

St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM

**ASSESSMENT ON DETERMINANTS OF DEPOSIT
MOBILIZATION IN PRIVATE COMMERCIAL BANKS:
THE CASE OF AWASH INTERNATIONAL BANK S.C.**

BY FEVEN AHMED SEID

ADDIS ABABA, ETHIOPIA

February, 2017

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**“A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE MASTERS OF BUSINESS ADMINISTRATION (MBA) PROGRAM”**

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February, 2017

Declaration/Confirmation

I, Feven Ahmed , hereby declare that the thesis work entitled, ,, Assessment On Determinants of deposit mobilization in the case of Awash International Bank : focusing on selected branches in Addis Ababa”, is outcome of my own effort and study and that all sources of materials used for the study have been properly acknowledged. I have produced it independently except for the guidance and suggestions of the research advisor.

This study submitted by me for the award of the degree of Masters of Business Administration (MBA) in graduated studies of St. Mary’s University at Addis Ababa Ethiopia, it is original work and it hasn’t been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution.

By: Feven Ahmed

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Date: February, 2017

Confirmed by:

Advisor Dr. Tesfaye Wolde

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Date _____

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ABSTRACT

The aims of this research is to identify determinants of deposit mobilization in private banks case study on awash international bank S.C. Descriptive research design was adopted for this study. The study was done based on primary and secondary data sources Questionnaires was used to collect relevant information from selected 165 respondents among this 158 questionnaires are returned and analyzed, the collected data was analyzed by SPSS version

20 software using descriptive statics and correlation analysis. Based on the result of the analysis the research found out that branch expansion is the most determining factor of deposit mobilization and the correlation analysis reveals branch expansion, convenience of branches, awareness of the society and services have positive and significance relation or correlation with deposit mobilization. The study recommended that the bank should have to do much on branch expansion, and apply premium window service for premium customers.

Key words: Deposit mobilization, branch expansion, convenience of branches, awareness and service

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

Banks play a key role in improving economic efficiency by channeling funds from resource surplus unit to those with better productive investment opportunities. Banks also play key role in trade and payment system by significantly reducing transaction costs and increasing convenience (NCA, 2006).

In Ethiopia commercial banks are the main controller of the financial system performing financial intermediation. They control greater portion of the investment funds from domestic deposits and are the main creditors of the corporate bodies and individual investors. For example, most business organizations especially in Ethiopia are highly dependent on bank loans as a source of capital and the ability of banks in giving loan depend much on their ability to attract deposits. Even though, mobilizing deposit is the major activity of all commercial banks, managing and identifying the determining factors of deposit is a mandatory task for banks. Mobilizing deposits is not possible without knowing and controlling the determinant factors of it. Bank deposits represent the most significant components of the money supply used by the public, and changes in money growth are highly correlated with changes in the prices of goods and services in the economy (Sergeant, 2001). Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts and time deposit accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited.

In literature there are several factors that are claimed to be determinants of deposits. Accordingly the Scholars had divide factors affecting commercial banks deposit into two, namely exogenous and endogenous factors. Exogenous factors further sub divided into two, i.e. country specific factors and bank specific factors. Country specific factors includes saving interest rate, inflation, real interest rate, population growth of the country, per capita income of the society, economic growth(as

Measured by real GDP), consumer price index and shocks. Bank specific factors include liquidity of the bank, profitability of the bank, and security of the assets in the bank (Desinga, 1975).

In this study endogenous and internal factors are studied and the relationship between these variables and total deposit of Awash international bank are identified. To the knowledge of the researcher in Ethiopia specifically in Awash international bank ,there is little empirical study on how might the size of bank deposit buffer be influenced by bank specific factors and by endogenous factors Thus, the issue of banks deposits and its determinants is crucial to the financial sector of developing country like Ethiopia. This study enables the bank to keep control to the issue of deposit which is very important to the security of their operation as well as the economy as a whole in the country. Therefore, this paper aimed to identify and evaluate those factors determine deposit of Awash international bank.

1.2 Statement of the problem

Deposit mobilization is the major services of commercial banks. Deposits are of course mobilized to meet the required liquidity for credit customers of banks. But this too depends on the availability of credit facilities which in turn depends on the level of funds loaned. In this regard currently in Ethiopia, the pace of the banking system to mobilize adequate resources would not be sufficient, given the large fund requirement of the economy that would certainly result in liquidity gap. (Shemsu, 2015)

The major reasons for liquidity gap are money may be kept in traditional way and majority of population is unbanked. This shows that the deposit mobilization practice among commercial banks in Ethiopia is not developed. So this type of traditional banking practices should be stopped and replaced by the new and relevant deposit mobilization strategy. (Shemsu, 2015). Bank deposits come from the depositors who are investing their money in commercial banks. So as to undertake this process the money should be available first. Deposit is the most liquid money that is found in the treasury of commercial banks and which is ready to be borrowed by a body in need of the fund.

However, sources from National Bank of Ethiopia indicate that from deposits that should be mobilized by banks, only a few are mobilized (NBE annual Report 2012/13). This indicates that from the money that can be deposited in the bank, most of it is not yet mobilized. And though such a case,

It appears that in most of the years commercial banks are in a serious threat of illiquidity. (AIB Annual report 2012/13, 2013/14).

The share of private banks in deposit mobilization increased only marginally to 32.2% from 31.5% last year despite their opening of 359 new branches. CBE alone mobilized 66.1% of the total deposits. (NBE annual Report 2014/15). These show that, in addition to the current practices, the deposit mobilization practices of commercial banks in the country can be well developed and additional mechanisms can be identified to mobilize such deposit.

The study done by Shemsu (2015) focused on one dependent (commercial bank deposit) and six independent variables. The results from economic analysis showed that deposit interest rate, overall inflation rate, and gross domestic product, number of branch opened, individual foreign remittance and dummy variables were positively correlated with the total deposit in the case of CBE. Among these variables, branch opening is an important strategy for deposit mobilization, it is highly significant than others. An individual remittance from Diasporas is also next to branch opening is significantly affects the deposit volume of Commercial Bank of Ethiopia.

To the researcher knowledge, no research of the same type has been done in the past at Awash International Bank. Although the research made by (Sisay,2013) focused on reconstruction of Addis Ababa roads, the direct and indirect government intervention and the effect of the current condominium house construction program on bank deposit. Since AIB is in the growth stage branch expansion, convenience of branch office, public awareness creation and service given were not analyzed well. It is an essential of identifying the important determinants of bank deposits.

Since the major determinants of bank deposit were not studied before in the case of Awash International Bank, there is a research gap and need to identify these important determinants of bank deposit. Therefore, this study intended to identify determinants of deposit mobilization of awash international bank.

1.3 Objective

1.3.1 General objective

The main objective of the study was to identify factors that determine deposit mobilization of Awash International Bank S.C.

1.3.2 Specific objective

- To identify and analyze factors that determines deposits mobilization of Awash International Bank.
- To determine the degree of relationship between deposits mobilization of awash international Bank, service given by the bank and convenience of branches.
- To determine the relation and effect of awareness of the society on deposit of awash international bank.

1.4 Scope of the Study

Determinants of deposit mobilization can be of many types; however this paper deals with only some internal and endogenous factors of deposit mobilization of awash international bank.

Geographically, despite the fact that there are other branches of the bank which are located outside Addis Ababa, the study was focused on only on those grade one branches which are found in Addis Ababa.

1.5 Limitation of the study

- The deposit mobilization activity in Ethiopia is made by the entire commercial banks and other financial organization such as microfinance institutions. However, this study use only data of Awash International Bank specifically branches and head office located in Addis Ababa.
- The other limitation of the study were, none clerical staff of the bank were not included as a sample.

1.6 Significance of the Study

In addition to fulfilling the academic requirement of the researcher, the result of the study will have the following benefits. This study will be significant for both the bank managers and the academicians:-

- Hence, most banks in Ethiopia are in need of deposit, to satisfy this demands they are engaged in stiff competition. However, there are factors that determine deposit mobilization and knowing these factors benefit the management of the bank to design and implement effective deposit attraction strategies.

- The studies that are conducted on the factors determining awash international banks deposit are rare; therefore this study will be an input for various scholars, who are going to make further studies on similar issues. Finally the finding of the study will provide literature for the bank industry under deposit mobilization.

1.7 Organization of the study

The study was organized into five chapters. Chapter one dealt with the Introduction of the study. Chapter two reviews literature on both theoretical and empirical studies regarding the bank deposits and the factors that determine deposit mobilization activity. It contains an assessment of researches done on variables that influence deposit mobilization. The methodology employed for the study involving qualitative approaches for assessing the factors of deposit mobilization is presented in Chapter three. Chapter four presents the results of analysis done and discusses findings made. Chapter five, finally, draws some summary and conclusions from the empirical findings of Chapter four and suggests recommendations for policy consideration.

CHAPTER TWO

LITERATURE REVIEW

2 Related Literature Review

Literature review is prepared in two parts, i.e. the theoretical review and the empirical review part. In the theoretical review part the theories that states about the commercial banks deposits and the variables that is claimed to affect it are discussed. The empirical literature part discusses past studies that were conducted on the area of factor determining commercial banks deposits. In this part the variables that were included, the methodology that is used to undertake the study and the results of the study under review are discussed.

2.1 Conceptual review

2.1.1 The Development of Bank in Ethiopia

A bank is a financial institution that provides banking and other financial services to their customers (Kapila, 2001). 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.

The history of banking in Ethiopia goes back to the year 1905 E.C. when the bank of Abyssinia was first established with a capital of \$500,000.00. It was the foundation of this bank that marked the beginning of modern banking In Ethiopia. The government of Ethiopia and the national bank of Egypt jointly owned it under a 50 years franchise agreement. The liquidation of Abyssinia bank in the year 1931 due to inefficiency and poor profit orientation was followed by the establishment of Bank of Ethiopia with a capital of \$750,000.00 the first indigenous bank in the country.

The new economic policy introduce in November 1991 G.C. by the transitional government of Ethiopia laid the blue print for the transition from centrally planned economic system to market economic system in which the critical role of the private sector in development is fully recognized.

In the banking industry, the policy was translated in to action through the issuance of the licensing and supervision of banking business 84/94, which allowed the Ethiopian private sector to establish privately proclaimed No owned banks. Following this Awash International Bank is the first private bank established after the fall of the Derg Regime in November 1994 G.C., with a paid up capital of birr 24.2 million by 486 shareholders. It started operation through five branches in February 1995 G.C. From the 1 year operation, it has registered profits and growth both in its customer and asset base.

In 1995 G.C. the bank's deposit were Birr 146 million, Loan & Advances 129 million, From 1995 G.C. onwards, these financial indicators have shown a significant increase and in the fiscal year that ended June 30/2012, the bank has registered 13.1 billion in total assets, birr 9.2 billion in deposits, Birr 5.4 billion in loan and advances. Currently Awash International bank has created employment opportunities for 3,750 Ethiopians. Now a day's the bank have 107 branches in different towns of the country.

Bank deposits represent the most significant components of the money supply used by the public, and changes in money growth are highly correlated with changes in the prices of goods and services in the economy (Sergeant, 2001). Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts, time deposit accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited (Shemsu. 2015).

2.1.2 The function of banks in financial systems

Understanding the many roles that banks play in the financial system is one of the fundamental issues in theoretical economics and finance. The efficiency of the process through which savings are channeled into productive activities is crucial for growth and general welfare. Banks are one part of this process. Lenders of funds are primarily households and firms. These lenders can supply funds to the ultimate borrowers, who are mainly firms, governments and households, in two ways. The first is through financial markets, which consist of money markets, bond markets and equity markets. The

Second is through banks and other financial intermediaries such as money market funds, mutual funds, insurance companies and pension funds.

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 (Samolyk, 2004). Thus in their role as there 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 &Heiko, 2008). Banks perform various roles in the economy (Franklin & Elena, 2008)

- They improve the information problem between investors and borrowers by
- They provide inter temporal smoothing of risk that cannot be diversified at a given point in time as well as insurance to depositors against unexpected consumption shocks. Because of the maturity mismatch between their assets and liabilities, however banks are subject to the possibility of runs and systematic risk.
- Banks contribute to the growth of the economy. Commercial banks are institutions that engage in two distinct types of activities, one on each side of the balance sheet deposit-taking and lending.

So that banks are playing mainly intermediation function, this is supported by (Russell &Bamindele, 2009). (Mahendra, 2005) Also states banks as the backbones of the trade and commerce playing the intermediary role of capital formation and supply. Even if other financial institutions are available banks play a major role in facilitating the way the financial sector operates. Therefore banks are important of all other financial institutions. Banks influence macroeconomic environment, as to (Adam, 2005), bank failures involve significant macroeconomic costs. (Adam, 2005), has developed

Evidence that bank failures have significant and apparently permanent effects on real economic activity. Therefore banks are also important influencers in macroeconomic environment. Households and businesses are mainly using banks to save their money to get loan for their project undertakings. (Kelvin, 2001), said that commercial banks are important financial intermediaries serving the general public in any society.

In most cases commercial banks hold more assets than any other financial institutions. Apart from their many functions, commercial banks facilitate growth and development. Banks lend in many areas or sectors of the economy. Moreover commercial banks will affect the overall economy of the specific country both in a good way or bad way. Commercial banks represent a vital link in the transmission of government economic policies (particularly monetary policy) to the rest of the economy. For example, when banks credit is scarce and expensive, spending in the economy tends to slow.

2.1.3 The necessity of Deposits for Banks

Banks get their funds from two sources .i.e. from capital contribution and from debt/deposit liabilities. Deposit is the core funding source for many commercial banks. Kelvin (2001) said that deposits of commercial banks account for about 75% of commercial bank liabilities. The banks are using the deposits so collected with costs to channel them to those demanding loans at a profit margin. In the process of being used as intermediaries between depositors and loanees, the banks are facing risks of default in doing so. Deposits are crucial for commercial bank's profitability and sustainability.

Through financial intermediation, deposit is far more convenient and efficient for a bank, which has ongoing relations with thousands of depositors, to raise the funds from them, and then lend the money to the company (Brealey, 2007). Funds acquired from deposit sources are cheaper than those from capital sources.

In a study made by Harvey and Spong (2001) on bank funding sources and their effects on community banks in the Tenth District of Kansas City, it is learnt the deposit is shifting away from community banks and maintaining and attracting retail deposits would be a significant problem.

A bank plays a critical role in its ability to satisfy customer credit demands and perform other banking profitability is derived from gathering deposits at one set of interest rates and then lending or investing these funds at higher rates. These key roles that deposits play in overall bank performance have thus drawn much attention to bank funding practices and the ability of individual banks to maintain or expand their deposit base.

2.2 Factors Affecting Commercial Bank Deposits

An important indicator of the success and efficiency of any credit agency, which is also a banking institution is, the extent to which it is able to mobilize the savings of the community in the form of deposit. But deposit mobilization is very difficult task. It depends up on various factors exogenous as well as endogenous, to the banking system (Desinga, 1975). Exogenous factors are the general economic environment of the region, the volume of business transaction of the region, the confidence of the people on the banking system, the banking habit of the people and the saving potential of the region.

Even when exogenous factors are more conducive for deposit mobilization, banks may fail because of unfavorable endogenous factors such as location, type of building and window dressing (furniture, cheque books, vouchers, pay slips etc.), which assure the customers about the physical fitness of a bank (Desinga, 1975). Desinga (1975) classified the variables which are claimed to have effect on the commercial banks deposits into two, namely exogenous and endogenous factors.

Exogenous has further divided into country specific factors and bank specific factors for clarification purpose. Endogenous factors can be controlled by the banking system; however the exogenous factors cannot be controlled by the banking system. The bank specific factors are factors that are specific to the banking system and the country specific factors are factors that are beyond the banking system.

2.2.1 Exogenous Factors

These factors are from country and banks that can affect the growth of commercial bank deposits.

There are discussed as follows:-

2.2.1.1 Country Specific Factors

The country's economic, social and political factors can affect the commercial banks. According to Herald and Heiko (2009), country specific risks such as political, economic and financial risks may affect the propensity for depositors to place funds in the banking system. Any single bank operates under the rule and regulation of the country where it belongs, also different problems and shocks that has happened in the country has its own concern in the banks operation. Generally, a bank success in their operation is mainly depends on the environment where the business is undertaken.

a) Saving Interest Rate/Deposit Rate

One of the most effective factors for deciding to deposit in banking system is the interest rate (Mohammad and Mahdi, 2010). Moreover, this article shows the impact of interest rate on the performance of the banking system to achieve the goals that are expected from the banking system. Herald and Heiko (2009) also mentioned interest as one of the determining factor for commercial banks deposits. Philip (1968), also states that the offering of attractive interest rate on bank deposits may be considered to have had a beneficial effect. Moreover, Mustafa and Sayera (2009) said that low deposit rates are discouraging saving mobilization. Bhatt (1970), said that the banking system is unlikely to be in a position to meet the demand for bank credit unless concerted policy is pursued to raise the rate of saving generally and the rate of saving in the form of deposits in particular.

b) Inflation

As to Herald and Heiko (2009), inflation is one of the factors that determine commercial banks deposits. Mahdi showed that in Latin America the effect of inflation on savings and time deposit to GDP was significantly negative (Mohammad and Mahdi, 2010). The classical belief is that, because bank assets and liabilities are expressed in monetary terms and because these assets will normally grow in line with growth in money supply, banks are relatively immune from the effects of inflation (Devinaga, 2010). In brief, monetary policy works by controlling the cost and availability of credit. During inflation, the Central bank can raise the cost of borrowing and reduce the credit creating capacity of commercial banks. According to Devinga (2010), this will make borrowing more costly than before and thereby the demand for funds will be reduced. Similarly with a reduction in their credit creating capacity, the banks will be more cautious in their lending policies. Since the banks demand for fund decreases obviously the deposits will decrease. Banking system was affected by inflation in terms of deposit absorption and facilities grant (Mohammad and Mahdi, 2010). High

Inflation rates reduce the real value of deposits (Baqui et al, 1987). According to Baqui et al (1987), inflation technically did not decrease deposit; however it decreases the value of deposits.

c) Real Interest Rate

Real interest rate is nominal interest rate minus inflation rate. Mohammad and Mahdi (2010) said that in negative real interest rate condition, people withdraw their resources from banking system. According to Mohammad and Mahdi (2010), some research supposed that decrease in real interest rate could decrease true demands for money (in its extensive definition including savings and time deposits). Therefore it states that the interest rate and deposit of the banks have positive relationship. According to Voon-Choong et al (2010), while interest rates risk is a major concern for banks due to the nominal nature of their assets and the asset-liability maturity mismatch.

d) Population Growth of the Country

The twin objectives of commercial banks, i.e. acquiring deposits and advancing credit cannot be attained without good banking habits of the people (Mahendra, 2005). Moreover Mahendra (2005) states that, the number of deposit accounts is more important because it ensures that the probability of account is more important because it ensures that the probability of account holders withdrawing cash at a time decreases as the number of deposit account increase, thereby creating advantage for banks in terms of increasing the size of the loan-able fund. So the higher number of deposit accounts the greater is the advantage to banks. The number of deposit accounts depends on the number of deposit account holder.

e) Per Capita Income of the Society

According to Jim (2008), per capita is the level of GDP divided by the population of a country or region. Changes in real GDP per capita over time are often interpreted as a measure of changes in the average standard of living of a country. If households and firms desire to hold more money, deposits will increase (Evan et al, 2006). Thus, the relationship between income and deposits is positive, that is as the income of the society increases the same happens for the commercial bank' deposits. Therefore as society's per capita income increases the same will happen for commercial banks deposits.

f) Economic Growth

Economic performance is generally being measured through GDP (Gross Domestic Product), a variable that has also become the de facto universal metric for 'standards of living (Yanne et al, 2007). It is universally applied according to common standards, and has some undeniable benefits mainly due to its simplicity (Yanne et al, 2007). According to Herald and Heiko (2009), growth is one of the determining factors for commercial banks deposits. GDP is calculated by adding up the value-added at each stage of production (deducting the cost of produced inputs and materials purchased from an industry's suppliers).

g) Consumer Price Index

According to Herald and Heiko (2009), price can also determine commercial bank deposit and it can be indicated by consumer price index. In literature there is an evidence for the influence of consumer price index on commercial banks deposit, however this area was rarely studied.

h) Shocks

Aggregate shocks affect deposits and interest rates during crises, regardless of bank fundamentals and investors' responsiveness to bank risk taking increases in the aftermath crises (Maria and Sergio, 2001). Therefore, given all other variables the shocks happened in the economy can affect the banks' deposits.

2.2.1.2 Bank Specific Factors

a) Liquidity of the Banks

An important measure of liquidity is loan to deposit ratio. The loans to deposit ratio is inversely related to liquidity and consequently the higher the loans to deposit ratio the lower the liquidity and vice versa (Devinga, 2010). Key liquidity indicators such as central bank credit to financial institutions, deposits as a share of monetary aggregates, loans to deposits ratios, are important for open market operations and liquidity management (Sheku, 2005). According to Voon-Choong et al (2010), the basic need for liquidity, asset, liability, capital adequacy, credit and interest rates risks management are now more challenging than before (Evan, 2006). The banks' liquidity management involves acquiring sufficient liquid asset to meet the bank's obligation to depositors (Voon-Choong et al, 2010). Liquid banks as well as banks with a higher loan exposure are associated with higher

Deposit growth. Herald and Heiko (2009), states that the liquidity situation of the bank also plays a significant role in determining banks deposit growth.

b) Profitability of the Bank

Erna and Ekki (2004) finds the long run relationship between commercial banks deposits and the profitability of the banks. Higher bank profits would tend to signal increased bank soundness, which could make it easier for these banks to attract deposits (Herald and Heiko, 2009). However, the effect of bank profitability and bank size are found to be insignificant once controlling for the other variables. So, the effect of profitability and banks size on commercial bank deposit is lower as compared with other variables.

c) Security of the Bank

Security of banks matters in mobilizing deposit. Riskier banks would be able to attract deposits only paying higher Interest rates. The security of banks has its own impact on its attractiveness for depositors. For example in the existence of deposit insurance the depositors no longer are concerned about the soundness of their banks because their deposits are insured in the event of bank failure. So the bank should secure its system so as to mobilize more deposit than before and to attract new depositors and maintain the exiting depositors.

d) Branches

There is a relationship between commercial banks deposits and commercial bank's branch expansion is not only are deposits influenced by bank branches, but the expansion of bank branches is also influenced by the level of deposits in any area (Baquiet al, 1987). It is expected that banks make decisions on expanding their facilities by considering factors such as level of competition, deposit potential, regional income and existence of road and vehicles. 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. An argument commonly articulated in the literature is

That branch banking stabilizes banking systems by reducing their vulnerability to local economic shocks; branching enables banks to diversify their loans and deposits over a wider geographical area or customer base (Mark and Kris, 2006). Restrictions on branching have been linked to the instability of banking systems.

e) Bank Size

Among the factors prominently identified as affecting deposit variability one is bank size. Evidence indicates that the number and diversity of the ownership of individual deposit accounts as well as the distribution of deposits by type vary with bank size (George, 1972). Herald and Heiko (2009) founds that although insignificant once controlled by other variables bank size have an effect on deposits. A smaller bank has to generate less deposit in absolute terms to achieve the same deposit growth than large banks, thus possibly favoring smaller banks in achieving higher deposit growth.

f) Reserves

Richard Goode and Richard S. Thom (1959), said that reserves that are fixed legally can influence the deposits that banks can hold. According to them reserve requirements determine the maximum amount of loans and investments that each commercial banks and the banking system as a whole may maintain in relation to deposits. Thus, if the reserve requirement is 20 percent of deposits, loans and investment (of the bank's own choosing) may not exceed 80 percent of deposits. Therefore, reserve requirements limit the total expansion of bank deposits that can occur on the basis of any primary increase in deposits. Reserve requirements also have the effect of limiting the reduction in bank credit and deposits that is forced up on the banking system by a primary decrease in deposits.

g) Transaction Cost

Important indicator of management's effectiveness in any bank are whether or not deposited funds have been raised at the lowest possible cost and whether enough deposits are available to fund those loans the bank wishes to make (Mahendra, 2005).

2.2.2 Endogenous Factors

In the literature three endogenous factors are identified that can affect the growth of commercial banks deposits. They are awareness of the society for using banks to deposit their money, convenience of Bank's office and service in the banks.

a) Awareness of the Society

According to Baqui et al (1987), some analysts argue that demand for deposits is influenced by education level which in turn increases the awareness of the rural people about banking services. Since the study of Baqui et al (1987) conducted by taking rural area as its base it is obvious that it considers the awareness as a factor of deposit mobilization. It was also found that literacy as a proxy for awareness about banking, positively influence deposits.

b) Convenience of Bank's Office

Road and vehicles directly influence interest bearing deposits because of the reduction in depositors' transaction costs through reduced time spent in travelling to and from banks (Baqui et al, 1987). Banks can mobilize more deposit when they make themselves closer to their customers (depositors).

c) Services in the Bank

It is known that banks are service giving organizations and the service delivery can affect their business undertakings. Baqui et al (1987) stated that there is some empirical evidence demonstrating the positive influence of services rendered to depositor. 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.

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 (V. V. Bhatt, 1970).

The followings are services that V. V. 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 an understanding and convincing 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 V. V. Bhatt (1970) 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.

2.3 Approaches to Attract Cash Depositor

Kumar (2000) 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.

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 (Kumar, 2000).

Increase customer access to funds by expanding ATM networks and improving online banking offerings. 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 (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. 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 (Kumar, 2000).

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 (Kumar, 2000).

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 (Kumar, 2000).

2.4 Empirical review

The empirical literature part discusses past studies that were conducted on the area of factors determining commercial banks deposits. In this part the variables that were included, the methodology that is used to undertake the study and the results of the study under review are discussed. These will help to see where the literature on this area is and how this study will add to the existing literature. Accordingly, the articles will be discussed below one by one.

2.4.1 Determinants of commercial bank deposit in Ethiopia

An empirical study made by (Shemsu, 2015), on commercial bank of Ethiopia, the main objective was to identify and evaluate those determining factors of bank deposits in the case of CBE. In order to see the determinants of bank deposit in case of Commercial Bank of Ethiopia, researcher adopts both quantitative and qualitative research approach. The study use both primary and secondary data source, questioner for primary data source and for secondary source time series data covering 1998 - 2014 was analyzed. The collected data was regressed by time series OLS regression method and interpret with the help of different financial relationship and statistical description including standard deviation, average, minimum, maximum and median (descriptive statistics) and multiple regression (significant test). The study focused on one dependent (commercial bank deposit) and six independent variables these are deposit interest rate, overall inflation rate, and gross domestic product, number of branch opened, individual foreign remittance and dummy variable.

The results from economic analysis showed that all the explanatory variables were positively correlated with the explained variable in the case of CBE. Among these variables, branch opening is an important strategy for deposit mobilization, it is highly significant than others. An individual remittance from Diasporas is also next to branch opening is significantly affects but these factors are not as such significant.

2.4.2 Determinants of Kenyan commercial banks deposit growth

An empirical study made by (Lomuto, 2008), on commercial banks in Kenya with the aim of identifying and examine the key determinants of Kenyan Commercial Banks Deposit growth. Its main objective was to analyze the factors that influence Commercial banks deposit growth in Kenya. Time series data covering 1968 - 2006 was analyzed. First, the time series characteristics of the data were assessed using unit root tests to examine the stationary of each variable. Secondly, the test for co integration was performed to determine the long run relationship of the non-stationary variables. Lastly, estimated model was a single regression equation with deposit as the dependent variable and explanatory variables as deposit rate, nominal exchange rate, investment income ratio, number of cheque cleared (used as proxy for innovations in the financial sector), real GDP, ratio of monetary GDP to

Total GDP and Structural Adjustment Programs (SAPs). Estimation was done using Ordinary Least Squares (OLS) technique and Econometric Views (E-views) statistical package.

Analyzed results showed that lagged Commercial bank deposits and all the other variables including Structural Adjustment Programs (SAPs) significantly affect Commercial bank deposit growth in Kenya. Based on these results, several policy implications were drawn that aim at encouraging deposits growth by Commercial banks for the benefit of the domestic deposit mobilization. First, growth enhancing policies promotes deposits growth. Second, the stability of macroeconomic system should be maintained. Lastly, financial sector innovations encourage deposit growth in Commercial banks in Kenya as people reduce their demand for carrying cash.

2.5 Summary and knowledge gap

Based on the above theoretical as well as empirical review, deposit mobilization is the major activities for all banks especially for commercial banks since their function is mobilizing deposit to meet the required liquidity for credit customers of banks. But this too depends on the availability of credit facilities which in turn depends on the level of bank deposit. It also revealed that banks deposit can be determined by different factors such as bank specific and macroeconomic (Endogenous and Exogenous) factors. While this study focused on some of the bank specific and exogenous factors determine bank deposits. Theories on bank deposits are well available in various literatures. But the empirical studies on bank deposit are rarely available especially in Ethiopia. Based on this an important gap still exists in the empirical literature about deposits and its determinants.

To the knowledge of the researcher there is no empirical studies done regarding to the determinants of bank deposit in the case of AIB. Although the research made by (Sisay. 2013) focused on reconstruction of Addis Ababa roads, the direct and indirect government intervention and the effect of the current condominium house construction program on bank deposit. Since AIB is in the growth stage branch expansion, convenience of branch office, public awareness creation and service given were not analyzed well. It is an essential of identifying the important determinants of bank deposits.

And finally, this study is different from previous works done by others; specifically it will examines four determinants of bank deposit in AIB and then assesses the qualitative data for these determinants. The focus will be on bank deposits in AIB, and its determinants.

2.6 Conceptual Frame work of the study

Based on the above theoretical and empirical review, the following conceptual frame work in which the study is governed was developed by the researcher.

The research is going to reveal that there are independent variables (branch expansion, service in the bank, convenience of branches' and awareness of the society) determine the total deposit mobilization of Awash International Bank S.C (the dependent variable).

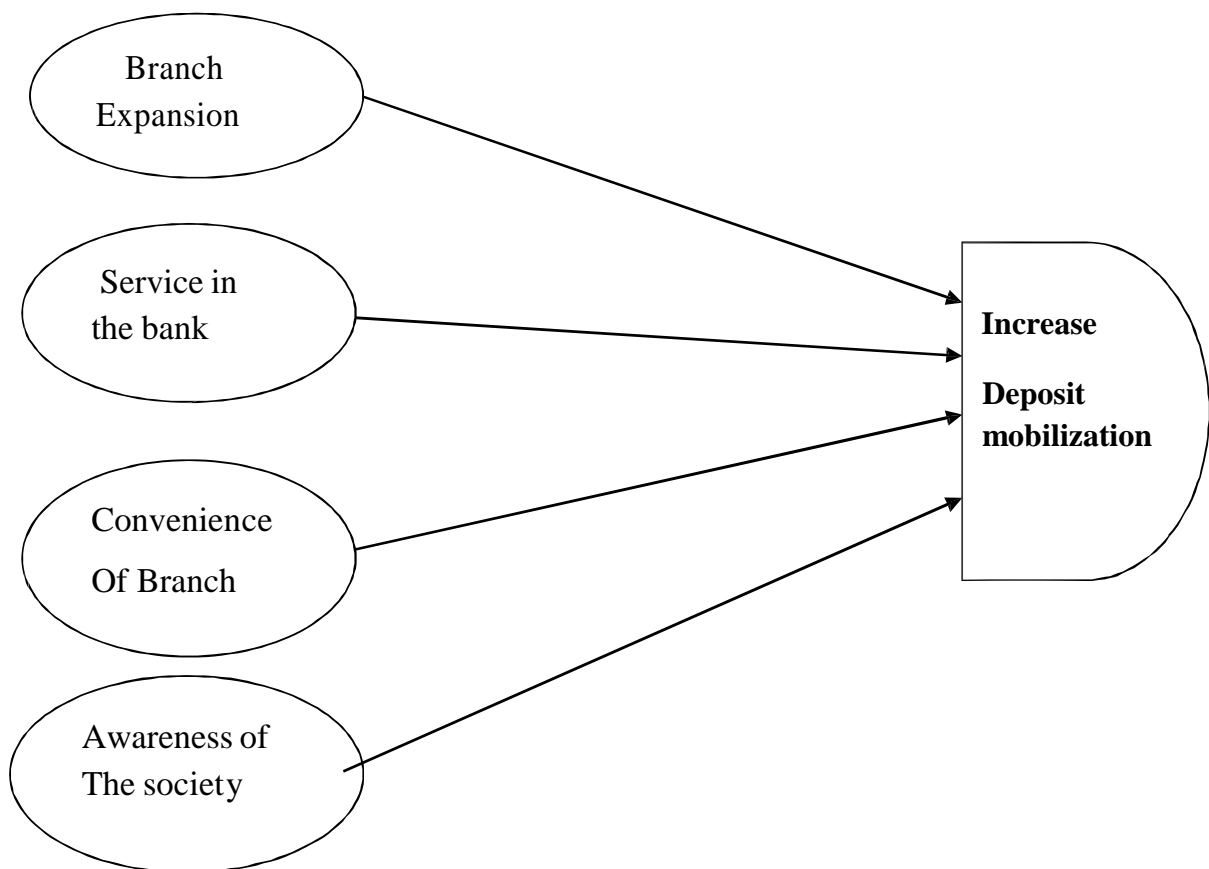


Fig. 1 Conceptual framework of the study

Source: Developed by the researcher

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

This chapter describes the sources of data, the research design, the characteristics of the study population, sample and sampling techniques and data collection schedule in the study. It explains the type of data used for the study and the techniques employed in identifying the factors that determine the bank deposit.

In order to see the determinants of bank deposit in case of Awash international Bank, the researcher use descriptive research design and adopt both quantitative and qualitative research approaches.

3.2 Data source

In order to identify determinants of awash international bank deposit both primary and secondary data was used, Primary data were collected through questionnaire. Secondary data are those have already collected by someone other than the investigator himself. Secondary data were collected from various sources such as researches, international journal, articles, E-sources important books related to the topic and etc.

3.3 Procedure of Data Collection

In the data collection procedure he researcher seeks permission from all targeted branches of the bank in Addis Ababa. After the permission granted, the questionnaires were distributed to the respondents. The survey pack was include a copy of the cover letter and the questionnaire.

3.4 Research Instruments

The main research instrument utilized in this study was questionnaire. According to Leary (2004), the major advantages of questionnaires are that it can be administered to groups of people simultaneously, and it is less costly and less time-consuming than other measuring instruments. The questionnaire contains three parts, the first part is about demographic

Characteristics of respondents. This part consists of items such as sex, age, marital status and year of service in Awash International Bank. The second part is related to the research questions and the third part is about the overall deposit mobilization of Awash International Bank. In this study the questionnaires were adopted from Gragn G. (2016).

3.5 Reliability of the questionnaires

Hair et al. (2007) defines reliability as the extents to which a variable or a set of variables is consistent in what it is intended to measure.

To ensure the consistency of the present instrument, it will use the Cronbach's alpha coefficient developed by Lee Cronbach in 1951, the Cronbach's alpha coefficient is a statistical tool that evaluate the confusability via the consistency of a questionnaire. For the utilization of this coefficient, it is a requirement that all the items of an instrument use the same measurement scale.

Table 3.1 Reliability statistics

Cronbach's alpha	Number of items
0.949	20

As stated by Masdia Masri (2009), the closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are considered poor; those in the range of 0.60 to 0.80 are considered good and acceptable. In this study, all the independent variables and dependent variable meet the above requirement which is reliable for the study.

3.6 Population, Sampling Frame, Sample Size and Sampling Techniques

3.6.1 Population of the study

The study population/participant were employees of AIB and the questionnaires were distributed to the employees of Awash international bank

3.6.2 Sampling Frame

Awash International bank has launched a total of 246 branches and 125 area branches in Addis Ababa till 30 of Sep 2016. AIB categorized all city branches into classes 1 to 4 based on numbers of staff, customer flow and deposit amount. This categorization were served as a base for selection of branches; purposive sampling techniques was applied to select grade 1 branches because those branches have larger and experienced employees, large customer flow and huge deposit volume as compared to other category of branches. Based on this the sample were drawn from the total grade 1branches located in Addis Ababa which are seven in number and these total population are employees of Head office, Addis Ketema, GofaSefer, Kolfe, Legehar, Merkato and Stadium branches.

3.6.3 Sampling technique

Purposive sampling technique was used to select branches. It is obviously difficult to undertake all branches which are currently operating in Addis Ababa because it requires adequate time, financial resource and other study related resources. Based on purposive sampling technique the researcher select grade one branches those are located in Addis Ababa those branches have large number and experienced employees of Awash International Bank.

convenience sampling technique was used to select employees from selected branches, the rationale behind using convenience sampling technique was employees are selected who are ready available when the questionnaire were distribute.

3.6.4 Sample Size

This study used non-probability sampling technique which is convenience sampling method to select the target employees for the study. The rationale behind using convenience sampling method is because the member of the population are selected based on ready availability.

Sample size were determined by using Taro Yamane (1967) sample size determination formula. A 95% confidence level was assumed for this formula to determine the sample size, at $e=0.05$.

$$n = N / (1 + N(e)^2)$$

where n is the required sample size, N is the population size and e is the level of accuracy.

$$n = 282 / (1 + 282(0.05)^2)$$

$$n = 282 / 1.705 = 165$$

So from the target population of 282 employees the researcher was select 165 employees as sample to distribute the questionnaires. Since the number of people in each branch is not the same, the number of samples for each branch was calculated by using the following formula:

$$n_1 = nN_1/N$$

Where n= total number of samples

N= total number of population

N₁= total number of population in each branch

Based on the above formula the following number of sample is developed from each branch.

Table 3.2 Number of population and sample size

Branches	Total number of population	Total number of Sample
Head office	75	44
Addis ketema	34	20
Gofasefer	32	19
Kolfe	30	17
Legehar	28	16

Merkato	54	32
Stadium	29	17
TOTAL	282	165

3.7 Data analysis

Data collected from the respondent were analyzed and interpreted so as to arrive at meaningful findings. To analysis this data SPSS version 20 computer software program was used. First the responses of the participants was coded in Excel spreadsheet and then export to SPSS to analyze the findings. After exporting to SPSS, the raw data concerning the respondents' demographic and deposit mobilization variables were represented using tables. After the respondents profile presented, the deposit mobilization variables were processed using descriptive statics and correlation analysis. The descriptive statics parts of the variables were analysis using frequency, and percentage whereas Pearson correlation were used to determine the relationship between deposit mobilization and determining actors.

3.8 Background of Awash International Bank S.C

Awash International Bank s.c was established as a first private bank after the dawn fall of the Dergue regime and introduction of market economic policy in 1991. The bank is named after the Awash River which is most utilized and only river that remain within the territorial boundary of Ethiopia.

Initially, it was established by 486 founder shareholders with a paid-up capital of Birr 24.2 million. It was licensed on November 10, 1994, and started banking operations on February 13, 1995. The number of shareholders and paid up capital have been increasing continuously and currently its capital stood at more than Birr 1.5 billion. However, the 13th Extraordinary Annual General Meeting of the shareholders of AIB endorsed the increase of paid-up capital to Birr 3 billion and subscribed capital to 6 billion within the coming three years. (www.awashbank.com). Awash International Bank s.c is also the first private bank to

Build its own head quarter and other buildings in different areas. (Annual Management Report – Engineering Department, 2014/15). Currently, the Bank has total of 205 branches of which 104 branches are located in Addis Ababa while the remaining 101 branches are located in regional towns. (Annual Management Report – Branch Affairs Directorate, 2014/15)

New Core Banking project was completed since July 2014 and currently, all branches are being embraced by the new system replacing the old one which referred as the “Bank Master”. AIB expects that the solution will provide an edge over competition by helping meet market demands with greater agility and the automated services of the Core banking solution will ensure faster processing front and back office request and an improved turnaround time for customers. (AIB Annual Report 2013/14)

Similarly, the Bank started providing a card banking payment services, Automatic Teller Machine (ATM) in collaboration with other private banks under auspice of a share company named “Premier Switch Solutions (PSS) for the operation of joint and management of Automatic Teller Machine (ATM) and Point of Sale (POS) terminals. In similar development, Awash International Bank has been certified as a principal member for accepting Master Card branded Card by Master Card International as of March 2014

Visa card as of August 2015. The Bank also announces to be on the verge of starting to provide Debit Card, Credit Card and prepaid Card services. AIB installed 120 its own Automatic Teller Machines (ATM) and 500 Point of Sales (POS) terminals at convenient places for its customers. (www.awashbank.com).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATIO

4.1 Response Rate

A total of 165 questionnaires were distributed and the response rate was indicated in the table below

Table 4.1 Response rate

Items	Response rate	
Sample size	165	100%
Collected	158	95.7%
Remain uncollected	7	4.24%

Source: own survey, 2016

From the above table, out of 165 distributed questionnaire 158(95.7%) were collected while 7(4.24%) of the questionnaire remained uncollected.

4.2 Demographic Profile of the Respondents

The biographical variable that is presented in this study is gender ,age and marital status of the respondents whereas the organizational variables are educational level and year of service of employees in the bank which are described and discussed in the following table .

Table 4.2 Gender of respondents

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Female	66	41.8	41.8	41.8
Male	92	58.2	58.2	

Total	158	100	100	
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Source: own survey, 2016

Based on the above table 66(41.8%) of the respondents are female and 92(58.2%) of the respondents are male. Based on the information, we can infer that the majority of employees currently working in Awash International Bank are male.

Table 4.3 Marital status of respondents

Marital status	Frequency	Percent	Valid Percent	Cumulative Percent
Married	73	46.2	46.2	46.2
Single	85	53.8	53.8	100
Total	158	100	100	

Source: own survey, 2016

From the respondent 73(46.2%) of are married, whereas 85(53.8%) of them are single.so this indicates the majority the respondents are single.

Table 4.4 Age of respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Below25 years	2	1.3	1.3	1.3
26-35 years	84	53.2	53.2	54.4
36-45 years	65	41.1	41.1	95.6
46 and above	7	4.4	4.4	100

Total	158	100	100	
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Source: own survey 2016

From respondents who responded in the research, 1.3% of them are below 25 years, 53.2% of them were aged from 26-35 years and 41.1% of them are aged from 36-45 years, the rest 4.4% are above 46 years. The above table indicate that most of the respondents are aged between 26 and 45 years. Based on this most of respondents are between the age of 26 and 45 years.

Table 4.5 Position of respondent in the bank

Position	Frequency	Percent	Valid Percent	Cumulative Percent
Branch manager	7	4.4	4.4	4.4
Accountant	9	5.7	5.7	10.1
Customer service officer	85	53.8	53.8	73.4
Chif cahier	8	5.1	5.1	78.5
Other position, please specify	34	21.5	21.5	100
Total	158	100	100	

Source: own survey 2016

The position of respondent include 4.4% branch manager, 5.7% accountant, 9.5% auditors, 53.8% customer service officer, and 5.1% chef cahier and the rest 21.5% held other positions currently.

Table 4.6 Year of service of respondent in the bank

Year of service	Frequency	Percent	Valid Percent	Cumulative Percent
Below five years	21	13.3	13.3	13.3
6-15 years	89	56.3	56.3	69.6
16-25 years	43	27.2	27.2	96.8
26 and above years	5	3.2	3.2	100
Total	158	100	100	

Source: own survey 2016

This table is regarding to year of service of the respondents in the bank. Based on this 21(13.3%) are below 5 years, 89(56.3%) of them are 6-15 years and also 43(27.2%) of the respondents have 16-25 years of experience in the bank and the rest 5(3.2%) of the respondent have 26 and above years of experience. Therefore, the majority of the respondents have been working in a bank for 6-15 years and significant for the soundness of the data that provided by the respondents since those who have more stayed in the organization know more about and assumed to be they can give accurate information.

4.3 Descriptive Statistics Analysis

Table 4.7 besides your position are you the customer of the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	145	91.8	91.8	91.8
No	13	8.2	8.2	100

Total	158	100	100	
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Source: own survey 2016

According to the above table 4.7, 145(91.8 %) of respondents are both an employee and depositor or customer of the bank and 13 (8.2 %) of respondents are not a depositor only employee of the bank. From this one can conclude that an employees of Awash International Bank are depositor or customers of the bank.

Table 4.8 Understanding and commitment of staffs on deposit mobilization

Understanding & commitment of staffs	Frequency	Percent	Valid Percent	Cumulative Percent
Very good	61	38.6	38.6	38.6
Good	47	29.7	20.9	89.2
Satisfactory	33	20.9	20.9	89.2
Poor	17	10.8	10.8	100
Total	158	100	100	

Source: own survey 2016

Respondents are asked to evaluate the understanding and commitment of AIB's staffs on deposit mobilization. 38.6% of respondents of the respondents evaluate as very good, 29.7% of the respondents evaluate the understanding and commitment of AIB's staffs on deposit mobilization as good and 20.9% of them evaluate as satisfactory. However 10.8% of the respondents evaluate that the understanding and commitment of AIB's staffs on deposit mobilization is poor. Based on the analysis most of the employees of awash international bank staffs have well understanding and they have commitment for deposit mobilization activity.

Table4.9 which group of customers are the most significant depositors

Most significant depositors	Frequency	Percent	Valid Percent	Cumulative Percent
Individual customer	112	70.9	70.9	70.9
Business organization	37	23.4	23.4	94.3
Government organization	9	5.7	5.7	100
Total	158	100	100	

Source: own survey 2016

According to table 4.9, 112 (70.9 %) of the respondent respond that individual customers are the most significant depositors of the bank, 37 (23.4 %) of respondents says that business organizations are the most significant depositors of the bank and the rest 9 (5.7 %) agreed that government organizations are the most significant depositor of the bank. From the above analysis it's possible to conclude that individual customers are the most significant depositor of the bank.

Table4.10 The most significant deposit volume of the bank

Significant deposit volume	Frequency	Percent	Valid Percent	Cumulative Percent
Saving account deposits	103	65.2	65.2	65.2
Current account deposits	48	30.4	30.4	95.6
Fixed time deposits	7	4.4	4.4	100
Total	158	100	100	100

Source: own survey 2016

From the three common deposit types namely saving, current and fixed time accounts saving account have significant volume of deposit as viewed by 103(65.2%) of the respondent.

On the other hand 48(30.4%) of the respondents answered that current account hold the significant volume of deposit in their bank and the rest 7(4.4%) of the respondent answered that fixed time deposit have significant deposit volume. Based on the analysis saving account grasp the most significant deposit volume of Awash International Bank.

Table4.11 Is your bank increasing the number of its branches every year

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	158	100	100	100
Total	158	100	100	

Source: own survey 2016

According to the above table all respondents 158(100%) say that Awash International Bank increase its branch every year.

Table4.12 The main cause for the branch expansion

Main cause for branch expansion	Frequency	Percent	Valid Percent	Cumulative Percent
Deposit mobilization	97	61.4	61.4	61.4
Loan availment	10	6.3	6.3	67.7
To lead the banking sector by having greater number of branches	28	17.7	17.7	85.4

To reach out foreign currency sources	23	14.6	14.6	100
Total	158	100	100	

Source: own survey2016

This research has found out that the main cause for the branch expansion by the selected bank is for the purpose of deposit mobilization as shared by the views of 97(61.4 %) of the respondents. 10(6.3%) of the respondent believe that loan availment is the main cause , 28(17.7%) of the respondent says the main cause for branch expansion is to lead the banking sector by having greater number of branches and the rest 23(14.6%) of respondent believe the bank expand its branch to reach out foreign currency sources.

From the above result one can infer the bank engaged in branch expansion to mobilize deposit.

Table4.13 The most determining factors of bank deposit

Most determinant factor	Frequency	Percent	Valid Percent	Cumulative Percent
Branch expansion	83	52.5	52.5	52.5
Public awareness	12	7.6	7.6	60.1
Service given by the bank	14	8.9	8.9	69.0
Accessibility of branch office	11	7.0	7.0	75.9
All	38	24.1	24.1	100
Total	158	100	100	100

Source: own survey2016

On the literature review part it is mentioned that bank deposit can be determined by bank specific factors. Based on this fact, the respondents were asked to know which factor is most determine the bank deposit. Their response were presented in the table above indicates that

83(52.5%) of respondents agree that branch expansion can be the main determinants for deposit growth in Awash International Bank, 12(7.6%) of them claims that public awareness is the main determinant of deposit mobilization, 14(8.9%) of the respondents respond that service given by the bank is the most determinant of deposit, 11(7%) of the respondent says that accessibility of branch office is the most determinant and the rest 38(24.1%) of respondent says that the determining factors of deposit is not only but many for this case cumulative effects of the above. Based on the above analysis branch expansion is the most determining factor of AIB deposit mobilization, the bank use branches as a means for deposit mobilization as the bank increase its number of branches and widen the geographical coverage, it can mobilize more deposits. AIB opened 52 new branches during the 2014/15 period. (AIB” Business Development Report – 2014/15).

Table 4.14 Deposit difference among AIB branches

Deposit difference among branches	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	119	75.3	75.3	75.3
No	14	8.9	8.9	84.2
I don't know	25	15.8	15.8	100
Total	158	100	100	

Source: own survey 2016

Based on the table 4.11 analysis 75.5% (119) of the respondents agreed that the volume of deposit are different in volume in awash international bank branches, the other 8%(14) of the respondents are not agreed with difference in deposit volume and the rest 15.8%(25) of the respondents respond that they didn't know about the deposit volume difference among branches. Based on the above analysis the deposit volume of AIB is differ from branch to branch.

Table 4.15 what do you think is the cause for difference in deposit among branches

	Frequency	Percent	Valid Percent	Cumulative Percent
Convenience of bank office(type of building)	76	48.1	48.1	48.1
Effort of the branch staffs	25	15.8	15.8	63.9
Service provision	31	19.6	19.6	83.5
Awareness of the society	23	14.6	14.6	98.1
Other reason	3	1.9	1.9	100.0

Source: own survey 2016

Based on the table 4.12 analysis 48.1 % of the respondents agreed that convenience of bank office is the cause for the difference in deposit mobilization among branches, 15.8 % of the respondent believe that effort of branches staffs is the cause for the difference, 19.6 % of the respondents says that service provision is the cause for difference in deposit volume among branches, 14.6 % of the respondents believe that awareness of the society is the cause for difference and the rest 1.9% of the respondent believe that the cause for the difference in deposit mobilization among branches are other reasons other than mentioned above. From the above analysis one can understand that convenience of branch office is the cause for the difference in deposit mobilization among branches.

Table4.16 The volume of deposit grow year after year

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	156	98.7	98.7	98.7

No	2	1.3	1.3	100.0
Total	158	100.0	100.0	

Source: own survey 2016

Based on the above table almost all respondent respond that the deposit volume of Awash International Bank is growing year after year.

Table 4.17, The reason for deposit growth

Reason for deposit growth	Frequency	Percent	Valid Percent	Cumulative Percent
Awareness creation	34	21.5	21.5	21.5
The secure feeling of depositor	19	12.0	12.0	33.5
Service given by the bank	44	27.8	27.8	61.4
Location & convenience of branch	20	12.7	12.7	74.1
Branch expansion	41	25.9	25.9	100.0
Total	158	100.0	100.0	

Source: own survey 2016

From respondents who responded in this research, 21.5% of them respond that awareness creation is the reason for deposit growth, 12% of the respondent say that the secure feeling of the depositors growing is the reason, 27.8% of them believe that the service given by the bank is the reason for deposit growth, 12.7% of the respondents respond that the reason for year after year deposit growth is location and convenience of branch office and the rest 25.9% of the respondent believe branch expansion is the reason for the deposit growth.

Based on the analysis service given by the bank is the reason for the growth of deposit in Awash International Bank.

What has been done in Awash International Bank S.C.to promote awareness of the society pertaining to AIB’s services?

For the above question respondents respond that the bank use different advertisement mechanisms to promote its service, which is

- ✓ TV, radio, newspapers, magazines advertisement,
- ✓ Sponsoring films, TV dramas, documentaries and various events and also
- ✓ The bank participate in donation program

Table 4.18 The volume of deposit grow after the awareness creation

Deposit after awareness creation	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	147	93	93	93
No	11	7	7	100
Total	158	100	100	

Source: own survey 2016

According to the table 4.15 analysis 93% of the respondent respond that the volume of deposit is increase after the awareness creation and 7% of the respondent didn’t agree with this. Based on the analysis deposit of the bank is increase after the awareness creation activity

Table 4.19 special service the bank provides for corporate depositors/customers

Special service	Frequency	Percent	Valid Percent	Cumulative Percent

Prize/award for the depositors	5	3.2	3.2	21.5
Special consideration on foreign currency allocation	34	21.5	21.5	24.7
Higher interest rate for fixed term deposit	38	24.1	24.1	48.7
loan facility for future investment	81	51.3	51.3	100
Total	158	100	100	

Source: own survey 2016

Based on the above table 4.16, 3.2% of the respondent says that Awash International bank provide prize/award for the depositors, 21.5% of them believe that the bank have Special consideration on foreign currency allocation and, 24.1% of the respondent respond that the bank provide higher interest rate for fixed term deposit the rest 51.3% of the respondent say that the bank provide loan facility for future investment for its depositor.

From this one can infer that Awash International Bank provide loan facility for corporate depositor and the bank provide higher interest rate for fixed term deposit.

The ability to attract and retain big depositors has a decisive role to the deposit growth of a bank. And so, special consideration and handling to these corporate depositors should be given.

In addition to the above service mentioned in table 4.16 the respondent were asked to mention if there is another services provided by the bank for depositors, based on this the respondent mention some special services those are:-

- ✓ Presenting gifts and postcard during holidays;
- ✓ Higher interest rate for deposits with fixed term;
- ✓ Cash collection directly from the customer's office;
- ✓ Handling of staff salary,

Table 4.20 Volume of deposit grow as a result of special services

Deposit after special service	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	153	96.8	96.8	96.8
No	5	3.2	3.2	100
Total	158	100	100	

Source: own survey 2016

According to the table 4.17, 96.8% of the respondents agree that the volume of deposit is increase as a result of special service provided for its customer and the rest 3.2% of the respondent didn't agree with this.

Table 4.21 Over all deposit increment year after year

Deposit increment	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	150	94.9	94.9	94.9
No	8	5.1	5.1	100
Total	158	100	100	

Source: own survey 2016

According to table 4.21, 94.9% of respondent respond that the overall deposit of Awash International Bank shows increment from year to year and 5.1% of respondent says that the bank deposit doesn't show increment from year to year.

4.4 Correlation Analysis

Correlation between Deposit mobilization and Independent Variables

In this section, the researcher tried to accomplish the goal of the study through applying Pearson's correlation as it is the most widely used method of measuring the degree of relationship between two variables.

The relationship between two variables will be: a correlation of .10 is described as a small effect size, a correlation of .30 is described as a medium effect size and a correlation .50 is described as a large effect size (Pallant, 2005).

- r=.10 to .29 or r= -.10 to -.29 small
- r=.30 to .49 or r= -.30 to -.49 medium
- r=.50 to 1.0 or r= -.50 to -1.0 large source: cohen (1988)

The correlation among selected determinant variables and deposit mobilization was computed and presented in the table below:

Table 4.22 Correlation Analysis

Independent variable	No.of observation	Deposit mobilization	
		Pearson Correlation	Sig. (2-tailed)
Branch expansion	158	.592**	.000
Convince of branches	158	.518**	.000
Awareness of the society	158	.844**	.000
Service given by the bank	158	.547**	.000

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

Source: own survey 2016

4.3.1 Branch expansion and deposit mobilization

The result on the above table shows that branch expansion ($r=0.592$, $p<0.05$) is positively and significantly related with deposit mobilization. This means an increase in number of branches will bring corresponding change in deposit mobilization.

4.3.2 Convince of branches and deposit mobilization

From the above table it can be seen that convenience of branches ($r=0.518$, $p<0.05$) is positively and significantly related with deposit mobilization. Implying that a change in the convenience of branch office will have a corresponding change on deposit mobilization.

4.3.3 Awareness of the society and deposit mobilization

The above table reports that awareness of the society ($r=0.844$, $p<0.05$) have strong positive and significant relation with deposit mobilization. Implying that change in public awareness will have significant effect on deposit mobilization of the bank.

4.3.4 Service and deposit mobilization

The result on the above table shows that bank service ($r=0.547$, $p<0.05$) is positively and significantly related with deposit mobilization. This means changes on service of the bank will bring corresponding change in deposit mobilization.

CHAPTER FIVE

FINDING, CONCLUSION AND RECOMMENDATION

This chapter summarizes the finding, discusses the conclusion drawn from the study, and provides recommendations.

5.1 Summary of findings

The main objective of the study was to identify the determinants of deposit mobilization of Awash International Bank specific objectives were to determine and evaluate the relationship between identified factors and total deposit of Awash International Bank. Accordingly the study reveals certain basic facts about AIB's deposit along with factors determining bank deposit. As result of the analysis and interpretation, the following are the summary of findings:

- The result of the back ground of the respondents shows that, the majority of the respondents 58.2% are male and 41.8% are female.
- 53.2% are aged in the range of 26 - 35 years and 41.1% are aged with the range of 36 – 45 years.
- From the respondent 53.8 % are single and 46.2 % are married respondent.
- 4.4% of respondents are branch manager, 5.7 % are accountants, 9.5 % are auditors, 53.8% are customer service managers and the rest have different position in the bank.
- The research found out that 56.3 % of employees have 6-15 year of service, and 27.2% are have tenure of 6 -15 years.
- The results of the descriptive statistical analysis indicated that, employees of Awash International Bank are depositor or customers of the bank.
- Most of the employees of awash international bank staffs have well understanding and they have commitment for deposit mobilization activity.
- The research has found out that individual customers are the most significant depositor of the bank as shared by the views of 112 (70.9 %) respondents.

- From the three common deposit types namely saving, current and fixed time accounts, saving account have the most significant volume of deposit as viewed by 65.2% of the respondent.
- Awash International Bank is increase its branch every year as viewed by all respondent and this research has found out that the main cause for the branch expansion is for the purpose of deposit mobilization as shared by the views of 61.4 % of the respondents.
- This research has found out that branch expansion is the main determinants for deposit mobilization in Awash International Bank as shared by 52.5 % of the respondent.
- 75.5% of the respondents agreed that deposit is different in volume in awash international bank branches and the reason for the difference is convenience of branch offices for depositors as viewed by 55.7 % respondents.
- The researcher found out that the deposit volume of Awash International Bank is growing year after year. Regarding to the reason for the volume of deposit growth year after year 21.5 % of respondents mention that awareness creation is the reason, 27.5 % are believe the service given by the bank is the reason, 12.5 % and 25.9 % are agreed that convenience of branch office and branch expansion is the reason for the growth of deposit. From this one can infer that the reason for the growth of deposit volume of awash international bank is no single but the cumulative effect of the above all reasons.
- The bank use different advertisement mechanisms to promote awareness of the society about its service, which is
 - ✓ TV, radio, newspapers and magazines advertisement,
 - ✓ Sponsoring films, TV dramas, documentaries and various events
 - ✓ And also the bank participate in donation program
- This research has also found out that the awareness creation is effective in promoting service of awash international bank.

- Awash International Bank provide special service for its depositors those are:-
 - ✓ loan facility for corporate depositor,
 - ✓ provide higher interest rate for fixed term deposit,
 - ✓ Presenting gifts and postcard during holidays,
 - ✓ Cash collection directly from the customer's office and Handling of staff salary.
- The volume of deposit is increase after a special service and the overall deposit volume of the bank shows increment year to year.
- The correlation analysis of this study indicates that all variables have positive and significant relation with deposit mobilization of the bank.

5.2 Conclusion

This study examined the determining factors of bank deposit in the case of awash international bank. Based on the result of descriptive and correlation analysis, the study had concluded the following:

Most of the employees of awash international bank staffs have well understanding and they have commitment for deposit mobilization activity and individual customers are the most significant depositor of the bank. From the three common deposit types namely saving, current and fixed time accounts, saving account have the most significant volume of deposit of Awash International Bank S.C.

Awash International Bank increase its branch every year and the main cause for the branch expansion is for the purpose of deposit mobilization .This research has found out that branch expansion is the main determinants for deposit mobilization in Awash International Bank. Deposit is different in volume in awash international bank branches and the reason for the difference is convenience of branch offices for depositors. The deposit volume of Awash International Bank is growing year after year and the reason for the growth of deposit is no single but the cumulative effect of all four variables which is branch expansion, convenience of branches, awareness of the society and service given by the bank.

The bank use different advertisement mechanisms to promote awareness of the society about its service, which is TV, radio, newspapers and magazines advertisement,

Sponsoring films, TV dramas, documentaries and various events and also the bank participate in donation program. The awareness creation activity of the bank is effective in promoting service of awash international bank.

Awash International Bank provide special service for its depositors those are:- loan facility for corporate depositor, provide higher interest rate for fixed term deposit, Presenting gifts and postcard during holidays, Cash collection directly from the customer's office and Handling of staff salary. The volume of deposit is increase after a special service and the overall deposit volume of the bank shows increment year to year.

The results from correlation analysis showed that all the variables were positively correlated with the explained variable in the case of AIB. Among these variables, awareness of the society is highly significant than others. Branch opening is also next to awareness of the society is significantly affects AIB deposit. The others service provision and convenience of branches are also affects positively and significantly which can increase AIB's deposit.

5.3 Recommendation

Based on the research findings and conclusions above, the following are recommended for AIB to mobilize more deposits:

The bank should apply incentive program such as coupon prize system in order to encourage existing depositors and to attract new depositors which is effective that applying by commercial bank of Ethiopia.

Since branch expansion has positive and significant effect on total deposit of awash international bank, AIB should work more on branch expansion in order to widening

Customer base and to increased financial presence via creating accessibilities for its customers.

AIB should have convenient office environment with hard working employees to satisfy on hand customers and to attract new depositors.

AIB should go through awareness creation to reach unbanked society and to create detail awareness about its service and new products.

Service provided by the bank is one of the most useful qualitative determinants of bank deposit regarding to this AIB should provide excellent services for their customers by introducing premium window, which is special window for premium depositors/customer's in order to reduce waiting time to get services of the bank.

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APPENDIX

St. Mary's University

School of Graduate Studies

MBA Program

Questionnaire to be filled by Awash International Bank Employees

Dear respondent,

This questionnaire is intended to be used as primary data for master's thesis of my MBA program at St Mary's University on **Assessment on Determinants of deposit mobilization in the case of Awash International Bank**. As a member of your organization, your participation in this study will be valuable and greatly appreciated. Information gathered will be treated with utmost confidentiality and will not be used for any other purpose.

I. Personal Information

1. Sex (optional) Female Male
2. Marital status (optional) Married Single
3. Age
 Below 25 years 26-35 years 36-45 years 46 and above
5. Position in the bank
 Branch manager Accountant Auditor
 Customer service officer
 Chif cashier
 Other positions, please specify-----
6. Work experience in the bank:

- Below five years 6-15 years
 16-25 years 26 and above years

II. Deposit mobilization issue

7. Besides your position as employee of the bank, are you the customer of the bank or do you deposit your money in the bank.

- Yes No

8. Understanding and commitment of staffs on deposit mobilization.

- Very good Good
 Satisfactory Poor

9. Which group of customers are the most significant depositors of your bank?

- Individual customers
 Business organizations
 Government organizations

10. Which deposit type has the most significant deposit volume?

- Savings account deposits
 Current account deposits
 Fixed time deposits

11. Is your bank increasing the number of its branches every year?

- Yes No

12. If your answer for Number 11 above is 'Yes' what do you think is the main cause for the branch expansion?

- Deposit mobilization

- Loan availment
- To lead the banking sector by having greater number of branches
- To reach out foreign currency sources
- Other reasons (specify)-----

13. Which of the following is the most determining factors of bank deposit?

- Branch expansion
- Service given by the bank
- Public awareness
- Accessibility of branch office

14. Does the volume of deposit mobilized by respective branches of your bank differ?

- Yes
- No
- I do not know

15. What do you think is the cause for the difference in deposit mobilization among branches?

Convenience of bank office (type of building

Effort of the branch staffs

Service provision

Awareness of the society

16. Does the volume of deposit mobilized by your bank grow year after year?

- Yes
- No

17. If your answer for question number 16 is yes 'yes', what could be the reason?

- Awareness creation
- The secure feeling of the depositors growing
- The service given by the bank
- Location and convenience
- Branch expansion

Other reasons, specify-----

18. What has been done in Awash International Bank S.C.to promote awareness of the society pertaining to AIB's services?

-

-

-

19. Do you believe that the volume of deposits grow after the awareness creation?

Yes No

20. What special services do the bank provides for corporate depositors/customers?

Prize/award for the depositors

Special consideration on foreign currency allocation

Higher interest rate for fixed term deposit interest

Loan facility for future investment

If others, please specify-----

-

-

-

20. Does the volume of deposit grow as a result of special services provided for the customers?

Yes

No

21. Is over all deposit volume of Awash International Bank increase year after year?

Yes

No

Thank You for Your Cooperation to Fill the Questionnaire

