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FACTORS AFFECTING DEPOSIT MOBILIZATION THE CASE OF AWASH BANK ADDIS ABABA CITY BRANCHES

BY: Betelhem Assefa

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FACTORS AFFECTING DEPOSIT MOBILIZATION IN AWASH BANK (EAST ADDIS ABABA REGION)

A Thesis Submitted to St. Mary's University School of graduate studies In Partial Fulfillment of the Requirements for the Degree of master's in business administration

By: Betelhem Assefa

Advisor: Abebaw Kassie (PhD)

August, 2020

Addis Ababa, Ethiopia

DECLARATION

I, the under signed, declare that this thesis entitled 'Factors Affecting Deposit Mobilization In Awash bank', is my original work and to the best of my knowledge has not been presented for a degree by any other person, and that all the sources of material used for the thesis have been duly acknowledged.

Declared by:

Betelhem Assefa

_____

Signature

STATEMENT OF CERTIFICATION

This is to certify that the thesis carried out by Betelhem Assefa on the topic entitled "Factors Affecting Deposit Mobilization In Awash bank" is her original work and is suitable for submission for the award of Master of Business Administration.

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This is to certify that the thesis carried out by Betelhem Assefa, entitled 'Factors Affecting Deposit Mobilization In Awash bank' and submitted in partial fulfillment of the requirements of the Degree of Master of Business Administration complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Advisor **Dr.Abebaw Kassaie** Signature   Date <u>Sep 01,2020</u>

ACKNOWLEDGEMENT

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LIST OF ACRONYMS/ABBREVATION

AB: Awash Bank S.C.

ATM : Automatic Teller Machine

E.A.A.R: East Addis Ababa Region

SPSS: Statistical Package for Social Science.

CHAPTER ONE

Introduction

This chapter contains an introductory part of the entire study. It provides some insights about the ground and assumptions where the study is conducted. It states the background of the study, statement of the problem, basic research questions, objectives of the study, scope of the study, significance of the study, limitation of the study, definition of key terms, and organizations of the study. Accordingly, it begins with the background of the study.

1.1 Background of the study

In this thesis, the factors affecting deposit mobilization in Awash bank has been presented with quantitative data. Deposit mobilization is a very strong term that is easy to observe but very critical in the real implementation. So in this thesis the basic concept of factors of deposit mobilization and how it does affect the deposit mobilization in a context of Awash bank was focused.

Deposit mobilization is among of the corner stone of the banking business. Banks and financial institutions are striving to mobilize deposits as a fundamental objective and basis of its operations. Without enough deposits banks and financial institutions might fail on achieving their business targets. Deposit mobilization in Ethiopia are increasingly becoming agenda in banking industry, the agenda is worth noting at times when the number of banks and financial institutions are increasing both chasing for deposit for their survival. Deposit for banks is savings from the public, people deposit funds for emergence cases, source of capital investments and to balance future consumptions (Lambert Kofi Osei(2015).

National bank of Ethiopia indicates that from deposits that should be mobilized by banks only 7% is mobilized. This indicates that from the money that should be deposited in the bank 93% of it did not mobilize (Sisay Assefa, 2012). From the country's tradition money may be kept in traditional way. This shows that the deposit mobilization practice among banks in the country is not developed and there should be mechanisms to mobilize such deposit rather than sitting and waiting for depositors to come and deposit their money. The need for studying such mechanisms forces this study to be undertaken.

Dagne, (2015), affirmed that, the government of Ethiopia is always talking about non-inclusive services of private banks because of their small capacity and their profit motive. This pushes the government to become an active participant in the banking industry. In one way, the government is correct, but discouraging the private banks with rules and regulations is not the way to make them competitive.

Banks and financial institutions use deposit as source of funds for loans and investments which are core business for their income and wealth. The study is significant for financial sector as it touches factors influences deposit mobilization which is in turn stimulates the country investments this study was carried out to assess deposit mobilization in private commercial banks. This chapter begins with an introduction, background of the study, statement of the problem, research objectives, research questions, significance of the study and ends up with the way the study is organized. The theoretical underpinning greater liberalization in the banking industry was to create competition in commercial banks that attract deposits mobilization to be used to provide credits to the private sector (Laurence son and Chai, 2003).

In the last Five years, commercial bank in Ethiopian has been experiencing competition in banking industry; new local banks are being registered, while the existing players are seriously busy trying their level best to position themselves better in the market. Each commercial bank is using its own strategies to penetrate and win the market.

A liberalized banking sector, on the other hand, sees banks competing with one another for deposits, putting upward pressure on the deposit rate of interest and thus increasing the quantity of deposits mobilized (Hellman, 2000). Mobilizing deposits domestically is crucial in many developing countries. Domestic funds provide a cheap and reliable source of funds for development, which is of great value in developing countries, especially when the economy has difficulty in 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. In particular, there exists a significant savings potential in the rural and/or semi-urban sector in many developing countries (Adams, 1978, Vogel, 1984). However, deposits mobilization is affected by self-fulfilling prophecies. If policy makers assume that certain people or institutions

are too poor to save, and then implement policies that severely limit their access to deposit facilities, one should not be surprised when few deposits are mobilized. It goes without saying that individuals must have easy access to deposit services to facilitate deposit mobilization. Potential depositors are highly sensitive to the transaction costs that are imposed on them by deposit takers, especially the time and distance involved in making small deposits (Demiurgic and Detragiache, 1998). However, the previous studies in Awash bank seem to put less emphasis on whether awareness creation, deposit interest rate, branch expansion and technology used have any influence to deposit mobilization.

1.2 Statement of the Problem

Strong, well-developed and efficient financial system is the key driven factor in economic development of countries and it has positive impact on economic growth. The financial system in every economy is dominated by the banking sector, since without banks, financial system cannot undertake the development of economy. Banks play intermediary role of mobilizing funds from savers (those who have excess funds) and subsequently lending them to investors (those who are deficient in funds). However, banks cannot exist without deposits as deposits referred to as the oxygen of banks. Banks contribute to the economic growth by facilitating investment and increasing capital accumulation and it is capable only if the banks have satisfied amounts of deposits. Deposits are also the working capital of the economy and the sustainability and the profitability of banks are impossible without the deposits (Garo, 2015). Therefore, deposit mobilization is the primary function of the banks.

Previously a number of researches on deposit mobilization in commercial banks have been done. The researchers found out that the major factors affecting deposit mobilization are branch expansion, knowledge of staffs who are engaged on deposit mobilization, interest rate Samuel (2015), but the main limitations or weaknesses of the previous researchers were overlooking of other factors which are equally important for deposit mobilization in commercial banks. Some of these factors are availability of Electronic banking services, and branch expansion. The reason for the present study was there are technological changes in the industry, economical and policy changes are happening; therefore knowing the current situation would help the bank to examine the factors affecting deposit mobilization.

The state banks are the main instruments that facilitate the mobilization effort of such deposits escalating the competition among banks in attracting deposits. Hence, the state banks are currently under pressure to collect deposits on behalf of the state to finance the huge developmental activities of the country. Likewise, the private Commercial Banks of Ethiopia have to compete with the state banks to get enough loan able funds to stay competitive, become profitable and generally fulfill the business objectives of their respective shareholders by increasing their deposit base. Thus, the banking sector in Ethiopia must increase their deposits by overcoming the existing challenges; hence they need to know the factors that affect deposit mobilization.

Moreover, according to my personal observation as a bank staff and an analysis of various banks reports has shown that commercial bank of Ethiopia is automating the operations, moreover almost Awash bank is concentrating not only in urban area but also rural area specifically in important areas. More often Awash bank is launching new products and re-launching existing ones with new features and management of financial institution are seriously involving themselves in social activities which build and strengthen the banks deposit. However, the previous studies in Ethiopian private commercial banks seem to put insufficient and less emphasis on whether factors affecting deposits mobilization which are awareness creation, deposit rate, branch expansion and service level and technology used have any influence to deposit mobilization in financial institutions. Hence, this study intended to find out the factors affecting deposit mobilization such as, awareness creation, branch expansion, deposit rate/interest rate, and service level and technology was used in deposits mobilization in Awash bank. So that, this study was contributed in minimizing this gap in the literature and thereby establish the basis to understanding of deposit mobilization. Therefore, due to the existence of the above perceived problem this study empirically aimed to examine factors affecting deposit mobilization at Awash bank with focusing of East Addis Ababa region.

1.3 Basic Research Questions

The study was tried to answers to the following basic research questions

1. How does awareness creation affect deposit mobilization of East Addis Ababa region of Awash Bank?

2. To what extent does service level and technology affect deposit mobilization of East Addis Ababa region of Awash bank?

3. To what extent does interest rate affect deposit mobilization of East Addis Ababa region of Awash bank?

4. How does branch expansion affect deposit mobilization of East Addis Ababa region of Awash bank?

1.4 Objective of the study

The objective of the study consists general and specific objectives.

1.4.1 General objective of the study

The main objective of this research is to set sights on the factors of deposit mobilization in Awash bank with Focusing of East Addis Ababa region.

1.4.2 Specific objective of the study

In trying to evaluate the factors affecting deposit mobilization in East Addis Ababa region of Awash bank, this study was also specifically tries to address the following specific objectives:

1. To determine the influence of awareness creation on deposit mobilization of E.A.A.R of Awash bank.

2. To find out the influence of service level and technology on deposit mobilization of East Addis Ababa region of Awash bank.

3. To examine the influence of interest rate on deposit mobilization of East Addis Ababa region of Awash bank.

4. To investigate the influence of branch expansion on deposit mobilization of East Addis Ababa region of Awash bank.

1.5 Significance of the study

The study has both academic and practical usefulness.

1.5.1 Theoretical significance of the study

The findings of this study may additionally be used in other related studies as empirical findings, especially those evaluating factors that determine deposits mobilization in financial institutions. The study forms an empirical base on the extent of awareness creation and branch expansion deposit rate, service level and technology used on deposits mobilization in the academic ground, thus suggesting possible measures to banks basing on those factors.

1.5.2 Practical significance of the study

Deposits mobilization is important in any economy as it determine the level of credit to be offered. Therefore, factors influencing deposit mobilization are very important to any financial institution. The findings from this study is essential because it gives insights and contribution to the players in the banking industry as the results from bank officials response are drawing up the importance of one factor over the other so that players should put more weight and hence improve ways of mobilizing deposits which has a greater impact on lending, the core source of income in banking industry. Also assist policy makers to set appropriate policies that can attract customers to make enough deposits in banks.

1.6 Scope of the study

To conduct the research manageable, the researcher focused its scope on theoretically, methodologically, geographically and time scope. Methodologically; the researcher was used a quantitative research approach, descriptive as well as explanatory research design, and the sampling technique employed is probability sampling specifically simple random sampling. Theoretically; this study has focused on the factors affecting deposit mobilization in Awash bank under the East Addis Ababa region. In this research, it is chosen to focus only on deposit mobilization issues such as creation awareness, interest rate, branch expansion, and service level and technology as factors/independent variables that affect the dependent variable of deposit mobilization. Geographically; the rational for the East Addis Ababa region were chosen due to the proximity of the researcher to region of East Addis Ababa. Finally, this research focused on

cross sectional survey. Because, the study is cross sectional survey meaning it is end by one-year time period.

1.7 Definitions of key terms

Creation awareness:

According to Baqui (1987), some analysts argue that demand for deposits is influenced by education level which in turn increases the awareness of the rural people about banking services.

Level of service and technology:

Technology used is among those of resources to the bank that determines competitive intensity and therefore attractiveness of the bank. Technology need high fixed costs and qualified professional employees to run it hence become barriers to new entrants.

Interest rate:

Eustace's and David(1995) states that deposits are more interest rate Factors determining commercial bank deposit sensitive and banks may choose to increase investments in interest rate sensitive assets and to decrease investments in loans.

Branch expansion:

Not only are deposits influenced by bank branches, but the expansion of bank branches is also influenced by the level of deposits in any area (Baqui, 1987).

1.8 Limitation of the Study

Limitation has to be limitation when is has impact on the study. There are some limitation of this study against achieving its objectives effectively. Conceptually only four deposit mobilization affecting factors, creation awareness, branch expansion, interest rate, and level of service and technology are considered in this study. Other factor elements are not considered in this study such as inflation, liquidity, and transaction cost. Moreover, the other limitation is, there were lack of cooperation in some respondent's during distributing and collecting the questionnaire and they were carelessly filling the questionnaire. Therefore, Awash bank has to give awareness or orientation to its employees about the importance of research and development in the organization particularly and country economy development in general.

1.9 Organization of the study

The report of the study was divided into five chapters:

Chapter One: Introduction: This chapter is divided into sub-sections, the background information to the research problem, statement of the problem, objectives of the study, research questions, research hypothesis, significant of the study, scope of the study, limitation of the study, operational definitions of terms and organization of the study.

Chapter Two: Literature Review: This Chapter was focus on reviewing related literatures. Include a brief main purpose of literature review such as related theories, theoretical reviews and empirical findings, conceptual framework of the study which had a great help towards identification of the theories and ideas that explored such as data subsequently relate to the study are included.

Chapter Three: Research Methodologies: The chapter is divided into sub-sections such as research design and methods (data sources, target population, sampling techniques, data collection methods, reliability and validity and ethical consideration) and analysis of the study.

Chapter Four: Data Presentation, Analysis and Interpretation: It is divided into sub-sections, namely, descriptive analysis, correlation and regression analysis would examine to the overall findings towards the factors affecting deposit mobilization and is lay out the researcher's analysis on the organization's responses to the effect and role of such deposit mobilization.

Chapter Five: Summary, Conclusion and Recommendations: Finally, this section would present a summary of findings, major conclusion and set recommendations on how to enhance the deposit mobilization, in the Awash bank in general, suggestion would serve as a guidance for further research.

CHAPTER TWO: RELATED LITERATURE REVIEW

Introduction

According to Frank, Arlene, (2014), a literature review surveys books, scholarly articles, and any other source relevant to a particular issue, area of research, or theory, and by so doing, provides a description, summary, and critical evaluation of these works in relation to the research problem being investigated. Literature reviews are designed to provide an overview of sources one has explored while researching a particular topic and to demonstrate to the readers how the research fits within a larger field of study. Hence, argumentative review is selected after reading different journals, books and other materials as its very crucial for the validity of the researcher's work and some of the findings while reading these materials were presented in the sub-topics that follow.

2.1 Theoretical literature review

2.1.1 Related theories

2.1.1.1 Bank led theory

Bank-led model offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees. The bank is the ultimate provider of financial services and is the institution in which customers maintain accounts. Retail agents have face-to-face interaction with customers and perform cash-in/cash-out functions much as a branch-based teller would take deposits and process withdrawals. Virtually any outlet that handles cash and is located near customers could potentially serve as a retail agent. Whatever the establishment, each retail agent is outfitted to communicate electronically with the bank for which it is working (Lyman, Ivatury & Staschen, 2006).

The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards. Once an account is established or loan approved, the customer goes to the retail agent to conduct all or certain financial transactions. The retail agent checks the customer's identification documentation and processes the transaction, debiting the customer's and crediting the payee's bank account if it is a purchase or a transfer of funds between accounts. Unless the transaction is

merely a transfer of funds, cash is either deposited to or withdrawn from the retail agent's cash drawer. An electronic record of the transaction is either routed directly from the retail agent to the bank or is handled by a payment processing agent that settles the transaction between the customer's account and the payee's account (Lyman, Ivatury & Staschen, 2006).

The bank led theory is related to the study as it focus on how financial institution like bank deliver their financial services through a retail agent, where the bank develops financial products and services but distribute them through a retail agents. This can be a way of mobilizing deposits commercial banks use as a new model to increase financial inclusion and facilitate the transaction especially in the areas where the bank is not present. This model facilitates the banks to raise its deposits and lead to financial performance (Lyman, Ivatury & Staschen, 2006).

2.1.1.2 Diffusion of innovations theory

Diffusion of innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread through cultures. Rogers (2003), argues that diffusion is the process by which an innovation is communicated through certain channels over time among the participants in a social system. The origins of the diffusion of innovations theory are varied and span multiple disciplines. The four main elements of diffusion are the innovation, communication channels, time, and the social system. Diffusion is a special type of communication, in which the messages are concerned with a new idea. It is this newness of the idea in the message content of communication that gives diffusion its special character This process consists of a series of actions and choices over time through which an individual or an organization evaluates a new idea and decides whether or not to incorporate the new idea into ongoing practice. This behavior consists essentially of dealing with the uncertainty that is inherently involved in deciding about a new alternative to those previously in existence.

It is the perceived newness of the innovation, and the uncertainty associated with this newness, that is a distinctive aspect of innovation decision making (Rogers, 2003) This theory is related to the study as it presents the process of newness and implementation of innovation. Deposits mobilization is a new model of approaching savers through marketing and financial inclusion and come up with new techniques which were not been used by traditional banking, it is perceived and communicated through channels and the social system facilitates its adoption. In

mobilization of deposits new innovation has to be applied and make convincing the savers to make deposits.

2.1.2 The Concept of Banking

The history of banking refers to the development of banks and banking throughout history, with banking defined by contemporary sources as an organization which provides facilities for acceptance of deposits and provision of loans. The first prototype banks were the merchants of the world, who made grain loans to farmers and traders who carried goods between cities. This began around 2000 BC in Assyria and Sumeria Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans, while accepting deposits and performing the change of money.

Many histories position the crucial historical development of a banking system to medieval and Renaissance Italy and particularly the affluent cities of Florence, Venice and Genoa. The Bardi and Peruzzi Families dominated banking in 14th century Florence, establishing branches in many other parts of Europe. The most famous Italian bank was the Medici bank, established by Giovanni Medici in 1397. The oldest bank still in existence is Banca Monte deiPaschi di Siena headquartered in Siena Italy, which has been operating continuously since 1472.

Banking is one of the oldest professions in human history, it also flourished with civilizations. Since humans started, using money bank services were in use throughout history. Modern banking as we know it today was established in Italy and Greece in the 15th century. Today, banks are one of the most important institutions for a modern economy to work in any country. Gedey, (1990)

Different historical sources states that the first foundations of the banking service in the world were put by goldsmiths and silversmiths. They have a safe box to put & they were the most trusted. They used to receive gold, silver and various jewelries to put with them. Therefore an individual or a merchant puts his wealth under their custody, for their service they charge a small amount of money and give the customer a receipt to guarantee their acceptance. Then they started using, money paying instrument what we now call this document as 'check'. However as time goes by , the goldsmiths and Silversmiths observed that their customers wouldn't take their jewelry soon, and those clients, whenever they face the shortage of money, they started lending to this people and Started to get profit from their service. They encouraged depositing and

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lending and rather than making the customers to pay a charge for depositing, they started to pay them interest and introduced the public to work with money. It is believed that, ancient Assyrians, Babylonians, Athenians, Romans and Abyssinians also used the banking service Gedey, (1990).

Some authorities, relying upon a broad definition of banking that equates it with any sort of intermediation activity, trace early banking as far back as ancient Mesopotamia, where temples, royal palaces, and some private houses served as storage facilities for valuable commodities such as grain, the ownership of which could be transferred by means of written receipts. There are records of loans by the temples of Babylon as early as 2000 BC. Temples were considered especially safe depositories because, as they were sacred places watched over by gods, their contents were believed to be protected from theft. Companies of traders in ancient times provided banking services that were connected with the buying and selling of goods. Britannica, (2010)

A broader definition of a bank is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. This broader definition includes many other financial institutions that are not usually thought of as banks but which nevertheless provide one or more of these broadly defined banking services. These institutions include finance companies, investment companies, investment banks, insurance companies, pension funds, security brokers and dealers, mortgage companies, and real estate investment trusts. Encarta, (2009).

Banks play a very important role in the economic development of every nation. They have control over a large part of the supply of money circulation. Banks are the main stimulus of the economic progress of a country. The financial sectors contribution to growth lies in the central role it plays in mobilizing savings and allocating these resources efficiently to the most productive uses and investments in the real sector. Ayalew, (2009).

2.1.3 Commercial Banks Deposit

Commercial banks are the most dominant depository institution. They serve investors by offering a wide variety of deposit accounts, and they transfer deposited funds to deficit units by providing direct loans or purchasing debt securities. Commercial banks serve both the private and public

sectors, as their deposit and lending services are public sectors, as their deposit and lending service are utilized by households, business and government agencies (Ketema 2017).

The three types of deposits, namely saving, demand deposit and term of 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.

2.1.4 Deposit Mobilization

Deposit mobilization is an integral part of banking activity. Mobilization of Savings through deposit collection has been regarded as the major task of banking industry. Deposit mobilizations is an indispensable factor to increase the sources of the banks to serve effectively. Mobilizing deposits play an important role in development of all spares of economy (Shettar, 2014).

According to Banson (2013), deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings and fixed amounts and other specialized schemes. Normally deposits are considered as the cost effective working funds that can increase the sustainability and profitability of the deposit taking institutions (Garo, 2015). (Richard, 2015), defined deposit mobilization as the main function of financial institution. Mobilizing funds from the surplus economic agents to the deficit economic agents is the process of deposit mobilization and it is thus affected to increase the economic growth.

In banking sector deposit mobilization is a scheme intended to encourage customers to deposit more cash with the bank and this money in turn was used by the bank to disburse more loans and generate additional revenue for them. Furthermore, the key role of the loans, banks offer the more profit they make. However, the success of the deposit mobilization process depends on development of the financial system as well as the strategic practices adopted by banks (Richard, 2015).

According to Richard, Florence and Zenon (2015), advocate that to mobilize enough deposits, banks should present various kind of deposit schemes to attract customers. Normally customers have various kinds of needs and wants with respect to their gender, age, profession, level of

income, type of necessity, tenure, size of business and so many other factors lead to make a discrepancy among customers when they deposit their money in banks.

Deposit mobilization has so many uses. Some of them are the following

A. A source of investment

According to (Ongore&Kusa, 2013), Intermediation function of banks play a vital role in the efficient allocation of resources of countries by mobilizing resources for productive activities. They transfer funds from those who don't have productive use of it to those with productive venture. (Nwanko, Ewuim, &Asoya, 2013) States that, savings are resources which one decides to put aside for investment purposes and not for luxury. What people save, avoiding to consume all their income, is called "personal savings". These savings can remain on the bank accounts for future use or be actively invested in houses, real estate, bonds, shares and other financial instruments.

B. Low cost

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

Elser, Hannig, &Wisniwski, (1999) savings are a source of funds with low financial costs i.e., interest costs, Compared to other commercial funds. With regard to financial costs, most of the institutions apply a differentiated interest rate schedule, compensating for the higher administrative costs with no or low interest rates on small savings and increasing them according to the size of the deposit.

C. A source of profit

According to (Varman, 2005) the ability of a bank's management and staff to attract checking and saving accounts from business and individuals is an important measure of the banks acceptance by the public. Deposits provide most of the raw materials for bank loans and thus represent the ultimate source of bank profits and growth. Tuyishime, Memba, &Mbera, (2015) also affirmed that, Deposits are an indispensable tool commercial banks use to enhance its

profitability through advancing deposits mobilized to its customers in form of loans which make in return interest to commercial banks.

D. Economic Growth and Development

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

E. Fund investment and or development projects:

Debt is largely held by domestic commercial banks which are funded mainly from deposits. The government demand for bank assets enabled banks to continue to expand their deposit base rapidly and profitably .Herald and Heiko, (2009) Individual investors and government are mainly depending on the deposits of banks to fund their investments and/or development projects.

F. Cheaper than raising equity:

Banks, as any other business organizations, funds from debt and or equity. In the banks context raising equity is more expensive or costly than attracting deposits. Lorenzo et al (,2010) states that, if the lending channel plays a role, the deposit growth should lead to an increase in the supply of loans due to the additional source of financing for banks. As demand for loan increases because of the development work done by individuals, businesses and government, banks should extend their deposit base. When a commercial bank creates a deposit by lending to a business man, it is clearly performing a function for which it is entitled to a return in the form of interest payments, Harold, (1946).

2.1.6 Types of Deposits

Bank deposits are broadly classified into three types; (Venkatesan, 2012) saving deposits, Current deposits, and Fixed (term) deposits.

Current deposits: It is a deposit generally used by businessman, industrialist and others to settle debts. These current deposits, on which cheques are issued, they are also known as demand deposits. They are mostly non-interest bearing (Venkatesan, 2012).

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(Venkatesan, 2012).

Fixed 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 is paid by the banks for such kinds of deposits depending upon the amount of deposits and the length of period for keeping the deposits as per the agreement of both parties (Venkatesan, 2012).

2.1.7 Factors Affecting Deposit Mobilization

An important indicator of the success and efficiency of any credit agency, which is also a banking institution is, the extent to which it is able to mobilize the savings of the community in the form of deposit. But deposit mobilization is very difficult task. It depends up on various factors internal and external to the banking system, Desinga (1975). External factors are the general economic environment of the region, the volume of business transaction of the region, the confidence of the people on the banking system, the banking habit of the people and the saving potential of the region. Even when external factors are more conducive for deposit mobilization, banks may fail because of unfavorable internal factors such as location, type of building and window dressing (furniture, cheque books, vouchers, pay slips etc), which assure the customers about the physical fitness of a bank, Desinga (1975).

Desinga, (1975) classifies the variables which are claimed to have effect on commercial banks' deposit into two, namely exogenous and endogenous factors. Exogenous has further divided into country specific factors and bank specific factors for clarification purpose. Endogenous (Internal) factors can be controlled by the banking system. However, the Exogenous factors (The bank specific factors and the country specific factors) cannot be controlled by the banking system. The bank specific factors are factors that are specific to the banking system and the country specific factors are factors that are beyond the banking system.

Technology used is among those of resources to the bank that determines competitive intensity and therefore attractiveness of the bank. Technology need high fixed costs and qualified professional employees to run it hence become barriers to new entrants. These recent technological changes have profound implications for bank costs, employment and profitability. In future, customers would have less need to enter a bank building, and the need for brick-and-mortar branches would decline as future needs would be met mainly by electronically transferring information rather than by requiring people to move from one location to another.

The banker's principal function would be one of providing the necessary equipment and letting customers conduct their own transactions. This development implies fewer but more highly skilled bank employees and more equipment. Heavy investment in computers and money machines would result in sustains fixed costs, requiring a large volume of transactions and favoring the largest banking organization. At a given level of income, the incentives to hold a growing proportion of wealth in a financial form are conditioned by the relative risks and returns of financial assets, which may be implicit or explicit, pecuniary or otherwise. In this regard, factors such as inflation and the transaction costs as associated with, say, a savings account can be viewed as negatively related to the demand for deposits since they tend to reduce the real returns of the asset (Meyer, 1985).

The amazing development of information technology and its expansion into the money and bank markets in the world, in addition to facilitating the customers of banks has revolutionized the current techniques of banking. Today, customer's judge in the banking is based on the bank's ability to help solve problems and business development firm. Security, transaction speed, friendliness and consumer convenience, facilitating in use, reliability and privacy issues are the most important factors in choosing the bank's customers (AkinciSerkin, 2004, Sylvie Laforet, 2005).

In recent years, Advances in information technology in the banking industry have radically changed the banking practices and customers can do their banking activities as 24 hours (Erickson et al, 2005, Sayar and Wolfe, 2007). Internet banking allows customers through bank website have internet banking transactions as extensive and faster and less cost than traditional

branches without restrictions of time and space (Krauter and Faull ant, 2008). The speed of development of informatics industry causing major changes in the form of money and resources transaction systems in the areas of banking and new concept of banking has emerged as electronic banking (Hassanzadeh and Pourfard, 1382).

According to Kalo (2003), banking industry development is seen as a means of increasing efficiency in financial intermediation. This can be achieved by increasing competition a factor that Economists appreciate as a powerful source of efficiency, a principle that applies to financial sector as well as any other industry. In the financial sector, increased competition has historically brought reduction in cost of intermediation, diversified source of finance and reduces capital (Laurence son and Chai. 2003). Commercial Banks today are the principal channels for government monetary policy. Central banks implement policies to affect interest rates and the availability of credit in the economy mainly through altering the level and growth of reserves held by banks and other depository institutions. Commercial banks are the most important source of consumer credit, (i.e. loans to individuals and families) and one of the major sources of loans to small businesses. Also, commercial banks are major buyer of debt securities issued by government (Rose, 1996).

2.1.7.2 Saving Deposit rate/Interest rate

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

Bhatt (1970), said that the banking system is unlikely to be in a position to meet the demand for bank credit unless concerted policy is pursued to raise the rate of saving generally and the rate of saving in the form of deposits in particular. Interest rate in the banking system is held as investment cost from the investor's point of view and opportunity cost from the depositor's point of view (Mohammad and Mahdi, 2010). Thus, capital market forces balance interest rates. In

other words, the just and correct interest rate should be determined through market mechanism, that is, interest rate is balanced in supply and demand conditions in proportion with the inflation rate.

Eustace's and David(1995) states that deposits are more interest rate Factors determining commercial bank deposit sensitive and banks may choose to increase investments in interest rate sensitive assets and to decrease investments in loans. That is commercial bank deposits are interest rate sensitive, therefore as the interest rate changes the deposit of the commercial banks would change. It is known that depositors bring money to the bank which the bank in turn lends it to borrowers. The gross earnings of the bank are determined by the volume and composition of loanable funds and the rates at which they are loaned. After losses and expenses of operation are deducted, the net earnings provide a margin out of which interest on deposits can be paid. Because of the competition for these funds among bankers who desire to loan them at a profit, a bank must pay interest or lose deposits to a competitor.

The payment of interest on deposits is explained in this wise, like any other interest rate. As to Erna and Ekki (2004), Economists, mainly conventional ones, believe that depositors are attracted to deposit their money in banks because of the opportunity cost of holding cash in hand is high when the interest rate is also high (Erna and Ekki (2004). This can easily be explained by the utility maximization (cost minimization) premise, as a depositor would choose an action that would maximize their welfare or satisfaction.

As to Richard (1971), regulation of the commercial banking industry affects the returns which commercial banks realize on their deposits and capital. That is although deposits are the source for profit of banks it is influenced by regulation of the country. Accordingly, the higher profit rate on demand deposits is to a large extent the result of the prohibition against the payment of interest on these deposits. Therefore, depositors are motivated by returns.

2.1.7.3 Awareness Creation

According to Baqui et al (1987), some analysts argue that demand for deposits is influenced by education level which in turn increases the awareness of the rural people about banking services.

Since the study of Baqui et al (1987) conducted by taking rural area as its base it is obvious that it considers the awareness as a factor of deposit mobilization. It was also found that literacy as a proxy for awareness about banking, positively influence deposits.

2.1.7.4 Branch Expansion

There is a relationship between banks deposits and bank's branch expansion. Not only are deposits influenced by bank branches, but the expansion of bank branches is also influenced by the level of deposits in any area (Baqui et al, 1987). It is expected that banks make decisions on expanding their facilities by considering factors such as level of competition, deposit potential, regional income and existence of road and vehicles. As deposit potential is one thing that banks consider in expanding its branches, the deposit can also be a reason for branch expansion strategy that the banking sector uses.

According to Erna and Ekki (2004), there is a long run relationship between bank branch and banks deposits. Bank branch expansion plans: The global commercial banking industry has been changing rapidly over the past three decades with changes occurring in both the structure of the industry as well as innovations in the delivery of financial services to individuals and firms. Consolidation across the banking industry often raises concerns about the delivery of financial services to agriculture and rural businesses. The willingness and ability of commercial banks to deliver agricultural and rural loans efficiently would play an important role in maintaining and expanding rural economies. Changes in the regulatory environment, including liberalization of geographic restrictions on branching and interstate branching, reductions in reserve requirements, deregulation of deposit accounts and capital requirements, are fundamental drivers of bank consolidation. The decline in the number of institutions is primarily due to bank mergers. This is consistent with the study of Durkin and How croft (2003) who noted that the use of technology to expand marketing channels reduces the cost to the organization. It also helps to build relationships with customers, so, cost is not a branch of factors that affect the expansion of bank branches directly. In recent years and particularly with the entry of private banks into the era of activities we have been seen the fierce competition in the banking subsidiaries establishing that the situation has become more competitive edge.

2.2 Empirical Literature Review

Azmi & Haron (2006) this study investigates the structural determinants of deposits level of commercial banks in Malaysia, using co integration techniques. The results suggest that determinants such as rates of profit of Islamic bank, rates of interest on deposits, Base Lending Rate, Kuala Lumpur Composite Index, Consumer Price Index, Money Supply and Gross Domestic Product have significant impact on deposits. We also find that in most cases, customers of conventional system behave in conformity with the savings behavior theories.

Andinet (2016) the aim of his study is to examine factors influencing deposit mobilization in private commercial banks in Ethiopia. In doing so, the study adopted quantitative methods research approach using secondary data. The study had found variables that can affect the total deposits of the banks. Seven variables are regressed with the dependent variable i.e. total deposit. The explanatory variables are number of bank branches, deposit interest rate, liquid asset to deposit ratio, lagged value of bank deposits, net interest margin, inflation rate and economic growth (GDP).

Dereje (2017) the purpose of his study is to investigate determinants of deposit mobilization in private commercial banks of Ethiopia using panel data of six private commercial banks from year 2002 to 2012. The study used both quantitative and qualitative research approach. Secondary financial data are analyzed using multiple linear regressions models for the six banks deposit. Fixed or random effect regression model was applied to investigate the impact of bank branches, exchange rate, Real Gross domestic product, Capital Adequacy and Liquidity on private commercial banks deposits. Besides, the study used primary data analysis to solicit managers‟ perception towards the determinants of private commercial banks deposit mobilization.

Study made by Kose (1999) indicates that developing economies are characterized by unstable macroeconomic environments such as inflation, inappropriate fiscal and monetary policies, interest rate controls. The net effect is the change in liquidity which affects savings and capital formation. Where the macroeconomic environment is favorable to savings then the commercial banks are in a better position to increase savings. On the contrary, where macroeconomic policies erode liquidity from the hands of the people then deposits reduce and may negatively impact on capital growth and investment in the country. According to Giragn (2015) the

determinants of deposit mobilization of commercial banks are classified in to two- bank specific factors and non- bank specific factors.

According to Olagunju, Olanrewaju, Olabode and Samuel (2011) Liquidity involves three elements or characteristics namely Marketability, Stability and Conservatism. Liquid assets should be more marketable or transferable. That means, they are expected to be converted to cash easily and promptly and are redeemed prior to maturity. All assets that cannot be redeemed at maturity are said to be illiquid. the fact that the prices of the former are fixed and have lesser variability than the prices and value of the later that experience considerable fluctuation.

According to (Hassan & Bashir 2003), "ROA shows the profit earned per dollar of assets and most importantly, it reflects the management's ability to utilize the bank's financial and real investment resources to generate profits. For any bank, ROA depends on the bank's policy decisions as well as on uncontrollable factors relating to the economy and government regulations".

Rivard and Thomas (1997) suggest that "bank deposit performance is best measured by ROA in that ROA is not distorted by high equity multipliers and ROA represents a better measure of the ability of a firm to generate returns on its portfolio of assets". ROE on the other hand, "reflects how effectively a bank management is in utilizing its shareholders funds. Since ROA tend to be lower for financial intermediaries, most banks heavily utilized financial leverage heavily to increase their ROE to competitive levels". (Hassan and Bashir, 2003).

According to (Osie, 2015) institutional governance, ownership and reputation of the financial institutions is key factors for successful deposit mobilization. Prior to offering voluntary deposit services, Financial Institutions must ensure that they have the institutional structures that allow them to mobilize savings legally. "Institutional capacity requires that adequate governance, management, staff and operational structures are in place to provide savings services". (Ledgerwood, 1998). Moreover, (Klaehn, 2002) expound that the "vision, commitment and disposition of the pro poor institutions are critical in successfully mobilizing deposit from the public".

Ketema (2017) states that the external or macro determinants are variables that are not related to bank management but reflect the economic and legal environment that affects the operation and

deposit positions of Banks. Non-bank specific factors are defined for this research as factors that have an impact on deposit mobilization that are beyond the control of the banks themselves. The macroeconomic factors that can affect bank's deposit include factors such as; Exchange Rate, Inflation and GDP among others.

According to (Herald & Heiko, 2008), growth is one of the determining factors for commercial banks deposits. GDP is calculated by adding up the value-added at each stage of production (deducting the cost of produced inputs and materials purchased from an industry's suppliers. (Erna &Ekki, 2004), finds four variables, GDP, number of Islamic bank's branch offices, profit sharing rate, and interest rate that are thought to have influence on the volume of deposits. So, GDP can influence the growth of commercial banks deposits.

According to Shemsu, (2015) the researcher used both the descriptive and empirical analysis, the study had concluded the following: The survival of every commercial bank in Ethiopia highly depends on deposit because mobilizing deposit for commercial banks is a matter of survival. Without having enough deposit for commercial banks business is nothing. The same is true for commercial Bank of Ethiopia. This study also assured us without having enough deposit CBE can't survive as a bank.

Adem (2015), uses mixed research approach. Regarding to the qualitative data; questionnaire is used to gather information from the employees of commercial bank of Ethiopia particularly for those employees who actively participated in deposit mobilization tasks in CBE city branches. Regarding to the secondary data; time series data covering 1998 -2014 was analyzed. First, the time series data were assessed using descriptive statistics for the variables as well as the test for heteroskedasticity, autocorrelation and normality testing to know if the assumptions of CLRM violated or not. Second, estimated model was a single regression equation with deposit as the dependent variable and explanatory variables as deposit interest rate, overall inflation rate, number of branch opening, gross domestic product, individual foreign remittance and dummy variable.

Giragn (2015), the study revealed that deposit mobilization is the main focus of many banks. However, finding deposit is becoming a challenging job for the banks in Ethiopia compatible with the growing need of loans. Owing to the growing need for finances from new and existing

businesses of the country coupled the banks own desire to make profits from those finances, deposit mobilization is becoming the critical success factor for banks. The fast increasing number of branches, the service modernization activities and the growing competition among banks all justify this fact.

Andinet (2016), Results from the regression analysis estimated by fixed effect regression model showed that number of bank branches has positive significant impact on bank deposit growth, deposit interest rate has positive significant impact on bank deposit growth, bank liquidity (liquid asset to deposit ratio) has negative insignificant impact on bank deposit growth, lagged bank deposit has negative significant impact on bank deposit growth, Net interest margin has positive insignificant impact on bank deposit growth, Inflation rate has negative insignificant impact on bank deposit growth and GDP rate has positive significant impact on bank deposit growth.

2.2.1 Research Gap/ Knowledge Gap

The researcher is interested in deposit mobilization of banks, the related research has not taken into consideration the deposit mobilization factors. After having observed the gap in this area of research, the researcher conducted the research on the factors of deposits mobilization in Awash bank with focusing on East Addis Ababa region. Evidence from prior studies, various external and internal factors has effect on Awash bank deposits. However, the significance of each factor differs across continent, countries and time period. For instance, the study made by Erna &Ekki (2014) in Indonesia, Mohammed & Mansur (2014) in Malaysia and Giragn (2015) in Ethiopia indicated that GDP has not significant influence on the volume of commercial bank deposits. While, Mohammed (2014) in Bahrain and Shemsu (2015) in Ethiopia revealed that GDP has positive influence on the volume of commercial bank deposit. Moreover, the study made by Ngula (2012) in Ghana, Prema-chandra and Kunal (2001) in India, Shemsu (2015) in Ethiopia, Wubitu (2012) in Ethiopia and Giragn (2015) researches showed that inflation has significant effect on the deposits of commercial bank. However, Hussein & Ali (2014) in Iran and Orji (2012) in Nigeria showed that inflation has a negative influence on the commercial bank deposits. These contradictory findings revealed that there is inconsistency among research findings on factors affecting deposit mobilization. Many literatures consider mainly quantitative factors other qualitative factors are not yet investigated well. As there is no comprehensive study that include various determining factors of deposit mobilization in the country, *this study is*

initiate to fill the research gaps by taking appropriate variables which can go with the condition and situation in Ethiopian banking industry role on deposit mobilization to come up with concrete result.

2.3 Conceptual Literature Review

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┌──────────────────────┐
│  Awareness Creation  │
└──────────────────────┘

┌──────────────────────┐
│    Service Level &   │                          ┌─────────────────┐
│     Technology       │────────────►             │     DEPOSIT      │
└──────────────────────┘                          │   MOBILIZATION   │
                                                   └─────────────────┘
┌──────────────────────┐
│    Interest Rate     │
└──────────────────────┘                               Dependent Variable

┌──────────────────────┐
│   Branch Expansion   │
└──────────────────────┘
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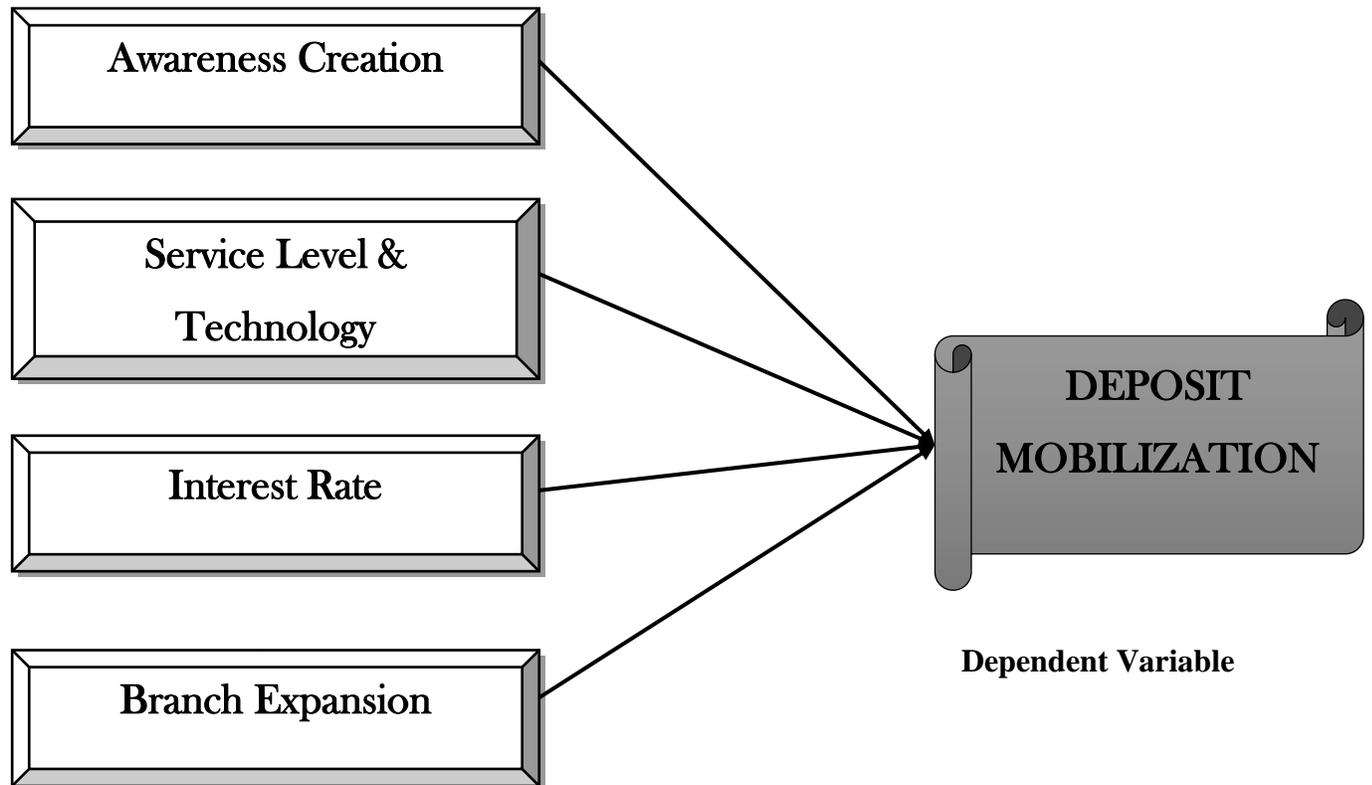
Independent Variables

Hypothesis of the study stand on theories and empirical findings related to bank's deposit that has been developed over the years by banking area scholars. The primary function of the commercial banks is deposit mobilization (Nathanael, 2014). Therefore, this study has tested the following hypotheses:

H1: There is a positive and significant effect of awareness creation on deposit mobilization.
H1: There is a positive and significant effect of service level technology on deposit mobilization.
H1: There is a positive and significant effect of interest rate on deposit mobilization.
H1: There is a positive and significant effect of branch expansion on deposit mobilization.

CHAPTER THREE

RESEARCH DESIGN AND METHODS

Introduction

Methodology comprises the approach, strategy, methods and procedures adopted to conduct research (Chanston and Mangles, 2003). This chapter deals with the methods that would use in this study. This chapter was organized under the following sub-headings: research approach, research design, data type and sources, target population and sample size determination, sampling technique, validity and reliability, methods of data analysis, and ethical consideration.

3.1 Research Approach

The choice of a research approach is determined by a combination of many factors such as the research problem, objectives of the study, resource availability and personal experiences of the researcher (Creswell, 2009). Accordingly, this research was used quantitative research approach. Hence, considering the research problem and objective, the quantitative research approach is primarily was used.

3.2 Research Design

Taking the research objectives into consideration, this research adopts explanatory research approaches. As explanatory research, research design is a comprehensive plan for data collection in an empirical research project (Bhattacherjee, 2012). Therefore, the research design for this study is a casual research design because this research analyzes the cause-and-effect relationship among factors affecting deposit mobilization in Awash bank. Hence, because of the desire to know "why", and explain the purpose.

3.3 Data type and Sources

The necessary data for this study is collected from both primary and secondary sources. According to Kothari (2004), Primary data are fresh data that are gathered for the first time and thus happened to be original in character. The major source of data for this research is both primary and secondary data sources. Primary source of data is very important to collect firsthand information from the respondent themselves to know their feelings, attitudes, opinions and

perceptions towards a particular issue. Secondary source of data helps to gather data from different materials that are already done by some researchers in the past. These are books, journals, research studies, and other related documents.

3.4 Target Population and Sample size Determination

The targeted population for this study is employees at East Addis Ababa region of Awash bank and branches under this region are the pool of the study. East Addis Ababa region have 47 branches right now and 20% of the branches are only focus of this study including the head office of East Addis Ababa region. This percentage is chosen because Mugenda and Mugenda (2003) also notes that a sample size of 10%-30% of the target population for a social study is adequate for research. The sample size would consider as representative of the East Addis Ababa region of Awash bank employees and this would expect as large enough to allow for precision, confidence and to generalize the research finding. Accordingly, 173 respondents were selected out of 306 employees. So that, the researcher was used the following sample size determination formula developed by (Yemane, 1967). It is calculated as follows: $n = N/1+N \ (e^2)$, where, n= sample size, N= Population size, and e= the margin of error. Then at 5% significance level, the total sample size n = (306/1+306 (0.0025) is approximately equal to 173 employees. To determine the proportional sample size the following was used **ni =n*pi/N,**

Where

n$_i$= Sample size for branch,

p$_i$= The total number of employees in each branch,

N = The total number of employees in the East Addis Ababa region of Awash bank,

n = The total sample size for East Addis Ababa region. Accordingly, the table below shows the proportionate sampling for each branch based on the above given formula. Accordingly, the table below shows the proportionate sampling for each branch based on the above given formula.

Table 3.1: Population and Sample Size for Each Branch of East Addis region of Awash bank

No	Branches Name	Target Population	Proportional Sample Size
1	East Addis Ababa region office	40	23
2	Bole branch	28	16
3	Bole Medhanialem branch	28	16
4	Millennium branch	15	8
5	Airport branch	15	8
6	Shalla branch	20	11
7	Cameroon Avenue branch	10	6
8	Gerji branch	34	19
9	Haya Hulet branch	35	20
10	Bole Haya Hulet branch	15	8
11	Imperial branch	14	8
12	Akaki Kality branch	10	6
13	Adey Abeba branch	12	8
14	Saris branch	15	8
15	Edeget branch	15	8
Total	**Fifteen branches (15)**	**306**	**173**

Source: Own Computation, 2020

3.5 Sampling Techniques

This study was used probability sampling techniques in order to give equal opportunity for the target population. Under this sampling design, every item of the universe has an equal chance of inclusion in the sample. Since the aim of this study was to get actual information about the factors affecting deposit mobilization in Awash bank. This study focused on part of the target population at each level in selected branches of East Addis Ababa region. The choice in East Addis Ababa region is done by using simple random method through lottery method to every region of Awash bank (East, West, North and South district of Addis Ababa). After having the representative sample size, simple random sampling techniques was used for identification of

respondents. Since, its major concern is to get relevant data for the study and to give equal opportunity for the representatives of the population (Kothari, 2004).

3.6 Methods of Data Collection

Both primary and secondary data were used in the study. Primary data are collected into two major tools. The first is close ended questionnaire developed by the researcher based on the information from different literature and studies were used. The first section contained the demographic characteristics of the respondents are requested to provide information about their gender, age, year of service or experience and education level. The second section of the questionnaire is designed to enable the researcher to gather information about factors affecting deposit mobilization in Awash bank. Questionnaire is a set of questions that have structured questions in this case the questions contain close-ended questions type and responses to the question where measure on a five Likert rating scale.

3.7 Validity and Reliability

The Cronbach alpha coefficient is an indicator of internal consistency of the scale. A high value of the Cronbach alpha coefficient suggests that the items that make up the scale "hang together" and measure the same underlying construct. A value of Cronbach alpha above 0.70 can be used as a reasonable test of scale reliability (Gaur A. and Gaur S., 2009). The first step in assessing validity is called the construct validity test.

Table 3.2:Rule of thumb of Cronbach's Alpha

Cronbach's Alpha	Internal Consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Source: Cortina (1993)

Generally, a Cronbach Alpha greater than or equal to 0.7 can be regarded as an acceptable level of reliability in most social science research. If the Cronbach Alpha is less than 0.7, the questions might be difficult for the respondents or the respondents did not understand the questionnaire (Cronbach, 1951). The reliability of scale shows that how free the data is from random error. Therefore, it is always advisable to select a scale that is reliable. One of the most commonly used scales of reliability is internal consistency. Internal consistency refers to "the degree to which the items that make up the scales are all measuring the same underlying attributes (that is the extent to which the items "hang together") (Christopher, 2015). The Cronbach Alpha technique was applied to assess reliability of the measurement scales used in the study.

Table 3.3: Reliability Test Result

Variables	#of Items	Cronbach's Alpha Result
Awareness creation	8	.759
Service and technology	5	.764
Interest rate	5	.716
Branch expansion	6	.773
Deposit mobilization	13	.842

Source: SPSS result, 2020

As it can be seen from Table 3.3, all the independent variables scored good alpha results. As compared to the independent variables, the dependent variable 'deposit mobilization" has a high reliability with α= .842, this shows that Cronbach Alpha lays where α ≥ 0.8. Compared within the independent variables, branch expansion has higher acceptable reliability with α = 0.773, followed by service and technology with α = 0.764, awareness creation follows with acceptable α = 0.759 indicating acceptable reliability. Though the least among the others interest rate has acceptable reliability with α = 0.716. According to Cronbach (1951), a Cronbach Alpha of 0.70 is an acceptable level; this means that there is internal consistency in the items considered.

For the purpose of exploring the factor structure of the measures used in this study, Explanatory factor analysis was performed. As the questionnaire was adopted from literature, it was crucially important to assess their validity and reliability in Ethiopian context. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, which measures whether the distribution of value is .6 or above to conduct Explanatory factor analysis was 0.839. Tabachnick and Fidell (2007) the Barlett's Test of Sphericity value should be significant (i.e. the Sig. value should be .05 or smaller). Therefore, the researcher is confident that factor analysis was appropriate. The result is below.

Table 3.4: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.839
Bartlett's Test of Sphericity	Approx. Chi-Square	749.207
	Df	15
	Sig.	.000

Source: SPSS result, 2020

3.8 Methods of Data Analysis

The collected data has been changed and interpreted into meaningful information and statement. The data has been analyzed, processed, and interpreted according to the nature of the data. Statistical Package for Social Science (SPSS) software version 20 has been employed to analyze and present the data through the statistical tools, namely descriptive analysis (mean and standard deviation), correlation and multiple regression analysis.

First, descriptive statistics of the variable is calculated in line with Malhotra (2007), which states that using descriptive statistics method helps the researcher in picturing the existing situation and allows relevant information. In the descriptive analysis, mean, and standard deviation has been used to the study. Frequency tables were used to summarize the respondents profile in the form of frequency and percentages whereas the descriptive statistics such as mean and standard deviations of employees answers to factors affecting deposit mobilization scales has been calculated in order to determine employees perceptions of factors affecting deposit mobilization.

While in making the interpretation of the results of frequency, mean, and standard deviation, the scales has been reassigned as follows so as to make the interpretation easy and clear.

According to Sekaran (2000), "inferential statistics allow researchers to infer from the data through analysis of the relationship between two variables; differences in a variable among different subgroups; and how several independent variables might explain the variance in a dependent variable". The following inferential statistical methods have been used in this research.

According to Stigler (1989), Pearson Product Moment Correlation is a measure of the linear correlation between two variables x and y giving a value between +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation. The sign of the coefficient tells us whether the relationship is positive or negative, whereas the numerical part of the coefficient indicates the magnitude of the correlation. The closer the correlation coefficient to +1 or -1 the greater the relationship between the variables. To ascertain whether a statistically significant relationship exists between factors of deposit mobilization dimensions (awareness creation, service level and technology, interest rate, and branch expansion) and deposit mobilization, the Pearson Product Moment Correlation Coefficient has been used.

The purpose of multiple regressions is to learn more about the relationship between independent or predictor variables and dependent variable. Multiple regressions analysis takes into account the inter-correlations among all variables involved. In multiple regression analysis, more than one predictor would be regressed against the dependent variable (Cohen & Swerdlik, 2002). This method has been used to investigate the Factors affecting deposit mobilization dimensions (awareness creation, service level and technology, interest rate, and branch expansion) and the dependent is deposit mobilization.

Regression Model Specification

The model of multiple regressions on this study generally built around the dependent variable, which is deposit mobilization, and the dimensions of the independent variables (awareness creation, service level and technology, interest rate, and branch expansion). Therefore, the general formula used for the model is:

$Y_i = \alpha + \beta x_i + e$

The left-hand variable Y_i denote the dependent variable deposit mobilization,

α= is the intercept term which gives the mean or average effect on Y of all the variables excluded from the equation, although its interpretation is the average value of Y when the stated independent variables are set equal to zero,

β = is the coefficient of x variables (independent variables) which measures the change in the mean value of Y; per unit change in their respective independent variables,

X_i = is the different independent variables which are awareness creation, service level and technology, interest rate, and branch expansion.

E = is the error term/sampling error. Finally, the above general least square model has been converted to incorporate all the variables to test the hypothesis of the study as follows:

Deposit mobilization = f (awareness creation, service level and technology, interest rate, and branch expansion).

$$DM = \alpha + \beta_1 X_1 (AC) + \beta_2 X_2 (ST) + \beta_3 X_3 (IR) + \beta_4 X_4 (BE) + e$$

Where

AC = Awareness creation

ST = service level and technology

IR = interest rate

BE = branch expansion

e = Error Term

3.9 Ethical Consideration

As suggested by (Trochim, 2000), the researcher has ensured the strict adherence of the following ethical conducts:

➢ Respondents take part in the research voluntarily and data was collected based on the consent of the individual.

➢ The purpose of the research is clearly explained to respondents.

➢ Information provided by respondents was treated with strict confidentiality and the researcher ensure that participants would remain anonymous throughout the study.

➢ There is no misrepresentation or distortion of the actual data collected from respondents.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION RESULTS

Introduction

In accordance with the research questions and research objectives of the study, this chapter presents the findings of the study based on the research design employed in this study. In this respect, the chapter explain the response rate of the respondents, the descriptive statistics of all the demographic characteristics and the instruments of deposit mobilization variables used in this study and the results of the estimated parameters of the correlation and regression analysis; the relation between the independent and dependent variables as per the sign and the value of the parameters for the regression model are presented. Therefore, the analysis made in the order of the objectives of the research, i.e.

1. To determine the influence of awareness creation on deposit mobilization of AB.
2. To find out the influence of service level and technology on deposit mobilization of AB.
3. To examine the influence of interest rate on deposit mobilization of AB.
4. To investigate the influence of branch expansion on deposit mobilization of AB.

In table 4.1 on above shown that a total 173 questionnaires were distributed out of which 160 (92.4%) were properly filled and returned the data was used for analysis purposes. 10 questionnaires were not returned that was (5.8%) and also 3 questionnaires filled and returned but was incomplete information on the questionnaire and that was 1.8%.

Table 4.1: Response Rate

Questionnaires	East Addis region of Awash bank	
	Respondents	Percentage
Number of Distributed Questionnaires	173	100%
Number of Returned Questionnaires	160	92.4%
Number of Not Returned Questionnaires	10	5.8%
Number of Incomplete Questionnaires	3	1.8%

Source: SPSS result, 2020

4.1 Descriptive Statistics

4.1.1 Demographic characteristics

Descriptive analysis is a set of procedures for gathering, measuring, classifying, computing, describing, synthesizing, analyzing and interpreting systematically acquired quantitative data. These data are more of self-explanatory data; therefore, the analysis outcome is to provide a summary of the respondent's profile. For section one, the analysis was done on frequency and percentage distribution are created for each question to show the segmentation of respondents in terms of gender, age, educational level, and how long have they work for the organization.

Table 4.2 Demographic Characteristics

		Frequency	Percent
Gender	Male	106	66
	Female	54	34
	Total	**160**	**100.0**
Age	20-25	16	10
	26-31	22	14
	32-37	50	31
	38-43	34	21
	44 and above	38	24
	Total	**160**	**100.0**
Education Level	Diploma	13	8
	Degree	88	55
	Masters	59	37
	Total	**160**	**100.0**
Working Experience	1-3	25	16
	4-6	56	35
	7-9	50	31
	10-12	29	18
	Total	**160**	**100.0**

The sample includes 160 employees in East-Addis region of Awash bank in Addis Ababa. Table 4.2 presents the background information of the respondents for this study. The survey showed that there were more males as compared to females. Male respondents represented 66% on the other hand 34% were females. Therefore, most of the AB employees are male dominated.

As far as age of respondents is concerned, 10% of the respondents are in the range of 20-25 years, 14% of the respondents are in the range of 26-31 years, 31% are in the range of 32-37 years, 21% are in the range of 38-43 and 24% is above 44 years. This shows that most of AB employees who is actively participate in the bank operation system are adults as compare to other age group.

Regarding educational level of respondents, diploma holders represented 8% of the employees; First Degree holders represented 55%. Master's degree holders represented 37% of the employees. It can be said from the survey that, most of the bank's employees were degree holders.

Finally, about service years of respondent in the company 16% of respondents are 1-3 year experienced, 35% are under 4-6 years experienced, 31% are 7-9 year experienced and 18% are 10-12 years experienced respectively. From this we can understand that, most of the respondents are 4-6 and 7-9 years experienced.

4.1.2 Descriptive Statistics for factors affecting Deposit Mobilization Dimensions

Descriptive statistics is used to look at the data collected and to describe the data captured through the questionnaire and it is desired to determine the employee's perception towards factors of deposit mobilization. Mean: it is similar to average. The mean is calculated when the sum of total values divided by the number of total values in a given sample of the population. While making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1 - 1.8= Strongly Disagree, $1.81 - 2.6$ = Disagree, $2.61 - 3.4$= Neutral, $3.41 - 4.20$= Agree and $4.21 - 5$ = Strongly Agree (Best, 1977).

Standard Deviation: It is taken to identify the differences among the variables and the square root of standard deviation shows the variance. Standard deviation was also used to show the

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variability of measurements from the mean (average). The higher standard deviation indicates a wider distribution of the scores from the mean. This distribution indicates more heterogeneous or dissimilar spread of scores on a scale. While, if the value is lower, it shows a smaller range with comparable or homogeneous spread of scores around the mean (Mark, Philip and Adrian, 2009).

4.1.2.1 Descriptive statistics on items on Awareness Creation

A series of nine questions were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.3 shows the mean and standard deviation for each item under this category.

Table 4.3 Descriptive statistics (Mean and standard deviation) for Awareness Creation

Items of Awareness Creation	Mean	Std. D.
AB provide public education based on the locality and awareness level of the target.	3.505	.81944
AB carries out intensive staff retraining, sensitization and awareness creation.	3.046	.93893
AB establish synergy with development partner and arrange information sharing platform.	3.908	.83013
AB playing a major role for country's development on saving mobilization.	3.493	.99853
AB strictly implements compliant handling system.	3.655	.88695
AB number of depositors account increasing.	3.561	.831021
AB evaluate average waiting time and made adjustment.	3.520	.85791
Reducing Risk being attached on the way to the bank affects your deposit.	3.382	.92721
AB use different medias for advertising for enhancing deposit mobilization.	2.736	1.0533
Cumulative mean of Awareness creation	**3.4228**	**0.904825**

Source: SPSS result, 2020

The descriptive statistics or the means and standard deviations of the awareness creation variable is displayed in Table 4.3. As shown descriptively the mean or the average response of the respondents about their awareness creation in AB is 3.422 (SD = 0.904) and it is with agree response because the overall mean states as per the interpretation law set by (best, 1977) it is agreed. This indicates the respondents had agreed with the activities of demand for deposits is influenced by education level which in turn increases the awareness of the people about banking

services in AB. The standard deviation value indicates that the respondent's responses are homogenous and not widely spread from the mean. Since, the obtained result of standard deviation (.904) is supported by (Mark, Philip and Adrian, 2009) i.e., value <1, implies that the responses of the respondents were not dispersed towards the perceived/obtained mean result.

4.1.2.2 Descriptive statistics on items on branch expansion

A series of six questions were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.4 shows the mean and standard deviation for each item under this category.

Table 4.4 Descriptive statistics (Mean and standard deviation) for Branch Expansion

Branch Expansion items	Mean	Std. D.
AB marketing department made research before opening new branch.	4.0805	.75048
The AB locate itself with in a nearest area compare to the residences.	4.0690	.66110
AB assess deposit potential of the town before opening new branch.	4.1609	.66251
AB expand his customer base highly.	4.0230	.73099
AB identify target population.	3.8391	.62643
AB introduce door to door services to his customers	3.8276	.78068
Cumulative mean of branch expansion	**4.00017**	**0.702032**

Source: SPSS result, 2020

The descriptive statistics or the means and standard deviations of the branch expansion variable is displayed in Table 4.4. As shown descriptively the mean or the average response of the respondents about their branch expansion in AB was 4.000 (SD = 0.702) and it is agreeing response because the overall mean states as per the interpretation law set by (best, 1977) it is agreeing. This indicates the respondents had agreed on relationship between commercial banks deposits and commercial bank's branch expansion. Not only are deposits influenced by bank branches, but the expansion of bank branches is also influenced by the level of deposits in any area they observed in AB. The standard deviation value indicates that the respondent's responses are homogenous and not widely spread from the mean. Since, the obtained result of standard deviation (.702) is supported by (Mark, Philip and Adrian, 2009) i.e., value <1, implies that the responses of the respondents were not dispersed towards the perceived/obtained mean result.

4.1.2.3 Descriptive statistics on items on interest rate

A series of six questions were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.5 shows the mean and standard deviation for each item under this category.

Table 4.5 Descriptive statistics (Mean and standard deviation) Interest Rate

Interest Rate Items	Mean	Std. D.
Inflation affects your deposit mobilizations	3.8851	.84117
AB operation cost affect interest rate on deposit mobilizations	3.9080	.81601
Increase in demand for credit compared with supply affect interest rate in your bank.	3.2989	.85065
Government (national bank of Ethiopian) intervention affects interest rate.	2.5057	.86096
AB volume of transaction increasing time to time	3.2759	.81682
AB risk management committee influence on interest on deposit.	4.0179	.84876
Cumulative mean of interest rate	**3.48191**	**0.83906**

Source: SPSS result, 2020

The descriptive statistics or the means and standard deviations of the interest rate variable is displayed in Table 4.5. As shown descriptively the mean or the average response of the respondents about their interest rate in AB was 3.481 (SD = 0.839) and it is with agree response because the overall mean states as per the interpretation law set by (best, 1977) it is agreed. This indicates the respondents had agreed on interest rate with the banking system is unlikely to be in a position to meet the demand for bank credit unless concerted policy is pursued to raise the rate of saving generally and the rate of saving in the form of deposits in particular. Interest rate in the banking system is held as investment cost from the investor's point of view and opportunity cost from the depositor's point of view. The standard deviation value indicates that the respondent's responses are homogenous and not widely spread from the mean. Since, the obtained result of standard deviation (0.839) is supported by (Mark, Philip and Adrian, 2009) i.e., value <1, implies that the responses of the respondents were not dispersed towards the perceived/obtained mean result.

A series of ten questions were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.6 shows the mean and standard deviation for each item under this category.

Table 4.6 Descriptive statistics (Mean and standard deviation) for Service Level and Technology

Items of service level and technology	Mean	Std. D.
Prize linked deposit scheme has its impact on the bank deposit mobilization.	3.8736	.72824
AB Offering insurance premium for the depository customer.	3.9425	.63532
AB selects the portfolio of financial investment for depositors.	3.7356	.85535
AB Facilitates for depositors to purchase from recognized dealers forced to increase your deposit.	3.6092	.95669
AB provide free of telephone and service charge for account depositors has impact on deposit mobilization.	3.2946	.84511
AB has alternative high return investments on deposits	3.0179	.84876
Queuing in the banking hall reduced.	4.2500	1.0089
AB launching electronic banking service has impact on deposit mobilization	3.3571	.98509
AB has specialized skill of staff	3.0446	.89431
Your bank provide quality banking service to increase deposit	3.0357	.93893
Cumulative mean of service level and technology	**3.51608**	**0.8696**

Source: SPSS result, 2020

The descriptive statistics or the means and standard deviations of the service level and technology variable is displayed in Table 4.6. As shown descriptively the mean or the average response of the respondents about their service level and technology in AB was 3.516 (SD = 0.869) and it is with agree response because the overall mean states as per the interpretation law set by (best, 1977) it is agreed. This indicates the respondents had agreed bearing to service level and technology with the customers will have less need to enter a bank building, and the need for brick-and mortar branches will decline as future needs will be met mainly by electronically

transferring information rather than by requiring people to move from one location to another in AB. The standard deviation value indicates that the respondent's responses are homogenous and not widely spread from the mean. Since, the obtained result of standard deviation (.869) is supported by (Mark, Philip and Adrian, 2009) i.e., value <1, implies that the responses of the respondents were not dispersed towards the perceived/obtained mean result.

4.1.2.5 Descriptive statistics on items on deposit mobilization

A series of eight questions were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.7 shows the mean and standard deviation for each item under this category.

Table 4.7 Descriptive statistics (Mean and standard deviation) for deposit mobilization

Bank Performance	Mean	Std. D.
The attractiveness of the interest rate on deposits in Awash banks.	3.7126	.88801
The deposits policy of the bank is favoring customers to increase more deposits.	3.9080	.94785
The deposits policy is favoring customers to increase deposits in the bank.	3.6667	.85816
The interest rate changes along the years and the effect made on the deposits mobilized.	3.4483	.74332
The Awash bank's interest rate on term deposits is competitive.	3.5517	.74332
The Awash bank's interest rate ease in opening term deposits accounts.	3.3482	1.2850
The Awash bank able to extend loans and advances to customers.	3.5893	.9630
Cumulative mean of Deposit Mobilization	**3.60354**	**0.91838**

Source: SPSS result, 2020

The descriptive statistics or the means and standard deviations of the deposit mobilization variable is displayed in Table 4.7. As shown descriptively the mean or the average response of the respondents about the deposit mobilization in AB was 3.60 (SD = .918) and it is with agree response because the overall mean states as per the interpretation law set by (best, 1977) it is agreed. This indicates the respondents had above average agreement of deposit mobilization with the is a scheme intended to encourage customers to deposit more cash with the bank and this money in turn was used by the bank to disburse more loans and generate additional revenue for them. Furthermore, the key role of the loans, banks offer the more profit they make observed in

AB. The standard deviation value indicates that the respondent's responses are homogenous and not widely spread from the mean. Since, the obtained result of standard deviation (.918) is supported by (Mark, Philip and Adrian, 2009) i.e., value <1, implies that the responses of the respondents were not dispersed towards the perceived/obtained mean result.

4.2 Inferential Analysis

4.2.1 Pearson Correlation Analysis

The Pearson correlation coefficient (r) is a technique for investigating the relationship between two variables, in this case factors of deposit mobilization and deposit mobilization. Pearson's correlation coefficient (r) can only take one values from -1 to +1. The sign out the front indicates whether there is a positive correlation i.e. as one variable increases, so does the other or a negative correlation i.e. as one variable increases, the other decreases. A perfect correlation of 1 or -1 indicates that the value of one variable can be determined exactly by knowing the value on the other variable. A scatter plot of this relationship would show a straight line. On the other hand, a correlation of 0 indicates no relationship between the two variables. A scatter plot would show a circle of points, with no pattern evident (Pallant, 2011).

The other method used in correlation analysis was statistical significance. The level of statistical significance does not indicate how strongly the two variables are associated, but instead it indicated how much confidence we should have in the size of the result obtained. The significance of r is strongly influenced by the size of the sample. The interpretation was made based on the following measurement scale intervals or range. 1 perfect, 0.8-0.9 very strong, 0.5-0.8 strong, 0.3-0.5 moderate, 0.1-0.3 modest, >0.1 weak, 0 zero, -1 perfect, -0.8 - -0.9 very strong, -0.5- -0.8 strong, -0.3 - -0.5 moderate, -0.1 - -0.3 modest, and > -0.1 weak. (McDaniel and Gates (2006). These findings are presented below.

Table 4.8 Correlation analysis result

Correlations		Awareness Creation	Branch Expansion	Interest Rate	Service Level & Technology	Deposit Mobilization
Awareness Creation	Pearson Correlation	1	.724**	.666**	.520**	.524**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	160	160	160	160	660
Branch Expansion	Pearson Correlation	.724**	1	.641**	.508**	.406**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	160	160	160	160	160
Interest Rate	Pearson Correlation	.666**	.641**	1	.693**	.393**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	160	160	160	160	160
Service Level & Technology	Pearson Correlation	.520**	.508**	.693**	1	.346**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	160	160	160	160	160
Deposit Mobilization	Pearson Correlation	.524**	.406**	.393**	.346**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	160	160	160	160	160
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: SPSS result, 2020

Concerning the association between the awareness creation and deposit mobilization, Pearson correlation analysis reported that it has .524** at a significance level of 0.000. This mean awareness creation has a strong and positive relationship with deposit mobilization. Hence, it is possible to conclude that awareness creation have a linear relationship with deposit mobilization.

Concerning the association between the branch expansion and deposit mobilization, Pearson correlation analysis reported that it has .660[**] at a significance level of 0.000. This means branch expansion has a strong positive relationship with deposit mobilization. Hence, it is possible to conclude that branch expansion have a linear relationship with deposit mobilization.

Concerning the association between the interest rate and deposit mobilization, Pearson correlation analysis reported that it has .393[**] at a significance level of 0.000. This means interest rate has a moderate and positive relationship with deposit mobilization. Hence, it is possible to conclude that interest rate have a linear relationship with deposit mobilization.

Concerning the association between the service level and technology and deposit mobilization, Pearson correlation analysis reported that it has .346[**] at a significance level of 0.000. This means service level and technology has a moderate positive relationship with deposit mobilization. Hence, it is possible to conclude that service level and technology have a linear relationship with deposit mobilization.

4.2.2 Assumptions Testing

When someone choose to analyze the data using linear regression, part of the process involves checking to make sure that the data that one wants to analyze can actually be analyzed using linear regression. Therefore, it is needed to do this because it is only appropriate to use linear regression if the required data "passes" four assumptions (Multi co linearity, linearity test, Auto-correlation/Durbin-Watson Test and normality test) that are required for linear regression to give a valid result.

4.2.2.1 Multi Co linearity assumption testing

Multi co linearity exists when there is strong correlation between two or more predictors in a regression model Saunders (2007). There should be no perfect linear relationship between two or more of the predictors. So, the predictor's variables should not correlate to highly Field, (2006). If there is perfect Co linearity between predictors, it becomes impossible to obtain unique estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well. If there is a high degree of correlation between independent variables, we have a problem of what is commonly described as the "problem of

multi co linearity Kothari, (2004); Field, (2006). Therefore, Multi co linearity assumption is checked by the co linearity statistics. Checking the multi co linearity assumption is that by looking SPSS analysis output regression table of co linearity statistics value of Tolerance and Variance Inflation Factor /VIF (Field, 2006). The tolerance column value below 0.2 and VIF value above 10 create a multi co linearity problem. Having this, the Tolerance and VIF value is shown in the regression standardized coefficients table 4.13 below and the analysis indicates that there is a minimum tolerance value of .598 which is above 0.2 and the maximum VIF value is 1.673which is below 10. Hence, there is no multi co linearity problem.

Table 4.9: Multi collinearity test

Variables	Tolerance	VIF
Awareness Creation	.704	1.421
Branch Expansion	.598	1.673
Interest Rate	.757	1.321
Service Level And Technology	.713	1.402

Source: SPSS result, 2020

4.2.2.2 Auto-correlation/Durbin-Watson Test/

It is the assumption of independent error acceptable or reasonable test. Durbin-Watson used to test for serial correlation between errors. The Durbin-Watson statistic test can vary between 0 and 4. A value of 2 meaning residual statistics are uncorrelated Field, (2006). A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation. Similarly, Ot and Longnecker (2001), defines when there is no serial correlation, the expected value of Durbin-Watson test statistics d is approximately 2.0; positive serial correlation makes d< 2.0 and negative serial correlation makes d >2.0. Although, values of d less than approximately 1.5 (or greater than approximately 2.5) lead one to suspect positive (or negative) serial correlation. If serial correlation is suspected, then the proposed multiple linear regression models are inappropriate. Referring this and the model summary table 4.11 below; the Durbin-Watson value of this study is 1.712. Therefore, the auto-correlation test has almost certainly met, since it falls between 1.5 and 2.5, and we can conclude that our model is free of serial correlation.

This assumption test whether the data is well modeled by normal distribution or not. This test of normal distribution could be checked by graphical (histogram and dot plot) method of tests. The normality assumption assumes a critical role when a study is dealing with a small sample size, data less than 100 observations (Gujarati, 2004). The assumption was tested by using normal probability plot (NPP). The decision rule is, if the fitted line in the NPP is approximately a straight line, one can conclude that the variables of interest are normally distributed (Gujarati, 2004).

Normal distribution is detected based on skewness and kurtosis statistics. Skewness is a measure on the asymmetry of a distribution. Whereas, kurtosis measures the extent to which observations cluster around a central point. The acceptable range for normality for both statistics is between -1.0 and +1.0 (Pallant J., 2011). When we see the normality of the distribution of this study, as shown in the table below, all variables are within the acceptable range for normality (-1.0 to + 1.0). The kurtosis statistics for all variables are also within the suggested range of normality (-1.0 to + 1.0).

Table 4.10 Skewness and Kurtosis test

		Creation awareness	Brach expansion	Interest rate	Service level & technology	Deposit mobilization
N	Valid	160	160	160	160	160
	Missing	0	0	0	0	0
Skewness		-1.093	-.381	-.523	-.682	-1.048
Std. Error of Skewness		.258	.258	.258	.258	.258
Kurtosis		3.172	.424	2.402	.838	.870
Std. Error of Kurtosis		.511	.511	.511	.511	.511

Source: SPSS result, 2020

Scatterplot

Dependent Variable: DEPOSIT MOBILIZATION
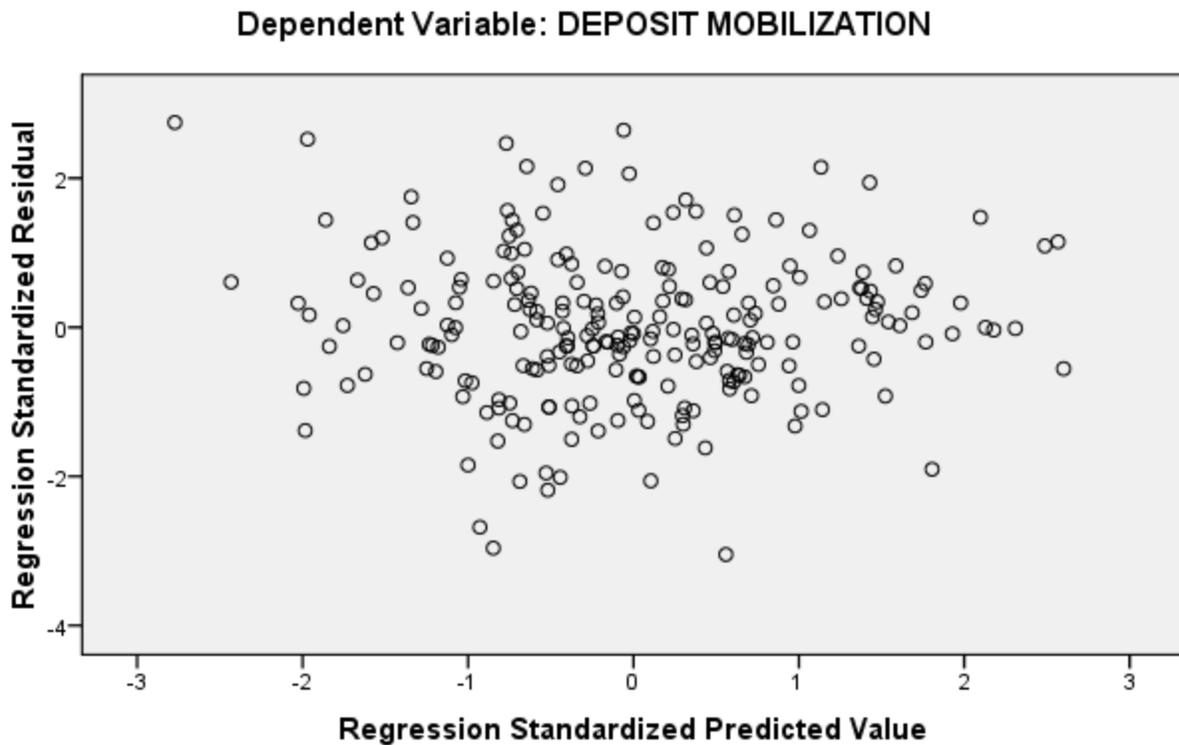
Source: SPSS result, 2020

4.2.2.4 Assessing Linearity Assumption

Multiple linear regression model assumptions assume there is a linear relationship between the independent variables and the dependent variable. The linearity assumption of multiple linear regressions is that the relationship between the independent variable and the dependent variable can be characterized by a straight line. Linearity assumption already linear from the equation of multiple linear regression models of the independent variables and dependent variable (Gujarat, 2004). Linearity defines the dependent variable as a linear function of the predictor (independent) variables. Standard multiple regression can only accurately estimate the relationship between dependent and independent variables if the relationships are linear in nature. The scatter plot of scores should be a straight line (roughly), not a curve (Pallant, 2005).

In line with this, the scatter plots of this study shows that there is almost linear relationship between the variables. Therefore, the assumption of linearity is satisfied in the study.

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: DEPOSIT MOBILIZATION
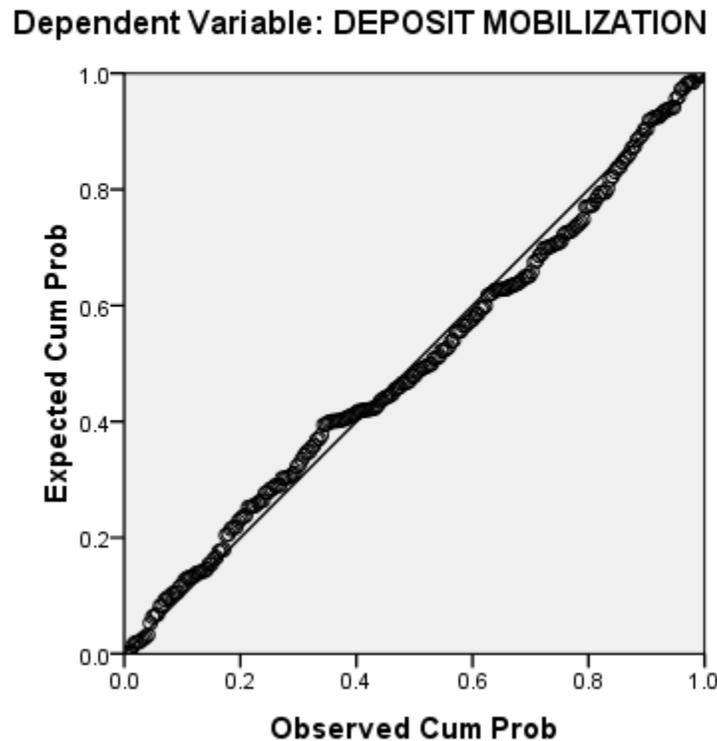
Source: SPSS result, 2020

4.2.3 Multiple Regression Analysis

Regression Analysis is a statistical tool to deal with the formulation of mathematical model depicting relationship along with variables which can be used for the purpose of prediction of the value of dependent variable, given the value of the independent variable(s) (Kothari, 2004). Multiple regression analysis is an analysis of association in which the effects of two or more independent variables on a single, interval-scaled dependent variable are investigated simultaneously (William and Barry, 2010).

Regression coefficients is the determination of a statistical relationship between two or more variables. In simple regression, we have only two variables, one variable (defined as

independent) is the cause of the behavior of another one (defined as dependent variable). Regression analysis is a statistical method to deal with the formulation of mathematical model depicting relationship amongst variables which can be used for the purpose of prediction of the values of dependent variable, given the values of the independent variable. (Kothari, 2004) And as to this case the independent variable is factors of deposit mobilization and the dependent variable is deposit mobilization. We would use this approach if we have a set of variables (independent) and wanted to know how much variance in a dependent variable they are able to explain as a group or block. This approach would also tell you how much unique variance in the dependent variable each of the independent variables explained (Pallant, 2011).

Table 4.11 Model summary result

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.823[a]	.678	.662	.38232	.678	43.114	4	82	.000	1.712

Source: SPSS result, 2020

The table shows the variation of variables used in the analysis. R-square which is the coefficient of determinant tells that how much variation is taking place in deposit mobilization (dependent variable) due to creation awareness, branch expansion, interest rate, and service level and technology (independent variables). When the table is analyzed, it depicts that the value of R-square is 0.678, that means 67.8% change taking place in deposit mobilization is due to the creation awareness, branch expansion, interest rate, and service level and technology.

ANOVA means analysis of variances. The one-way ANOVA procedure produces a one-way analysis of variance for quantitative dependent variable by a single factor independent variable. ANOVA test compares the means for the different variable. In addition to determining that differences exist among the means, one-way ANOVA can also be used to calculate which means differ. The cut of point which was considered for being significant was 5%. This determined the importance of each variable over the other basing on the model developed.

Table 4.12 ANOVA (Analysis of variance)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.207	4	6.302	43.114	.000[a]
	Residual	11.986	82	.146		
	Total	37.193	86			
b. DV: Bank Performance						

Source: SPSS result, 2020

According to table 4.12 the analysis of variance (ANOVA) for these data, if the F ratio is large and probability is less than 0.05 then it is termed as statistically significant (Saunders, 2012). Thus, the F-statistic of each independent variables is 43.11, which is more than 4 this indicates that the model is overall good fit and significant at $p < 0.05$. Therefore, it can be concluded that the regression model overall predicts deposit mobilization significantly well. ANOVA (Analysis of variance), was employed to compare whether the mean of one dependent variable differ significantly across the categories of another independent variable. The ANOVA table provides the result of the test of significance for R and R^2 using an F-statistic. Since the result of the test is significant, with P-value below 0.01, that R^2 is significantly different from zero and there is a relationship between the independent variables (the dimensions that are, creation awareness, branch expansion, interest rate, and service level and technology) and dependent variable (deposit mobilization).

Table 4.13 Regression Coefficient Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.378	.372		-1.017	.312
Awareness Creation	.284	.077	.279	2.393	.019
Branch Expansion	.239	.112	.328	-.349	.002
Interest Rate	.350	.083	.305	4.237	.000
Service Level & Technology	.623	.079	.587	7.909	.000
a. Dependent Variable: Deposit Mobilization					

Source: SPSS result, 2020

From the Beta Coefficient table, the researcher highly concentrated on the values of the standardized Beta coefficient in order to figure out the relative importance of each independent variable, in predicting the dependent variable.

Statistical equation as per Model: $(Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + E....)$

$$(Y = -.378 + .279 X_1 + .328 X_2 + .305 X_3 + .587 X_4 .05....$$

According to Pedhazur, (1997), a β weight coefficient informs us, as to how much change in the criterion variable (i.e. deposit mobilization) we might expect with a one-unit change in the predictor variables, (i.e. creation awareness, branch expansion, interest rate, and service level and technology) holding all other predictor variables constant. That means from table 4.13, as creation awareness of the bank increases by one-unit deposit mobilization will increases by 27.9% if the other factors kept constant (Field, 2006).

Proposed hypothesis are tested based on the results of the regression analysis. By looking at the Sig.-value in Table 4.13, it is possible to interpret whether the independent variable has a significant effect on the dependent variable. According to Weiers (2008), if P value is less than the specified level of significance (α), reject the null hypothesis. Therefore, the rules of thumb

for this study is if P- value. < = 0.05, H1 will be accepted, and conversely, if Sig. > = .05, H0 will not be rejected (Accepted). Beta coefficients were used to evaluate the effect of each independent variable on dependent variable. Therefore, interpretation by comparing Sig and beta estimates preceded for each hypothesis.

H1: Awareness Creation has a positive and significant effect on Deposit mobilization.

The results of multiple regressions, as presented in table 4.13 above, revealed that awareness creation has a positive and significant effect on deposit mobilization with a (Beta value =.279), at 95% confidence level ($p < 0.05$). The alternative hypothesis that states awareness creation has a positive and significant effect on deposit mobilization is accepted. Moreover, the regression coefficients Beta value of 0.279 confirming that, 27.9% of the variation in deposit mobilization is explained/affected by awareness creation. This means that all things being equal, when the other independent variables are held constant, awareness creation would increase by 27.9%. This was statistically significant (0.019<0.05) that is the variable (awareness creation) is making a significant contribution to the prediction of the dependent variable (deposit mobilization). Moreover, awareness creation in better state seems at 27.9% chance of gaining deposit mobilization. Because the effect of awareness creation positively influences deposit mobilization.

H1: Branch Expansion has a positive and significant effect on Deposit mobilization.

The results of multiple regressions, as presented in table 4.13 above, revealed that branch expansion has a positive and significant effect on deposit mobilization with a (Beta value =.328), at 95% confidence level ($p < 0.05$). The alternative hypothesis that states branch expansion has a positive and significant effect on deposit mobilization is accepted. Moreover, the regression coefficients Beta value of 0.328 confirming that, 32.8% of the variation in deposit mobilization is explained/affected by branch expansion. This means that all things being equal, when the other independent variables are held constant, branch expansion would increase by 32.8%. This was statistically significant (0.02<0.05) that is the variable (branch expansion) is making a significant contribution to the prediction of the dependent variable (deposit mobilization). Moreover, branch expansion in better state seems at 32.8% chance of gaining deposit mobilization. Because the effect of branch expansion positively influences deposit mobilization.

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H1: Interest Rate has a positive and significant effect on Deposit mobilization.

The results of multiple regressions, as presented in table 4.13 above, revealed that Interest Rate has a positive and significant effect on deposit mobilization with a (Beta value $=.305$), at 95% confidence level ($p < 0.05$). The alternative hypothesis that states Interest Rate has a positive and significant effect on deposit mobilization is accepted. Moreover, the regression coefficients Beta value of 0.305 confirming that, 30.5% of the variation in deposit mobilization is explained/affected by Interest Rate. This means that all things being equal, when the other independent variables are held constant, Interest Rate would increase by 30.5%. This was statistically significant (0.000<0.05) that is the variable (Interest Rate) is making a significant contribution to the prediction of the dependent variable (deposit mobilization). Moreover, Interest Rate in better state seems at 30.5% chance of gaining deposit mobilization. Because the effect of Interest Rate positively influences deposit mobilization.

H1: Service level and technology has a positive and significant effect on Deposit mobilization.

The results of multiple regressions, as presented in table 4.13 above, revealed that service level and technology has a positive and significant effect on deposit mobilization with a (Beta value $=.587$), at 95% confidence level ($p < 0.05$). The alternative hypothesis that states service level and technology has a positive and significant effect on deposit mobilization is accepted. Moreover, the regression coefficients Beta value of 0.587 confirming that, 58.7% of the variation in deposit mobilization is explained/affected by service level and technology. This means that all things being equal, when the other independent variables are held constant, service level and technology would increase by 58.7%. This was statistically significant (0.000<0.05) that is the variable (service level and technology) is making a significant contribution to the prediction of the dependent variable (deposit mobilization). Moreover, service level and technology in better state seems at 58.7% chance of gaining deposit mobilization. Because the effect of service level and technology positively influences deposit mobilization.

Hypothesis Testing

Table 4.14: Hypothesis Testing Results

Hypothesis	Method	Result	Reason
Awareness creation has statistically positive and significant effect on deposit mobilization.	Regression	Accepted	Beta= .279; P<0.05
Branch expansion has statistically positive and significant effect on deposit mobilization.	Regression	Accepted	Beta= .328; P<0.05
Interest rate has statistically positive and significant effect on deposit mobilization.	Regression	Accepted	Beta= .305; P<0.05
Service level and technology has statistically positive and significant effect on deposit mobilization.	Regression	Accepted	Beta= .587; P<0.05

Source: SPSS result, 2020

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

Introduction

This chapter deals with summary of findings, conclusions and recommendations. The main purpose of the study was to evaluate the factors affecting deposit mobilization of Awash Bank. To achieve the objective of the study, relevant literatures were reviewed, and quantitative data were collected through questionnaire filled by employee's respondents. The data collected through questionnaire were presented, analyzed, interpreted and discussed using statistical package for social science version. Thus, based on the analysis, the following, summary of findings, conclusions drawn, and recommendations forwarded.

5.1 Summary of Findings

The following conclusions were proposed as follows.

✓ The mean score of awareness creation (3.422), branch expansion (4.00), interest rate (3.48), level of awareness and technology (3.51), and deposit mobilization (3.60) this indicated that most of employees were agreed with the factors affecting deposit mobilization variables such as awareness creation, branch expansion, interest rate, level of awareness and service level and technology,. Hence, as per the employee perception the existing deposit mobilization activity were demonstrating effectively.

✓ The correlation result show that there is positive and significant relationship between factors of deposit mobilization (awareness creation, branch expansion, interest rate, level of awareness and technology) and deposit mobilization. The finding further indicates that the highest relationship is found between awareness creation and deposit mobilization (r = .660[**], and P < 0.05). However, the lowest relationship exists between service level and technology and deposit mobilization (r = .346[**] and P < 0.05) consecutively.

- ✓ Regarding to the regression result, the findings show that awareness creation significantly explains 27.9% of the variation in deposit mobilization. Therefore, H1: there is a positive and significant effect of creation awareness on deposit mobilization is accepted and conclude that awareness creation has a positive and significant effect on deposit mobilization.

- ✓ Branch expansion positively and significantly explains 32.8 % in the variation in deposit mobilization. Therefore, hypothesis H1: there is a positive and significant effect of branch expansion on deposit mobilization is accepted and conclude that branch expansion has a positive and significant effect on deposit mobilization.

- ✓ Interest rate was found to significantly explain 30.5% of the variation in deposit mobilization. Therefore, hypothesis H1: there is a positive and significant effect of interest rate on deposit mobilization is accepted and conclude that interest rate has a positive and significant effect on deposit mobilization.

- ✓ Service level and technology was found to significantly explain 58.7 % of the variation in deposit mobilization. As such, hypothesis H1: there is a positive and significant effect of service level and technology on deposit mobilization is accepted and conclude that service level and technology have a significant effect on deposit mobilization.

- ✓ The overall, results revealed that all independent variables accounted for 67.8% of the variance in deposit mobilization (R^2 = 0.678). Thus, 67.8% of the variation in deposit mobilization can be explained by the four deposit mobilization factors and other unexplored factors may limit deposit mobilization which accounts for about 32.2%.

5.2 Conclusion

✓ Concerning to deposit interest rate, it implies that deposit interest rate is a major factor in explaining the Awash Bank deposit growth meaning that interest rate more plays an important role in deposit growth. In fact, of this the competition between government bank and private commercial banks in terms of attraction using deposits interest rate.

✓ The deposit growth reacts positively towards increase deposit mobilization growth. The relationship is in line with the expected sign, which implies that efficiency of banks in mobilizing deposits and channeling into investment that would result in an offsetting of gains of GDP.

✓ Awash bank current deposit mobilization efforts and practices have the following strengths; it encourages branches to exert their efforts consistently for deposit growth through the effort of, recruiting new customers, reactivating inactive accounts. It also helps to recall loyal customers of the bank. Being the incremental net increase in number of accounts as a performance criterion, it helps to widen the customer base of the bank; The activities broaden the marketing knowledge of the staffs and it gives a chance to properly scan the environment where the branch is operating and it creates uniformity to practice resource mobilization and it also creates awareness among performers. Moreover, it has created the sense of competition among staff.

✓ Awash bank current deposit mobilization efforts and practices have the following weaknesses. In evaluating branches, it only considers branches' month end incremental deposit balance; it doesn't consider location advantages or disadvantages of branches. It lacks how to understand the market. The understanding and commitment of bank staffs on deposit mobilization is partially good.

✓ Awash bank uses the following mechanisms to promote awareness of the society pertaining to its services. Use of advertisements on TV, radio, newspapers, magazines, Sponsoring films, TV on dramas, documentaries and various events and Donations. In order to attract and retain big depositors, the bank provides special services for corporate customers. These are presenting gifts and postcards during holidays, Cash collection directly from the customers' office, handling of staff salary and providing consumer loan to their staffs for the

purchase of automobiles, purchase or construction of residential buildings based on their repayment capacity and providing third party financing for their customers. Because of the above special services given to the corporate customers, volume of deposit is increasing, and new customers are coming to the bank.

5.3 Recommendation

➢ Collective awareness creation strategies about the advantages of savings must be intensified to reach the unbanked society by all banks. The Awash bank still must do much in this regard as saving plays great role not only for the individual banks but also for the economic development of the country as a whole.

➢ Branch expansion has positive and significant effect on deposit mobilization of Awash bank; the bank should also expand their branches in order to increase their deposit. Rural sector has more potential to save but this sector has not thrived much. The concentration regarding the branch expansion should be in rational. For example, when the bank wants to open a new branch in urban area the regulating body should order the bank to open in rural area before providing the authorization. Improve infrastructure and incentives for banks to open branches in both remote and central area and reach the unbanked society. There should be also an investment in strengthening the operational capacity of the existing branches. Particularly those that are located in remote areas with limited Human and other resources.

➢ Increasing in deposit interest rate commonly increases deposit mobilization and in Awash bank the magnitude of increase is higher than all variables aggregate which means that if there is a change in deposit rate in a country the deposit growth of the bank are highly affected. Awash bank can add deposit rate for competition purpose. Thus, AB have assumed greater responsibilities in mobilizing domestic resources for financing the priorities of the economy and should have managed liquidity that contributes some for reduction of deposit mobilization.

➢ Awash bank should go beyond the expectation of its customers by further strengthen the E-banking services and products delivered to customers. The bank has to work on improving the customer services since it has huge impact on the deposit mobilization, increase its

accessibility to its customers, not only in numbers but also the bank has to work on the branches to be comfortable to customers having enough parking area.

➢ The Awash bank should also provide competitive deposit interest rates on selected stable deposits keeping sufficient margin of profitability. The issue of paying fair interest rates to selected demand deposit customers could also be considered.

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ANNEX:

QUESTIONNAIRE

St. MARY'S UNIVERSITY

SCHOOL OF POSTGRADUATE

The purpose of this questionnaire is to collect firsthand information for a study being conducted on the topic, "Factors affecting deposit mobilization the case of Awash bank." as partial fulfillment of general management program at St. Mary's University. To this end, I kindly request you to provide me genuine information, to the best of your knowledge, so that the findings of the study would be legitimate. The study is purely academic research. Therefore, for sure, all your responses kept confidential. I would like to thank you for your willingness, effort and sharing precious time to fill the questionnaire and returning it the earliest possible.

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

1. **Gender:**

   Male ☐   Female ☐

2. **Age:**

   20 to 25 years ☐   32 to 37 years ☐

   26 to 31 years ☐   38-43 years   44 ☐ ove

3. **What is your highest level of education?**

   College Diploma or equivalent ☐   Postgraduate Degree ☐

   Undergraduate Degree ☐   Doctorate and above ☐

4. **How   long   did   you   work   for   Awash   Bank?**

1-3 Years ☐   7 – 9 years ☐

4-6 Years ☐   10-12 years ☐

Section B: Employee Opinion Survey-Factors of Deposit Mobilization Questionnaire

Please indicate the extent of your agreement or disagreement with each statement as objectively as you can by circling a number from **1 to 5**. Whatever information you give me is strictly confidential and could be used for academic purpose only, so please respond honestly. Use the following rating scale.

S/No	Factors of Deposit Mobilization	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
I.	**Awareness Creation Measurement Scale**	1	2	3	4	5
1	The bank provide public education based on the locality and awareness level of the target.					
2	The bank carries out intensive staff retraining, sensitization and awareness creation.					
3	The bank establish synergy with development partner and arrange information sharing platform.					
4	The bank playing a major role for country's development on saving mobilization.					
5	The bank strictly implements compliant handling system.					
6	The bank number of depositors account increasing.					
7	The bank evaluate average waiting time and made adjustment.					
8	Reducing Risk being attached on the way to the bank affects your deposit.					
9	The bank use different medias for advertising for enhancing deposit mobilization.					
II.	**Branch Expansion Measurement Scale**					

1	The bank marketing department made research before opening new branch.					
2	The bank locate itself with in a nearest area compare to the residences.					
3	The bank assess deposit potential of the town before opening new branch.					
4	The bank expand his customer base highly.					
5	The bank identify target population.					
6	The bank introduce door to door services to his customers.					
III.	**Interest Rate Measurement Scale**					
1	Inflation affects your deposit mobilizations.					
2	The bank operation cost affect interest rate on deposit mobilizations.					
3	Increase in demand for credit compared with supply affect interest rate in your bank.					
4	Government (national bank of Ethiopian) intervention affects interest rate.					
5	The bank volume of transaction increasing time to time					
6	The bank risk management committee influence on interest on deposit.					
IV.	**Service Level and Technology Measurement**					
1	Prize linked deposit scheme has its impact on the bank deposit mobilization.					
2	The bank offering insurance premium for the depository customer.					
3	The bank selects the portfolio of financial investment for depositors.					
4	The bank facilitates for depositors to purchase from					

		recognized dealers forced to increase your deposit.					
5		The bank provide free of telephone and service charge for account depositors has impact on deposit mobilization.					
6		The bank launching electronic banking service has impact on deposit mobilization.					
7		The bank provide quality banking service to increase deposit.					
V.		**Deposit mobilization Measurement Scale**					
1		The attractiveness of the interest rate on deposits in Awash banks.					
2		The deposits policy of the bank is favoring customers to increase more deposits.					
3		The deposits policy is favoring customers to increase deposits in the bank.					
4		The interest rate changes along the years and the effect made on the deposits mobilized.					
5		The Awash bank's interest rate on term deposits is competitive.					
6		The Awash bank's interest rate ease in opening term deposits accounts.					
7		The Awash bank able to extend loans and advances to customers.					

Thank you so much for your cooperation!!