facilitates greater and more effective use of savings accounts by poor people. (Martin , 2013)

### **2.1.6 Importance of Deposit mobilization**

#### **I. A source of investment**

According to Kibebe (2016) Intermediation function of banks play a vital role in the efficient allocation of resources of countries by mobilizing resources for productive activities. They transfer funds from those who don't have productive use of it to those with productive venture.

#### **II. Low cost**

According to Kibebe (2016) the success of the banking greatly lies on the deposit mobilization. Performances of the bank depend on deposits, as the deposits are normally considered as a cost effective source of working fund. (Shettar&Sheshgiri, 2014)

#### **III. A source of profit**

According to Varman (2005) the ability of a bank's management and staff to attract checking and saving accounts from business and individuals is an important measure of the bank's acceptance by the public. Deposits provide most of the raw materials for bank loans and thus represent the ultimate source of bank profits and growth.

#### **IV. Economic Growth and Development**

According to Ongore & Kusa (2013), In addition to resource allocation good bank performance rewards the shareholders with sufficient return for their investment. When there is return there shall be an investment which, in turn, brings about economic growth. On the other hand, poor banking performance has a negative repercussion on the economic growth and development. Poor performance can lead to runs, failures and crises. Banking crisis could entail financial crisis which in turn brings the economic meltdown.

##### **2.1.7 The Effects of Poor Deposit Mobilization**

According to Samuel (2015) there are a number of effects that are brought about as a result of the poor deposit mobilization. These Include

- Inability to disburse loans to qualifying members on demand,
- Inability to meet operation costs,
- Inability to service debts,
- unstable board of directors due to frequent reshuffle as disgruntled members vote officials out,
- quitting of members to competitors,
- Falsification of financial reports. These can cause the voting out of elected officials on accusations of fraud, financial mismanagement practices. In addition, dissatisfied members can quit in large numbers to join alternative and emerging financial institutions for fear of losing their savings if the situation deteriorates.

##### **2.1.8 Approaches to Attract Cash Depositor**

Samuel (2015) stated that, these are some of the more important expected changes in banking industry operations in the near future. Most banks will adopt at least a few of these policies to maintain enough cash deposit and profitability. Perform a savings account comparison to take advantage of improved bank rates and terms. Take advantage of the positive changes in this group and closely examine their new income ideas. Always compare your institution with its competitors to learn of the best and most cost-effective offers (Kumar, 2000)

❖ Go beyond interest rates to attract new customers. Most banks will not be able to beat the interest rates offered on a national level. One of the most difficult things for a bank to communicate to potential customers is the quality of customer service offered. Use



testimonial-based advertisements to highlight the benefits of customer service. This is particularly important for long-term loan relationships such as mortgages. If customers believe that a loan officer at your bank will be attentive to their individual needs, they may be more likely to overlook differences in interest rates (Samuel, 2015).

- ❖ Increase customer access to funds by expanding ATM networks and improving online banking services. ATMs and online banking are less expensive than training and paying tellers. But building an ATM network is expensive, particularly if you're not a franchise of a larger national bank. Many smaller banks have gotten around this issue by subsidizing fees paid to out-of-network ATMs. This allows smaller banks to offer the same ease of access as larger banks at a relatively low cost (Samuel, 2015).

- ❖ Create time-limited marketing incentives to attract new deposits. Offer to pay termination and transfer fees from old banks. Offer cash payments for deposits over a certain amount. To maximize effectiveness, limit the offer to a period of 60 days or less and emphasize that fact in advertisements. Offer tiered rewards depending on the level of deposit made. In most cases, customers will stay with a bank that they have opened an account with for years (Kumar, 2000).

- ❖ Measure the effectiveness of your marketing. Try to run only a few marketing initiatives at any one time so you can more easily measure their effectiveness. Repeat promotions that have measurable results, and curtail the campaigns that fail. Consider how profitable a campaign was per dollar amount (Sisay, 2013).

- ❖ Offer higher interest rates on savings accounts and lower interest on loans to existing customers with high bank balances. It's much less expensive to keep a customer that you already have than to attract a new one. Tiered accounts create incentives for your customers to keep their business with you rather than shop around elsewhere (Sisay, 2013).

- ❖ Adding "rewards" features to transaction accounts (checking, money market accounts, etc.).The success of rewards credit cards is sparking interest in offering similar features to other deposit and transaction accounts. Individuals should examine these offers from their current institution and competing programs from other banks. Compare money market rates and "rewards" to find the best program for you (Sisay, 2013).

## 2.2 Empirical literature

Among the articles written on the subject, the researcher has selected two local and One overseas study made by:-

The study conducted by Silvester, (2011) the article were used data aims to evaluate the design of bank products and services, assess their effectiveness of harnessing domestic deposits and challenges they face in mobilizing deposits. The research is based on relevant books, journals, articles and other publications. In addition, data from commercial banks in Ghana on deposits they received from 2000 to 2004 were studied to make recommendations. Results from the analysis indicated that deposits mobilization of Commercial Banks in Ghana though, has an upward trend, it increases at a decreasing rate hence, the present level of deposits as a ratio of the total amount of money in circulation is woefully inadequate. The study also reveals certain basic facts about commercial banks in Ghana. Their concentration in the cities and a few urban areas as well as their product design and services are targeted to the literate formal sector employees. In addition, unfavorable macroeconomic conditions have resulted in negative real interest rate on deposits while unnecessary government intervention has reduced the confidence in the banking sector. The effects of these factors are the low deposits that commercial banks receive. The study concluded with recommendations for commercial banks such as; the need to redefine their product target, increase their scope to include the large majority etc. in order to ensure improvements in their operations.

Kibebe (2016), the objective of the study is to assess determinants of deposit mobilization in Ethiopian private commercial banks and the study adopts mixed approach to gather the data. The primary data is gathered using questionnaire. Sampling method of the primary data is purposive sampling technique. While the secondary sources of data were extracted from annual reports of all private commercial banks of Ethiopia, data from National Bank of Ethiopia (NBE) and from Central Statistical Authority (CSA). Regarding the secondary data, the study used time series data from 2000-2014 for analysis made using Classical linear regression method. The study shows that, Age dependency ratio, Investment and money supply, are the most significant factors of deposit mobilization activity. The other variable such as Per capita income has insignificant power to influence the dependent variable. As a result, the study recommended that, Government should increase investment so as to promote economic growth to mobilize deposits since there exists a positive relationship between

Deposit and Investment. And private banks ought to increase number of branches to mobilize more resources.

The study conducted by Sisay (2013), examines and assesses factors affecting deposit mobilization of private commercial banks. Those having two years and above experience senior Addis Ababa area branches and head office employee were selected for data collection. The research has used questionnaire and structured interview discussion for employees and the management of Awash International Bank Share Company. The result shows that the reconstruction of Addis Ababa roads, Aggressive branch expansion of CBE, the current condominium house construction program, peoples attitude towards using private banks and poor parking area are strongly influence the deposit mobilization process of Awash International Bank S.C. Opening of additional branches, aggressive promotion and upgrading service deliverance can boost the deposit balance of a bank positively. The study suggested the management of the bank should arrange and apply incentive program such as coupon prizes to attract more depositors, open additional branches near to the customers, promote excellent services and other mores are discussed in the research.

### **2.3 Summary and knowledge gap**

Theories are well available in various literatures about deposit mobilization. But, they focus on factors and challenges of deposit mobilization. The empirical studies on bank deposit are rarely available especially in Ethiopia. According to the review, all of the empirical studies done on the area of bank deposit and its determinants

In Ethiopia, an important gap still exists in the theoretical and empirical literature about deposit mobilization practice. All studies cited above suggest that commercial banks deposit is determined both by bank specific factors and macroeconomic factors. Some of the studies given more attentions to the macro determinants rather than bank specific and the significance of the determinants identified by the studies are completely different.

To the knowledge of the researcher there is no theoretical and empirical studies done regarding to deposit mobilization practices in the case of bank of Abyssinia S.C. Although the research made by (Kibebe, 2016) and (sisay, 2013) focused on determinants and factors affecting deposit mobilization of private commercial banks in Ethiopia. The current deposit mobilization practice and activities of private commercial banks were not analyzed by many researchers. It is an essential of assessing the current practice of deposit mobilization

strategies of BOA. And finally, this study is different from previous works done by others; specifically it assesses the deposit mobilization practice of Bank of Abyssinia S.C.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Type of Research Design**

A survey research was made to assess deposit mobilization practices in Bank of Abyssinia. The data were collected from the bank documents, employees and customer of BOA. From the perspective of this specific objective, the type of research design undertake in this research study is descriptive type. Therefore, the data collection methodology employed in this study includes both primary and secondary sources of data in order to get adequate and relevant information about the subject matter.

#### **3.2 Data type and source**

The study uses both primary and secondary data. The primary data is collected from management; senior staffs and customer of Bank of Abyssinia S.C. Questionnaires prepared are distributed in order to gather information from employees and customer of Bank of Abyssinia.

Secondary data were also included from the company's Studies and annual Reports.

#### **3.3 Target Population and Sampling Design**

The data obtained through questionnaires and interview from BOA's Department managers and senior staffs who actively participated in deposit mobilization activities selected; currently there are 185 branches, 8 departments, 10 divisions, 3 vice presidents and the president. And additionally questionnaires were distributed to the customer of bank of Abyssinia.

As the primary objective of this study is focused on the deposit mobilization activities of BOA, the staffs that are included in the sample are the once which have at least four years' experience in operational and deposit mobilization activities and the bank customers are randomly selected and believed to be better sources of information for the study. For this reason, staffs and customers of BOA have been taken as a target population for the study.

##### **3.3.1 Sample Size**

A total of 100 and 60 respondents were chosen from employees and customers of BOA as there was time and cost limitation to take the total population. As described above, the scope of the research was limited to 424 clerical staffs of BOA found in city and outlines 20

branches. The sample size was determined based on the table shown below (Naresh K. Malhotra. 2009) and only 80 employees were enough, but to cover defective questioners the researcher distributed additional 20 questioners. The sample were proportionately distributed and it was comprised of 7 from CRM, 3 from different department managers and the remaining 90 respondents were from city and outline branches of Bank of Abyssinia and the researcher selected three customers from each twenty branch.

**Table 1 sample size determination**

Population Size	Sample Size		
	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-150000	200	500	800

Naresh K. Malhotra. (2009).

### **3.3.2 Sampling Technique**

In order to obtain representative data, stratified random sampling technique was employed in this study.

### **3.3.3 Sampling Procedure**

The sampling procedure employed was that from the target population of branches, divisions and departments of Bank of Abyssinia S.C. who are believed to have a better exposure and experience to deposit mobilization activities were selected as a sample for the study.

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

The study used both primary and secondary source of data. The close ended questionnaire has two parts. The first one being demographic data such as working position and work

experience and the other, a five point likert scale that will have five different levels of conformity; strongly agree, agree, neutral, disagree, and strongly disagree.

According to Kothair C.R. (2004), the method of collecting information through personal interviews is usually carried out in a structured way. As such we call the interviews as structured interviews. Such interviews involve the use of a set of predetermined questions and of highly standardized techniques of recording.

In line with this, secondary data was gathered from the company's Studies and annual Reports.

### **3.5. Procedures of Data Collection**

Hard copies of the questionnaire were distributed to city branches and soft copy was administered via email for those branches found out of Addis Ababa with a possible return period of three to six working days. The questionnaires were distributed for employees (Department managers, CRM, BM, Deputy BM, sales officers, account managers and customer service officers) and customers of BOA.

A structured interview was also conducted with selected department managers and CRM who are believed to have proximity to the issue at hand. Those respondents (participants) who need further explanation on the questionnaire and any other related item are communicated via e-mail, telephone and face to face so as to minimize the risk of misinterpretation and misconceptions. Responses are collected personally by the researcher and via email.

### **3.6 Data Analysis and Interpretation**

As the study uses a descriptive analysis method, the data collected was presented, organized, analyzed and interpreted using descriptive statistical tools such as frequency, percentages and bar charts as per the convenience to the types of data to use for best interpretation and easy understanding.

The questionnaires are analyzed using descriptive analysis techniques. The researcher uses Excel software to analyze the questionnaires and describe the result. Accordingly 88 questionnaires of employees and 60 questionnaires from customers total 148 questionnaires are analyzed and interpreted using the statistic result that the excel displays.

In order to show the trend of total deposit of BOA, the researcher uses deposit figures collected from annual reports of BOA from the year 2012 G.C up to 2016 G.C and interpreted.



## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

In this chapter an overview of the data obtained in the study are analyzed, presented and discussed. Based on the first section of the questionnaire, it outlines personal information depicted in graphical formats. The descriptive statistics are presented thereafter. In order to clearly show the existing similarity and among demographic and some categorical data, bar charts are widely used.

#### 4.1 Data analysis and presentation

**Response Rate** One hundred questioners were distributed to the employees and out of these 92 questioners were collected which accounts 92% response rate. Out of 92 questionnaires 4 were discarded due to incomplete response. Accordingly the analysis of this study is based on the number of questionnaire collected

##### 4.1.1 Personal information of employee

The first section of the questionnaire demanded personal information from respondents. These questions include: position in the organization and work experience. The response of personal information are presented and discussed below.

##### 4.1.1.1 Working Position in BOA

**Figure 4.1 Working position in BOA**

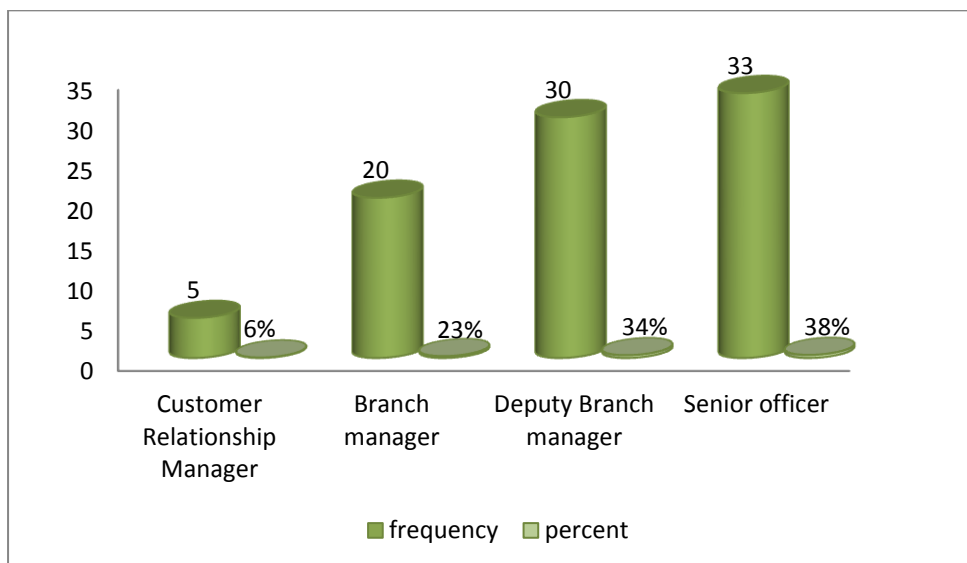
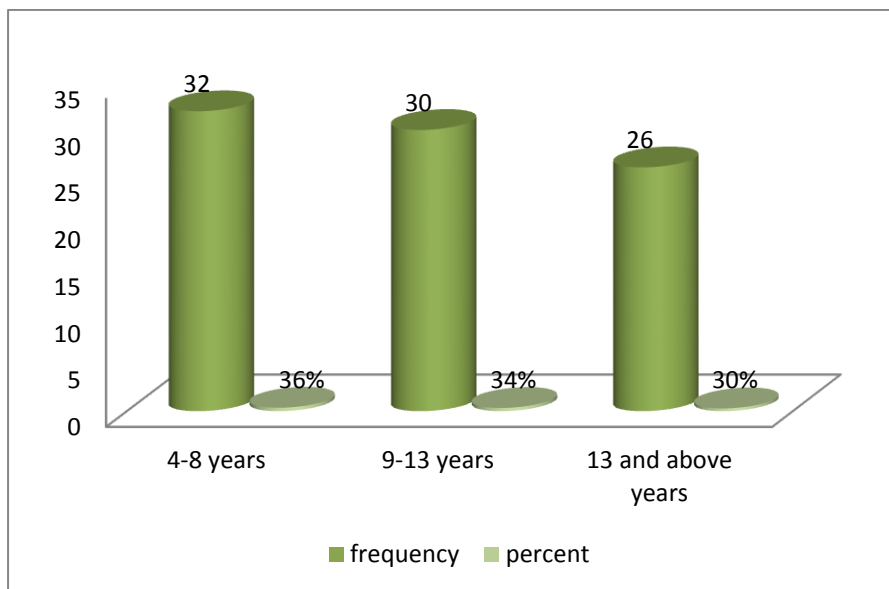


Figure 4.1 shows that 38% were at the senior officer, 34% deputy branch managers, 23% branch managers and 6% were customer relationship manager. All participants have direct experience at deposit mobilization; it enabled the researcher to get all required data from the participant. According to the above figure only five CRM were returned the questionnaires from 8 questionnaires which distributed to them and from the respondents deputy branch managers were more than BMs because at grade three and four branches the number of deputy BM were more than BM and senior officer includes account managers, sales officers and customer service officers.

**Figure 4.2 Working experience in banking industry**



*Source: Survey Questionnaire 2017*

#### **4.1.1.2 Work experience**

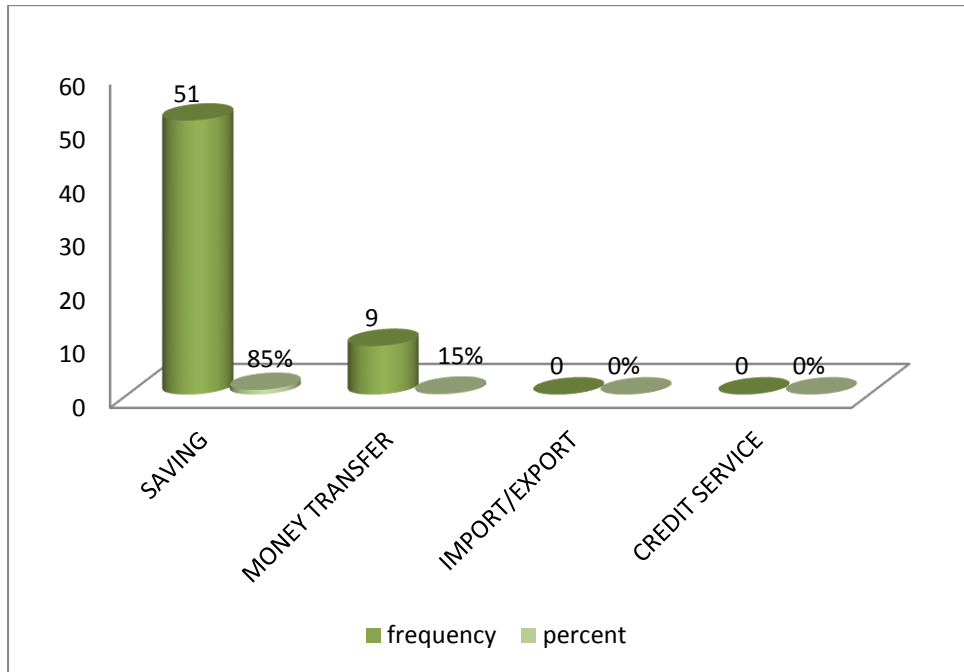
It can be viewed on figure 4.2 that of the respondents 36% (n=32) fall in the 4-8 years service category and 30 respondents (34%) fall in the 9-13 years service category. The other group of respondents 30% (n=26) fall in service category of 13 and above years. According to the above figure the list work experience were four years because employees less than four years experience were not included in the study. 64% of the respondent's service year were 9 and above years which show the majority of the respondents were well experienced. The composition of work experience of the representative samples may have a positive effect on the quality of the finding of the study as it incorporates the views of each group.

### 4.1.1.3 General characteristics of customer respondents

#### Response rate

Sixty questioners were distributed to the customers and all questioners were collected which accounts 100% response rate.

**Figure 4.3 Types of product customers uses in the bank**

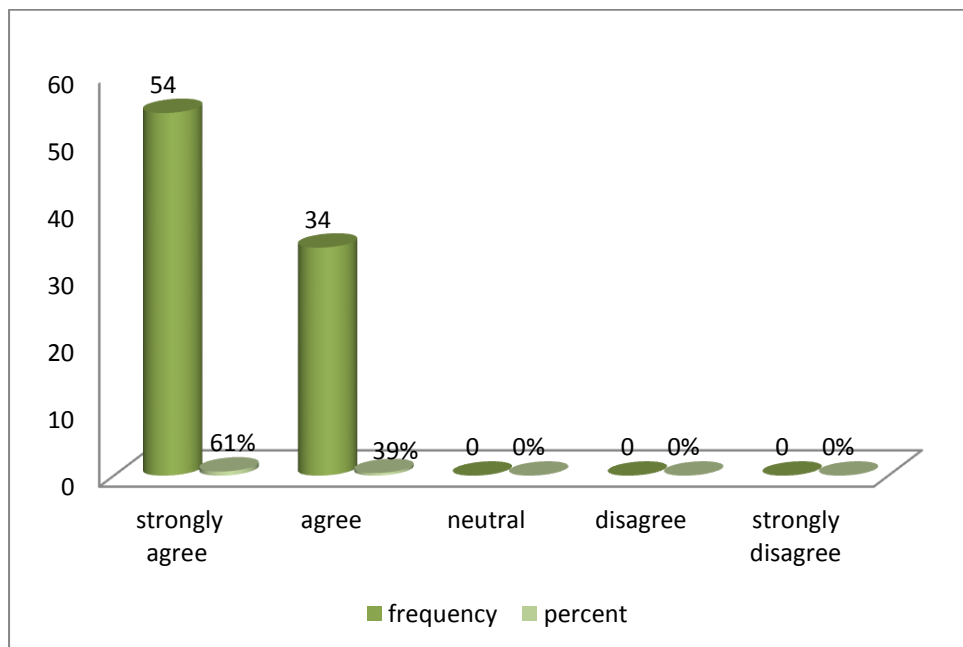


*Source: Survey Questionnaire 2017*

From figure 4.3 Most of the respondents for the study were saving and money transfer users with 85% and 15% respectively. Saving includes current, saving, special saving and fixed time accounts and money transfer (local and foreign). This will help the researcher to have judgment about service quality of BOA from direct users of the bank service.

#### 4.1.2 Deposit mobilization activities

**Figure 4.4 The bank is aggressively expanding its branch**



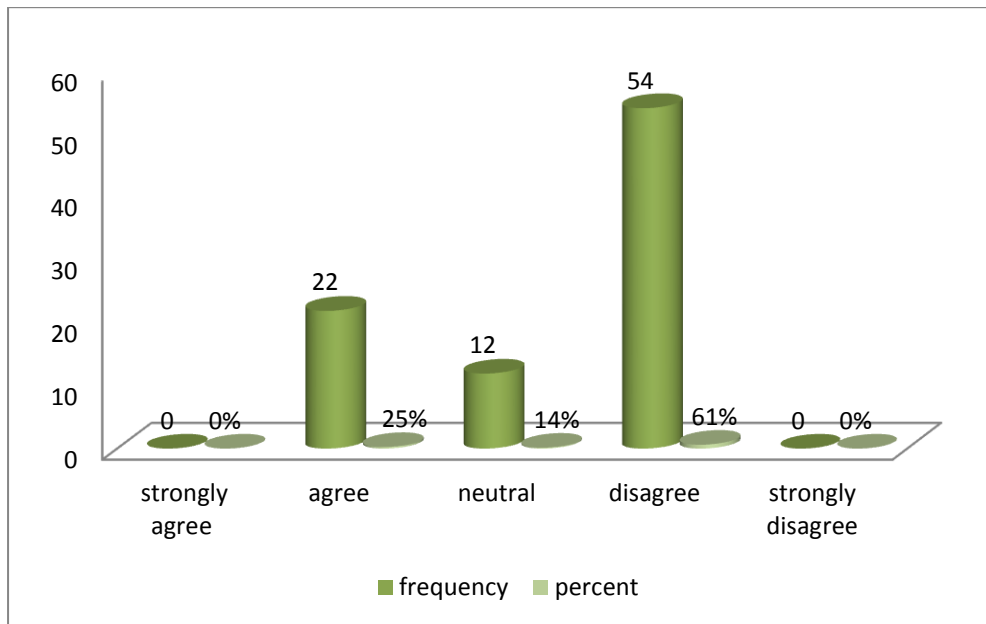
*Source: Survey Questionnaire 2017*

Figure 4.4 shows that 54 (61%) and 34 (39%) of the respondents strongly agree and agree respectively, that the bank is aggressively increasing its branch; all respondents agree that BOA is aggressively increasing its branch number. During the period ended June 30, 2016, the Bank opened 53 new branches and sub-branches thereby bringing the total number of branches to 185. Of these new branches, 23 were city branches while the remaining 30 were outlying ones. This indicates that Bank of Abyssinia is increasing its branch number to attract new depositor to the bank and satisfy the existing customer (BOA, 2015/2016).

According to Sisay (2013) as deposit potential is one thing that banks consider in expanding its branches, the deposit can also be a reason for branch expansion strategy that the banking sector uses. According to Erna and Ekki (2004), there is a long run relationship between commercial bank branch and commercial banks deposits. As revealed in past studies banks should expand their number of branches in order to compete moderately with all their capability they have from year to year which is the core factor to mobilize sufficient deposit to the company.

#### 4.1.2.2 Product type

**Figure 4.5 The bank offers different products to mobilize deposit**



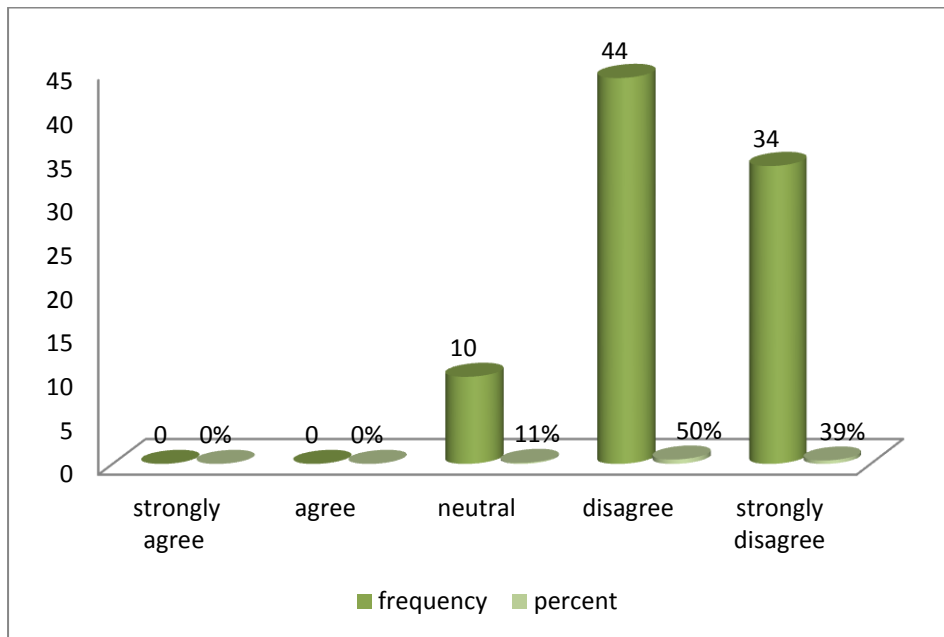
*Source: Survey Questionnaire 2017*

Figure 4.5 shows, from all respondents majority of the respondents which are 54 (61%) disagree that the bank offers different products to its customer. 22 (25%) of the respondents agreed that the bank offers different products to its customer, the remaining 12 (14%) remained neutral about the availability of different product. As per to the response BOA doesn't offer different product to its customer.

Products are often developed in a top down fashion, rather than customized to the needs of different target group. Product development should be supported by detailed market research. Decisions about product would answer questions about the design of the service offered to suit customer needs, the desirable hour for offering such services, the attractive names of such services and so on. Bank of Abyssinia should offer well designed saving products so that customers of all types can customize their use of these products to meet their own need which help the bank to mobilize more deposit (Ariful, 2014)).

### 4.1.2.3 Gift for the new depositor (customer)

Figure 4.6 The bank mostly offer gift for new depositor



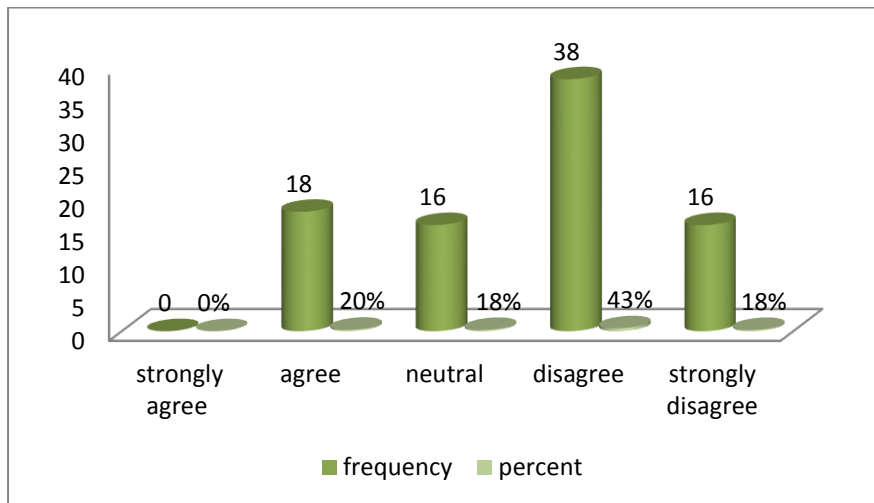
Source: Survey Questionnaire 2017

Figure 4.6 shows, from all respondents majority of the respondents which are 34 (39%) and 44 (50%) strongly disagree and disagree respectively, that the bank doesn't offer any gift for new depositors. The remaining 10 (11%) remained neutral about the availability of gift for new depositor. According to the respondents the bank doesn't offer any gift for new depositor.

The bank provides incentive only for foreign remittance not for new depositors of the bank. According to Kumar (2000), create time-limited marketing incentives to attract new deposits. Offer to pay termination and transfer fees from old banks. Offer cash payments for deposits over a certain amount. According to Sisay (2013) commercial bank of Ethiopia is attracting new depositors in this incentive scheme.

#### 4.1.2.4 Training about deposit mobilization

**Figure 4.7 The bank trains its staff to mobilize deposit**



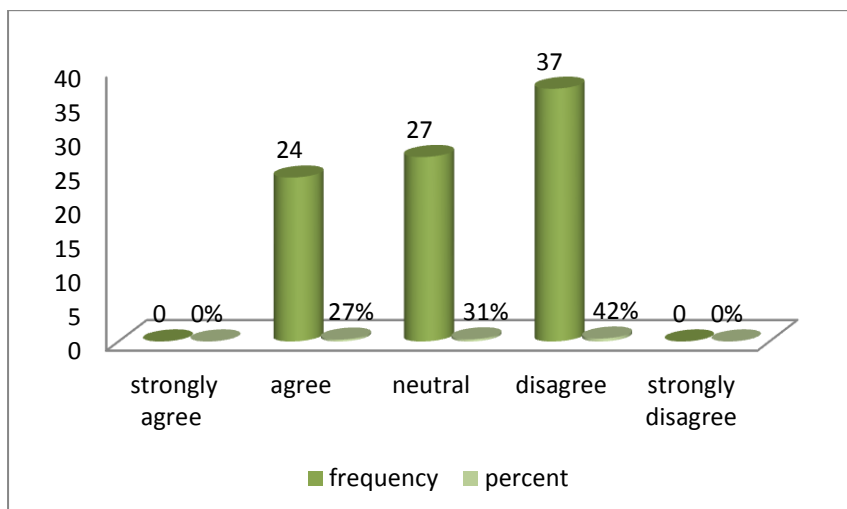
*Source: Survey Questionnaire 2017*

From the above figure, only 18 (20%) of the whole respondents agreed on that the bank gives training about deposit mobilization to its employees; 16 (18%) of the respondents were neutral while 38 (43%) of the respondents disagreed and 16 (18%) of the respondents strongly disagreed.

Giving training about the bank service, marketing, and customer service and so on increases the knowledge and confidence of employees. According to the above figure more than 61% of the respondent's think that the bank doesn't give deposit mobilization training to its employees (Girma, 2015).

#### 4.1.2.5 Loan distribution to mobilize deposit

**Figure 4.8 The bank fairly distribute its loan to attract deposit**



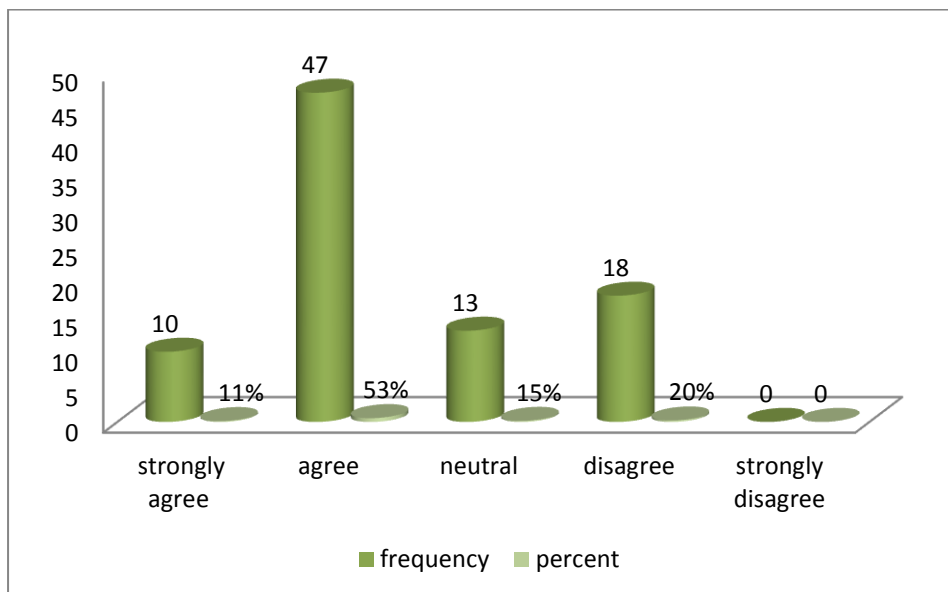
*Source: Survey Questionnaire 2017*

As we can see from the above figure no respondent strongly agree and disagreed to the above premise (The bank fairly distributes its loan to attract deposit). 37 (42%) of the respondents disagreed; 27 (31%) of the respondent was neutral. 24 (27%) of the respondents agreed to this premise. This indicates that the majority of respondents believe that the bank distribution method of loan is not fair.

According to Shemsu (2015) one category of deposits might be specifically tied to future loans. Bank customers might be encouraged to participate in a savings program that, for example, provides machinery or housing after a predetermined amount of savings has been accumulated. One of the poor deposit mobilization practice is inability to disburse loans to qualifying members on demand (Samuel, 2015). Fair loan distribution helps the bank to retain the existing and to attract new customers. In order to get the loan Individuals and companies should be the bank customers so they open accounts and deposit their money in the bank.

#### 4.1.2.6 Support from the management

**Figure 4.9 the branch managers gets the necessary support from the management**



*Source: Survey Questionnaire 2017*

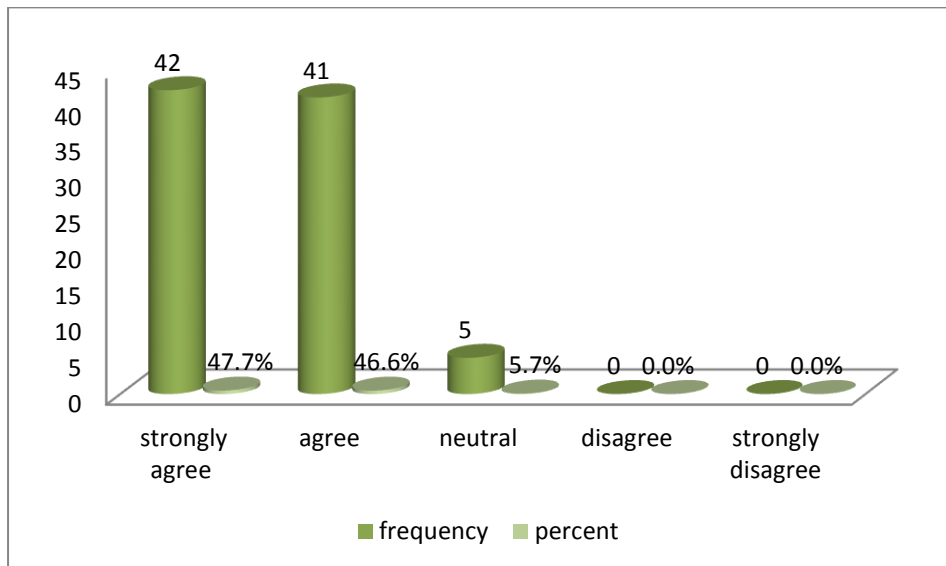
Figure 4.9 shows that no respondent strongly disagreed to the above premise (The branch managers gets the necessary support from the management). 18 (20%) of the respondents disagreed; 13 (15%) of the respondent was neutral. 47 (53%) of the respondents agreed and 10 (11%) of the respondents strongly agreed to this premise. 57 (64%) of the respondents responded by saying that they get the necessary management support to mobilize deposit. The



management support branch managers by giving foreign currency, granting loan, sales officers and CRM communicate individuals (companies) to open new account.

#### 4.1.2.7 Visiting customer

**Figure 4.10 Customer relation managers and branch managers visit the selected customers**

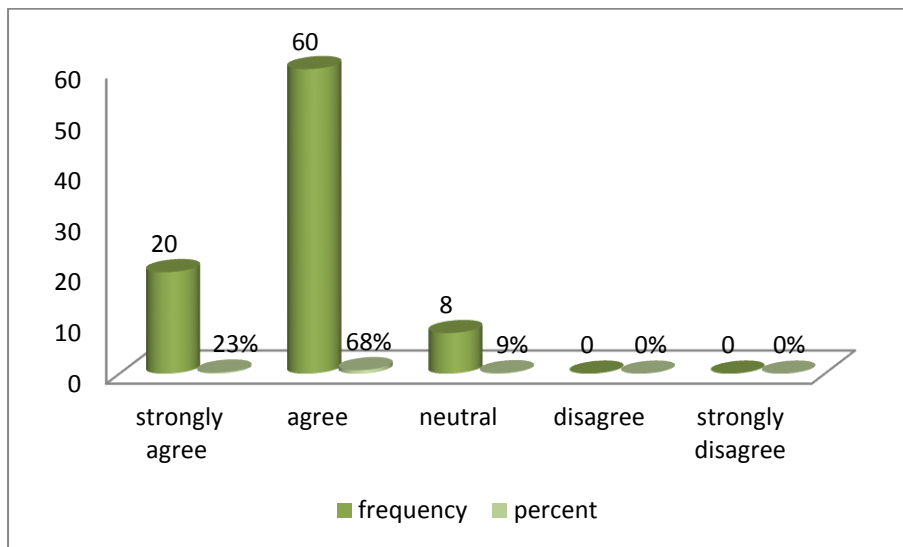


*Source: Survey Questionnaire 2017*

Figure 4.10, shows that no respondent disagreed and strongly disagreed on that branch managers and CRM visits the selected customers to mobilize deposit; only 5 (5.7%) of the respondents were neutral while 41 (47%) of the respondents agreed and 42 (48%) of the respondents strongly agreed. This indicates that more than 83 (94.3%) of the respondent's think that branch managers and CRM visits the selected customers to mobilize deposit. Communicating individuals and companies helps the bank to know the needs of the customers which increases the opportunity to the bank to satisfy its customers (Assefa, 2014).

#### 4.1.2.8 Reactivating inactive account

**Figure 4.11 Account managers contact customers which their account is inactive to reactivate the account**

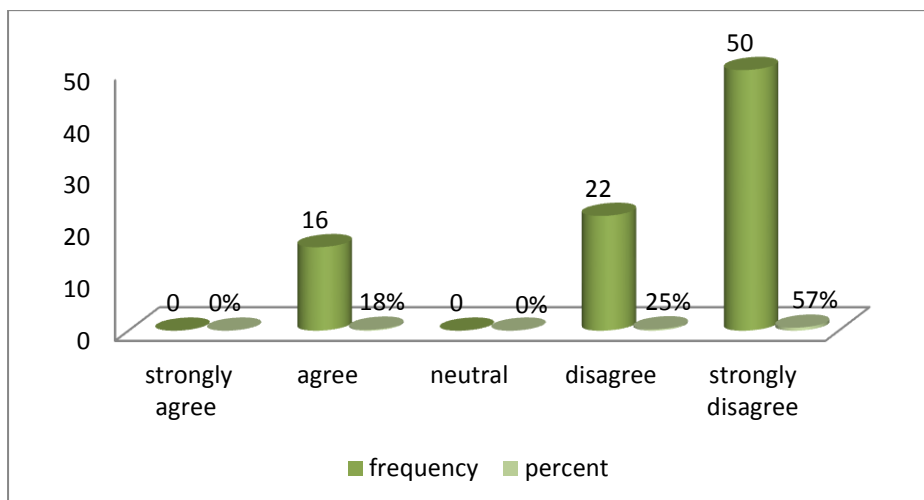


*Source: Survey Questionnaire 2017*

Figure 4.11, shows that no respondent disagreed and strongly disagreed on that account managers contact customers which their account is inactive to reactivate the account; only 8 (9%) of the respondents were neutral while 60 (68%) of the respondents agreed and 20 (23%) of the respondents strongly agreed. This indicates that more than 80 (81%) of the respondent's think that account managers contact customers which their account is inactive to reactivate the account. One method of increasing the account number of the bank is reactivating inactive accounts and returning the old customers (Genet, 2016).

#### 4.1.2.9 Cash collection

**Figure 4.12 The bank collects cash directly from the customer office**



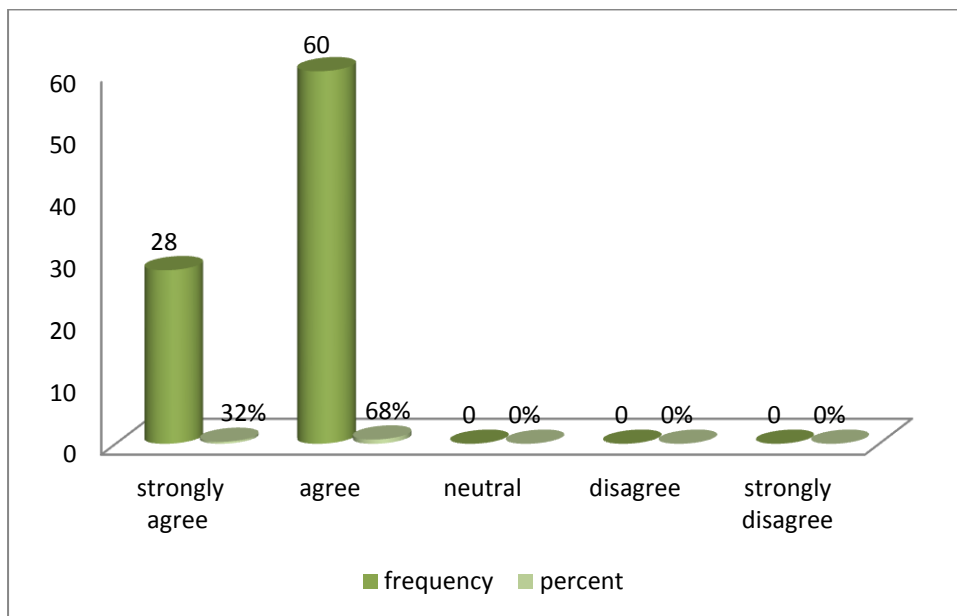
*Source: Survey Questionnaire 2017*

Figure 4.12 shows that no respondent strongly agreed and neutral to the above premise (The bank collects cash directly from the customer office). 16 (18%) of the respondents agreed, 22 (25%) of the respondents disagreed and 50 (57%) of the respondents strongly disagreed to this premise. This indicate that more than 72 (82%) of the respondents disagreed to this premises.

one of deposit mobilization mechanism is door-to-door collection of small saving in the form of deposits. Bank of Abyssinia collects cash from Idir, Ekub and shops which is one strategy of mobilizing deposit (Kumar, 2013).

#### 4.1.2.10 Staff salary of Customer Company

**Figure 4.13 The bank handles staff salary of the customer company**



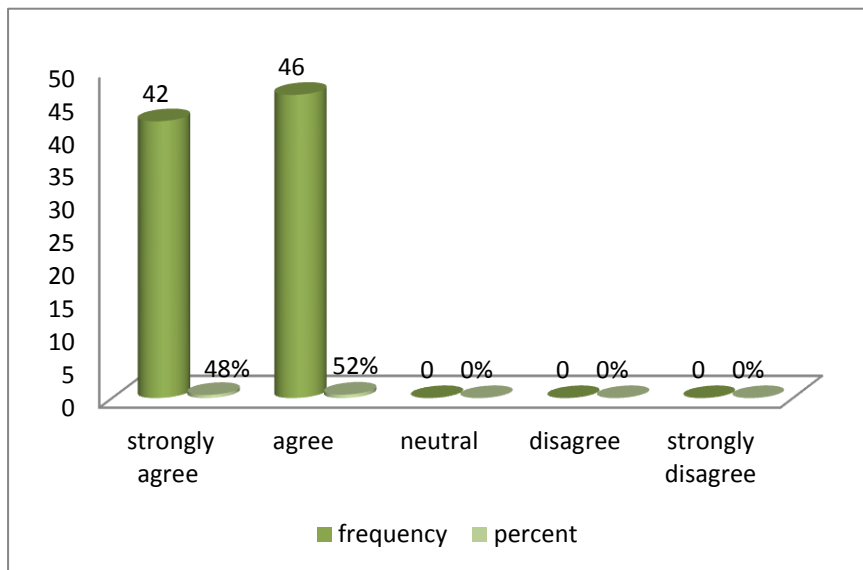
*Source: Survey Questionnaire 2017*

According to figure 4.13, shows that no respondent were neutral, disagreed and strongly disagreed on that the bank handles staff salary of the customer company; 60 (68%) of the respondents agreed and 28 (32%) of the respondents strongly agreed. This indicates that all of the respondent's think that the bank handles staff salary of the customer company which increases the account number and the deposit amount too.

## 4.2 Evaluate the implemented techniques

### 4.2.1 Aggressive promotion to mobilize deposit

**Figure 4.14** The bank aggressive promotion

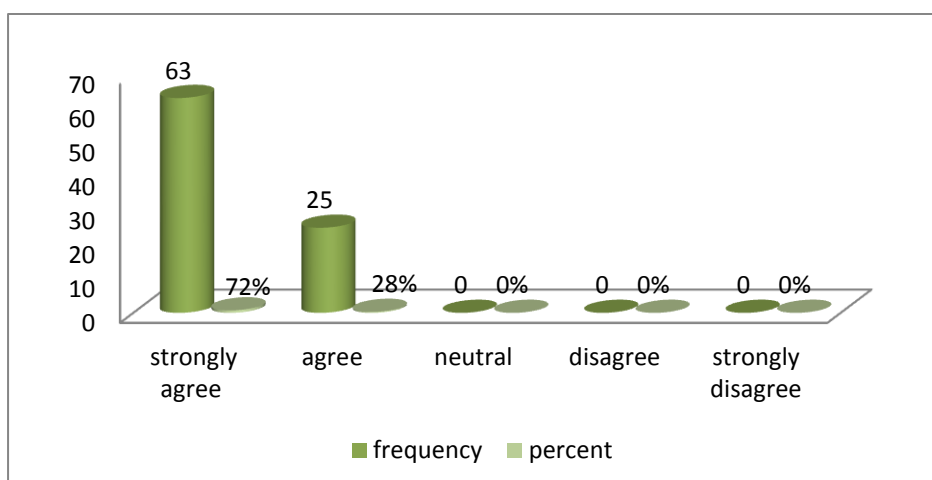


*Source: Survey Questionnaire 2017*

According to figure 4.14, shows that no respondent were neutral, disagreed and strongly disagreed. 46 (52%) of the respondents agreed and 42 (48%) of the respondents strongly agreed on the bank aggressive promotion is effective on mobilizing deposit. This indicates that all of the respondent's think that the bank follows effective strategy to mobilize deposit. Promotion plays an important role in today's competitive world by which banks communicate with their customers, both current and potential (Kumar, 2013).

### 4.2.2 The current deposit mobilization practice

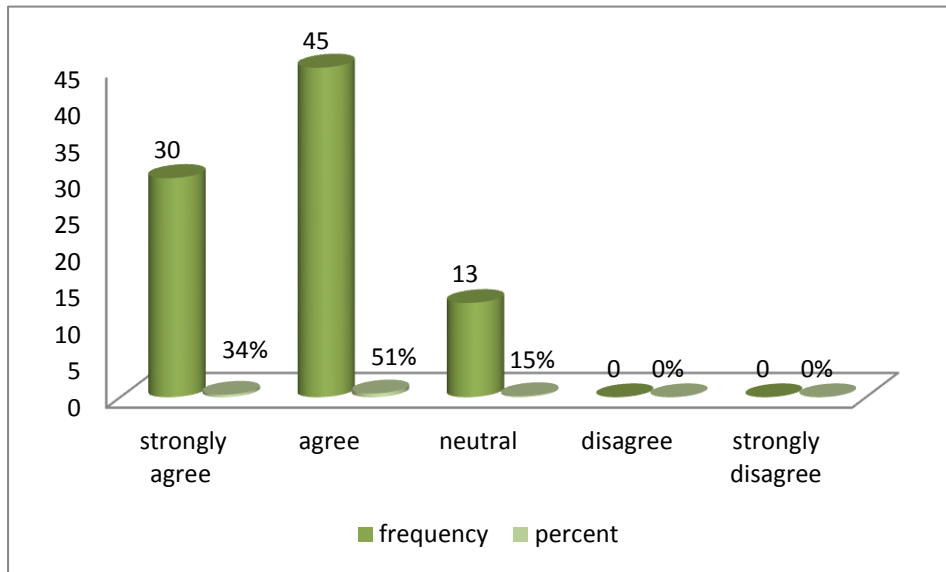
**Figure 4.15** The current deposit mobilization practice of the bank is effective



*Source: Survey Questionnaire 2017*

According to the data presented in figure 4.15, shows that no respondent were neutral, disagreed and strongly disagreed, 25 (28%) of the respondents agreed and 63 (72%) of the respondents strongly agreed. This indicates that all respondent's think that the bank's current deposit mobilization practices is effective. At 2015 the bank total deposits were 11.1 billion birr but at 2016 the bank total deposit rose to 13.6 billion birr (BOA, 2015/2016).

**Figure 4.16 the branch managers and customer relationship managers**

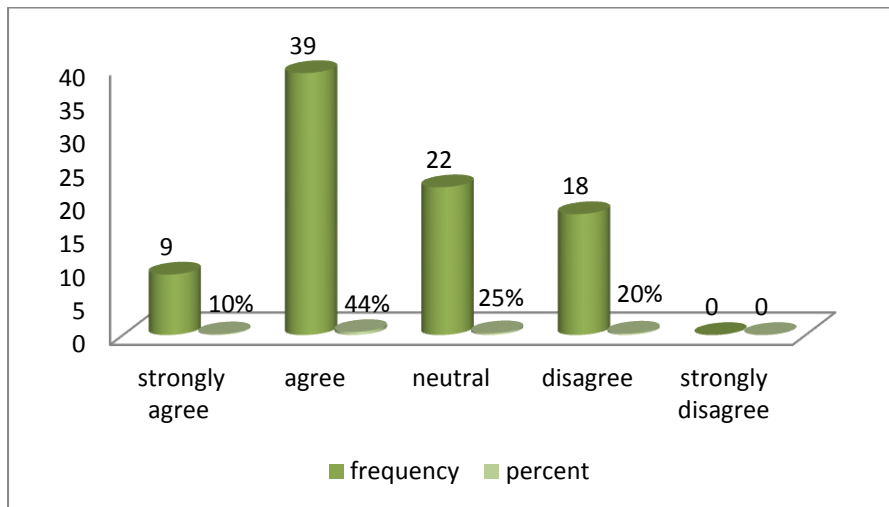


*Source: Survey Questionnaire 2017*

Most of the respondents in figure 4.16 shows that 30 (34%) and 45 (51%) were strongly agreed and agreed respectively; believe that branch managers and customer relationship managers are attracting new depositors. While, 13 (15%) were neutral and no respondent were disagreed and strongly disagreed. Most of the respondents 75 (85%) respondents were agreed that branch managers and customer relationship managers are attracting new depositors (Assefa, 2014).

#### 4.2.4 Employee motivation to mobilize deposit

**Figure 4.17 The bank staffs are eager to mobilize deposit**

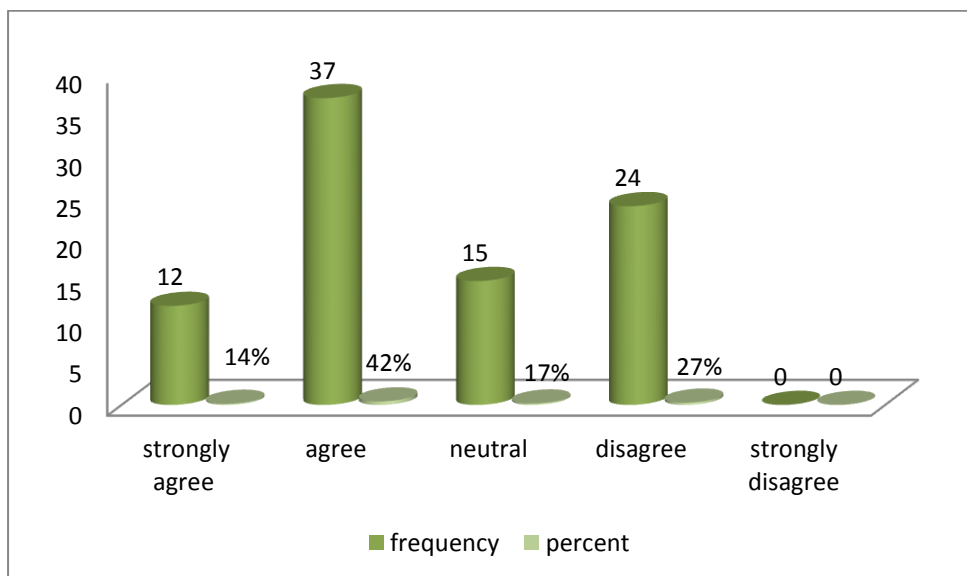


*Source: Survey Questionnaire 2017*

In figure 4.17, there was no respondent who strongly disagreed but still 18 (20%) of the respondents disagreed to the premises (The bank staffs are eager to mobilize deposit.) 22 (25%) of the respondents were neutral; 39 (44%) of the respondents agreed and 9 (10%) of the respondents strongly agreed. These shows that majority of the respondents (54%) agreed that the employees of BOA are eager to mobilize deposit.

#### 4.2.5 Technologies to mobilize deposit

**Figure 4.18 The bank uses technologies to mobilize deposit**



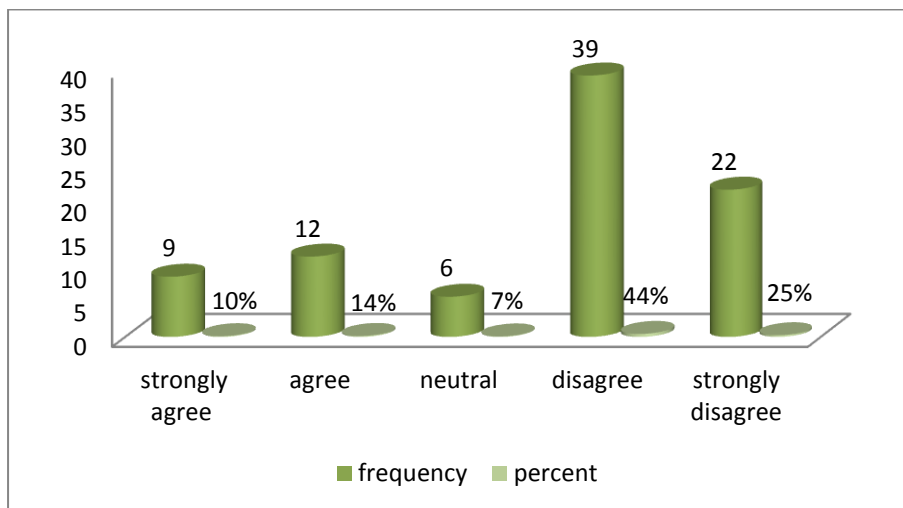
*Source: Survey Questionnaire 2017*

As we can see from the above figure 4.18, there was no respondent who strongly disagreed but still 24 (27%) of the respondents disagreed while, 15 (17%) of the respondents were neutral; 37 (42%) of the respondents agreed and 12 (14%) of the respondents strongly agreed. These shows that majority of the respondents (58%) agreed that BOA uses the necessary technology which helps the bank to mobilize deposit.

Introduction of information communication technology enhances deposit status of the bank. BOA adopts IT based banking which modifies the way in which customers have accesses to banks and increase customer access to funds by expanding ATM networks and improving online banking services (Kumar, 2013).

#### 4.2.6 Reactivating inactive accounts

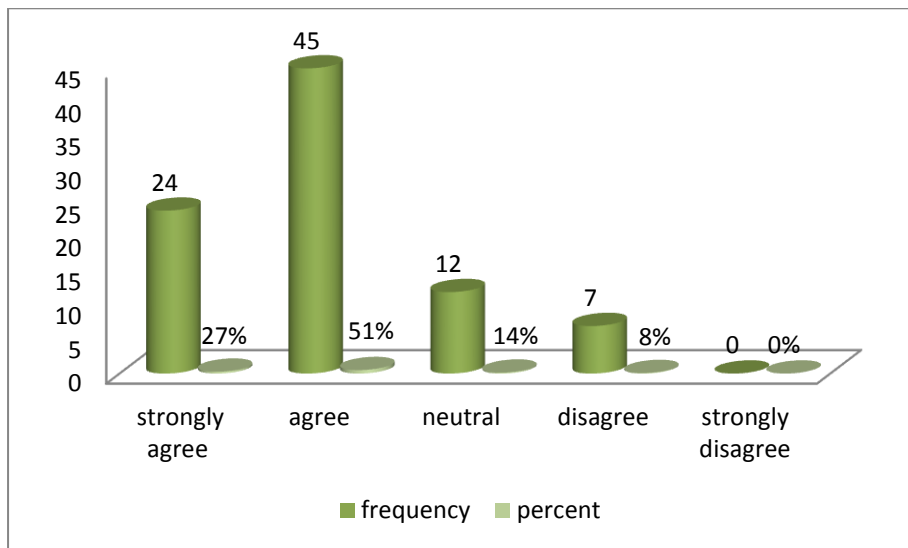
**Figure 4.19 account managers are effective by reactivating inactive accounts**



*Source: Survey Questionnaire 2017*

Responses regarding the statement "account managers are effective by reactivating inactive accounts." 22 (25%) strongly disagree, 39 (44%) disagree, 6 (7%) neutral response, 12 (14%) agree and 9 (10%) strongly agree, most of the respondents 61 (69%) were disagreed that account managers are not effective reactivating inactive accounts. This response points out that the bank deposit mobilization activities by reactivating inactive accounts is not effective. Bank of Abyssinia tries to bring old customers by communicating them but the effort is not successful.

**Figure 4.20 Sales officers are increasing the number of account**



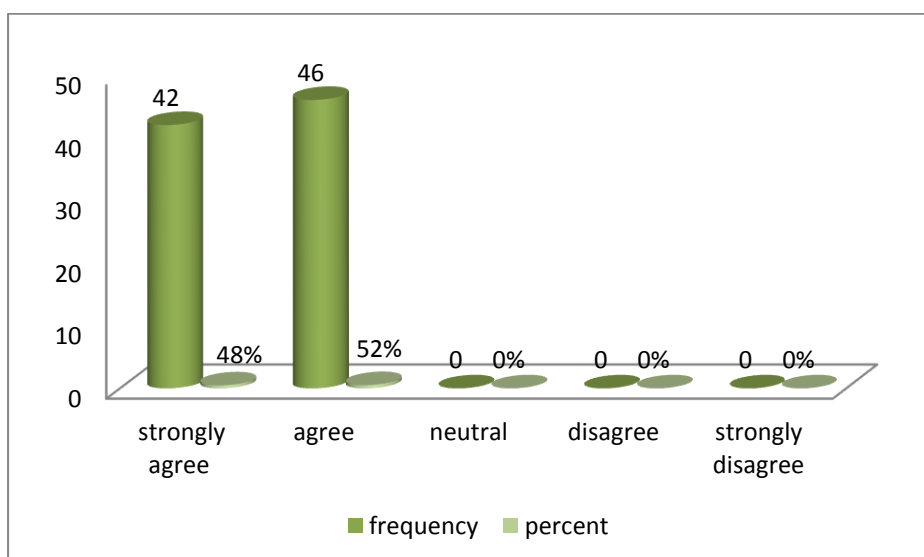
*Source: Survey Questionnaire 2017*

According to figure 4.20 shows, 24(27%) strongly agreed, 45 (51%) agreed that sales officers are increasing the number of account. The remaining 7 (8%) respondents disagree and 12 (14%) respondents were neutral. Majority of the respondents believe that sales officers are increasing account number.

Sales officers are actively participating in deposit mobilization and according to the bank managers and CRM report they are attracting new customer in the bank (BOA, 2014/2015).

### 4.3.1 The competition from other bank

**Figure 4.21 The competition from other bank is the main challenge to mobilize deposit**

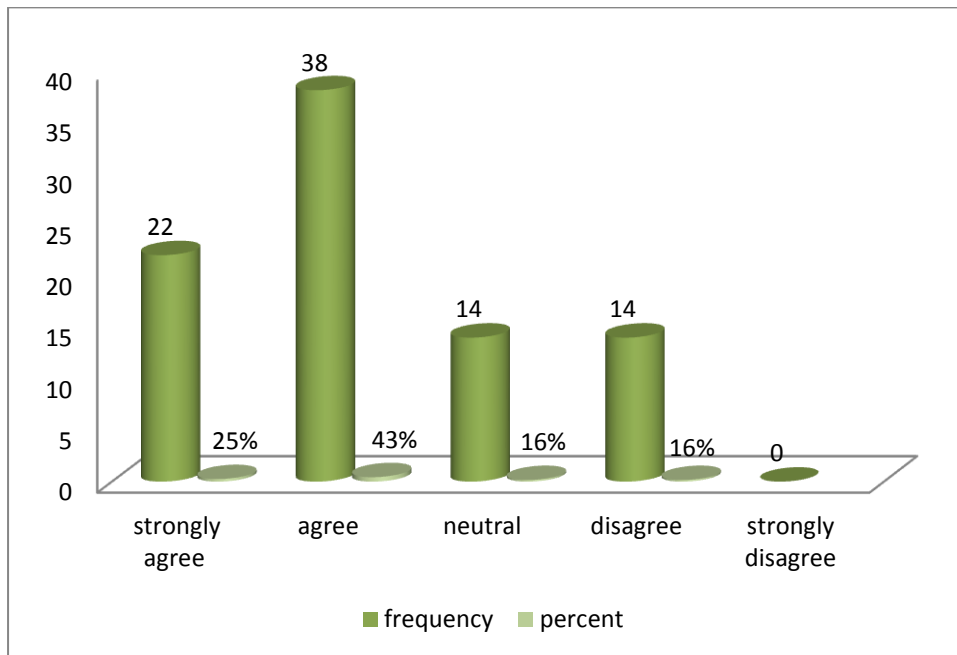


*Source: Survey Questionnaire 2017*



According to figure 4.21, 42 (48%) and 46 (52%) of the respondents strongly agree and agree respectively, that the bank is facing the main challenge from the other bank, all respondents agree that BOA challenged by other banks. Currently all private and government banks are actively working to mobilize deposit ( NBE, 2015/2016).

**Figure 4.22 the government law and regulation is the challenge to mobilize deposit**

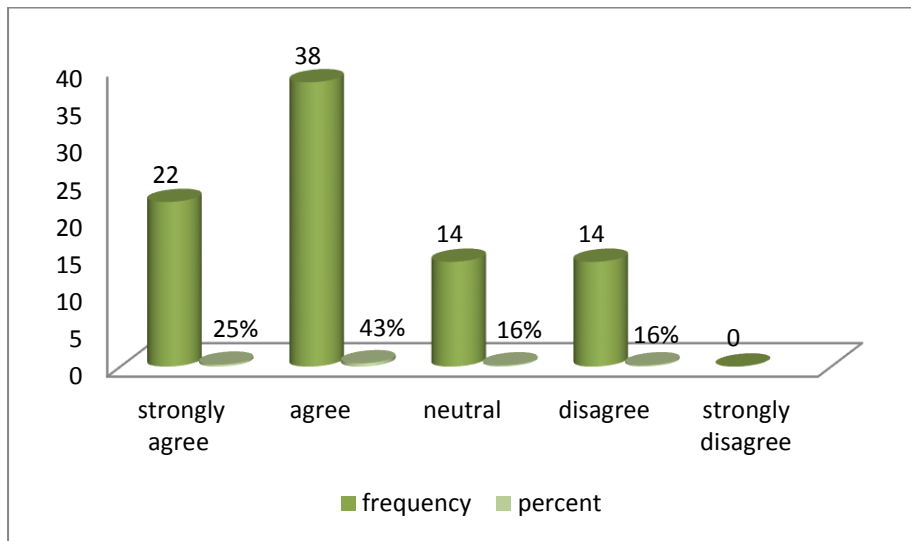


*Source: Survey Questionnaire 2017*

As we can see from the above figure 4.22, there was no respondent who strongly disagreed but still 14 (16%) of the respondents disagreed while, 14 (16%) of the respondents were neutral; 38 (43%) of the respondents agreed and 22 (25%) of the respondents strongly agreed. These shows that majority of the respondents (68%) agreed that the government law and regulation is the challenge to mobilize deposit.

The government laws such as private banks doesn't have permission to process every export goods to china which leads the major depositor of the bank to transfer their account to public banks and FIC report also another challenge for bank of Abyssinia because the customers were in fear to deposit in the bank (Shemsu, 2015).

**Figure 4.23 The deposit habit of the society in private bank is the challenge to mobilize deposit**



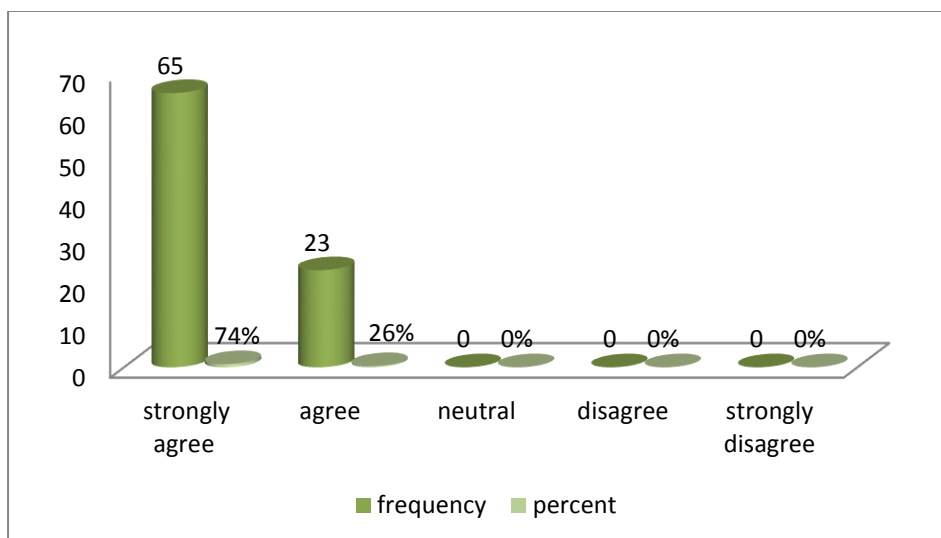
Source: Survey Questionnaire 2017

According to figure 4.23, shows that no respondent were neutral, disagreed and strongly disagreed; while 50 (57%) of the respondents agreed and 38 (43%) of the respondents strongly agreed that the deposit habit of the society is the challenge to mobilize deposit. This indicates that all of the respondent’s think that the societies deposit habit in private bank is not good.

According to Wubitu (2012) deposit influenced by education level which in turn increases the awareness of the rural people about banking service.

#### 4.3.4 Competition from government bank

**Figure 4.24 CBE is the highest competitor more than private banks to mobilize deposit**

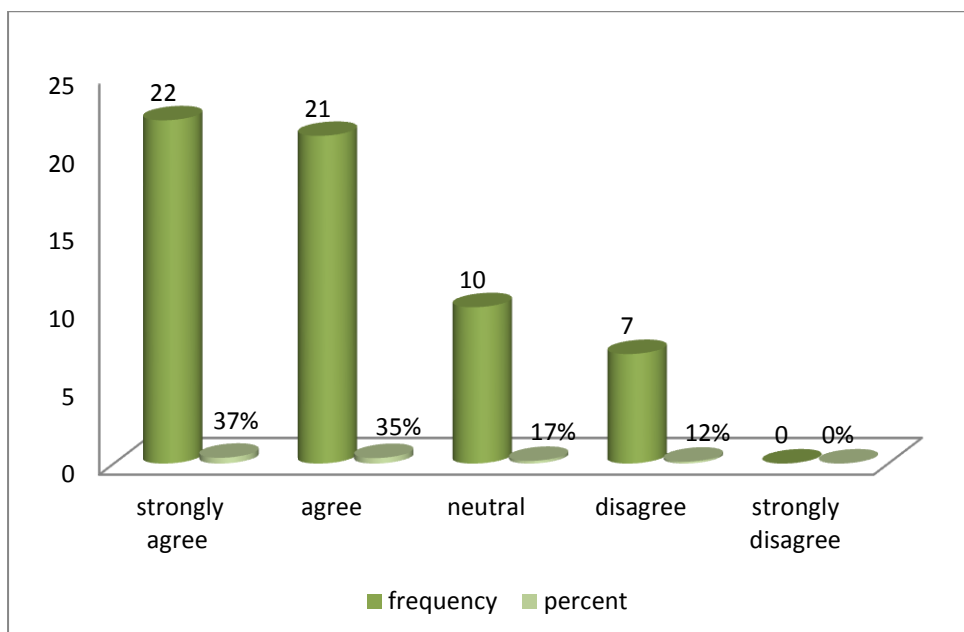


Source: Survey Questionnaire 2017

According to figure 4.24, shows that no respondent were neutral, disagreed and strongly disagreed; while 23 (26%) of the respondents agreed and 65 (74%) of the respondents strongly agreed that the CBE is the major competitor more than private banks to mobilize deposit. This indicates that all of the respondent's think that CBE is the main challenge for BOA to mobilize deposit. It is not surprising that, since the government is supporting its own banks and opening new branches in the different parts of the country and the policy restrictions imposed on private banks (Sisay, 2013).

#### 4.4 Customer response about customer service of the bank

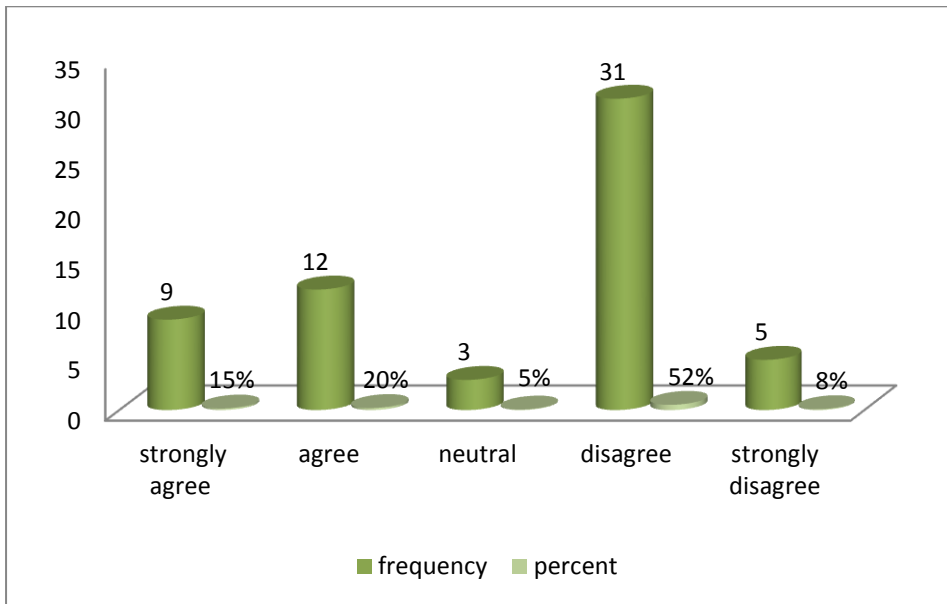
**Figure 4.25**The bank staffs are committed to mobilize deposit



*Source: Survey Questionnaire 2017*

Figure 4.25 shows, that no respondent were strongly disagreed; while 7 (12%) of the respondents disagreed and 10 (17%) of the respondents were neutral, 21 (35%) agreed and 22 (37%) strongly agreed that the bank staffs are committed to mobilize deposit. This indicates that most of the respondent's think that BOA staffs are work hard to mobilize deposit. The motivated and confident employees can attract new depositors to the bank (Girma, 2015).

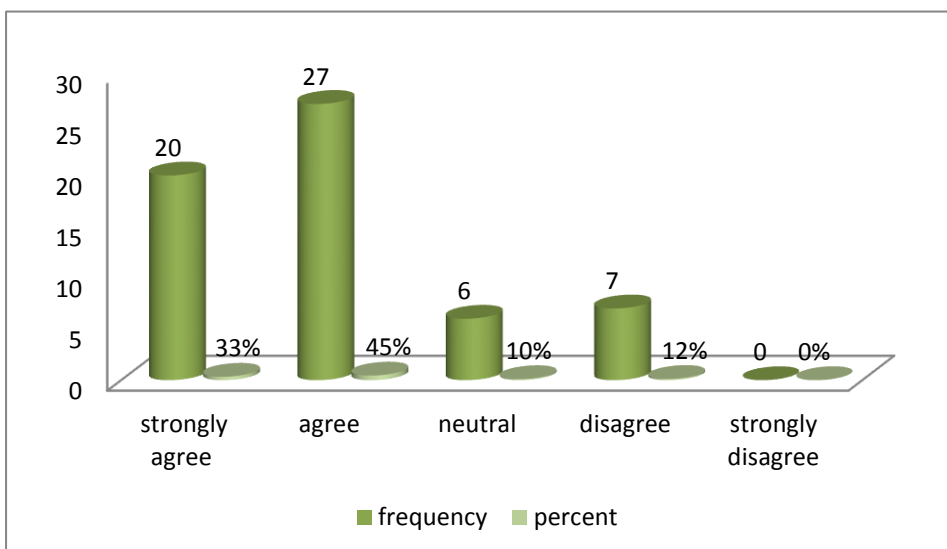
**Figure 4.26 The bank offers different products which satisfy the bank customer**



*Source: Survey Questionnaire 2017*

According to figure 4.26, 5 (8%) strongly disagreed, 31 (52%) disagreed that the bank offers different products which satisfy the bank customer. while 12 (20%) respondents agree, 9 (15%) strongly agree and 3 (5%) respondents were neutral. This implies that the product variety of the bank doesn't satisfy the bank customer. BOA does not have customized or many products to its customers. Product differentiation is one of deposit mobilization technique by attracting new and retaining existing customers (Ariful, 2014).

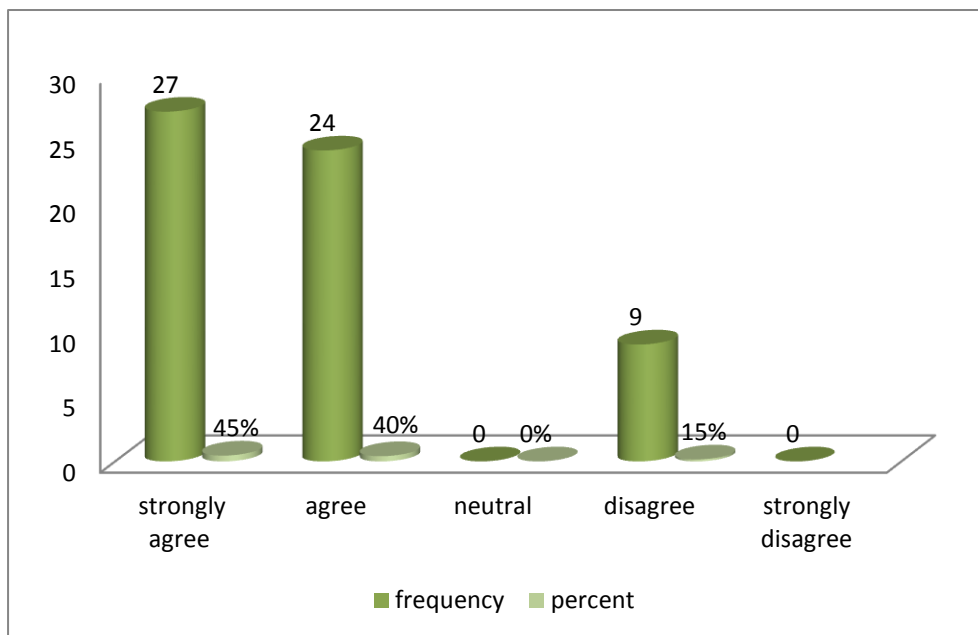
**Figure 4.27 the customer service**



*Source: Survey Questionnaire 2017*

Figure 4.27, shows that no respondent were strongly disagreed; while 7 (12%) of the respondents disagreed and 6 (10%) of the respondents were neutral, 27 (45%) agreed and 20 (33%) strongly agreed that the bank customer service is very good. This indicates that most of the respondent's think that BOA customer service is very good and it increases the bank deposit. The bank deposit can be affected by the customer service of the bank. Deposit mobilization efforts of the bank were supported by the customer service of the bank (Assefa, 2014).

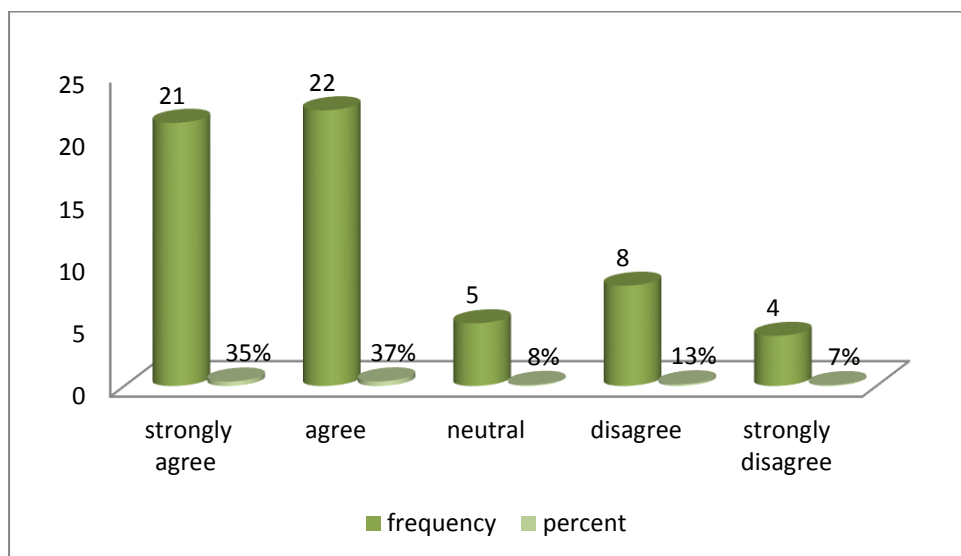
**Figure 4.28 The bank branches are convenient to the customer.**



*Source: Survey Questionnaire 2017*

Figure 4.28, shows that no respondent were strongly disagreed; while 9 (15%) of the respondents disagreed, 24 (40%) agreed and 27 (45%) strongly agreed that the bank branches are convenient to the customer. This indicates that 51 (85%) respondent's think that BOA branches are convenient to the customer of the bank. Convenient branch reduces consumers transaction cost by reducing time spent in travelling to and from the bank (Lambert, 2015).

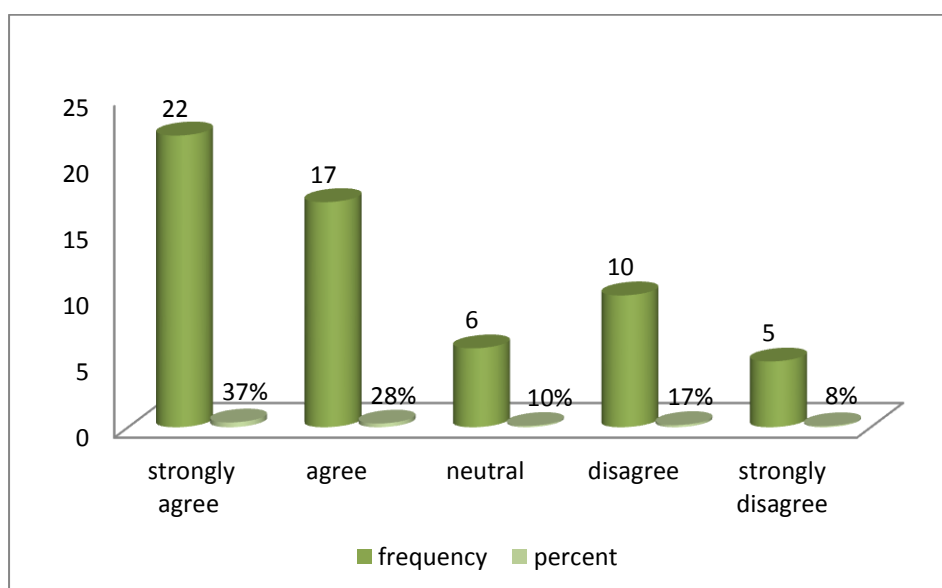
**Figure 4.29 The bank has many branches which are near to its customer**



*Source: Survey Questionnaire 2017*

Responses regarding the statement “The bank has many branches which are near to its customer.” 21 (35%) strongly agree, 22 (37%) agree, 5 (8%) neutral response, 8 (13%) disagree and 4 (7%) strongly disagree, most of the respondents 43 (72%) were agreed that the bank has many branches which are near to its customer. This response points out that the bank is close to its customer to mobilize deposit. To reduce time and money wastage customers always prefer their near bank branches to deposit their money (Wolday, 2012).

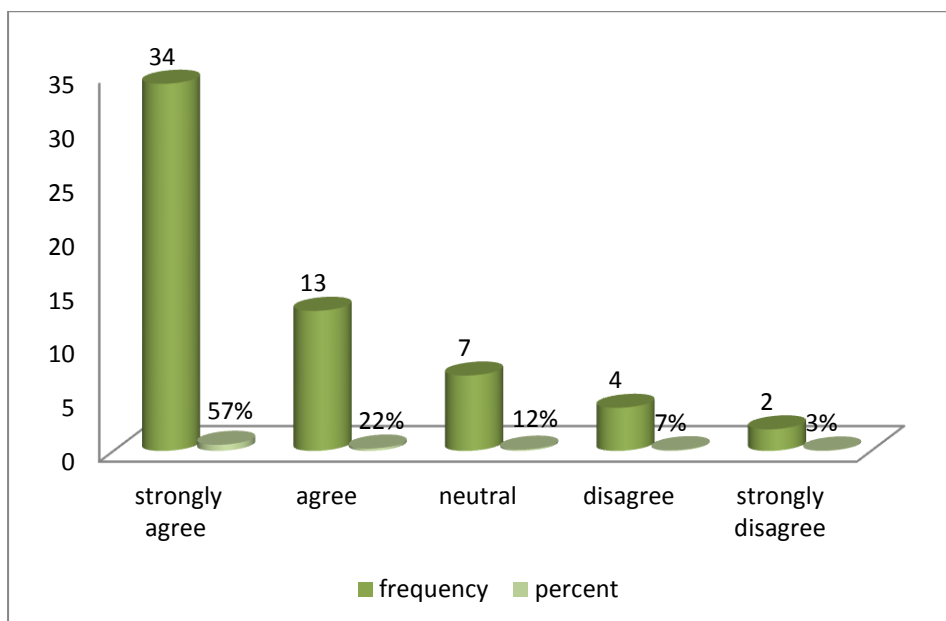
**Figure 4.30 I can easily express my satisfaction and dissatisfaction**



*Source: Survey Questionnaire 2017*

According to figure 4.30 22 (37%) strongly agree, 17 (28%) agree that they are happy because they feel their suggestion is worthy for the bank. While, 10 (17%) disagree, 5 (8%) strongly disagree and 6 (10%) respondent were remaining neutral. This figure indicates that about 65% of the respondents feel that they can easily express their feeling about the customer service of the bank. Receiving feedback from the customer helps the bank to improve its service quality and the bank shows by making easy to customers to express their feeling (Assefa, 2014).

**Figure 4.31 The bank provides technologies that satisfy the expectation of its customer**



*Source: Survey Questionnaire 2017*

According to figure 4.31, 34 (57%) strongly agree, 13 (22%) agree that bank of Abyssinia have technologies which satisfy its customer. And only 4 (7%) and 2 (3%) disagree and strongly disagree respectively, while, the remaining 7 (12%) respondent were neutral. This figure indicates that about 79% of the respondents are satisfied the technology of the bank.

New technology is an essential feature of international banking system. In recent years, Advances in information technology in the banking industry have radically changed the banking practices and customers can do their banking activities as 24 hours. Internet banking allows customers through bank website have internet banking transactions as extensive and faster and less cost than traditional branches without restrictions of time and space. (Kibebe, 2016)

#### **4.2.9 Other comments**

At the end part of the questionnaire, respondents were asked to write their comments on some issues, which were not addressed in other part of the questions. As a result some of them expressed their concern as far as BOA's deposit Success is concerned. The researcher, found the following comment,

- *The bank products didn't motivate women and younger individuals,*
- *BOA have to collect cash from depositors from their working place,*
- *the product must be customized,*
- *Branch managers didn't recognized by the management when they achieve the deposit goal. But, they punished when they didn't meet the deposit goal this experience de-motivate the branch managers.*
- *Appropriate deposit mobilization strategies, goal and objective need to be developed and be accessible to staff.*
- *The management deposit goal for each branch is very bulky and unachievable this makes the branch managers stressed from the beginning.*
- *BOA branch expansion focuses around the city and should expand its branch in rural area.*
- *BOA have to offer incentive for new depositors,*
- *BOA doesn't start internet banking and agent banking; the bank immediately should start both internet banking and agent banking to give full fledged service.*

This comment is very clear and straight forward and the researcher believes it would be a good input for the management of the bank to improve its deposit mobilization strategies.

#### **4.2.10 Interview about deposit mobilization**

Results concerning the deposit of the bank, current deposit mobilization activities, and challenges for deposit mobilization were obtained through interview with district directors and customer relationship managers of BOA. And the summary of the interviews are presented here below.

According to their explanations, bank of Abyssinia is currently mobilizing deposit by expanding its branch, giving quality service, when money transfer to a customer communicating the customer to open new account, contacting companies to open new account in the bank, extending working hour, BOA is currently is ready to launch agent



banking and internet banking to enable customer to deposit or withdraw their money at any time.

Currently the bank announces the new five year strategic plan; this strategic plan gives more emphasis for deposit mobilization by developing the marketing and deposit mobilization team. This team only follows the deposit mobilization activities of the company. And this strategy is significantly increasing the deposit amount.

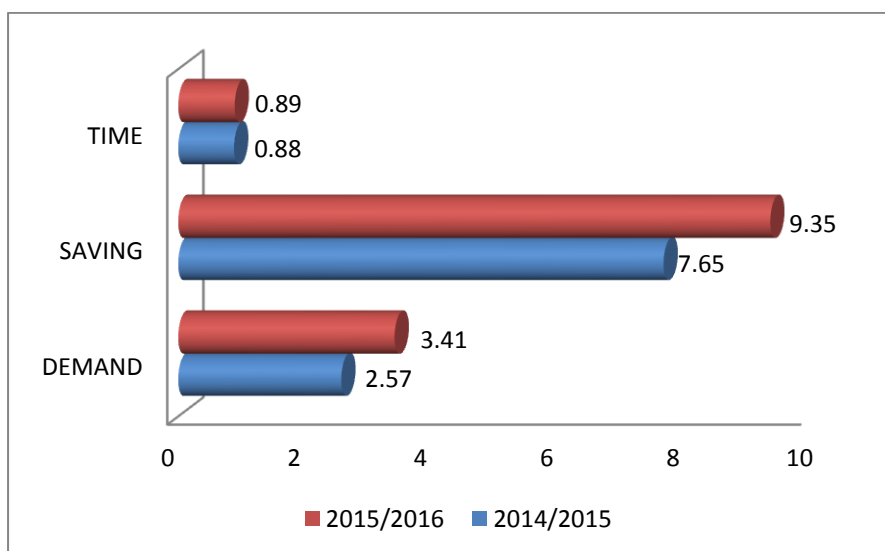
Most of the time, national bank of Ethiopia rules and regulations are hurting the private banks, if the government continues this unfair treatment the private banks can't compete with CBE.

At this time competing with CBE is the difficult task. Because, CBE have many advantage over private banks. Reasons CBE's advantage over private banks is the government regulation, branch number; people's awareness towards private bank is not good. And competing with other private banks is also another challenge of BOA.

#### 4.2.11 presentation of data from secondary source

Branch expansion is an important strategy for deposit mobilization; BOA has been aggressively expanding its branch networks. To this effect, during the period ended June 30, 2016, the Bank opened 53 new branches and sub-branches thereby bringing the total number of branches to 185. Of these new branches, 23 were city branches while the remaining 30 were outlying ones. All branches were able to provide on-line banking services.

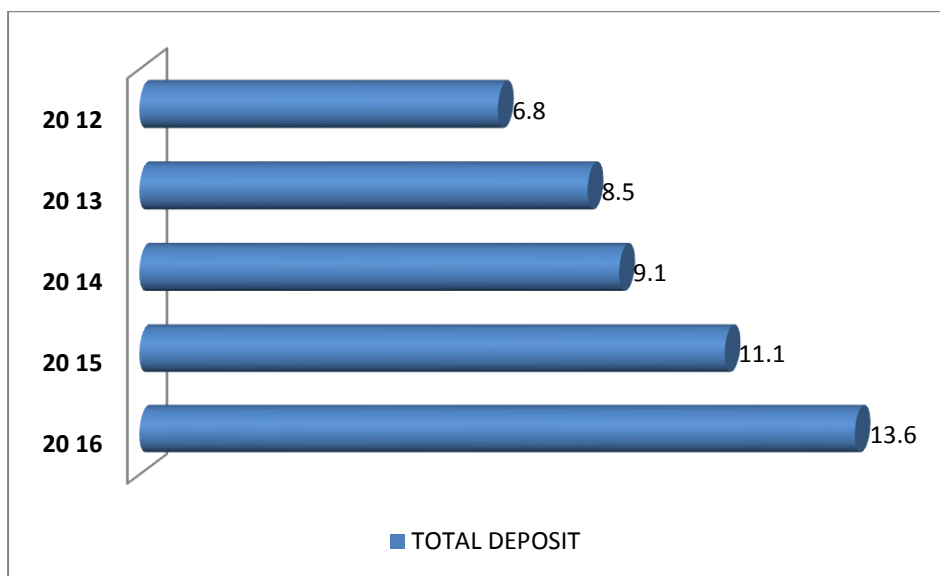
**Fig. 4.32: Deposits Mobilized (In Billions of Birr)**



Source: BOA annual report 2015/2016

As we can see from figure 4.32, the total deposit of the bank rose to birr 13.63 billion in 2015/16 higher than those of last year's total deposit birr 11.12 billion. Both demand and saving deposit rose 0.84 and 1.7 billion birr from a year earlier except time deposit which reduces 0.01 billion birr at the same time. This is mainly due to the aggressive deposit mobilization efforts and it's widespread of branch network and expansion. As indicated above saving deposit is greater than demand deposit almost three fold. Because, saving deposit is less probability of withdrawal than demand deposit (BOA, 2015/2016).

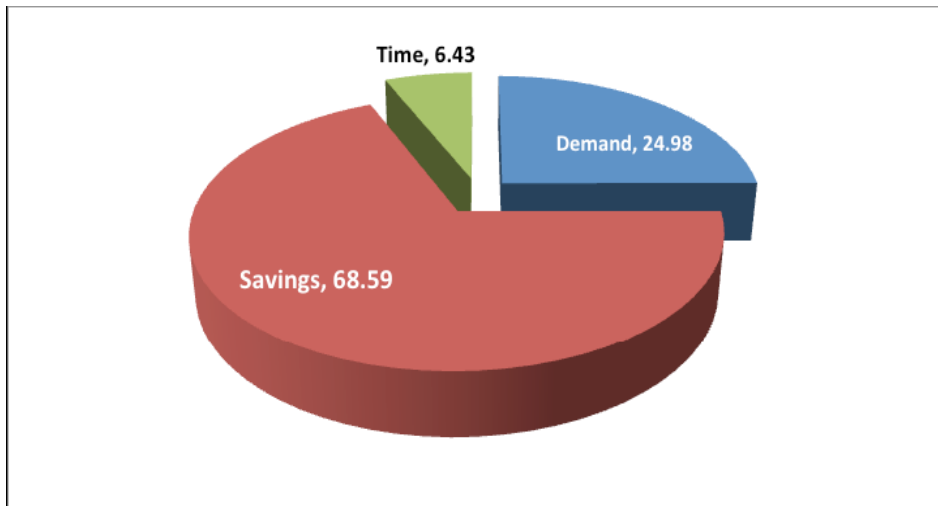
**Figure 4.33 Growths in Total Deposits (In Billions of Birr)**



Source: BOA annual report 2015/2016

As a prior activity, deposit of bank of Abyssinia has been growing during the last five years. For example, the total deposit of BOA has increases by 6.8 billion birr by the end June of 2016 compared with same period 2012. BOA believed that the growth reflects the effect of concerted efforts of deposit mobilization. This is because of the aggressive branch expansion, promotion, quality customer service and the management and employees of the bank aggressively working on deposit mobilization (BOA, 2015/2016).

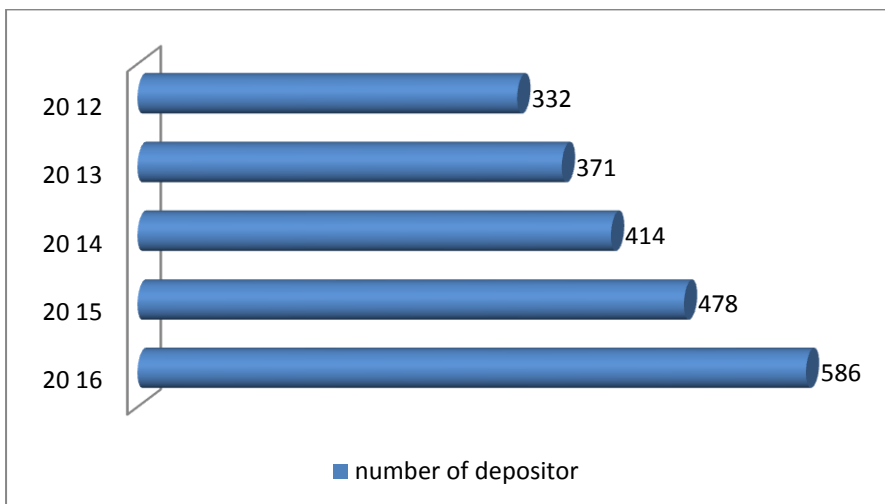
**Figure 4.34: Percentage Share of Deposits**



Source: BOA annual report 2015/2016

The above figure shows that, the largest portion of deposit is saving deposit accounts 68.59%, and followed by demand deposit 24.98% and time deposit accounts only 6.43% of the total deposit.

**Figure 4.35 Growth in number of depositor (in thousands)**



Source: BOA annual report 2015/2016

As indicated by figure 4.35, the bank depositor number exhibited substantial improvement over the corresponding period of five years. Aggressive promotion and branch expansion helps the bank attract new depositors. Additionally, bank of Abyssinia mobile and card banking users significantly increases, within short period of time, the number of POS and ATM machines also increasing.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter is concerned with the highlights of the study findings and conclusions that are derived from the data analyses and discussions. Recommendations are provided at the end based on the findings and conclusions drawn from the study.

#### 5.1 Summary of findings

- All respondents believe that bank of Abyssinia is aggressively expanding its branch.
- Most of the respondents believe that BOA doesn't offer different products to its customers.
- Almost all respondents disagreed that bank of Abyssinia doesn't offer any incentive to new depositors.
- Most of the respondents think that the bank doesn't give deposit mobilization training to its employees.
- Majority of respondents believe that the bank distribution method of loan is not fair.
- Most of the respondents believe that they get the necessary management support to mobilize deposit.
- Almost all of the respondents think that branch managers and CRM visits the selected customers to mobilize deposit.
- Most of the respondents think that account managers contact customers which their account is inactive to reactivate the account.
- Most of the respondents don't believe the bank collects cash from the customer.
- All of the respondents think that the bank handles staff salary of the customer company.
- All respondents believe on the bank aggressive promotion is effective on mobilizing deposit.
- Almost all respondents believe branch managers and customer relationship managers are attracting new depositors.
- Majority of the respondents believe that the employees of BOA are eager to mobilize deposit.

- Majority of the respondents believe that BOA uses the necessary technology which helps the bank to mobilize deposit.
- Majority of the respondents points out that the bank deposit mobilization activities by reactivating inactive accounts is not effective.
- Majority of the respondents believe that sales officers are increasing account number.
- All respondents believe that BOA is facing the tough competition from other banks.
- Majority of the respondents think that the government law and regulation is the challenge to mobilize deposit.
- All of the respondent's think that the societies deposit habit in private bank is not good.
- All of the respondent's think that CBE is the main challenge for BOA to mobilize deposit.
- Most of the respondent's think that BOA staffs are work hard to mobilize deposit.
- Majority of the respondents think the product variety of the bank doesn't satisfy the bank customer.
- Majority of respondent's think that BOA branches are convenient to the customer of the bank.
- Most of the respondent's think the bank has many branches which are near to its customer.
- Majority of the respondents feel that they can easily express their feeling about the customer service of the bank.
- Almost all respondents are satisfied the technology of the bank.
- The bank does not have different account for women and young individual.
- The management deposit goal for each branch is very bulky and unachievable this makes the branch managers stressed from the beginning.
- BOA branch expansion focuses around the city and should expand its branch in rural area.
- BOA doesn't start internet banking and agent banking,
- Appropriate deposit mobilization strategies, goal and objective need to be developed and be accessible to staff.
- The deposit of the bank increasing for five continues years.
- the total deposit of the bank rose to birr 13.63 billion in 2015/16 higher than those of last year's total deposit birr 11.12 billion.

- Except time deposit both saving and demand deposit increases from the last same year.
- The bank depositor number exhibited substantial improvement over the corresponding period of five years.
- Bank of Abyssinia mobile and card banking users significantly increasing.

## **5.2 Conclusions**

Based on the above research finding and summary, the study has finally forwarded the following conclusion. The primary objective of this study was to assess the current practice of private commercial banks in Ethiopia with regard to deposit mobilization i.e. deposit mobilization activities, techniques in managing deposit mobilization and challenges of deposit mobilization.

The result of the study shows that bank of Abyssinia's deposit mobilization strategy is successful and the bank mobilizes its deposit in different strategies. Such as, aggressively expanding branch, give support to branch managers, attracting depositors by visit customers in their office, contacting customers to reactivate their inactive account, handling staff salary of the customer company. But, BOA fails to offer different products for women and youth, incentive for new customers, enough training for staffs about deposit mobilization, fair loan distribution for its branch and customer.

From the findings of the study, it can be concluded that the bank deposit mobilization strategies which contribute to the growth of deposit of bank of Abyssinia's are aggressive branch expansion, aggressive promotion, CRM and BMs bringing new customers to the bank, the motivation of employees, updated technologies, efforts of sales officers, branch location, service quality, the bank has many branches and customer are motivated to give their feedback that help the bank to increase its service quality. Despite, continues improvement in deposit aspect of the bank there are limitations which reduces the deposit performance of BOA such as the bank doesn't collecting deposit from the customer office which other competitor banks are good, reactivating inactive accounts is not effective, the product variety of the bank is less than customer expectation, internet and agent banking is not active, deposit mobilization strategies, goal and objective is not communicated to employees which reduces the motivation of employees in the long run.

The main challenges of BOA is stiff competition, government participation in banking industry, government laws and regulation and the deposit habit of the society in private bank. The main competitor of bank of Abyssinia is commercial bank of Ethiopia.

### **5.3 Recommendations**

In connection with the summary of finding and conclusions drawn above, the following recommendations are provided to address the gaps identified by the study.

- Bank of Abyssinia should provide service hours that are compatible with the schedule of customers by extending evening hours and services on weekends to provide excellent customer service. Customers want to spend as little time as possible by depositing and withdrawing their money. They want access to financial products in as many ways possible, as quickly as possible. Long waits in lines, insufficient tellers, excessive bureaucracy, unclear procedures, or rude treatment by the staff will turn away depositors. Managers can minimize these unfavorable effects by training staff and by preparing systems to provide timely and accurate responses to clients' inquiries (Brian and Janette, 2007).
- BOA should meet its customers demand by evaluating the existing product and determine in which stage of its life cycle each product falls. The bank can use various sources of information to evaluate products, including client complaints, staff observations, market research, and competitive activities. Finally the bank should develop new product types which customized to the needs of different target groups (Isaac, 2012).
- Research shows people need to hear about a new product at least three times, sometimes up to five times. Repetition is primarily about convincing target market about the benefit of deposit (Getaneh, 2008). BOA should go through promotional efforts and awareness creation campaigns to have well informed society who has awareness of the banking sector and ready to deposit their money in private bank.
- BOA should arrange and apply incentive program for new depositors, which is previously applied by CBE and the bank attracts many new depositors. The bank should give coupon prizes to new customers by setting fixed deposit amount and time (Sisay, 2013).

- Bank of Abyssinia should meet the expectation of its customers by providing technology based services. Such as internet banking, mobile banking, ATM and other similar services (Kibebe, 2016).



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## **Questionnaire for employees**

**St. Mary's University School of Graduate Studies**

**MBA Program**

**Questionnaire to be filled by Bank of Abyssinia S.C Employees**

Dear respondent,

The purpose of this questionnaire is to collect first-hand information for a study being conducted on the topic, "**Assessment of Deposit Mobilization practice: the case of Bank of Abyssinia S.C.**" as partial fulfillment of Masters of Business Administration (MBA) program at St Mary's University. To this end, I kindly request you to provide me genuine information, to the best of your knowledge, so that the findings of the study would be legitimate. The study is purely academic research.

Therefore, for sure, all your responses will be kept confidential. I would like to thank you for your willingness, effort and sharing precious time to fill the questionnaire and returning it the earliest possible.

**Instruction:** Please use tick mark (√) or mark (X) in the boxes provided to choose from the options given and answer in writing where appropriate. You don't have to write your name.

### **Part I: Respondent's Profile**

1. What is your position in Bank of Abyssinia S.C?

- Director\_\_\_\_\_
- Department Manager\_\_\_\_\_
- Customer Relationships Manager\_\_\_\_\_
- Branch manager\_\_\_\_\_
- Assistant Branch manager\_\_\_\_\_
- Senior officer\_\_\_\_\_

2. Work experience in the banking industry

- 4-8 years\_\_\_\_\_
- 9-13 years\_\_\_\_\_
- 13 and above years\_\_\_\_\_

**PART II - Questions on deposit mobilization** Please read each statements in this part carefully and show the extent of your agreement on the statements by putting "√" or "X" mark in the boxes using the following rating scales( likert scales): Strongly agree = (SA), Agree = (A), Neutral = (N), Disagree = (D), and Strongly disagree = (SD)

**1. Questions related deposit mobilization activities performed by the bank**

Please indicate any additional suggestion that you think important with question 1.

S. No.		SA	A	N	D	SD
1	The bank is aggressively expanding its branch					
2	The bank offers different products to mobilize deposit					
3	The bank mostly offer gift for new depositor					
4	The bank trains its staff to mobilize deposit					
5	The bank fairly distribute its loan to attract deposit					
6	The branch managers gets the necessary support from the management					
7	Customer relation managers and branch managers visit the selected customers					
8	Account managers contact customers to reactivate their inactive account					
9	The bank collects cash directly from the customer office					
10	The bank handles staff salary of the customer company					

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**2. Questions related to evaluate the implemented techniques in managing deposit mobilization used by the bank.**

<b>S. No.</b>		<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
11	The bank aggressive promotion increases the bank depositor number and deposit amount					
12	The current deposit mobilization practice of the bank is effective					
13	The branch managers and customer relation managers are attracting new depositor to the bank					
14	The bank staffs are eager to mobilize deposit					
15	The bank uses technologies to mobilize deposit					
16	Account managers are effective by reactivating inactive accounts					
17	Sales officers are increasing the number of account					

Please indicate any additional suggestion that you think important with question 2.

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**3. Questions related to the challenges of deposit mobilization.**

<b>S. No.</b>		<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
18	The competition from other bank is the main challenge to mobilize deposit					
19	The government law and regulation is the challenge to mobilize deposit					
20	The deposit habit of the society in private bank is the challenge to mobilize deposit					
21	CBE is the highest competitor more than private banks to mobilize deposit					

Please indicate any additional suggestion that you think important with question 3.

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## **Questionnaire for BOA customers**

**St. Mary's University School of Graduate Studies**

**MBA Program**

### **Questionnaire to be filled by Bank of Abyssinia S.C customers**

Dear respondent,

The purpose of this questionnaire is to collect first-hand information for a study being conducted on the topic, "**Assessment of Deposit Mobilization practice in Private Commercial bank in the case of Bank of Abyssinia S.C.**" as partial fulfillment of Masters of Business Administration (MBA) program at St Mary's University. To this end, I kindly request you to provide me genuine information, to the best of your knowledge, so that the findings of the study would be legitimate. The study is purely academic research.

Therefore, for sure, all your responses will be kept confidential. I would like to thank you for your willingness, effort and sharing precious time to fill the questionnaire and returning it the earliest possible.

**Instruction:** Please use tick mark (√) or mark (X) in the boxes provided to choose from the options given and answer in writing where appropriate. You don't have to write your name.

### **Part I: Respondent's Profile**

1. What service do you get in Bank of Abyssinia S.C? (You can select more than one option)

- saving\_\_\_\_\_
- money transfer\_\_\_\_\_
- import/ export\_\_\_\_\_
- credit service\_\_\_\_\_
- other \_\_\_\_\_



<b>S. No.</b>		<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
1	The bank staffs are committed to mobilize deposit.					
2	The bank offers different products which satisfy the bank customer					
3	The customer service of the bank is very good.					
4	The bank branches are convenient to the customer.					
5	The bank has many branches which are near to its customer.					
6	I can easily express my satisfaction and dissatisfaction about the customer service of the bank.					
7	The bank provides technologies that satisfy the expectation of its customer.					

Please indicate any additional suggestion that you think important.

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## **Interview Questions**

**St Mary's University School of Graduate Studies**

**MBA Program**

## **Interview Questions**

- 1- How does Bank of Abyssinia mobilize funds?
- 2- Would you explain the practice of deposit mobilization of BOA in relation with other private and governmental banks, what techniques does the bank use, what is the difference from other banks?
- 3- Do you have deposit plan, if yes what are your strategies to achieve your deposit plan? And the plan achievable?
- 4- How do you rate the government intervention to your deposit mobilization effort?
- 5- In your bank, is any department which monitors the deposit mobilization process?  
If yes how and what this department work?