ST.MARY UNIVERSITY SCHOOL OF GRADUATE STUDIES

CHALLENGES AND PROSPECTS OF SAVING MOBILIZATION IN COMMERCIAL BANK OF ETHIOPIA: A CASE STUDY OF ADDIS ABABA

By

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Addis Ababa, Ethiopia

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DECLARATION

I hereby declare that '**challenges and prospects of saving mobilization in commercial bank of Ethiopia a case study of Addis Ababa''** is done by close supervision of advisor, **Dejene Mamo (Asst. Prof.)** I declare that this study is my original work and has not been presented for a degree or diploma to any other University and that all the materials used for this study have been duly acknowledged.

_____   _____

Name   Signature & Date

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ACRONYMS AND ABBREVIATIONS

ATM   Automated Teller Machine

CBE   Commercial Bank of Ethiopia

CSM   Customer Service Manager

HSBC   Hongkong and Shanghi banking Corporation

IFB   Interest Free Banking

MIS   Management Information Service

NBE   National Bank of Ethiopia

GDP   Gross Domestic Product

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Abstract

The topic of this research is challenges and prospects of saving mobilization in Commercial bank of Ethiopia a Case study of Addis Ababa. The researchers used purposive sampling for the study. From the total 936 population the sampling size of the study was 146 employees. They are branch managers, customer service manager and saving mobilization team members from 16 branches of the bank selected as a sample. The study used both qualitative and quantitative research approach in the course of the study, using both primary and secondary data. Primary data was collected through the instrument of questionnaire, interview, and observation. The secondary data on the other hand was collected from related topic research, record of the bank, particularly records of the branch and different web sites. For the analysis of the data descriptive method and SPSS was used to facilitate the data processing activity. The research finding show that lack of branches access to different credit facilities, poor service quality, lack of budget for mobilizing saving, lack of customized saving product and lack of sufficient skill by the employees have been mentioned as a challenges seen in commercial bank of Ethiopia. Whereas expansion of technology, introducing new practice, lottery system and increased awareness of the public has been found out to be the prospect for the bank to implementing their saving mobilization strategy and to come with appropriate solutions and recommendation to the problems that was identified.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Saving is defined as the difference between income and consumption. The relationship between savings, investment and growth has been thoroughly analyzed in the theoretical and empirical literature. From the neoclassical Solow-Swan growth models and as suggested by endogenous growth theory by Romer (1986) and Lucas (1988), high savings and investment rates are important in view of their strong and positive association with the GDP growth rate.

A major theme in economic theory is that economic growth requires accumulation (Minsky, 2008: 24) In order to accumulate – or in this case – undertake savings, there must be the means to do so such as surplus income, need to meet future financial obligations such as housing, education, retirement, etc. Keynesian theory of consumption function spells out clearly that income affects savings propensities. Income is therefore the "glob in determining consumption behavior." (Minsky, 2008).Mobilization is "to organize or prepare something, such as a group of people, for a purpose."(Encarta, 2009).Although this definition is right, it lacks the sense of urgency and the connection to resource like capital or money (Encarta, 2009).

Private savings decisions involve significant externalities: (a) intra-personal externalities individuals do not fully internalize the effect of their actions on their future well being (due, say, time inconsistency/hyperbolic discounting, etc.), hence save too little; (b) inter-personal incentive problems – individuals, perceiving themselves as being guaranteed a minimum living standard , may decide to save too little; and (c) policy based externalities –some government policies in place give less incentive for individuals to save (Fitz, 2003).

Mobilizing saving is crucial in many developing countries. Domestic funds provide a cheap and reliable source of funds for development, which of great value developing countries, especially when the economy has difficulty raising capital in international markets. Yet, in many developing countries, there is a considerable amount of savings that are not intermediated

through the formal sector particular, there exists a significant savings potential in the rural (and/or semi-urban) sector in many developing countries (Vogel, 1984).

For the poor, particularly those with low, irregular and unreliable income, saving is critical. Ethiopia's poor do save. The poor tend to save fixed amounts of money regardless of income, varying their consumption according to income, i.e., poor people do not save according to the equation, Savings = Income – Fixed Consumption but according to the equation, Consumption = Income – Fixed Savings. Their decision to save is, therefore, not an income-surplus function, but rather a reserve (Amha and Tekie, 2014).

When incomes are small, tools to manage income well are vitally important. Money that the poor earn often arrives at the wrong times, can be hard to hold onto, and is difficult to build into something larger through saving and borrowing for income generating activity (IGA) and saving the profit. This is the fundamental tragedy of poverty as seen through a financial lens: the "triple whammy" of incomes that are both low and uncertain, within contexts where the financial opportunities to leverage and smooth income to fit expenditure are limited. Supporting the poor in their efforts to manage their money well is a fundamental task for financial service providers (Collins, et al., 2009).

The savings held in formal financial sector generally represent a small proportion of household assets. This reflects the difficulties in access to formal saving instruments and more importantly, the lack of trust in formal financial institutions, as well as the inadequacy of formal saving instruments to fulfill the savings needs of poorer households. In practice, banks are the principal type of formal financial institutions engaging in savings mobilization under the supervision of the NBE (National bank of Ethiopia). Physical distance from banking institutions is not the only limiting factor to the growth of formal financial savings. High minimum deposit and balance requirements, the time that it takes to make transactions and the administrative work involved also discourage depositors. Furthermore, the reluctance of banks to provide credit to poorer households and small businesses lessens the incentive to save in the formal sector (Wright, 1999).

Therefore commercial bank of Ethiopia is tried to mobilize savings from the public by formulating relevant strategy using the trust financial capability. The study focuses on saving

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mobilization in commercial bank of Ethiopia in the selected city branches located in Addis Ababa to identify main challenges faced by the branch in their endeavor to achieve the goal of planned saving mobilization.

1.1.2 Background of the organization

Introduction

This topic is provide a detail information about the back ground of the organization and the following mentioned background of the organization has been taken from one single source of the company profile which is CBE portal, 2015.

After the Ethiopian-English victory over Fascist Italy, the new government established the State Bank of Ethiopia a proclamation issued in August 1942. State Bank of Ethiopia commenced full operations on 15 April 1943 with two branches and 43 staff. It served both as the Ethiopia's central bank with the power to issue bank notes and coins as the agent of the Ministry of Finance, and as the principal commercial bank in the country. In 1945 the Ethiopian government granted the bank the sole right of issuing currency. The first governor of the bank was an American, George Blowers. He inaugurated the new national currency, which owed its successful introduction to the United States. The United States provided the silver for 50 cent coins, whose intrinsic value ensured popular acceptance of the new paper money to a population used to the circulation of the silver Maria Theresa taller.

In 1958, the State Bank of Ethiopia established a branch in Khartoum, Sudan, that the Sudanese government nationalized in 1970. Over time grew to number 21 branches. In the 1950s, state bank of Ethiopia established a branch in Djibouti. In 1920 the Bank of Abyssinia opened a transit office in Djibouti. At some point after its creation, the State Bank of Ethiopia reopened the transit office, which in time became a branch.

Originally, the commercial bank of Ethiopia was known as state bank of Ethiopia. The bank was established in 1942.In 1963, the Ethiopian government split the State Bank of Ethiopia into two banks, the National Bank of Ethiopia (the central bank), and the Commercial Bank of Ethiopia

(CBE). Seven years later, the Sudanese government nationalized the Commercial Bank of Ethiopia's branch in Khartoum.

The Ethiopian government merged Addis Bank into the Commercial Bank of Ethiopia in 1980 to make CBE the sole commercial bank in the country. The government had created Addis Bank from the merger of the newly nationalized Addis Ababa Bank, and the Ethiopian operations of the Banco di Roma and Banco di Napoli. Addis Ababa Bank was an affiliate that National and Grindlays Bank had established in 1963 and of which it owned 40%. At the time of nationalization, Addis Ababa Bank had 26 branches. The merger of Addis Ababa Bank with CBE made CBE the sole commercial bank in Ethiopia, with 128 branches and 3,633 employees.

In 1991, when Eritrea achieved its independence, CBE lost its branches in Eritrea to nationalization. These branches formed the base for what became in 1994 the Commercial Bank of Eritrea. Also in 1994, the Ethiopian government reorganized and re-established CBE.

In 2004, CBE closed its branch in Djibouti due to problems with loan losses. In January 2009, CBE received regulatory approval to open a branch in Juba, Southern Sudan. CBE expanded its presence in South Sudan to five branches in Juba and Malakal, but ongoing conflict in the country has forced CBE to close all but two branches in Juba. A few years ago, the government restructured CBE and signed a contract with Royal Bank of Scotland for management consultancy services. After the death of its former President, Mr. Gezahegn Yilma, the Board of Management appointed Mr Abie Sano as a new President of the Bank. Parliament recently increased the Bank's capital to 4 billion Ethiopian Birr.

Now a day the government owned Commercial Bank of Ethiopia according to the organizational structure the higher management of the bank are board of directors it has 9 board members including the board chairman and 14 process council includes the president of the bank and commercial bank of Ethiopia holds around Birr 303.6 billion worth of assets. CBE combines a wide capital base with 22,908 talented and committed employees. The Commercial Bank of Ethiopia is recognized as the largest in the country. The bank operates in more than 965 branches all over the regional towns and main cities. Around 181 of its branches, including its headquarters,

are located in Addis Ababa, while its more recently opened branches are situated in the country's remote towns.

The Commercial Bank of Ethiopia is noted as the pioneer of modern banking in the country. It was the first bank to serve ATM services for its locals and the first to serve Western Union Money Transfer services in the country. Apart from this, the bank also plays a major role in directing Ethiopia's economy towards development and progress.

As of today, the Commercial Bank of Ethiopia has 10,700,000 account holders. It also maintains a SWIFT bilateral arrangement with more than 700 other bank across the world and, as well it has strong correspondent relationship with more than 50 others renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank (CBE portal, 2015).

1.2 Statement of the problem

Banking industry is one of the most competitive industries in the world's business environment. Ethiopian banking industry also has gone through different stages of development. After the downfall of the Derg regime the country liberalized its banking rules and regulations. Since, then many private commercial banks started to flourish in the industry, making it more competitive than ever. Now, customers especially who are around main cities of the country have an ample choices of commercial banks. As a result of the wide availability of choices the competition is becoming much more intense (CBE, 2009/10).

Many players of the sector understood that being customer focused is the only means to secure survival and win the competition. If banks want to maintain long term profitability and growth they are expected to identify and meet requirements and expectations of customers and delight customers as much as possible (Maria Luiza et al., 2009).

Mobilizing saving is one of the essential issues in developing countries as domestic funds provide cheap and reliable source of funds for development, which is of great value to these countries, especially when the economy has difficulty raising capital from international donors, financiers and markets. A deposit taking institution asks saver to place their fund within care

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taking. This relationship reverse the traditional power relationship between clients and financial intermediary's in which borrowers approach banks, credit union or micro financial institution to ask for deposit or for loan. The saving institution must market and sell itself to clients; it must convince saver that saving will be safe and well managed. Any deposit taking institution whether bank or other financial intermediaries, should offer saving product that meet the demand of both prospective and existing clients (Ferguson,2010).

Commercial bank of Ethiopia being the first commercial bank in the country has many years of experience and large customer base. In spite of its age and experience the bank was passive to the industries requirements and developments. Though it has been in a deep sleep for many years, recently the bank is busy in implementing BPR (Business Process Re-engineering) and modernizing the bank by adopting modern technologies to improve the service customers are getting. The new process and efforts to modernize the bank are believed to solve deep rooted problems in saving mobilization (CBE portal, 2015).

Few studies made on the determinants or factors of deposit mobilization activity of commercial banks show that the factors revealed are categorized differently. For instance, the study made by Wubitu (2012), divides the factors in to two namely-the country specific factors and the bank specific factors. This study categorizes the variables in to two, namely bank specific and non-bank specific variables. The bank specific factors are those factors that are manipulated and controlled by the Ethiopian commercial banks themselves. Whereas the non-bank specific factors are factors operating beyond the control of banks, macro-economic and policy issues. The bank specific variables for this study include deposit rates, bank size, and branch expansion and service excellence whereas the non-bank specific factors are factors such as inflation, GDP, monetary supply and exchange rate of Birr to USD.

The increase in deposit rate is expected to improve the deposit volume in commercial banks as people are better attracted to get the advantage of higher interest payments on the deposits they held in banks. Herald and Heiko (2009), stated interest rate 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 a beneficial effect. Wubitu (2012), stated that there

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is a positive insignificant relationship between the two taking Commercial Bank of Ethiopia's deposit trend on her study. Hence, the deposit rate and deposit volume at banks have a positive relationship.

Banks are service giving institutions and thus the way the service is provided is expected to highly affect the overall activity of the bank including the deposit mobilization activity. M. A. Baqui et al (1987) stated that there is some empirical evidence demonstrating the positive influence of services rendered to depositor. The study by Goiteom (2011), on the Bank selection decision-factors influencing the choice of banking services, indicates that customers place more emphasis on factors like convenience, service provision, employers influence and bank image. Therefore, such factors should be considered seriously by the commercial banks in designing their marketing strategies by widening their branches and providing good customers services to customers.

With respect to its vast influence in the country's economy commercial bank of Ethiopia financial performance is high. Mobilization of saving is important for countries development. Thus the banking sector in Ethiopia must increase their deposits by overcoming the existing challenges faced to mobilization of savings performance of the bank such as lack of access to different credit facilities, the interest is very low compared to the inflation level, lack of awareness of bank service, having unfavorable condition for quality service, inflexible internal policies, lack of customized saving products which satisfy the large base of customer, improper incentive systems for the management and employees are the main factor that have a lot of negative impact on banks endeavor to mobilize saving.

Since most of the bank influential depositor are corporate organization and they are circulate huge amount of money but due to the shortage of credit facilities, foreign currency and inflexible internal policies the bank can`t satisfy their financial need, because the bank is providing credit facility for area of priority sector only like agriculture, manufacture and import and export sector, because of this other customers participating in other sectors does not access to different credit and foreign currency facilities that make many customer dissatisfy with banking service because of inflexible internal policies of the bank. These results customers close their account and shifting to other alternative banks in order to satisfy their financial needs, this action negatively

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affects the saving performance of the bank through time. Therefore, this research seeks to make a contribution towards filling the gap regarding saving mobilization in CBE by examining the main challenges and found out the whole saving mobilization activities of the bank to achieve the goal of planned saving mobilization.

1.3 objective of the study

1.3.1 General objective

The main objective of the study was to examine the main challenges and prospects of saving mobilization activities in CBE branches in Addis Ababa.

1.3.2 Specific objective

More specifically, the study was aimed to achieve the following objectives:

1. To access the practice of saving mobilization effort undertakes by CBE.

2. To identify the challenges of saving mobilization faced by CBE.

3. To see the management and staff capabilities in relation to the saving mobilization endeavor.

1.4 Research questions

In a way to achieve the objectives of the research, the research was tried to answer the following questions:

1. What are the challenges of the management of commercial bank of Ethiopia to mobilize saving in the bank?

2. What are the factors that can affect the amount of commercial bank saving?

3. What kind of measurement has been taken by the management and the staff of CBE to enhance saving mobilization activities?

1.5 Significance of the study

As clearly stated in the above the objective of the research was to identify the challenges and prospects of saving mobilization in CBE at selected branch in Addis Ababa. The relevancy of the research paper was to identify the main challenges faced by CBE in their endeavor to achieve the goal of planned saving mobilization.

In doing so, the researcher believes that the paper is having its own contribution to the existing stock of knowledge about the challenges and prospects of saving mobilization in commercial bank of Ethiopia. In addition, it was provide its findings and recommendations, and shows its gaps and propose solutions to these gaps and also the research was help the branch's management and other concerned bodies to understand the existing realities regarding saving mobilization and provide them sound recommendations that they may use to solve identified problems. Moreover, this research was help another researcher who wants to conduct research on the same field and related areas by providing insights that must be considered in their research and how the industry should be approached. Finally this research was contributing something to research in Ethiopia banking sector.

1.6 Scope of the study

The study was not sufficient because saving is a very vital issue for the society in order to improve their living standards but the scope of the study was limits the challenges and prospects of saving mobilization in commercial bank of Ethiopia. Methodologically the research is restricted on the samples that are drawn from only selected city branches in Addis Ababa this was limit the researches ability to conclude about the challenges and prospects of saving mobilization of all commercial banks of Ethiopia branches across the country.

1.6.1 Limitation of the study

The major limitation of the research was the researcher does not consider all Commercial Bank of Ethiopian Branches all over the country because of finance and time and the sampling size of the study the researcher was used to a selected branch; branch manager, customer service manager (CSM) and saving mobilization team members only does not consider other employees of the bank. This research was limited to city branches located in Addis Ababa under the four districts (i.e. east Addis, west Addis, south Addis and north Addis).

1.7 Organization of the study

The paper was categorized into five chapters: chapters including the introduction part of the study chapter one contain back ground of the study and the organization, statement of the problem, objective of the study, research question, significance of the study, limitation and scope of the study and organization of the study. Chapter two contains literature review, deals with the theoretical and empirical literature review. Chapter three contains methodology of the study. Chapter four contains research result, data presentation and analysis, the last chapter; chapter five contains summary of finding, conclusion and recommendation.

CHAPTER TWO

LITREATURE REVIEW

2.1 Theoretical literature

2.1.1 **Consumption function**

Consumption is the total quantity of goods and services that people in the economy wish to purchase for the purpose of immediate consumption. As such, it is one of the main determinants of an economy's aggregate demand (that is, the sum of all planned expenditures in the economy). (Miller, 1996) In a closed economy, aggregate demand is defined as the sum of consumption, investment, and government expenditures:

$$Yd = c + i + g$$

Where, yd is aggregate demand, c is consumption, i is investment and g is government expenditures. In economics, the consumption function is a single mathematical function used to express consumer spending. It was developed by John Maynard Keynes, 1996 and detailed most famously in his book *The General Theory of Employment, Interest, and Money*. The function is used to calculate the amount of total consumption in an economy. It is made up of autonomous consumption that is not influenced by current income and induced consumption that is influenced by the economy's income level (D'Orlando et al. 2010).

Many macroeconomic policies rely on an ability to influence the aggregate demand in an economy without directly increasing government expenditure. Although Keynes (1936) treats many issues in economic theory, he postulates that the major (and perhaps the only) influence on personal consumption was an individual's income (Miller, 1996).

The simple consumption function is shown as the linear function:

$$C = c0 + c1Yd$$

Where,

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C = total consumption,

c0 = autonomous consumption (*c0* > 0),

C1 is the marginal propensity to consume (*i.e. the induced consumption*) (0 < *c1* < 1), and

Yd = disposable income (income after taxes and transfer payments, or W – T).

Thus, the consumption level is influenced by an autonomous consumption (c0), and a constant fraction of income (c1Yd). Keynes theorized that the autonomous figure would always be positive, and the multiple of income would lie between one and zero, varying according to the individuals in the economy. (Miller, 1996) argued that Autonomous consumption represents consumption when income is zero. In estimation, this is usually assumed to be positive. Thus, as income increases, consumption increases.

However, Keynes mentioned that the increases (for income and consumption) are not equal. According to Keynes, "as income increases, consumption increases but not by as much as the increase in income" (D'Orlando et al, 2010). The marginal propensity to consume (MPC), on the other hand measures the rate at which consumption is changing when income is changing.

One key idea raised from this theory was that of saving. By definition, all money not spent on consumption in a two-sector economy (that is, without government) will be saved by an individual. In a three or four-sector economy this assumption still holds, but must be examined more closely; money not spent may be either saved or given as tax, and this tax may be either spent as government expenditure, spent as consumption (via benefits), or is saved.

2.1.2 **Harrod-Domar model**

The Harrod-Domar model is named after two famous economists: Sir Roy Harrod of England and Professor Evesey Domar of the US who independently formulated the model in the early 1950s. According to Todaro (1992), the model is said to have been created to study the business cycles.

It attempts to prove that economic growth is founded on level of savings or savings ratio and productivity of investment. Economic growth therefore depends on "the amount of labour and

capital where National Income is expressed as a function of Capital and Labour [NY = f (K, L)] Labor is considered to be in excess supply and thus it is capital that needs to be mobilized in order to pursue development. Capital on the other hand is considered to come through domestic savings, foreign investment or foreign loans. It is important to note that it will be more prudent in the long term for the country to mobilize domestic savings rather than receive foreign loans owing to the fact that loans must be repaid while in the case of using domestic funds the economies' growth is assured without external pressures of loan repayments which in some instances result in dictates of monetary policies, etc. by the lending economy to the borrowing economy.

The basic model assumes that it is a closed economy and that there is no government, no depreciation of existing capital so that all investment is net investment, and that all investment (I) comes from savings (S).

Assume that there is a relationship between the total capital stock, K, and total GDP, Y.

For example, if $3 of capital is always necessary to produce $1 of GDP, it follows that any net additions to the capital stock in the form of new investment will bring about a corresponding increase in national output, GDP.

Now suppose that this ratio, known as the capital-output ratio, is 3 to 1 and we define this as k.

Assume that the national saving ratio, s, is a fixed proportion of national output.

Assume that total new investment is determined by the level of total savings.

Therefore:

Savings, S, is some proportion, s, of national income, Y, such that

$$S = s\,(Y)$$

Investment, I, is defined as the change in capital stock, K, such that:

$$I = \Delta K$$

Total capital stock, K, bears a direct relationship to total national output (or income), Y, as expressed by the capital-output ratio, k, (new investment as a percentage of GDP) then:

$K = KY$ or $K/Y = k$ or $\Delta K/\Delta Y = k$ or $\Delta K = k (\Delta Y)$

Since total national saving, S must equal total investment, I, then:

$$S = I$$

The Harrod-Domar Equation of economic development therefore states that:

The rate of growth of GDP ($\Delta Y/Y$) is determined jointly by the national saving ratio (usually expressed as a percentage), s, and the national capital-output ratio (expressed as an integer), k.

Where,

1) The growth rate of national income is directly (positively) related to the savings ratio, i.e., the more an economy is able to save – and therefore invest – out of a given GDP, the greater will be the growth of that GDP.

2) The growth rate of national income is indirectly (negatively) related to the economy's capital-output ratio, i.e., the higher is k, the lower will be the rate of GDP growth.

In another vein, Hussain et al (2002) in their study of resource mobilization for some selected African countries consider total national savings (ST) as made up of public saving (SG) and private (Household and Enterprise) savings (SP). Private savings is then further divided into private savings kept in the form of financial assets kept in the formal financial sector (FP) and private savings residue – private savings kept in non-financial forms or put into other uses (L).

Figure 2.1: Composition of national savings.

$ST = SG + SP$ (1)
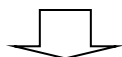
$SP = FP + L$ (2)
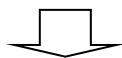
$$ST= SG+ FP+ L \text{ (3)}$$

Source: Hussain et al. (2002)

2.1.3 **Private savings**

One of the major factors that have been hindering full mobilization of domestic saving in general and private saving in particular is the embryonic stage of the financial sector, both the banking and non-banking sectors. These remained stunted for long period of time. Ethiopia is under-banked with limited outreach. Particularly, the banking sector has been confines to the provision of the traditional banking services only, with no diversification efforts to introduce new financial instruments (Nissanke and Aryeetey, 2006).

There are tripled features of the sector that attracts policy attention. On the one hand there is a conservative credit management system in the country. On the other hand, despite this conservative credit management system, there have been high non-performing loans. The third feature of the sector has been excess liquidity and bank reserve, which has negative implication on bank's effort to mobilize saving. Indeed, in view of the excess liquidity and reserve of the sector, there cannot be an immediate interest to aggressively mobilize private saving (Okurut et.al, 2004).

The banking sector could have been aggressive to boost savings using both traditional and new saving instruments. The outcome has been a simultaneous excess reserve and liquidity in the Ethiopian banking industry on the one hand and persistent and substantial macro-level short fall of saving on the other. Excessive liquidity implies the fact that the already small saving is being held idle. The economy desperately needs investment and yet there is idle money in the banks. It is like you are thirsty for water while there is one on the table and yet you cannot quench yourself (ibid).

The strategic directions should therefore be to make aggressive effort to mobilize saving using existing and new saving instruments on the one hand and reduce excess liquidity of the banking sector. Moreover, there is a need to develop innovative instruments to blend the formal with the informal financial institutions. There are legally and illegally operating financial markets,

operating quite large volume of credit market. The formal sector has been oblivious to the informal sector so far (Okurut et.al, 2004).

The majority of the population lives in rural areas where there is at best very limited access to financial institutions. To complement the recently evolving micro financing institutions, there is a need for institutional innovation to mobilize saving from the majority of the small farmer and urban poor. The financial sector has to develop saving instruments which are effective to reach the poor farmer but with low transaction costs. In this regard, one avenue to increase private saving is awareness creation (ibid).

2.1.4 **Formal financial savings**

The savings held in formal financial sector generally represent a small proportion of household assets. This reflects the difficulties in access to formal saving instruments and, more importantly, the lack of trust in formal financial institutions, as well as the inadequacy of formal saving instruments to fulfill the savings needs of poorer households. In practice, banks are the principal type of formal financial institutions engaging in savings mobilization under the supervision of the NBE (National bank of Ethiopia). Physical distance from banking institutions is not the only limiting factor to the growth of formal financial savings. High minimum deposit and balance requirements, the time that it takes to make transactions and the administrative work involved also discourage depositors Furthermore, the reluctance of banks to provide credit to poorer households and small businesses lessens the incentive to save in the formal sector (Wright, 1999). A study by Okurut et.al (2004), suggests providing incentives to Micro Finance Institutions so that they can extend services to the rural population. In addition, with increased access to mobile phones, technology may be able to overcome some of the remoteness and processing-cost barriers to providing services to poor and rural areas.

2.1.5 **Semi-formal financial savings**

The semi-formal financial sector specializes in providing financial services to households and small businesses that do not have access to formal financial institutions. This sector is made up of institutions that, while legally registered, are not regulated as banks. These institutions mainly provide loans at very high interest rates and sometimes keep deposit for clients illegally. While this semi-formal sector could become an important factor in savings mobilization for households,

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its coverage is at present too limited to respond effectively to the financial needs of many households (Okurut et.al , 2004).

The semi-formal sector, however, holds great potential in terms of improved savings mobilization. Indeed, if semi-formal institutions succeed in offering safe and reasonably liquid savings instruments that generate positive returns for many households, there could be a substantial increase in financial savings available for profitable investments due to reallocation from both non financial assets and financial assets currently held in the informal sector. In sum, the choice of saving instrument reflects issues of access, reliability and relevance of available saving instruments to meeting households saving needs. The financial requirements of households therefore call for safe saving instruments that allow small transactions at frequent intervals. The very high proportion of non-financial assets in household savings portfolios suggests that the financial sector is currently not adequately fulfilling these needs (ibid).

2.1.6 Informal financial savings

This is another form of savings that can be undertaken through a wide range of saving instruments, from simple deposit collection to large, self-organized saving groups and saving pools. Mostly, savings tend to be made in small but frequent deposits that correspond to the needs of households and small businesses. Problems of access and reliability are limited in comparison to the formal financial sector as informal financial institutions operate in geographically and socially confined community settings (Nissanke and Aryeetey, 2006).

2.1.7 Some measures to promote saving

Measures that promote savings are needed to narrow (if not eliminate) the domestic investment-saving gap. Savings promoting efforts (out of both earned and remittance incomes) may be directed at bank/MFI deposits; pension/provident funds & insurance companies (including rural insurance); savings for merit goods (education, health, etc.) and housing. The measures may include a combination of legislation and incentives designed to improve availability (ease of access to) and net returns on existing financial instruments; introduce new instruments; as well as expansion of coverage, members' access to their contractual savings in case of emergency and investment outlets/opportunities and improve returns thereof. Measures that encourage remittance by abroad and their productiveness are also important (Loayza. N. Lopez, 2000).

2.1.8 **Institutional capacity and financial sector infrastructure**

Another strategic direction is to develop the institutional capacity of the central bank of the country. There is an urgent need to develop the capacity of the central bank of the country to adequately discharge its responsibilities to develop the sector and ensure its smooth and health operation. One such capacity building area is to develop credit information database (Loayza. N. Lopez, 2000).

There is no capital market so far, which could have substantially contributed to attract savings and ensure efficient allocation of investment. However, such market development requires financial, human, and regulatory and related other resources. Thus one needs to be pragmatic and innovative to gradually develop the different infrastructures for capital market, which may start from government bonds. The government may contribute a lot in developing bond market over the medium and long (ibid).

2.1.9 **Financial Markets and Intermediation**

Financial intermediation provides the crucial link between savings and investment. A well-functioning financial system should be able to mobilize resources effectively and allocate them to the most productive investment opportunities. Without effective financial intermediation, the incentive to hold financial savings is depressed and investment tends to concentrate in the sectors in which the savings take place, which may not be the most productive. As a result, there are fewer resources mobilized and these are allocated to less productive investments (K. Serven, L., 1998).

In this section we describe a model that captures the decision of a profit-maximizing bank on whether to open a branch in a previously unsaved area. The investment is costly, and the expected return is uncertain due to limited knowledge about the quality of the potential depositors in the area. In a competitive market, the bank has too little incentive to develop a rural

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branch network because of the public good nature of the information about the quality of the deposit base. If it invests and quality is poor, it loses its investment. If the quality is high, competitive entry limits profits. If the government offers exclusive rights for banks developing new branches, the private incentives of the bank approach the social optimum, relative to those of a competitive market (ibid).

The arguments are analogous to the arguments for "patent protection." In order to induce sufficient entry, investors need protection from competitors that free-ride on the inventors' investments in information discovery. In the model described herein, it is possible to practically replicate the social optimum entry condition if the government offers an exclusive right of appropriate length and provides a subsidy equal to a fraction of the fixed cost of entry. Moreover, protection is superior to subsidization in a competitive market (K., Serven, L.,1998).

The amount of the subsidy necessary to induce entry is always less when accompanied by an exclusive right, and a subsidy will not necessarily replicate the efficient entry conditions when the bank is subject to competition immediately after entry. This is because with competition a bank will not enter It may be the case that a bank will choose not to enter a higher quality catchments cause it is more likely to face competition after entry (ibid).

Domestic Saving: Saving Mobilization and Suggested Measures for Improvement Modern theories of inter-temporal consumption choice identify four motives for individual saving: retirement or life-cycle motive (i.e. saving to smooth life-cycle fluctuations in income), precautionary motive (i.e. saving to meet emergency needs due to income or health risks), asset motive (i.e. saving to purchase durables and housing), and bequest motive (i.e. saving to accumulate resources for one's heir). We may expect retirement motive to be stronger where income fluctuation is high and social insurance is weak (e.g. major urban areas)and precautionary motive to be stronger where incomes are volatile (e.g. rural income, rain fed agriculture), ceteris paribus (Elbadawi and Mwega ,1998).

Governments intervene (through incentives and mandatory saving instruments - such as statutory pension schemes, compulsory car insurance) to influence both the level of individual saving (hence domestic savings) and the forms in (or purpose for) which they save (i.e. shape their portfolio). For example, governments commonly promote retirement saving (on the ground that

having insufficient resources during retirement imposes heavy burden both on the elderly lacking such resources and society) and saving for housing and other goods of high policy priority such as education, health, and life protection. Problems of Financing Development Projects.

Direct policies for promoting savings are important for at least two reasons: Even though capital accumulation may follow rather than lead the growth process, evidence suggests that sustaining high rates of growth requires substantial levels of physical capital accumulation. (ibid)

To the extent a country faces binding lending constraints in the international capital markets or external balance conditionality (imposed by bilateral and external donors), national saving will derive aggregate investment (Summers 1988), hence influence the prospect for sustainability of growth.(Elbadawi and Mwega ,1998) argued that "while raising saving is not sufficient for achieving sustained growth, it does appear to be a necessary condition for a higher and sustained growth"(Elbadawi and Mwega, 1998).

There are two main reasons for encouraging individual/household saving: evidence shows that "even in closed economies or economies with   imperfect capital mobility, higher saving leads to more productive investment and ultimately wider economic development" the contractual savings industry can have a favorable impact on the diversity and efficiency of the financial system, contributing to the   establishment of popular capitalism, enhancing the incentives to perform of individuals with a direct stake in the holding of risky financial assets" (Japelli and Pistaferri, 2002).

One could legitimately ask as to why governments should be concerned about domestic savings, especially in the presence of huge international capital which weakness the link between domestic savings and domestic capital accumulation. The two main reasons identified in the literature are that: international capital mobility is limited, making the link between domestic savings and domestic investment strong. Often, international capital flows do not succeed in bridging the global savings-investment gap .There is a "home bias" in acquisition of financial assets (asset holders' portfolio preference) due to currency risk, agency problems and asymmetric information, which may partly explain the close link between domestic saving and investment (Fits Gerald, 2003).

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A country's 'quality' of financial assets is determined by the perception among investors of its characteristics (i.e. 'sovereign risk', infrastructure and skill considerations, etc.). Moreover, even if capital flows are significant, the risk of reversal/withdrawal renders external private finance an unreliable source for domestic capital formation and private savings decisions involve significant externalities: (a) intra-personal externalities – individuals do not fully internalize the effect of their actions (i.e. saving decisions) on their future well being (due to, say, time inconsistency/hyperbolic discounting, etc.), hence save too little; (b) inter-personal incentive problems – individuals, perceiving themselves as being guaranteed a minimum living standard (by the state, private charity, their children, etc.), may decide to save too little; and (c) policy based externalities: some government policies in place give less incentive for individuals to save: for example, pay-as-you-go pension programs depress the incentive to save. Besides, reliant on foreign savings may be unsustainable: donor fatigue and increased competition for "concessionary capital inflows" are decreasing such resources (ibid).

2.1.10 Determinants of Deposit Mobilization

Few studies made on the determinants or factors of deposit mobilization activity of commercial banks show that the factors revealed are categorized differently. For instance, the study made by Wubitu (2012) divides the factors in to two namely-the country specific factors and the bank specific factors whereas the study by Sudin et al (2006), on the deposit determinants of the commercial banks in Malaysia categorizes the factors as financial factors and economic factors. Another study by Ozcan et al. (2003) outlined six groups of potential saving determinants, namely government policy variables, financial variables, income and growth variables, demographic variables, uncertainty variables and external variables. Yet again the other study by N. Desinga (1975), groups the factors under exogenous and endogenous factors to the banking system.

This study categorizes the variables in to two, namely bank specific and non-bank specific variables. The bank specific factors are those factors that are manipulated and controlled by the Ethiopian commercial banks themselves where as the non-bank specific factors are factors operating beyond the control of banks, macro-economic and policy issues. The bank specific variables for this study include deposit rates, bank size, and branch expansion and service

excellence whereas the non-bank specific factors are factors such as inflation, GDP, monetary supply and exchange rate of Birr to USD. Some of the factors may have both the bank specific and the non-bank specific nature in which case the researcher categorizes those factors based on subjective judgment as to where they incline in the Ethiopian context (ibid).

The expected relation of the independent variables against the dependent variable (total deposit of commercial banks) is summarized below from the past empirical studies done on the subject. Though many factors can be raised under this category that have influence on deposit mobilization activity of banks as illustrated in the literature review part, the researcher has focused on the following major bank specific and non-bank specific factors for analysis (N. Desinga ,1975).

2.1.10.1 Bank Specific Factors

- **Deposit Rate**

The increase in deposit rate on deposits is expected to improve the deposit volume in commercial banks as people are better attracted to get the advantage of higher interest payments on the deposits they held in banks. Herald and Heiko (2009), stated interest rate 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. Wubitu (2012), stated that there is a positive insignificant relationship between the two taking Commercial Bank of Ethiopia's deposit trend on her study. Hence, the deposit rate and deposit volume at banks have a positive relationship.

- **Branch Expansion**

The increase in the number of bank branches will have an effect on getting many customers particularly those in far remote areas who are unbanked society. According to the article on NBE's magazine (Birritu No.113, February 2012), Ethiopia has low geographic and demographic penetration of bank branches. Although the expansion of banks in terms of branching since 1994 is significant, most rural people have to travel very long distance to access bank branches. Many of the bank branches in Ethiopia are concentrated in the capital city. The number of bank branches went up from 215 in 1995 to 970 as at June 30, 2011 and as at December 31, 2011, grew to 1129. As a result the ratio of bank branch to total population stood

at 82,474. This compares with 63000 and 26000 for Kenya and Egypt, respectively. Out of the total of branches, 36% are located in Addis Ababa, making mainstream branches hardly accessible to the rural area.

More recently the branch expansion by the existing banks is fast increasing to reach out remote locations too to size the resources available particularly deposits. This practice shows that branch expansion has positive and significant relation with deposit volume. Wubitu's (2012), study shows that the number of branches available has positive and significant effect on total deposit of CBE.

- **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. Bank size usually denotes the bank's total asset volume and its total capital. This study took the total capital of private banks to study its relation with the total deposit volume expecting they have positive relation. Bank size for this study is proxied with the total capital of the banks.

- **Service Excellence**

Banks are service giving institutions and thus the way the service is provided is expected to highly affect the overall activity of the bank including the deposit mobilization activity. M. A. Baqui et al (1987), stated that there is some empirical evidence demonstrating the positive influence of services rendered to depositor. The study by Goiteom (2011), on the Bank selection decision-factors influencing the choice of banking services, indicates that customers place more emphasis on factors like convenience, service provision, employers influence and bank image. Therefore, such factors should be considered seriously by the commercial banks in designing their marketing strategies by widening their branches and providing good customers services to customers. The data collection and analysis of the commercial banks with this factor is done through qualitative aspect.

2.1.10.2 Non-Bank Specific Factors

These are macroeconomic conditions or sometimes policy factors that are not under the control of the commercial banks categorized for the purpose of the study:

- **Inflation**

Inflation may influence saving through several reasons. Theory postulates that greater uncertainty should rise saving since risk-averse consumers set resources aside as a precaution against possible adverse changes in income and other factor. Hence, when inflation raises uncertainty regarding future income growth, risk-adverse consumers may increase their precautionary saving (Sandmo, 1970). Secondly, savings may rise in inflationary environment if consumers mistake an increase in the general price level for an increase in some relative prices and refrain from buying (Deaton, 1991). Inflation could also influence saving through its impact on real wealth. If consumers attempt to maintain target level of wealth or liquid assets relative to income, saving will rise with inflation.

During inflation, central banks employ monetary policy that would increase the cost of debt and decrease the availability of funds in banks. When the cost of borrowing increases and borrowing slows, the banks demand for fund decreases obviously the deposits will decrease. Hence, the direction of the relation between inflation and deposit volume is situational. Different studies show varying results regarding the directional relationship between inflation and deposit volumes. For instance, inflation is found to have negative relation with deposit in a study made in India by Sudin et al. (2006), whereas another case study in the same country by Athukorala et al. (2003) has shown the reverse direction.

- **Gross Domestic Product (GDP)**

GDP is one of the explanatory variables commonly used as determinants of economic growth. According to Jim (2008), the level of GDP divided by the population of a country or region is what is known as per capita income. 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. Thus the

relation between income of the society and deposit volume is expected to be positive and significant. Studies by Mahendra (2005) and M. A. Baqui et al, (1987) both reveal that growth in income have a positive effect on deposits.

- **Money Supply**

Money supply is one of the tools used by the government in the conduct of its monetary policy. Hence, any changes in money supply can have a major impact on economic conditions. An increase in money supply makes loan able funds cheaper, thus reducing cost of borrowing for corporate and individual customers. In this case, it is expected that people will increase consumption and reduce savings and thus money supply will have an inverse relationship with deposits. On the other hand, it could also be argued as well that as more money is supplied to the economy, more deposits could put in banks accumulating the fund for transactional and investment purposes (M. A. Baqui et al, 1987).

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

For the major net importing country like Ethiopia, variability of the exchange rate of the local Ethiopia money (Birr) to foreign currency values is enormous. As the exchange rate of Birr to USD ratio grows, local deposits will deplete in the process of importing goods and services. This means as the country does by far more imports than exports and the exchange rate of Birr to USD grows, then local deposits in banks will reduce showing that there is inverse relationship. There are also cases where it shows the opposite trend by increasing the foreign direct inflows. However, the study by Ngula (2012), on the 'Determinants of deposit mobilization and its role in economic growth in Ghana has demonstrated that a deterioration in the Ghanaian currency with respect to the US currency resulting in a higher deposit mobilization.

2.2 Empirical literature

2.2.1 Bank deposits

Research shows that easy access to convenient and safe savings vehicles increases savings significantly. With deposit taking after examining public policies towards financial markets pursued by the East Asian Miracle countries, concluded that one of the major interventions in the financial market Problems of Financing Development Project. Institutions few and far between

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in rural areas, people are forced to save in kind (e.g. stocks of grain, livestock, jewellery, etc.). Provision of financial assets/instruments that suit the needs and preferences of rural savers and provide returns may help both in the financialization of existing and generation new savings (Stiglitz and Uy ,1996).

However, most bank branches in Ethiopia are concentrated in major urban towns while a large proportion of the Ethiopian population lives in rural areas with little or no modern transport link, hence lacking access to financial assets. The recent emergence and expansion of banks, many of which focus on rural areas, is a positive development creating opportunity that should be exploited for the purpose of promoting rural savings. Encouraging banks to increase their outreach (for example, partly cover the overhead costs of establishing new branches/sub-branches) as well as introduce financial instruments appropriate to the conditions of rural savers is crucial in this respect (David A. Lynch, 2010).

Some banks and financial institution seem to be making good progress in terms of savings mobilization, although it is not clear how much of this is raised from rural savers. However, the financial savings instruments available are narrow and tend to be rigid. The only instruments on offer are compulsory and voluntary savings. Introducing flexibility to Accessibility of the compulsory savings by allowing savers to use at least part of it in case of emergency situations is likely to increase its liquidity, hence attractiveness(Kelly, R. and Mavrotas, G.,2008).

After all, the confidence those savers can quickly convert their asset holdings into cash with relative ease when they want to one key factor in the decision to invest in financial assets (thereby making their funds available for use by others). The degree of trust among rural savers in banks is also important (in addition to the interest rate on deposits). Regulatory and supervisory measures that ensure that banks exercise prudence, transparency and accountability in their operations is an important step along this line (ibid).

2.2.2 Deposit mobilization through exclusive rights on new branches

According to Thomas Hellman In this section we describe a model that captures the decision of a profit-maximizing bank on whether to open a branch in a previously unsaved area. The investment is costly, and the expected return is uncertain due to limited knowledge about the quality of the potential depositors in the area. In a competitive market, the bank has too little

incentive to develop a rural branch network because of the public good nature of the information about the quality of the deposit base. If it invests and quality is poor, it loses its investment. If the quality is high, competitive entry limits profits. If the government offers exclusive rights for banks developing new branches, the private incentives of the bank approach the social optimum, relative to those of a competitive market.

Moreover, protection is superior to subsidization in a competitive market. The amount of the subsidy necessary to induce entry is always less when accompanied by an exclusive right, and a subsidy will not necessarily replicate the efficient entry conditions when the bank is subject to competition immediately after entry. This is because with competition a bank will not enter it may be the case that a bank will choose not to enter higher quality catchments because it is more likely to face competition after entry (ibid).

2.2.3 **Contractual savings**

One way of promoting savings is through development of contractual savings, pension/provident funds and insurance in particular. In developed countries institutional investors such as mutual funds, insurance companies and pension funds are important sources of long-term corporate finance. In the context of developing countries, the success of Chile may be instructive: pension funds in Chile that was central to the success was promotion of savings through (i) creation of postal savings and provident funds (which attracted small savers by providing them security and convenient access) (Narayana ,2004).

According to Narayana (2004), unavoidable savings are savings active financial institution clients are required to contribute (to the group and Centre) regularly (usually every month), partly upfront (i.e. before taking loan) and are used as partial collateral - they are resorted to by the banks to settle any unpaid loan obligation in the event of default. As a result, they are illiquid: they cannot be withdrawn until the whole group has fully settled its loan obligation.

According to Drucker (1996), Pension funds and insurance companies (life insurers in particular), unlike banks, have contingent liabilities; that is, they pay out claims only when the insured against event occurs. Besides, there is a time gap between the time premiums are received and the occurrence of an insured event that gives rise to claim of payment on the policy (which tends to be long in the case of life insurance in particular). During this period, the insurer

could invest the funds. These, together with the law of large numbers, allow insurance companies to hold assets of long maturity, hence make their funds available for long-term lending without themselves becoming illiquid (i.e. still have enough liquidity to meet their liabilities). In the context of developing countries, the success of Chile using this scheme is instructive.

Development of contractual savings (pensions and life insurance) thus provides a means of increasing supply of long-term savings/finance (and national saving, provided contribution is mandatory and government does not take the funds as captive source of finance), in addition to increasing the options to obtain sound coverage against contingencies (such as old age, death, unemployment, severance payment), promoting financial deepening and improving financial risk management (which in turn may reduce the country risk premium and interest rates) (ibid).

Besides, the long-term nature (in addition to being contingent) of the liabilities of contractual savings institutions makes their liquidity and premium requirements low, thereby reducing the cost of capital. The increase in long-term savings may flatten the term structure of interest rates, thereby encouraging the undertaking of longer maturity, high-return investment projects (Drucker, 1996).

Keynes (1936) identified absolute disposable income as the important determinant of saving. Other two traditional theories Friedman (1957) Permanent Income Hypothesis (PIH) and Modigliani (1963) Life Cycle Hypothesis (LCH) explaining the determinants of saving point out that other variables also affect the saving of the households. Friedman (1957) PIH differentiated between permanent and transitory income and indicated that saving is influenced by both permanent and transitory income as well as present level of wealth, both human and non human. As per the Modigliani (1963) LCH the main reason for saving is to meet the expenses after the retirement and to acquire wealth. Hence, the age of the household head plays an important role in the saving behavior.

These three traditional theories and their variants have been extensively used in the empirical studies focusing on the household saving behavior in developed and developing countries. The results obtained for the developing countries have quite often deviated from inferences derived from the studies based on the analysis of the developed countries. The micro-macro studies

focused on the saving behavior of households in developed countries are based on the premises of perfect capital markets and the absence of risk aversion. Thus, these theories are found to be deficient in explaining the saving behavior of the households in developing countries where most of the households are poor, risk averse and operate in the scenario of uncertainties and imperfect financial markets (ibid).

Schmidt – Hebbel, Webb and Corsetti (1992), in addition to income found wealth to be an important determinant of household saving. But this study indicated that unlike income liquid wealth, in the form of monetary asset holding, negatively affects saving. Denizer et al (2002), indicate that accumulation of wealth which also consists of durable goods has a negative relationship with saving as there is a reduction of saving out of permanent income (Behrman and Sussangkarn, 1989). Developing countries have inefficient financial markets, which lead to accumulation of financial wealth in the form of money as a future support. As this accumulated financial wealth negatively affects saving, the developing countries have lower saving rates, than the developed countries where the financial markets are efficient.

Considering a more comprehensive definition of wealth concluded that there is no significant effect of ownership of real estate on saving, while ownership of durable consumer goods reduces household saving. Ownership of stocks of various financial assets and liabilities, and accessibility to liquid assets affect saving negatively. However, if wealth is in the form of productive assets such as farm land, it can have a positive impact on saving. Larger land ownership helps the farmers to benefit from economies of scale and, hence, higher production and earning. Secured land ownership can be used as collateral for loans by the farmers (Gonzalez-Vega, 2003) and Lamberte et al. (2006). Credit if utilized for improving the productivity of land enhances the income level of the households, leading to higher saving. Thus, farm size can significantly and positively affect saving of farm households.

Some studies have even considered human wealth in their analysis. Education as a human wealth ensures employability and stability of income and, hence, it can have negative impact on saving. However, education improves awareness and financial literacy of people by enabling them to apprehend the complex procedures and formalities and associated risk and return involved in various financial instruments and institutions. Higher financial literacy is associated with higher saving (Browning and Lusardi, 1996).

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Impact of demographic variables is extensively studied in the literature but it is inconclusive about the impact of these variables on the household saving. Study by Bovenberg and Evans (1990), shows that higher the old aged population in the nation, the lower is the saving rate of the economy. Whereas, a study by Foley and Pyle (2005), concludes that the young and elderly population save more than the middle aged population.

Impact of family size and the composition of the family are also uncertain on the household saving. Studies by Kelley and Schmidt (1996), indicate that larger family size and larger number of children in the family reduces the saving of the households. However, in developing countries due to large family size, the intergenerational links are particularly strong, which lengthen the effective planning horizon of households (Gersovitz, 1988) and reduce the need for saving for retirement or for intergenerational transfers (Deaton, 1991). Some studies have also analyzed the impact of occupation on saving. The occupation pursued by individuals often determines their income cycle and affects the stability and regularity of their income. Occupation with unsecured income motivates precautionary saving. Those households who have secured jobs save less than those who have risky jobs and uncertain income (Guariglia and Kim ,2004) .

However, study by Denizer et al. (2002), shows that, saving is not affected by source of income, that is, occupation. Government to imbibe saving habits amongst the households often resort to forced saving mechanism in the form of compulsory saving schemes such as pension funds and insurance policies. However, the impact of such pension schemes on saving is inconclusive.

On the one hand, the study by Schmidt-Hebbel (1999) argued that private saving increased by the introduction of pension reforms in Chile. On the other hand, Samwick (2000), concluded that such reforms improved the national saving in Chile but not in other reforming counties that were considered in his study. World Bank (1993), also indicated that the effect of compulsory saving i.e. government enforced compulsory saving on employees and employers on household savings varies across countries.

The impact of location has also been analyzed in the literature. Different studies have considered different definitions of location in their analysis and have identified divergent relationship with saving. Locations significantly affect saving behavior whereas location of households in big or small towns does not significantly affect saving. The households who live in urban areas have

lower saving rates than those who live in rural areas, as the consumption expenditure in urban areas might be higher than that in the rural areas. Impact of urbanization on saving has been found to be negative (Edwards , 1996).

Some studies have also looked into the impact of financial deepening - availability of financial institutions and instruments - on the mobilization of household saving, though not at the desired level of disaggregation. Imperfect rural financial markets negatively affect the saving of farm households. Lack of availability of financial institutions and asymmetric information deter the financial institutions from providing sufficient lending to the farm households (Pederson, 2003). This unavailability of adequate credit results in precautionary saving to maintain a constant level of consumption and deters adequate investment (Deaton, 1992).

In the context of financial deepening, the location of the financial institutions is also considered to be influencing the saving behavior of the households. World Bank (1993) pointed out that postal run saving schemes lowered transaction costs for disadvantaged savers and provided relatively Safe Avenue for investment and helped in fostering the mobilization of saving in many East Asian countries. However, for the households, who do not have access to the financial institutions, the saving rate depends on alternative saving and investment options available to them. Thus, it can be ascertained that household saving can be explained by various micro and macro-economic factors. In spite of large work done in this area, literature is inconclusive regarding the magnitude and signs of impact of many of the variables which can have influence on saving (ibid).

2.2.4 **Understanding Youth Savings**

The potential of adolescents and young adults to contribute significantly to economic activity is constrained by a general lack of financial products adapted to their conditions and needs. In developing countries, low-income youth are often engaged in some productive activity, even if they are enrolled in school. Financial service providers and policy makers increasingly see youth as a rapidly expanding market segment that merits access to financial products, especially savings, which can help them accumulate assets to invest in education, skills training, and business opportunities (Kilara and Latortue, 2012).

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To close the knowledge gap about how adolescents demand and use savings, the YouthSave Consortium, coordinated by Save the Children in partnership with the Center for Social Development of Washington University in St. Louis, the New America Foundation, and CGAP, has teamed with financial institutions and local researchers in Colombia, Ghana, Kenya, and Nepal to co-design, pilot, scale up, and study the impact of savings products accessible to low income youth aged 12 to 18. Since 2009, the consortium has published several assessments of the state of practice and policy making in youth savings. Beginning in 2012 it began to share findings emerging from rigorous analyses of the rollouts of youth-oriented products by its partner financial institutions (ibid).

The core product tested is a regular custodial savings account that allows young people to make deposits independent of an adult, but which requires the signature of an adult trustee to make withdrawals. Marketing is undertaken primarily through schools, but also at other community spaces where out-of-school youth can be reached. Important numbers of in-school youth have established accounts; however, uptake among out-of-school youth has been limited, pointing to the need to further refine approaches in order to address this complex demographic group. Well over half of participating youth in the African pilots indicated that their primary reason for opening a savings account was to save for their own educations, although important numbers also cited saving for emergencies and daily expenditures as motivations (Kilara and Latortue, 2012).

Reporting on the initial pilot phase of July–December 2011, the researchers conclude "that low-income youth who have never participated in the formal financial sector will participate and save in formal financial savings products," a finding supported by the fact that "average monthly net savings per account were about $11 in Ghana and Kenya, and $3 in Nepal" (Johnson et al. 2012). Over the next several years, rigorous studies to be conducted by Youth Save will yield much more detailed information about how young people demand, access, and use savings products, as well as a deeper understanding of how financial institutions can sustainably serve this demographic segment.

2.2.5 Deposit mobilization: saving, time and demand deposits

One of the major functions of the financial sector is to intermediate between lenders and borrowers. Apart from providing other services, financial institutions mobilize funds using different saving instruments and then lend it to different segments of the economy. Therefore, one performance indicator of the financial sector is the extent of saving deposits over time. The other function of the financial sector is to serve as payment media, where different economic agents use the bank to conduct their payments. With development, the bank remains the safest and largest mechanisms of payment. Thus, the performance of demand deposits can be taken as an indicator of the development of such service of the bank.

During the entire period of 1971/72-2008/09, saving constituted on average 44% of the total deposits while the average share of demand deposits was about 46 %. The share of time deposits has been consistently low, with an average of 9.8% in the given period.

However, there has been inter-policy regime difference in the relative share of each deposit type. During the 1974/75-1991/92 period while the share of demand deposits was 53%, the share of saving deposits (SD) was 35%, probably indicating that saving was highly suppressed during the command economy. In the subsequent policy regime, since 1992/93, the relative position of saving and demand deposits (DD) have shifted in favor of saving deposits (SD). While the share of DD has declined to 42 %, the share of SD has increased to 52%. In fact, since 1994/95, saving deposits has been greater than demand deposits. In fact, the gap between saving and demand deposits has been increasing during the period since 1994/95. This can be vividly seen in the figure just below, where the curve for saving deposits was increasing, while that of the demand deposits is showing a declining trend. The share of time deposit remained consistently low at less than 10%.

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Figure 1: Percentage share of different types of Deposits over 1971/72-2008/09
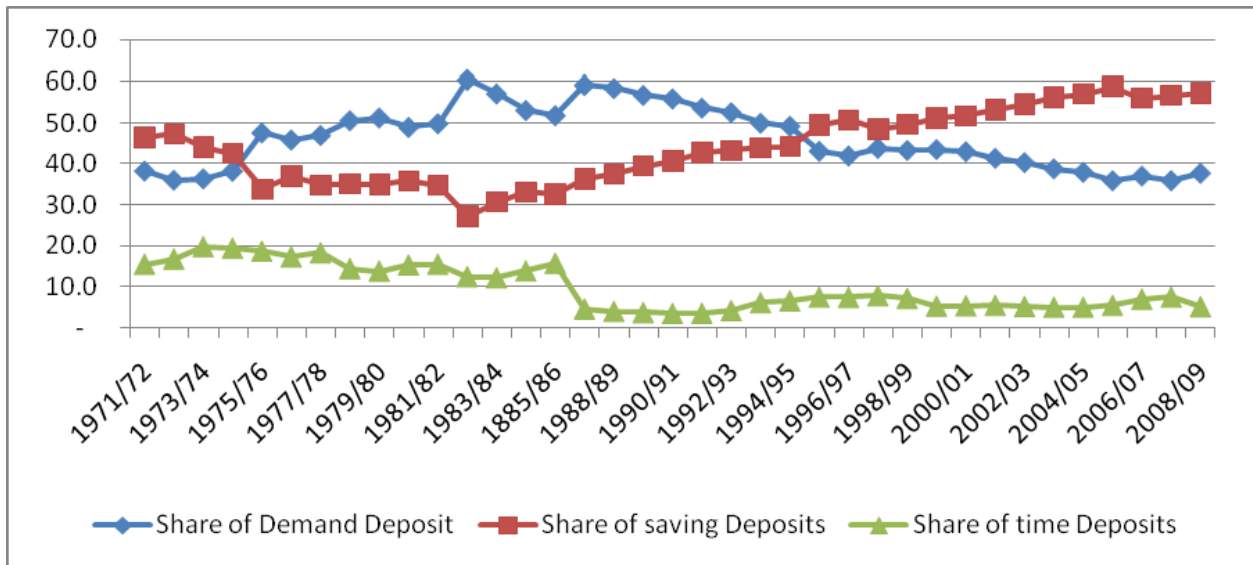
Source: NBE, 2015

2.2.6. **Financial development and private saving mobilization**

The Ethiopian financial sector is at its best nascent, despite its long history. It remained stunted for long except for the recent growth. The country is under-banked with limited outreach. There is no capital market so far, which could have substantially contributed to attract savings and efficiently allocate investment. There has never been any change in the instruments of saving, except saving and time deposits. Reflecting on the experience of the East Asian countries and others, it would have been possible to introduce different saving instruments. Unfortunately there has never been the incentive to innovate new saving instruments and increase savings (Ageba, 1997).

In Ethiopia, there has been simultaneously excess reserve and liquidity on the one hand and persistent and substantial short fall of saving on the other hand. One of the institutions that should contribute to fill the saving-investment gap is the financial sector, 77 which has to be aggressive and innovative to mobilize saving and channel it to investment. What is happening is passive saving mobilization, excessive liquidity, and hence the already small saving is being held. The economy desperately needs investment and yet there is idle money in the banks. It is like you are thirsty for water and there is water on the table and yet you cannot quench yourself.

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The strategic directions should therefore be to promote aggressive saving using existing and new saving instruments on the one hand and reduce over liquidity of the banking sector (Ageba, 1997).

In order to increase saving, the Ethiopian government should pursue different strategies. One is awareness creation to minimize expensive festival, marriage and mourning ceremonies. The government may bring about different non-government forces mainly religious organizations to enhance saving consciousness (ibid).

Moreover, the financial sector should develop alternative markets and instruments that can enhance saving and investment. Gradual introduction of capital market, which may start from government bond, appears timely move. Developing the capital market requires will and commitment of the government. Fostering capital market is a complex process that requires intimate understanding of how capital markets operate and what can be learned from the rest of the world. In addition to learning from the rest of the world, one needs to be institutionally innovative to understand the capacity, problems and prospects of the Ethiopian institutional set up. That may help to design a capital market that is tailored to the realities of the country. Offhand, nurturing capital markets requires systemic transformation and capacity development of the macroeconomic system, government behavior and commitment including strong legal and regulatory system (Ageba, 1997).

In such an attempt to develop the financial sector, there is a need for developing innovative instruments to blend the formal with the informal financial institutions. There are quite important informal financial institutions that have to be integrated with the 78 formal sectors, which could be a win-win scenario for both the formal and informal financial sectors .On the other hand, the central bank of the country should identify the underlying causes for over liquidity in the banking sector and promote credit and investment in the country. One direction could to investment on relevant capacity building areas to mitigate the bottlenecks that hinder smooth operation of the credit market, credit information, ensuring rule of law and minimize the chances for default (ibid).

CHAPTER THREE

REASERCH METHODLOGY

This chapter covers the research design, population and sampling techniques, type of data and instruments of data Collection, and methods of data analysis of the study.

3.1 Research design

The selected research design for the paper was descriptive research design because it involves investigation which provides detailed picture of the situation and detail description of the findings displayed in tables and charts .In doing so, the research was providing work for both quantitative and qualitative data to come up with concrete and reliable findings and conclusions.

3.2 population and sampling techniques

A. Population of the study

The population of the study encompassed the entire selected city branch: Branch Manager, Customer Service Managers (CSM) and saving mobilization team members of CBE was taken as samples which are 146 in number. The population is a composition of varied background characteristics in terms of sex, ages, level of education and experiences.

Table 1: population of the study and sample size

No.	Target population	Number	Sample size
1	Branch manager	16	16
2	Customer service manager(CSM)	70	70
3	Saving mobilization team members	60	60
	Total	146	146

Source: Source: CBE Human Resource Department, 2015

B. Sampling Techniques

The sample units for this study are branch manager, customer service manager and saving mobilization team members because they get the chance participating in different annual meeting regarding with the saving performance of the bank, so the researchers believe that they have a

better awareness about saving mobilization activities rather than other employees. For the research from the total city branches located in Addis Ababa under the four districts i.e. 181 branches only 16 branches were taken as a sample based on grade and location. The sample is drawn from the total population of 936 employees the study was selected 146 employees all the selected branch; branch manager, customer service manager and saving mobilization team members was taken as a sample by using non probability sampling method known as purposive sampling method to survey the challenges and prospects of saving mobilization in CBE branches the samples are accessible to the researcher, expecting that the researcher would get the necessary data.

Table 2: List of branch and sample size

Name of district	Name of branch	Grade of branch	Number of Branch manager	Number of Customer service manager(CSM)	Number of Saving mobilization team member	Total
South Addis Ababa district	Senga tera branch	Grade 4	1	5	5	11
	Yoseph branch	Grade 3	1	4	4	9
	Mexico branch	Grade 2	1	3	3	7
	Jemu branch	Grade 1	1	3	3	7
West Addis Ababa district	Abakoran branch	Grade 4	1	6	5	12
	Ayer tena branch	Grade 3	1	4	4	9
	Repi branch	Grade 2	1	4	3	8
	Welete branch	Grade 1	1	3	3	7
East Addis Ababa district	Andinet branch	Grade 4	1	5	4	10
	Airport branch	Grade 3	1	4	4	9
	Kazanchis branch	Grade 2	1	5	4	10
	Kara branch	Grade 1	1	3	3	7
North Addis Ababa district	Addis Ababa branch	Grade 4	1	10	5	16
	Mehatem gandi branch	Grade 3	1	4	4	9
	Addisu gebeya branch	Grade 2	1	4	3	8
	Asko branch	Grade 1	1	3	3	7
Total			16	70	60	146

Source: MIS of CBE, 2015

3.3 Type of Data and Instruments of Data Collection

The researcher was used both quantitative and qualitative type of data. Data obtained through questionnaire; data that describes numerical figures were quantitative data types that were used in this research. Qualitative researchers were used collect data through examining documents, observing behavior, or interviewing participants. The data was collected from primary and secondary sources.

3.3.1 Primary source of data

The primary data was collected through interview, questionnaires and personal observation.

I. Interview

Interview is fundamentally a conversation that attempt to draw information or expression of opinion and beliefs from another person. The researcher conducted face to face structured personal interview with the four district mangers located in Addis Ababa.

II. Questionnaires

Brian (1995:34) says, questionnaires are particularly useful when needed to procure response from large samples as they can be sent out by post. Questionnaires do not allow for ambiguous answer to be clarified and therefore, special care is taken to ensure the questions are expressed in such a way as to elicit answers which are meaningful. By taking the above fact in to consideration, to gather primary data during the study, the structured questionnaires were prepared and distributed. Data have been collected by distributing questionnaires that contain both open and close ended questions. The close ended questionnaires are designed in Likert`s scale to collect primary data with short period of time. A questionnaire was distributed to the entire selected branch; branch managers, Customer Service Managers and saving mobilization team members.

III. Observation

Observation relies on the researchers' ability to gather data through their senses and allows researchers to document actual behaviour rather than responses related to behaviour. In doing so the researcher's uses participant observation because the researcher participates in ongoing

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activity and the researcher is a player in the action. The researcher can observe such challenges that can affect the performance of some branches with respect to saving mobilization activities like; uncomfortable branch location, lack of foreign currency and credit facility, lack of adequacy of training to the staff regarding with saving mobilization activities were some challenges observed by the researcher at branch level. And also the researcher can observe some mechanism that has been taken by the management and the staff to reduce such challenges and to achieve the planned deposit amount such as the bank provide new products for the society based on their interest like; youth and teenager account, special women account, special education account with a better interest rate, Islamic banking (Interest Free Banking) and lottery method was some practices taken by the bank to attract customer and to enhance the saving habit of the society.

3.3.2 Secondary source of data

In this study, secondary data source are used for background information about the study. Secondary data serves researcher with the opportunity to better understand and explain the research problem. The secondary data of this study is compiled from main sources like MIS and human resource department of commercial bank of Ethiopia providing valuable data for this study and related topic research and publication documents such as magazines and brochures, record of the bank, particularly records of the branch and other source like website was used.

3.4 Method of Data analysis

After the data have been collected, then the researcher made post coding so as to minimize the complexity of data entry. The data entry method was done by using statistical packages for social science (SPSS, version 17.0).

After the accomplishment of this all process, the analysis of data was started to draw important conclusions that reflect the researcher's interest of inquiry stated right at the beginning of the study (Arega, 2007).

Quantitative analysis techniques were employed to demonstrate processed data in absolute terms through the use of descriptive statistical tools such as frequency and percentage of results with

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the help of statistical packages for social science (SPSS). The data was ordered in tables and then frequency and percentage calculated. Analysis of the data was showed based on the study objective and questions.

The researcher collects data through examining documents, observing behavior, or interviewing participants. In the entire qualitative research process, the researcher keeps a focus on learning the meaning that the participants hold about the problem or issue, not the meaning that the researchers bring to the research or writers express in the literature. The key idea behind qualitative research is to learn about the problem or issue from participants and the researchers make an interpretation through observation by combining with the quantitative data analysis based on what the researcher see at the time of done the study and the researcher analyzing the data through interview at the end of the analyzing part by arranging response from interviewees.

3.5 Reliability and Validity

Reliability and Validity are the two important characteristics of every measure of materials such as questionnaire. Reliability is defined as be fundamentally concerned with issues of consistency of measures. (Bryman&Bell, 2003) Reliability analysis involves ascertaining the extent to which measurements of a particular test are repeatable.

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman& Bell (2003) also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. Content validity in this study would be ensured as most of the scales employed would be adopted from established scales that have been already subjected to content validity tests or analyses.

Before analyzing the collected data the reliability of the main items of the questionnaire was tested by using Cronbach's alpha.

Table 3:.Reliability statistics of the five point Likert scale questions.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.886	.89	20

Source: own survey, 2015

Reliability coefficient which are more than or equal to 70 % (A> 0.7) is acceptable. So, Reliability of the question was evaluated and the result Cronbach's Alpha was used to test the reliability of the materials used in this research. Thus, the reliability coefficient of the above item is above 70% and/or the overall reliability test for the item is 89%.This implies that the item were reliable and understandable to the respondents.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND RESEARCH RESULT

4.1 Introduction

The general objective of this study was to examine challenges and prospects of saving mobilization in commercial bank of Ethiopia a case study of Addis Ababa. Thus this chapter present the main body of the paper and it analyzed each objective of the paper using descriptive analysis such as frequency and percentage was used to present the personal information of the respondent, performance of saving, administrative system and institutional environment, demand-oriented saving product and strategy for saving mobilization, management and staff capabilities and ranks of employee satisfaction level.

4.2 Data presentation and analysis

The analysis was done by categorizing, ordering, manipulating the data and summarizing in a meaningful way. The plan was to collect 146 filled questionnaires from all target population but the researcher was received 130 filled questionnaires back the researcher was done the analysis based on these 130 questionnaires. This was edited and entered into a computer using Statistical Package for Social Sciences (SPSS) software for analysis. The results of the analysis were presented in percentage, tabular form, different charts and statement. The data was ordered in tables and then frequency and percentage calculated. Analysis of the data was showed based on the study objective and questions.

4.3 Response Rate

In this section the researcher discusses data analysis in the context of the study's objectives.

The individuals who participated in the study were employees of commercial bank of Ethiopia that worked in difference selected city branch in Addis Ababa as branch manager, customer service manager (CSM) and saving mobilization team members. A total of 146 questionnaires were distributed. The overall response rate was 130 or 89%.

Table 4: Socio demographic details of study subjects

Item	Description	Respondents	
		Frequency	Percent
1. gender			
	Male	86	66.2
	female	44	33.8
	Total	130	100
2. age	20-30	74	56.9
	31-40	30	23.1
	41-50	21	16.2
	Above 50	5	3.8
	Total	130	100
3. Marital status	Single	84	64.6
	Married	35	26.9
	Divorced	2	1.5
	Widow/widower	9	6.9
	Total	130	100
4. educational level	Diploma	7	5.4
	Degree	104	80
	Masters	19	14.6
	Total	130	100
5. how long you have been working at CBE	Less than a year	7	5.4
	1-5 years	80	61.5
	6-10 years	12	9.2
	Above 10 years	29	22.3
	Total	130	100
6. position in your organization	Branch manager	16	12.3
	Customer service manager(CSM)	43	33.1
	Saving mobilization team members	71	54.6
	Total	130	100
7. level of your branch	Grade 1	18	13.8
	Grade 2	19	14.6
	Grade 3	14	10.8
	Grade 4	79	60.8
	Total	130	100

Source: own survey, 2015

According to the survey taken, 86 or 66.2% of the respondent were male employees and whereas 44 or 33.8% were female respondents. The study tried to represent of the employees respondent

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however is fairly balance but the selected staffs had more male than female. In terms of age 74(56.9%) of the respondents were the age between 20-30 years, 30(23.1%) of the respondents the age between 31-40 years, 21(16.2%) of the respondents were the age between 41-50 years and the remaining 5(3.8%) of the respondents were the age above 50 years.

In terms of marital status the total number of the collected 130 respondents 84(64.6%) of the respondents were singe, 35(26.9%) of the respondents were married, 2(1.5%) of the respondents were divorced and the remaining 9(6.9%) of the respondents were widow/widower. On the other hand the above table indicates that in terms of educational level 7(5.4%) of the respondents were diploma, 104(80%) of the respondents were degree and the remaining 19(14.6%) of the respondents were masters. the fact that the majority of the respondents educational level were degree in commercial bank of Ethiopia.

In terms of years of experience in the bank 7(5.4%) of the respondents were works less than a year, 80(61.5%) of the respondents were works from 1-5 years, 12(9.2%) of the respondents were works from 6-10 years and the remaining 29(22.3%) of the respondents were above 10 years work experience. The fact that majority of the respondents had 1-5 years work experience in commercial bank of Ethiopia.

As illustrate in item 6, in terms of position in your organization from the total 130 respondents 16(12.3%) of the respondents were branch manager, 43(33.1%) of the respondents were customer service manager (CSM) and 71(54.6%) of the respondents were saving mobilization team members. This indicates that the majority of the respondent from the selected target population were found in the position of under saving mobilization team members in commercial bank of Ethiopia.

On the other hand the above table indicated that from item 7, in terms of branch grades 18(13.8%) of the respondent were works at grade 1 branches, 19(14.6%) of the respondents were works at grade 2 branches, 14(10.8%) of the respondents were works at grade 3 branches and the remaining 79(60.8%) of the respondents were works at grade 4 branches. The data indicates that the majority of the respondents had works at grade 4 branches.

Figure 2: Performance distribution of selected branch regarding saving mobilization
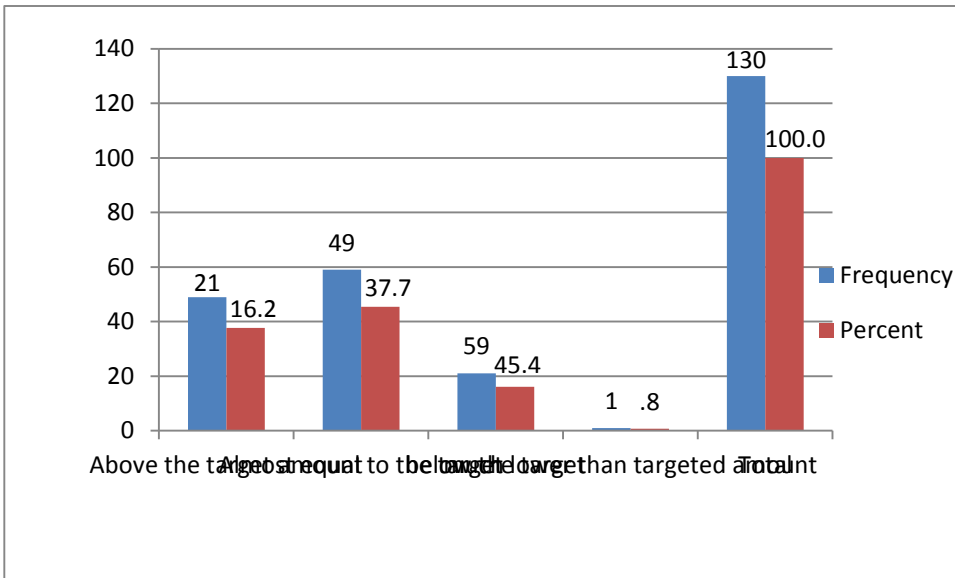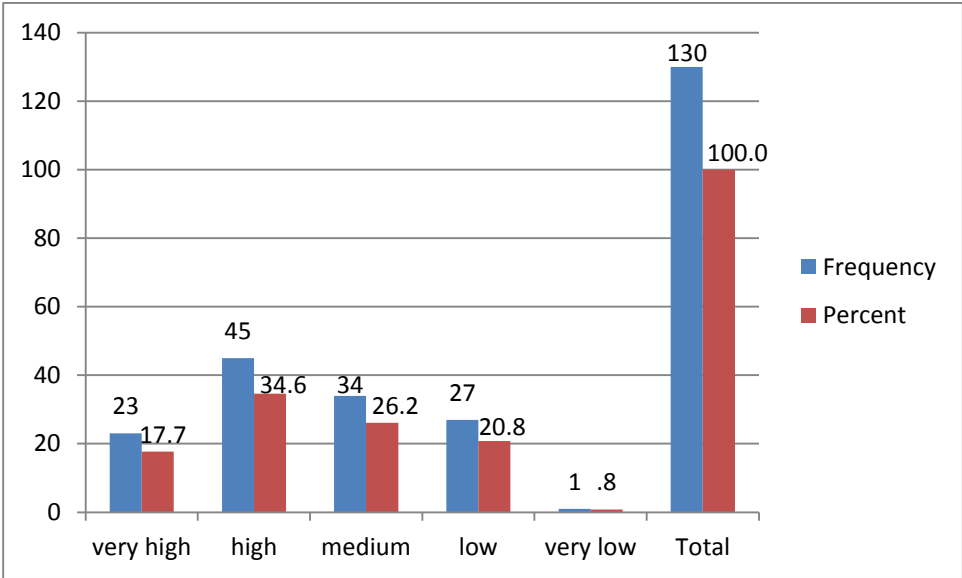

Source: own survey, 2015

As one can see from the above figure under the assessment of deposit performance of selected branch recent four quarter in relation to the target given to the branch the survey result indicated that 21(16.2%) of the respondents have indicates that their saving performance have been above the target amount,49(37.7%) of the respondents have indicates that their saving performance have been almost equal to the target ,59 (45.4%) of the respondents have indicates that their saving performance have been below the target and the remaining 1(0.8%) of the respondents were indicate that much lower than the target amount. The data indicate that the majority of the respondents responded that they branches below the target amount with regard to achieve the target given to saving performance of the recent four quarter.

From the data collected it was observed that the target given to branches are different because of it considers the level of branches, the target given to grade 4 branches in quarterly related to mobilizing saving are greater than other branches that found grades 1, 2 or 3 because of considering seniority of branches, number of customer and transaction and location of the branch.

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Figure: 3 Rate the cooperation of concerning higher officials in addressing challenges faced to mobilize saving.

Source: own survey, 2015

As one can see from the above figure, in terms of rate the cooperation of higher official in addressing challenges faced to saving mobilization process such as lack of access to different credit facilities, having unfavorable condition for quality service, inflexible internal policies, lack of customized saving products which satisfy the large base of customer and improper incentive systems for the management and employees by taking five sub variables through questionnaire survey from respondents. The survey result indicate that , 23(17.7%) of the respondent were indicate that very high, 45(34.6%) respondents were indicate that high, 34(26.2%) respondents were indicate that medium ,27(20.8%) of the respondents were indicate low and the remaining 1(0.8%) of the respondents were indicate that very low.

From the data collected it was observed from that sometimes there is chance of arising branch specific challenges like, some branch may be loaded with work of specific works like high flow remittance which are usually a very high number of domestic remittance or because of the favorability of some branch location there are very high number of customer which most of them inter-branch customer by nature. Also other indicates that the amount of government account are

very high in some branches thus salary payment, making transfer to all respective regional officer, making CPO, will responsibility of those specific branches challenges.

So because of such challenges they indicate that some branch specific challenges are hindering they day- to- day activity of marketing committee even though they should done marketing activities like cross selling and referral marketing which are done within the branch but they indicate that they usually divert their attention to those loaded area.

Figure 4: Rate of saving making behavior and request of different credit facilities by customers
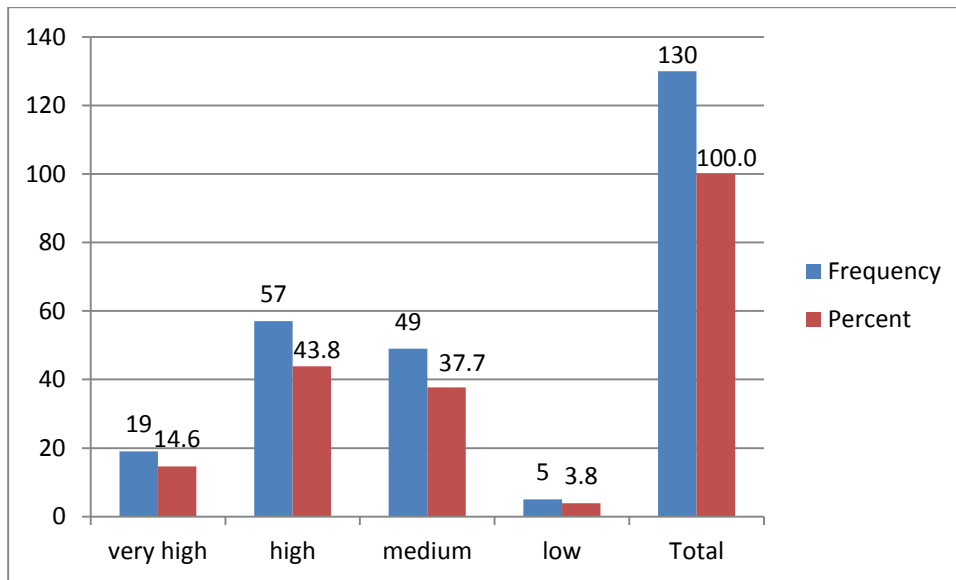
Source: own survey, 2015

As one can learn from the above figure in terms of how do rate the connection of saving making behavior from customer in your branch by taking five variables the collected data indicates that, 19(14.6%) of the respondents were indicates that very high, 57(43.8%) of the respondents were indicates that high, 49(37.7%) of the respondents were indicates that medium, 5(3.8%) of the respondents were indicates that low. In addition to this the respondents were indicates that very high and high for this notion, were reply their opinions, in terms of how to handle the request of credit in return of higher amount of saving made by customer.

According to the data that collected through questionnaires from branch manager, customer service manager (CSM) and saving mobilization team members. The majority of the respondents reflect their opinion for the above mentioned idea by put in plain words like CBE gives credit

service for the people who are engaged in agriculture and manufacturing sector depending up on the amount of money they kept at the bank and using this capital as a collateral pledge rendering them a plenty of credit service. And the bank's strategy focuses on priority sector for credit facility thus us properly advice the customer to engage our priority sector to get the credit. Some customer have an access to credit if they are in the priories are i.e. import-export, manufacturing and agriculture but still it is not satisfactory.

Figure 5: Some restriction mechanism for withdrawal of higher amount of money by customer applied by CBE
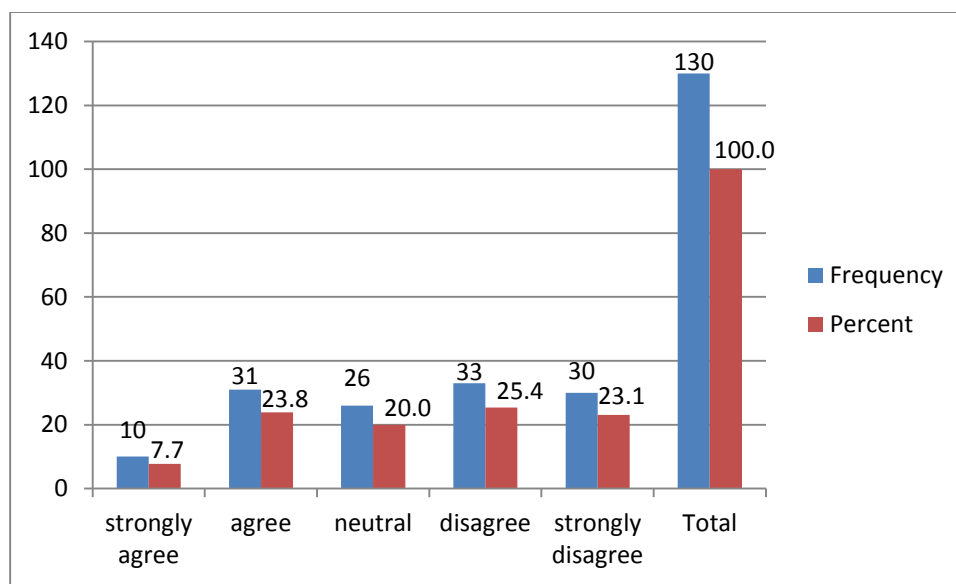
Source: own survey, 2015

As reported in the above figure in terms of would you support the idea if commercial bank of Ethiopia applied some restriction mechanism for withdrawals of higher amount of money by customer the data indicate that, 10(7.7%) of the respondents were strongly agree, 31(23.8%) of the respondents were agree, 23(20%) of the respondents were neutral, 33(25.4%) of the respondents were disagree and 30(23.1%) of the respondent were strongly disagree.

The fact indicates that the majority of the respondents do not support the idea of some restriction mechanism at the time of withdrawing higher amount of money from the bank. In addition to this the respondent reply their opinion that they indicates disagree and strongly disagree put their justification. The justifications of the majority of the respondents were almost similar. Based on

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the respondents explanation collected from the data majority of respondents were explain that; first, The restriction may lead to dissatisfy the customer and create a fear to save a higher amount of money. Second, if the customer didn`t get their money at the time they need the restriction mechanism leads to some challenges for example it leads to closing their account because they considered at that their right are restricted and they considered as they can`t use their own money during difficulties.

Third, anybody should get his money at the needed amount at the needed time but if CBE applied amount of limitation to withdrawals, nobody can save money in bank. Fourth, Bank is where the place people want to safe keep their money if there were restriction on withdrawal amount most people do not be bank customer because customer have full right by their own money they can withdraw their money at any time without any kind of restriction.

Figure 6: Rate of coordination among different concerned bodies in reduction of new products implementation challenges.
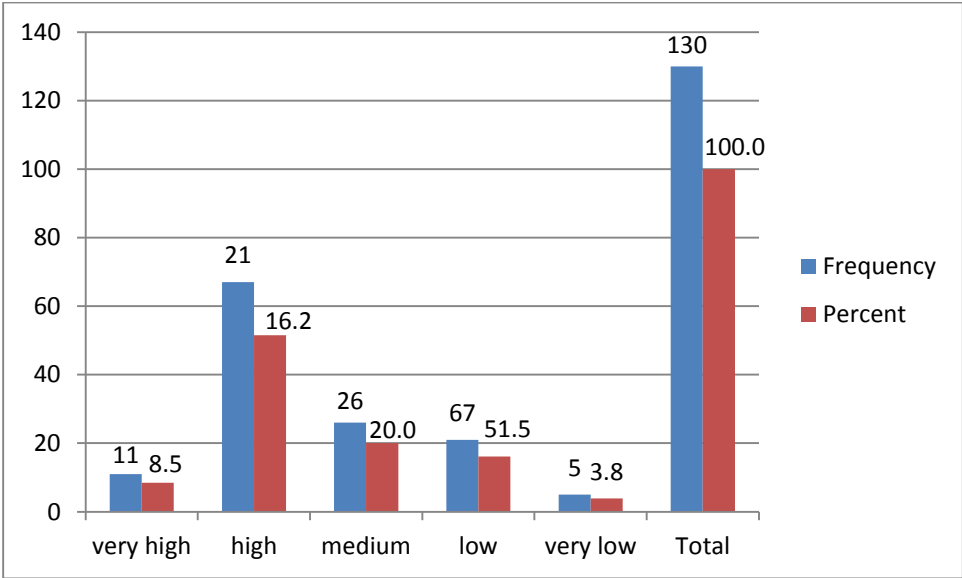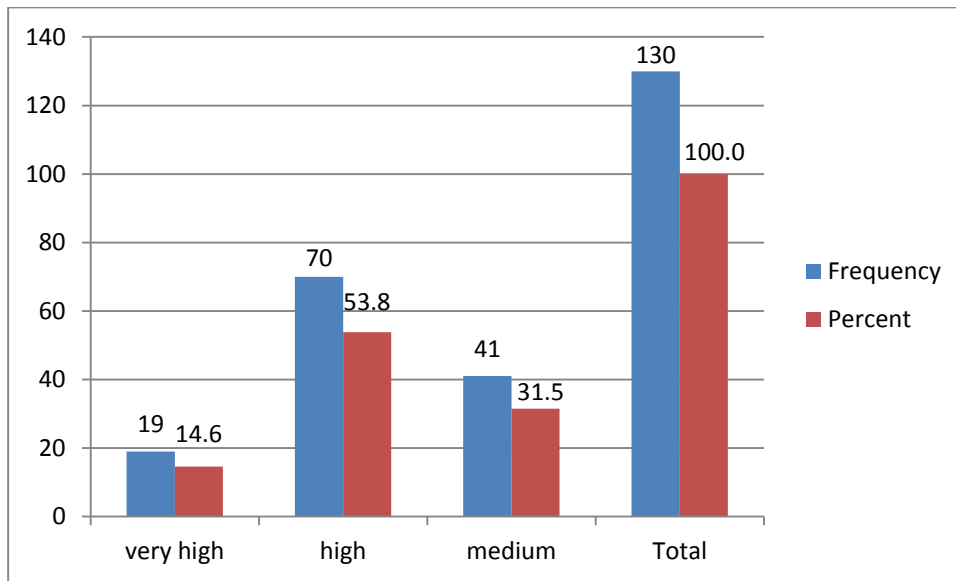

Source: own survey, 2015

One can be informed from the above figure for the assessment of how do you rate the coordination of different concerning bodies in reduction of challenges in the time of implementation of new products on time, the collected data from the respondents indicates that, 11(8.5%) of the respondent were indicate that very high,21(16.2%) of the respondents were

indicate that high, 26(20%) of the respondents were medium, 67(51.5%) of the respondents were indicate that low and the remaining 5(3.8%) of the respondents were indicate that very low. The data indicates that the majority of the respondents were indicating that there is low coordination in time of implementation of new product on time.

Based on the above mentioned idea respondents were put their point on what should made to minimize such challenges their explanation were like; first, Coordination must be forecasted by concerned bodies before the product exercised in the ground .Second, The bank must design and provide training session to the right person in advance of the implementation of the program and in addition CBE must have to create awareness to its employees before launching and advertising activities regarding to the product. And third there as to be a proper or correct flow of information, there has to be continuous awareness creation, and there has to be well addressed and continuous training and development program.

From the data collected it was observed that they are sometimes equal with the public to hear any introduction of new products and when most challenges occur like for mobile banking and internet banking there is no technical help from a responsible bodies for the product implementation and also they indicate that the product are not even used and functioned by the staff let alone for customer to use it. Further they indicated that there is no efficient training prior to the implementation of new product. This makes the implementation even harder.

Figure 7: Rate of skill and knowledge in relation to promoting and collecting of planned saving amount

According to the above figure by taking the five variables with regard to how do you rate your skill and knowledge in relation to promoting and collecting of planned saving amount the data indicate that, 19(14.6%) of the respondent were reply very high, 70(53.8%) of the respondents were reply high, 41(31.5%) of the respondents were reply medium and there is no respondent were reply low and very low. Based on the data gathered from the respondents the fact indicated that the majority of the respondents reply high, so it indicate that the large number of employees' works in commercial bank of Ethiopia have a better skill and knowledge related to promoting and collecting of planned saving amount.

Figure 8: Rate the adequacy of training given to the staff regarding saving mobilization activities
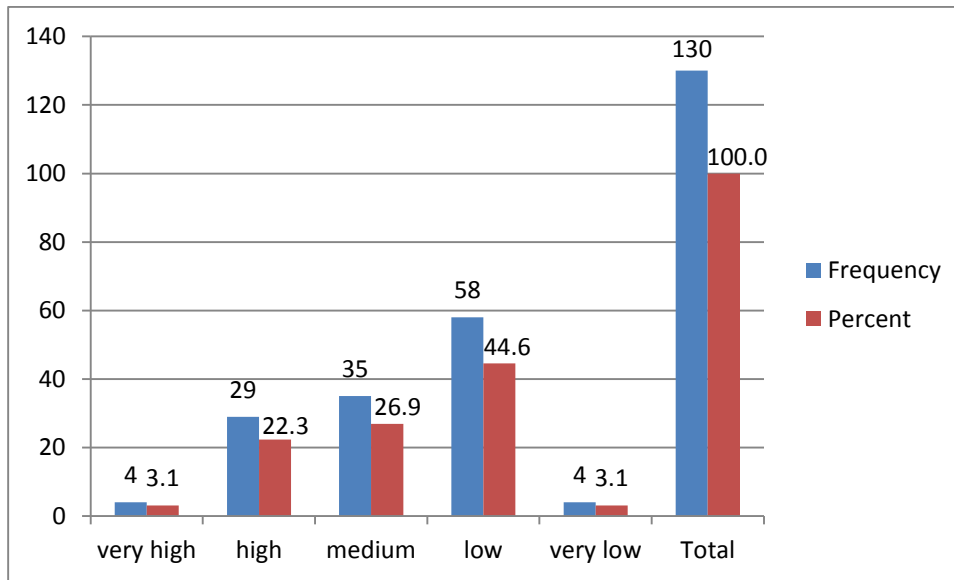
Source: own survey, 2015

As one can see from the above figure with regard to rate the adequacy of training given to the staff regarding to saving mobilization activities the data indicates that, 4(3.1%) of the respondents were reply very high, 29(22.3%) of the respondents were reply high, 35(26.9%) of the respondents were reply medium, 58(44.6%) of the respondents were reply low and the remaining 4(3.1%) of the respondents were reply very low. The collected data indicates that the majority of the respondents were reply low regarding to the adequacy of training to the staff about saving mobilization activities. These indicate that the bank does not provide efficient training to the staffs related to saving mobilization activities.

So new concept and activities is needed to ensure the managers and the staffs of commercial banks for capable to designing and delivering appropriate product and implementing new strategies of the bank both classroom and on-the job training are needed.

On the other hand the questionnaires includes about the most determinant factor in saving mobilization process which make people to save in commercial bank of Ethiopia. According to the data collected through questionnaires from branch manager, customer service manager(CSM) and saving mobilization team members of the bank the respondents were explain the main determinant factors that people save in their branches such as: the availability of credit facility

and foreign currency , the branch provide quality and attractive service for customer ,in order to get interest from the bank ,handling and caring much for customer, branch expansion, availability of technology and creating awareness to society, a plenty of smile with service a good or harmony between customer and bank staff, the place where the bank situated has strategic and a great effort made by bank staff, Accessible to the customer, extended working hour and trained staff, Felling safe, Convincing staff relations with customers, the staff member are very creative, positive and well skillful and coupon distribution or CBE lottery method , advertisement of new product and marketing strategy are the most determinant factors that people save in the bank.

In addition to this the questionnaires also includes that what are the most recurring challenges in saving mobilization endeavor the respondents were present their individual opinion. According to the collected data respondents were explain the following points such as: The bank is providing credit facility for areas of priority sector only, lack of delivering service like FCY, credit facility requested by customers, the interest is very low compared to the inflation level, lack of awareness of bank service and since most of our customer are corporate organization they need huge amount of credit to finance their business but due to the shortage of credit facilities the bank can`t satisfy their financial needs, because of this some customers close their account and shift to other alternative banks in order to satisfy their financial needs were the main challenges in saving mobilization endeavor.

Table 5: The extent of having branch specific challenges to achieve the target saving amount.

Item	Frequency	Percent
Strongly agree	33	25.4
Agree	67	51.5
Neutral	17	13.1
Disagree	8	6.2
Strongly disagree	5	3.8
Total	130	100

Source: own survey, 2015

As indicated on the above table indicates that 33(25.4%) of the respondents were strongly agree that they have branch specific problem in their endeavor, 67(51.5%) of the respondents were agree that they have branch specific challenges, 17(13.1%) of the respondents were neutral, 8(6.2%) of the respondents were disagree and the remaining 5(3.8%) of the respondents were strongly disagree that they have branches specific problems respectively. The fact indicates that the majority of the respondents were replay agree that they have branch specific challenges to achieve the target saving amount such as: high flow of domestic remittance, salary payment, making CPO, branch location are an example of those branch specific challenges.

Table 6: The extent that CBE has an enabling and flexible environment to put an innovative system on saving mobilization at branch level

Item	Frequency	Percent
Strongly agree	42	32.3
Agree	61	46.9
Neutral	14	10.8
Disagree	12	9.2
Strongly disagree	1	0.8
Total	130	100

Source: own survey, 2015

As one can learn from the above table the data collected from respondents indicate that 42(32.3%) of the respondent were strongly agree, 61(46.9%) of the respondent were agree, 14(10.8%) of the respondent were neutral, 12(9.2%) of the respondent were disagree and the remaining 1(0.8%) of the respondents were strongly disagree. The fact indicates that the majority of the respondents responded that they agree that CBE have enabling and flexible environment to put an innovative environment in the saving mobilization process.

Figure 9: The lottery system which designed by CBE, is helping my branch to get more saving
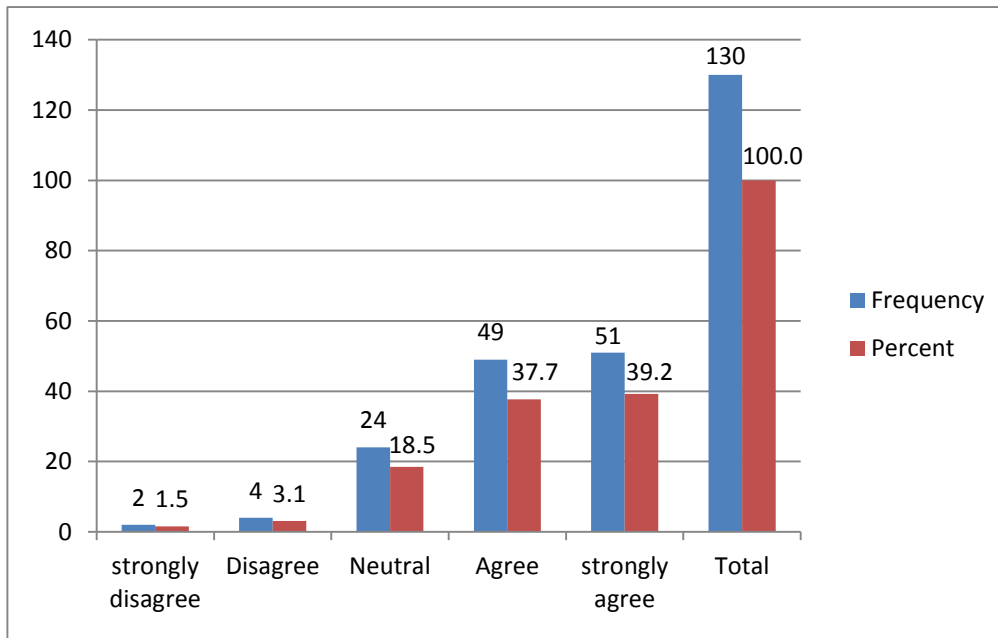
Source: own survey, 2015

From the above figure one can learn that 51(39.2%) of the respondents were strongly agree, 49(37.7%) of the respondents were agree, 24(18.5 %) of the respondents were neutral, 4(3.1%) off the respondents were disagree and the remaining 2(1.5%) of the respondents were strongly disagree. The data indicates that the majority of the respondents were indicate strongly agreed that the lottery system is helping their branches to get more saving.

From the data collected it was observed that different prizing systems appear effective in attracting saving from poor or from who have higher income. By observing the trend of most savers with a stipulated minimum deposit particulate in a drawing to win prize such as: house, car, motorcycles and laptop. The lottery drawing is important social events in the community and provides opportunities to promote new or existing financial product.

Table 7: The extent of incentive scheme provide for the staff has improved their motivation

Item	Frequency	Percent
Strongly agree	19	14.6
Agree	53	40.8
Neutral	22	16.9
Disagree	22	16.9
Strongly disagree	13	10
Total	130	100

Source: own survey, 2015

The above table indicates that 19(14.6%) of the respondents were strongly agree that the incentive scheme have motivated, whereas 53(40.8%) of the respondents were agree, 22(16.9%) of the respondents were neutral or disagree about the incentive system in being constantly motivated and the remaining 13(10%) of the respondents were indicates that they strongly disagree in the incentive system constantly motivated.

From the data collected it was observed that implementation of motivational system for the staff in the saving mobilization process. The management should set clear relationship between the effort exerted on the job and the output variable that is used. To calculate the bonus system should be firstly be based on team results. Secondly, there must a way of identifying the individual loan officer or field agent who solicited the deposit. Thirdly in the process there should be observation of net increase in the number of account and saving.

Table 8: The extent CBE is fulfilling customized need of customer through its saving product delivery

Item	Frequency	Percent
Strongly agree	37	27.6
Agree	60	46.2
Neutral	27	20.8
Disagree	7	5.4
Strongly disagree	-	-
Total	130	100

Source: own survey, 2015

As indicated from the above table 36(27.6%) of the respondents were strongly agree while 60(46.2%) of the respondents were agreed that CBE has fulfilled the customer's needs, 27(20.8%) of the respondents were neutral to the notion that weather the bank is fulfilling customized customer needs and the remaining 7(5.4%) of the respondents were disagree with the idea with CBE saving product are fulfilling customized needs of customer. The fact indicated it is known that the bank is trying to work with different stratum with the society, like it has started now a day Islamic banking (IFB), special women account, special education account and youth and teenager account. So in spite of the fact there is a lot of effort to fulfill the customize need of customer.

Table 9: The extent of using different saving collection method

Item	Frequency	Percent
Strongly agree	26	19.9
Agree	66	50.8
Neutral	17	13.1
Disagree	14	10.8
Strongly disagree	7	5.4
Total	130	100

As indicated from the above table in terms of using different saving collection method the data indicates that 26(19.9%) of the respondents were strongly agree whereas 66(50.8%) of the respondents have responded that they agree that they use different saving collection method,17(13.1%) of the respondents responded that they neutral weather to says they use different type of saving mobilization method, 14(10.8%) of the respondents were disagree and the remaining 7(5.4%) of the respondents indicated that they strongly disagree that they use different types of saving mobilization method respectively.

From the data collected it was observed that the staff use different method to collect saving from customers for example by advising the customer save their money in the bank safely with interest rate, by provide a prize for customer that they save money in bank, like lottery system and by introducing new technologies like electronic banking.

Table 10: The extent of customer saving money to get access to loan easily and foreign currency

	Item	Frequency	Percent
The extent of customer Saving money to get access to loan easily.	Strongly agree	18	13.8
	Agree	33	25.4
	Neutral	34	26.2
	Disagree	28	21.5
	Strongly disagree	17	13.1
	Total	130	100
The extent of customer Saving money to get access to foreign currency	Strongly agree	15	11.5
	Agree	49	37.7
	Neutral	25	19.2
	disagree	27	20.8
	Strongly Disagree	14	10.8
	Total	130	100

Source: own survey, 2015

As indicated from the above table the respondents were responded they level of agreement in terms of reasons of customer saving money in the bank in order to get access to loan easily. The data indicated that 18(13.8%) of the respondents were strongly agree,33(25.5%) of the respondents that they are agree to customer saving money to get access to loan whereas 34(26.2%) of the respondents were that they are neutral to the notion that weather customers are saving money to get access to loan, 28(21.5%) of the respondents were disagree and the remaining 17(13.1%) of the respondents responded that they are strongly disagree about customer saving money in the bank access to get loan easily.

On the other hand as the same table in terms of customer saving money to get access to foreign currency the collected data indicates that 15(11.5%) of the respondents were strongly agree,49(37.7%) of the respondents responded that they are agree that customers saving money in the bank in order to get access to foreign currency whereas 25(19.2%) of the respondents responded that they are neutral to the notion that weather customer saving money to get access to foreign currency, 27(20.8%) of the respondents were disagree and the remaining 14(10.8%) of the respondents responded that they are strongly disagreed. The fact indicate that the majority of customers save money in the bank to get access to loan and foreign currency easily, so the bank provide loan and forging currency facilities to attract and satisfy the financial needs of the customers.

Table 11: The extent of using different method to reduce withdrawal of large sum of money by a customer

Item	Frequency	Percent
Strongly agree	37	28.5
Agree	65	50
Neutral	14	10.8
Disagree	14	10.8
Strongly disagree	6	4.6
Total	130	100

Source : own survey, 2015

As one can learn from the above table 37(28.5%) of the respondents were strongly agree whereas the majority 65(50%) of the respondents responded that they agree on using different method to reduce large amount of withdrawals while 14(10%) of the respondents responded that they are neutral or disagree on implementation of different withdrawal reduction method and the remaining 6(4.6%) of the respondents responded that they strongly disagree on implementing different withdrawals method respectively. The fact indicates that usually the bank using different method to reduce withdrawal of large sum of money by customer to enhance the deposit performance of the bank like; by providing fixed time deposit method for customer with better interest rate, by inviting the customer open saving account and deposit their money within the bank.

Table 12: Employees skills and knowledge toward the concept of marketing have its own impact for saving mobilization

Item	Frequency	Percent
Strongly agree	66	50.8
Agree	58	44.6
Neutral	1	0.8
Disagree	5	3.8
Strongly disagree	-	-
Total	130	100

Source :own survey, 2015

As indicated that the above table the majority 66(50.8%) of the respondents were strongly agree, whereas 58(44.6%) of the respondents responded that they agree the idea of employees skill and knowledge its own impact for saving mobilization, 1(0.8%) of the respondents were neutral and the remaining 5(3.8) of the respondents responded that they strongly disagree. The data indicated that the majority of the respondents responded that they are strongly agree to the extent of employees skills and knowledge toward the concept marketing have its own impact for saving mobilization, to minimize such impacts on saving mobilization the bank provide different kinds of training programs to enhance the skill and knowledge of the staff regarding with saving mobilization activities to reduce some impact on saving mobilization activities.

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Table 13: The extent both the management and the staff have high common understanding of saving mobilization target

Item	Frequency	Percent
Strongly agree	35	27
Agree	59	45.4
Neutral	25	19.2
Disagree	9	6.9
Strongly disagree	2	1.5
Total	130	100

Source: Own survey, 2015

As indicated from the above table 35(26.9%) of the respondents were strongly agree, whereas the majority 59 (45.4%) of the respondents were agree that both the management and the staff have common understanding of saving mobilization target and know exactly how to go about it, 25(19,2%) of the respondents were neutral, 9(6.9%) of the respondents replied that they disagree and the remaining 2(1.5%) of the respondents replied that they are strongly disagree to the notion both the management and the staff have common understanding. The fact indicate that both the management and the staffs have a common understanding about saving mobilization process both are trying to achieve the planned saving amount of the bank by designing different marketing strategies and introducing new technologies in order to enhance the saving habit of the society.

Table 14: The extent Employees and management of CBE try to implement their own strategies to reduce challenges and apply best practices to maximize the saving habit of the society.

Item	Frequency	Percent
Strongly agree	31	23.8
Agree	63	48.6
Neutral	32	24.6
Disagree	2	1.5
Strongly disagree	2	1.5

total	130	100

Source : own survey, 2015

As one can learn from the above table in terms of employees and management of CBE try to implement their own strategies to reduce challenges and apply best practice to enhance the habit of saving. The data collected from respondents indicate that 31(23. 8%) of the respondents were strongly agree, 63(48.6%) of the respondents were agree, 32(24.6%) of the respondents were neutral and the remaining 2(1.5%) of the respondents responded that they are disagree or strongly disagree. The fact indicated that the majority of the respondents responded that they are agree on the effort of employees and the management of CBE implementing their strategy to minimize challenges and apply best practice with regarding to maximize the saving habit of the society.

From the data collected it was observed that the management of CBE provide different attractive systems in order to reduce challenges of saving mobilization and to attract the society save in the bank such best practice applied by the banks are like lottery system(coupon), Islamic banking (IFB), special women's account, youth and teenager account and special education saving account are now a day applied by the bank and the staff and the management of the bank are give a great attention to achieve effectively the above mentioned practices and creating a great awareness to the society about the benefit of save money in the bank.

Table 15: Deposit performance of the bank for the past five years**.**

Type	year					Planned amount ` in billion`
	2010	2011	2012	2013	2014(last quarter)	
Demand deposit	113,258,458,219	143,182,138,109	220,079,100,549	290,262,152,994	261,808,229,582	300
Growth rate (%)		26	54	32	-10	
Saving	72,269,592,650	89,715,202,341	127,091,765,919	170,905,466,278	162,638,893,723	200
Growth rate (%)		24	42	34	-5	
Fixed Time deposit	2,116,719,176	3,386,100,303	5,871,782,188	28,865,853,770	26,923,487,717	100
Growth rate (%)		60	73	392	-7	
Total deposit	187,644,770,045	236,283,440,803	353,042,648,752	490,033,473,109	451,370,611,007	600

Source: CBE, MIS department, 2015

The three types of deposits, namely demand deposit, saving and term or fixed time deposits accounts services, are provided by all the commercial banks in Ethiopia. Although the forms of the three deposits and how they are being opened and used differ, they are all installed to mobilize deposits to the banks. The definitions of the three deposit typos are mentioned as follows:

Demand or current accounts: These deposits are generally used by business persons to settle debts usually through use of cheques. They are most often ready for payment upon demand anytime and usually no interest are paid on these accounts. It enables customers (enterprise, societies, individuals and corporate bodies) to transact business and pay for them later.

As indicated from the above table regarding with the demand deposit account performance of the bank was growing in an increasing rate by 28% from the year 2011 to 2012, increased with a

decreasing rate by 22% from the year 2012 to 2013 and the demand deposit account of the last quarter of the year 2014 was decreased. The result indicates that the demand deposit performance of the bank indicates a negative result on the last quarter of the year 2014 when compared with the planned amount.

Saving accounts: These accounts are opened by many people who need to save their wealth usually beyond current consumption and in anticipation of future investment such as building own house, buy car and to self sponsor education etc. In doing so the account holder earns interest on the saving balance. Saving accounts are the most favored deposit account for commercial banks as they are cheap and are usually stable in nature. They are the services with which banks reach out the broad mass of people.

The bank saving account enable customer to deposit their money for investment and/or future use. This account is a provision for future convenience. Customers have the benefit of accumulating funds from their own occasional saving and earning interest. Saving account is available to all societies.

As indicated from the above table regarding with the saving account performance of the bank was growing in an increasing rate by 18% from the year 2011 to 2012, increased with a decreasing rate by 8% from the year 2012 to 2013 and the saving account of the last quarter of the year 2014 was decreased. The result indicates that the saving performance of the bank indicates a negative result on the last quarter of the year 2014 when compared with the planned amount.

Time or Term Deposits**:** These deposits are kept by the bank for specified period of time per the agreement between the bank and depositor. Higher interest rate are paid by the banks for such kinds of deposits depending upon the amount of deposits and the length of period for keeping the deposits provided there is no breach of the agreement.

Fixed time deposit which in itself is an investment hedged against time. Fixed time deposit are available starting form 6 months and above with 5.125 % interest rate. In this deposit customers will be rewarded with certificate after contract between the branch manager and the customer.

The contract will be for specific time to get the indicated interest. Otherwise the depositor will be given the normal saving account interest rate which is 5 percent.

As indicated from the above table regarding with the time deposit performance of the bank was growing in an increasing rate by 13% from the year 2011 to 2012, increased with an increasing rate by 319% from the year 2012 to 2013 and the fixed time account of the last quarter of the year 2014 was decreased. The result indicates that the fixed time account performance of the bank indicates a negative result on the last quarter of the year 2014 when compared with the planned amount.

Generally as one can see from the above table indicated that the total performance of three type of deposit namely demand, saving and fixed time deposit account rate was growing in an increasing rate from the year 2011 to 2012 and but the growth rate increased with a decreasing rate from the year 2012 to 2013 except for fixed time deposit. The fact indicated that according to the past five years deposit performance of the bank the total deposit amount of the last quarter of the year 2014 was decrease when compared with the previous years, could not achieve the goal of planned deposit amount and it also indicates that the past five years performance of the bank was weak with regarding to saving mobilization activities. So the overall result indicates that the bank should provide different mechanism to reduce challenges faced to the deposit performance of the bank and the bank should be implementing best practices to achieve the next five year planned deposit performance.

Views summarized from interview

The following section presents information obtained through interview. The interview was conducted with the selected city branch district manager and summarized the main findings as follows.

With regarding with to challenges of saving mobilization according to the response of the interviewees point out that different issue related to service quality of the branches, lack of comfortable parking space, uncomfortable office lay out, lack of internet connection, lack of office stationary like printing machine, long procedure of paper about account opening, lack of special window which serves the main and premium saver have been mentioned as reason for longer delivery time for service delivery by customer have been indicate as challenges for saving mobilization.

With regarding to policy and regulatory environment of the bank performance related to saving mobilization according to the data through interview both financial and non- financial policy and regulation having an effect in the saving mobilization process. Some of them are anti-money laundry and terrorism financing which in most cases the branch have to report any credit or withdrawal above 200.000 birr. As interviewees indicates that now a day the save box production is becoming high because of the propensity to save in ones work place and in one home is becoming high. Since the proclamation not known by or they did not have awareness about the proclamation by the customer of the bank they usually tend to credit or deposit in very small amounts repeatedly or they shunning away from the bank in fear of being reported.

The other thing which is affecting the saving amount in some district is the internal working regulation of customs and revenue authority. The organization is known a day laving different taxes on corporate organization people by seeing their transaction with bank usually by seeing their financial statements. So this indicated that the customer are decreased their saving and they are withdrawing their money.

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The interviewees also indicated that in the time of product development and product induction different policy have to be considered highly .it is known that in recent youth and teenager account is being implemented in relation with the country youth policy state that one person become majority instate of minority in the years 18.This means the minority have no full power to make contract with an entity. Rather they can transact contract through their parent or guardian. But the bank was intending to provide the product to teenagers who are below 18 years of age without their guardian s and parents, but it is found to be impossible to transact with teenager because of age limitation of the policy in implementing the product. So teenagers have to come with their parents and guardians to transact with the bank.

The other thing was about the incentive schemes provide for the staff from the interview gather it was found that the bank has stopped giving incentive for about two quarter. Before the recent two quarter it was indicated that the staff were given incentive on whole branches bases rather than individual bases and also in rating of saving amount only the amount of last days of the quarter will be observed for quarterly incentive program. This process as district managers indicated have severely affected some branches team motivation because some branches may achieve 99% of targeted amount but since the system do not see the number of account opened and the saving tends throughout the quarter they will not be getting any incentive. But they believe that the incentive schemes provide for the staff are effectively improved their motivation toward achieving the planned saving amount.

Regarding with method of using collect saving from the society from the interview conducted that the bank is trying to work with different stratum of the society to satisfy their interest like now a day it has started Islamic banking (IFB), youth and teenager accounts, special women's accounts and education saving account to attract customer and to satisfy different needs of the whole society. And also the bank provide essential training regarding with improved the skill and knowledge of staff to attract saving in and out of the branches by promoting about new products and creating awareness to the society and as mentioned at the time of interview the higher management of the bank make discussion with branch managers and staffs about saving mobilization activities and how to implementing the strategy of the bank effectively with the current environment

Regarding with new products opportunities and challenges faced related to saving mobilization as mentioned by the interviewees as we know the bank has provide different product for society in order to simplify the bank system and introduction of technology like ATM, mobile banking and internet banking. But these products have their own opportunities and challenges related to saving mobilization. Some opportunities that the bank found because of the introduction of new products, the bank can get a high competitive advantage with compared as other private banks and the bank attract a large number of customer because customer have interest to use new products. In addition to it helps the bank creates an internal and external opportunities to control saving mobilization because of by providing new product to the society the bank can control the current marketing environments better than other private banks. Generally the interviewees all agree that the introduction of new product create good circumstances for the bank to attract customer and to reduce some challenges related saving mobilization activities and it helps the bank can control the saving mobilization activities internally and externally.

CHAPTER FIVE

SUMMARY OF FINDIN, CONCLUTIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The purpose of this study was examining the challenges and prospects of saving mobilization in commercial bank of Ethiopia a case study of Addis Ababa. Several findings emerged that contributed to solve the study problem, gave logical answers to the study questions, and interpreted the results. Therefore the results of the study can be summarized as follows:

Demographic factors such as gender, age, marital status, education qualification, work experience, position and level of branch have been used to know the general characteristics of the respondents. Thus, the research used 86(66.2%) male and 44(33.8%) of female as respondents. In terms of age, the majority of respondents were in between 20-30 years old which was accounted 74(56.9%) and followed by 31-40 which constituted 30(23.1%)in terms of marital status the majority of the respondent were single which was accounted 84(64.6%) and followed by 35(26.9%) of married . With regard to the education qualification of respondents, the majority of the respondents were first degree holder which accounted 104 (80%) which is followed by masters' holder which accounted 19(14.6%). In terms of work experience the majority 80(61.5%) of the respondents were 1-5 years work experience and also in terms of position in the organization the majority 71(54.6%) of the respondents were worked under the position of saving mobilization team members. In addition the study look at the level of branches based on this the majority 79(60.8%) of the respondents were worked at grade 4 branches.

Based on the descriptive analysis through questionnaires the study was provide different open and close ended question in order to gather data from the respondents under the assessment of saving mobilization status of the recent four quarter in relation to the target given to the branch the survey result indicated the majority 59(45.4%) of the respondents have indicates that their saving performance have been below the target.

On the other hand based on the questionnaires according to the respondents answer the coordination of different concerning bodies in reduction of challenges in the time of implementation of new products on time, the collected data from the respondents indicates that, the majority 67(51.5%) of the respondents were indicate that low.

From the data collected it was observed that they are sometimes equal with the public to hear any introduction of new products and when most challenges occur like for mobile banking and internet banking there is no technical help from a responsible bodies for the product

implementation and also they indicate that the product are not even used and functioned by the staff let alone for customer to use it. Further they indicated that there is no efficient training prior to the implementation of new product. This makes the implementation even harder.

Generally with regard to some challenges to achieve saving mobilization process the majority of the respondents were indicated that lack of adequacy of training given to the staff regarding saving mobilization activities which accounted 58(44.6%) of the total number of respondents and also the data gathered through interview from district managers they also indicated some challenges regarding with saving mobilization process like service quality of the branches , lack of comfortable parking space, uncomfortable office lay out, lack of internet connection, lack of office stationary like printing machine and long procedure of paper about account opening, lack of special window which serves the main and premium saver have been mentioned as reason for longer delivery time for service delivery by customer. These conditions have been mentioned as one of the challenging factor in branches for saving mobilization endeavor.

5.2 Conclusions

The most important value of this research is that the questionnaire and the interview used in this research were useful to understanding saving mobilization challenges and prospects in CBE. In addition, it was useful to determine how the management of commercial bank of Ethiopia can take the best saving mobilizing strategy relevant for each branch based on their grade and some mechanisms that have been taken by the bank to enhance saving mobilization process.

Based on the finding the followings conclusions were reached

➢ The targeted respondents were appropriate to the research due to their position within the bank, their educational background as well as experience.

➢ It is found that CBE facing some branch specific challenges while mobilizing saving. Being loaded with specific works like high flow of domestic remittance; suitable of branch location and existence of high amount of government account are the main branch specific challenges of the bank.

➢ The deposit performance of the selected branch regarding deposit mobilization according to the data collected from the respondents their deposit performance in a recent quarter in relation to the target given to the branch were below the target.

➢ Regarding with introduction of new products most challenges occurring are there is no technical help from responsible bodies for the product implementation. Also they indicated that the product are not even used and functioned by the staff let alone for customer to use it. Further they indicated that there is no efficient training prior to the implementation of new products. Even if some selected people will usually be going for training sanitization process will not be done on branch level usually.

➢ Different issues related to service qualities of the branch have been indicated as challenges for saving mobilization activities these are lack of comfortable parking space, uncomfortable office lay out, lack of internet connection, power failure, lack of office stationeries like printing machines, long procedure paper of account opening, lack of special window which

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serve the main and loyal depositor have been mentioned as reason for longer standard delivery time for service delivery by branches are mentioned as challenges for saving mobilization process.

➢ It was found that the lottery scheme had raised people enthusiasm to save and had great lasting effect until now because even though in this time there is no lottery system many people who had started saving at that time are still using the saving account effectively. Also the contractual saving had a great contribution in increasing people's commitment.

➢ Lack of the adequacy of training to the staff and the management are one of the challenges for saving mobilization activities. The respondents indicated that the bank does not provide sufficient training programs for the staffs and the managements related to saving mobilization activities and to implementing new strategies of the bank both classroom and on-the job training are needed.

5.3 Recommendations

The study focuses challenges and prospects of saving mobilization in commercial bank of Ethiopia a case study of Addis Ababa. The study found such challenges and prospects of saving mobilization process in CBE. Thus according to the results, the researcher forward the following recommendations as follows:

➢ Even if the priority sector should be seen in granting of foreign currency. The magnitude of saving or deposit should be related with the foreign currency requisition grant and credit facilities at branch level in relation with this the relation between branches and credit work should be transparent.

➢ The interest rate of the interest bearing produced should be examined well and a competitive interest rate should be seen. Especially for fixed time deposit rate.

➢ The staff and the management should be informed timely and know where they are heading in the saving mobilization endeavor of the whole corporate process. There should be an increased connection of higher official at least one quarter bases.

➢ Since decision making is a complex task, managers should have the capacity. Thus the bank should continue the current practice of deposit mobilization selecting and give appropriate reward and responsibility to those employees who have better experience and capacity.

➢ Service quality should be fostered and standard service delivery time should be examined in branches and should be improved. Also the necessary machine equipment like pass book printers, note counting machines and the like should be fulfilled.

➢ There should be coordination with the concerned stakeholder and some organs which can affect the saving amount of the bank by their working operations, like the customs and revenue authority and other organs which can impact the saving amount of the bank.

➢ Different benefit package which are related to saving performance of the branches should be packaged by examining the detailed situation of the branches and the performance of the employees and customer base of the branches.

➢ Employees should be given consideration as much as customers. Hence employees are the base implementation of any plan. Due to this reason those are essentials to rise saving habit to our society, so front line employees and manager's contribution should be given considerable attention regarding benefits.

➢ Finally, the bank should be providing different training programs for the staffs and the management to improve their knowledge and skills regarding with saving mobilization activities.

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APPENDIXES

Structured Questionnaire

St. Mary university school of graduate studies

Department of general MBA

Questionnaires for commercial bank of Ethiopia

Dear respondent

This questionnaire is prepared to undertake a research on "challenges and prospects of saving mobilization in commercial bank of Ethiopia: A case study of Addis Ababa". The date will be used in writing research for the partial fulfillment of the requirement for general MBA program. You are kindly request to fill the questionnaire. Your responses are kept confidential and it will be used only for this research purpose. I am grateful to your co-operation.

For any information: 0913433723

There is no need to write your name
Please makes ″✓″ mark on the box given

A. Personal information

1. gender

   ☐ Male   ☐ female

2. age

   ☐ 20-30   ☐ 31-40   ☐ 41-50   ☐ above 50

3. marital status

   ☐ Single   ☐ married   ☐ divorced   ☐ widow/widower

4. Educational level?

☐ Diploma   ☐ Degree   ☐ Masters   ☐ others, specify _____

5. How long have you been working at CBE?

☐ Less than a year   ☐ 1-5 years   ☐ 6-10 years   ☐ above 10 years

6. Position in your organization?

☐ Branch manager   ☐ customer service manager (CSM)

☐ Saving mobilization team Members

7. Level of your branch?

☐ Grade 1   ☐ grade 2   ☐ grade 3   ☐ grade 4

B. Performance of saving, administrative system and institutional environment.

1. What is your average saving mobilization status of the recent four quarter in relation to the target given?

☐ Above the target amount   ☐ below the target

☐ Almost equal to the target   ☐ much lower than targeted amount

2. How do rate the cooperation of concerning higher officials in addressing your branch specific challenges in saving mobilization process?

☐ Very high   ☐ High   ☐ Medium   ☐ low   ☐ very low

C. Demand –oriented saving products and strategies for saving mobilization.

3. How do you rate the connection of saving making behavior and request of credit from customer in your branch?

☐ Very high   ☐ High   ☐ Medium   ☐ low   ☐ very low

4. If you replay very high and high to the above question, how do you handle the request of credit in return of higher amount of saving made by customer?

   _____

   _____

   _____

5. Would you support the idea, if CBE applied some restriction mechanism for withdrawal of higher amount of money by customer?

   ☐ Strongly agree   ☐ Agree   ☐ Neutral   ☐ Disagree   ☐ strongly disagree

6. If you replay disagree and strongly disagree to the above question, what is your justification?

   _____

   _____

   _____

7. How do you rate the coordination of different concerned bodies in reduction of challenges in the time of implementation of new products on time?

   ☐ Very high   ☐ High   ☐ Medium   ☐ low   ☐ very low

8. If your answer to the above question is low and very low, what should be made to minimize such challenges?

   _____

   _____

   _____

   D. Management and staff capabilities

9. How do you rate your skill and knowledge in relation to promoting and collecting of planned saving amount?

   ☐ Very high   ☐ High   ☐ Medium   ☐ low   ☐ very low

10. If you reply low and very low to the above questions, what kind of skill and knowledge you need to posses?

_____

_____

_____

11. How do you rate the adequacy of training given to the staff regarding saving mobilization activities?

☐ Very high ☐ High ☐ Medium ☐ low ☐ very low

12. What do you think the most determinant factors in saving mobilization process which make people to save in your branches?

_____

_____

_____

13. What are the most recurring challenges in your saving mobilization endeavor?

_____

_____

_____

E. The extent of employees regarding with saving mobilization

Please give your response on the basis of the rating scale provided here under

5=strongly agree   4= Agree   3= Neutral   2= Disagree   1= strongly disagree

NO.	Description	Rating				
		5	4	3	2	1
	Administrative system and institutional environment					
1	my endeavor to achieve the targeted saving amount, I have branch specific challenges					
2	CBE has an enabling and flexible environment to put an innovative system on saving mobilization at branch level					
3	The lottery system which designed by CBE, is helping my branch to get more saving					
4	the incentive scheme provide for the staff has improved their motivation constantly toward achieving the intended saving amount					
	Demand- oriented saving product and strategies for saving mobilization					
5	CBE is fulfilling customized need of customer through its saving product delivery					
6	I usually use different method to collect saving from customers					
7	In my branch most customer saving money to get access to loan easily					
8	In my branch customer saving money to get access to foreign currency					
9	I use different method to reduce withdrawal of large sum of money by a customer					
	Management and staff capabilities					
10	Employees skills and knowledge toward the concept of marketing have its own impact for saving mobilization					
11	I feel that in my branch both the management and the staff have high common understanding of the target saving mobilization and know exactly how to go about it					
12	Employees and management of CBE try to implement their own strategies to reduce challenges and apply best practices to maximize the saving habit of the society					

Thank you so much for your time!!!

APPENDIX II

Structured interview

Interview question for selected city branch district manager

1. What are the specific challenge do you face in mobilizing saving?

2. What recent policy and regulatory environment of the bank do you think had an impact on your performance in relation to saving mobilization?

3. Do you think the incentive scheme provide for the staff has improved their motivation toward achieving the planned saving amount? Why or why not?

4. In your district what method do you use to collect saving from society?

5. Do you feel your staff posses some essential knowledge and skill to attract saving in and out of the branch? If No, what are the main skill and knowledge that the staff lacks?

6. How freely do you discuss with your immediate supervisor concerning saving mobilization?

7. In the introduction of new products like ATM, Mobile banking and internet banking what recurring challenges/ opportunities have you faced related to saving mobilization?

8. What opportunities have been created both internally and externally that would control the saving mobilization activities?