# FACTORS AFFECTING PRIVATE DEPOSITS VOLUME OF COMMERCIAL BANK OF ETHIOPIA JIMMA DISTRICT

*A THESIS SUBMITTED TO COLLEGE OF BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTERS OF SCIENCE IN ACCOUNTING AND FINANCE (MSC)*

**BY: ANDUALEM GIZACHEW**

**ADVISOR: ABIY GETAHUN (ASSISTANT PROFESSOR)**

**CO-ADVISOR: YONAS MEKONNEN**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**COLLEGE OF BUSINESS AND ECONOMICS**

**JIMMA UNIVERSITY**

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# DECLARATION

I hereby declare that this thesis entitled "Factors Affecting Private Deposits Volume of Commercial Bank of Ethiopia Jimma District" has been carried out by me under guidance and supervision of Mr. Abiy Getahun (Ass. Professor) and Mr. Yonas Mekonen.

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher's name               Date                  Signature

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# CERTFICATE

This is to certify that the thesis entitles "Factors Affecting private Deposits Volume of Commercial Bank of Ethiopia Jimma District", submitted to Jimma University for the award of the Degree of Master of Social Science (MSC) and is a research work carried out by Mr. Andualem Gizachew Nigussie, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

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_____          _____          _____

# Abstract

*The banks, as intermediaries of funds, should try to raise the resources through a complete understanding of the factors influencing the volume of customer deposits. The purpose of this research is to study the factors affecting the volume of private deposits of Commercial Bank of Ethiopia Jimma District. For this purpose, the determinant factors have been divided into five general groups including: service factors, financial factors, communication and human factors, physical factors and organizational dependency factors. This research is applied research and its method of conduct is descriptive-survey. The research population includes all the customers of Commercial Bank of Ethiopia Jimma district and research sample has been selected with the use of Krejcie & Morgan table and simple and randomly, which is determined to be equal to 384 individuals. The measurement instrument in this research is a questionnaire consisting of 18 questions regarding the factors affecting the volume of private deposits of CBE-jimma District. Based on the results of multiple regression analysis, all the independent variables have been entered into the model and those variables which are effective have remained and they have explained the determinant factors of volume of private deposits in a good way with determining factor of 0.904. The results of the research are as follows: Service and physical factors have a significant and positive effect and organizational dependency has a significant and negative effect. However, communication and human factors and financial factors have insignificant effect in determining the volume of private deposits of Commercial Bank of Ethiopia Jimma District.*

***Key words****: Volume of private deposits, Determinant factors, Recommendation, Deposit*

*Mobilization, financial intermediary, Jimma District*

# ACKNOWLEDGEMENT

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# Acronyms

CBE:            Commercial Bank of Ethiopia

CSA:            Central Statistics Authority

DR:              Deposit Rate

EViews:        Econometric Views

INFRATE:    Inflation Rate

LIQUIDITY:  Liquidity of Commercial Banks

NBE:            National Bank of Ethiopia

OLS:            Ordinary Least Square

REALIR:       Real Interest Rate

GDP:            Gross Domestic Product

# CHAPTER ONE

# INTRODUCTION

## 1.1. Background of the Study

Most business organizations especially in developing countries are highly dependent on bank loans as a source of capital. Bank loans are one of the most important long-term financing sources in many countries (Freixas and Rocher 2008). Thus, the ability of banks in giving out loans depends very much on their ability of attracting deposits. Deposit mobilization is the chief source of funds to undertake lending operations and for profitable operation.

Commercial banks are the most important saving, mobilization and financial resource allocation institutions. The attraction of the resource are considered to be the key and strategic goals of the banks and have a special role in providing the bank services and as well considered as a significant consideration in the evaluation of the success level of the banks (Dehnavi, 2005).Thus the amount of deposit a commercial bank should have at hand should be enough to make the bank involve in the market and to satisfy the financial needs of its customers.

Moreover, attracting and catching of public source and lead them towards productive projects through loans and facilities to investors and eventually move in the direction of development is the main banking operations. Collect and attract the types of deposits and allocating them to meet the financial needs of economic activities is one of the most important types of banking operation. In the other hand, the banking industry and banking services plays a key role in the development and expansion of firms, industries and countries. Given these general facts the bank is expected to raising its deposit. Raising deposits is not possible without knowing and controlling the factors affecting it. In literature there are several factors that are claimed to be determinants of deposits that are, income of the societies, inflation rate, real interest rate, population growth, dependency ratio and other internal factors.

The researcher had divide factors affecting commercial banks private deposit into two, namely external and internal factors. External factors are the factors that are not controlled by bank and internal factors are factors that are controlled by the bank. External factors include inflation, real interest rate, Population growth of the country, per capital income of the society, Private Consumption, Economic growth, Financial Deepening, Consumer price index, and Shocks. The internal factors can be categorized into service factors, financial factors, relationship and human factors, physical and organizational dependency factors. The researcher was studied those internal factors that the bank can control it.

## 1.2.    Historical Background of Banking in Ethiopia

Modern banking in Ethiopia was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. February 15, 1906 marked the beginning of banking in Ethiopian history when the first Bank of Abyssinia was inaugurated by Emperor Menelik II. It was a private bank whose shares were sold in Addis Ababa, New York, Paris, London, and Vienna. In 1931, Emperor Haile-Selassie introduced reforms into the banking system and the Bank of Abyssinia was liquidated and became the Bank of Ethiopia, a fully government-owned bank providing central and commercial banking services until the Italian invasion of 1936. During the Italian invasion, Bank of Italy was formed a legal tender in Ethiopia. In 1943, after Ethiopia regained its independence from fascist Italy, the State Bank of Ethiopia was established, with two departments performing the separate functions of an issuing bank and a commercial bank. In 1963, these functions were formally separated and the National Bank of Ethiopia (the central and issuing bank) and the Commercial Bank of Ethiopia were formed. Banking Business Proclamation No. 84/1994 was issued in 1994 which led to the beginning of a new era for the Ethiopia banking sector (Belayneh, 2011).

Regarding the banking sector of the country, Ethiopia appears unique compared to its East African neighbors (namely Kenya, Tanzania and Uganda) and many other developing countries because it has not yet opened its banking sector to foreign participation. The Ethiopian banking sector remains isolated from the impact of globalization. Although Ethiopian policy makers understand the potential importance of

financial liberalization, it is widely believed that liberalization may result in loss of control over the economy and may not be economically beneficial. Ethiopia has no capital market and investing in shares of private companies is very limited (Belayneh, 2011).

Currently, Ethiopia has a total of 19 banks operating in the country. Three are government owned (Commercial Bank of Ethiopia, Construction &Business bank and Development bank of Ethiopia) the rest sixteen are privately owned. These are Abay Bank S.C, Addis International Bank, Awash International Bank, Bank of Abyssinia, Berhan International Bank, Bunna International Bank, Cooperative bank of Oromia, Dashen bank, Debub Global bank, Enat bank, Lion international bank, Nib international bank, Oromia international bank, United bank, Wegagen bank and Zemen bank (NBE-report).The asset share of the CBE was 66.3%, while the share of all three state-owned banks was nearly 80% (http://www.nbe.org.et).

## 1.3.   Statement of the Problem

Banks are the basic element of financial system and the continuity of banks survival is depending on deposits. The key element in monetary and banking system is the manner of financial resource mobilization and its allocation and distribution among the various economic sectors and economic activities as well as routes which the amount of money available enters to the economic system and circulates.

Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The Commercial Banks must tap deposits from urban and rural areas. This helps the banks to provide large amount of funds to priority sectors for development. The success of the banking greatly lies on the deposit mobilization.  Performances of the bank depend on deposits, as deposits play a pivotal role in bank funding, as a major portion of a Commercial Bank's assets is usually financed through customer deposits (Bologna 2011).

Commercial bank of Ethiopia is the most important savings, mobilization and financial resource allocation institutions. Consequently, these roles make them an important phenomenon in economic growth and development. Households, businesses, government and many other different institutions borrow money from commercial banks. The commercial bank is lending the money from its deposits. In performing this role, it must be realized that banks have the potential, scope and prospects for mobilizing financial resources. So as to undertake this process the deposit should be available first. The ability of Banks in giving loans depends much on their ability to attract deposits (Haron and Azmi, (2006). Therefore, Commercial Bank of Ethiopia should made unreserved efforts to mobilize deposits and meet the growing credit demand of the economy. A private deposit of the bank may be affected by different factors. Since a deposit is most useful asset of the bank it is relevant to find out the factors affecting it and determining the relationship between them. Those facts force this study to be undertaken.

Commercial bank of Ethiopia, being the main player and the most active sector, has acted as a backbone of the Ethiopian economy. It has played an essential and peculiar role in the progress of the Ethiopian economy through supporting the private sector, and financing the high government debt by attracting customers'. Moreover, in Ethiopia national development strategies i.e. GTP, many huge projects have started to construct. The GTP projects require large resources and those projects are mainly financed through domestic income. Given its mandate large part of the financial resource must come from the CBE (Information from Group Discussion). Thus, to foster the saving culture of the societies and to boost its deposit balance Commercial Bank of Ethiopia should give due attention for internal and external factors that affect their deposit performance. The need to foster the saving culture and to raise deposits balance forces this study to be undertaken.

The level of domestic saving in Ethiopia has been quite low. National bank of Ethiopia (2013) indicates that, from deposits that should be mobilized by banks only 7% is mobilized. That indicates that from the money that should be deposited in the bank 93% of it did not mobilize. The money that cannot mobilize by the bank 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.

This study contribute to raise the deposit balance by identifying the factors that can affect the private deposits of the commercial bank of Ethiopia Jimma District and determined the extent they are affecting it.

## 1.4.  Research questions

This study attempts to answer the following research question.

> ➢ What are the variables that can affect the volume of private deposits of commercial bank of Ethiopia Jimma District?

## 1.5.  Justification of the study

Only little researches were made on the topic in our country, particularly in Commercial Bank of Ethiopia and also there is no research made on this topic in Commercial Bank of Ethiopia Jimma District. This gap initiates the researcher to conduct this study by identifying the major factors that affect volume of private deposits of commercial bank of Ethiopia Jimma District, which enables the players to know the determinants of private deposit and make strategic decisions accordingly. It also analyses private deposit unlike the total deposit because the volume of private deposits can increase or decrease with the efforts of the particular bank, so that analyzing behavior of private deposit alone is very essential for policy implication in identifying the major factors that affect private deposit behavior.

As the research conducted in this particular area is rarely available, academicians lacks the reference material of this area and also the managers of commercial banks under Jimma District may face a problem of identifying and managing the factors that determine the commercial bank deposit and their effect on it. Accordingly, branch managers unable to mobilize their branch private deposit more because of their limitation of effort to mobilize it Moreover, they will face lack of deposit.  The present paper attempts to identify the factors influencing the deposit performance of studied banking

institutions and also the degree of efficacy of this organization in order to strengthen the banks resources in terms of the volume.

## 1.6.    Objectives of the study

### 1.6.1. General Objectives

To identify the factors that affects the volume of private deposits of commercial bank of Ethiopia Jimma District, at the end to conclude and suggest.

### 1.6.2.  Specific Objectives

The specific objectives of the study are:

➢ To identify the factors that affect total private deposits of commercial bank of Ethiopia Jimma District.
➢ To determine the relationship between the commercial bank of Ethiopia private total deposit and the identified factors.

## 1.7.    Significance of the study

The study attempted to identify the factors that affect the volume of Commercial Bank of Ethiopia Jimma District. The results of the study will provide a better understanding and awareness to policy makers of Commercial Bank of Ethiopia, to design an effective and efficient strategy to increase the volume of their private deposits. The study will also serve as a stepping-stone and make the modest contribution for those who are interested to conduct research on Commercial Bank of Ethiopia. Accordingly the following two are the significances that are attained by the study.

1. This study will help commercial bank of Ethiopia to manage their private deposit by letting them know what affects it and which variable is the most important so that should be given due emphasis.
2. The study adds knowledge on the field of finance. The studies that are conducted on the factors affecting CBE private deposits are rare; therefore the study will be an important reference material on the field of finance.

## 1.8.    Scope of the Study

The scopes of this study are limited to identifying the factors that affect private deposits of Commercial Bank of Ethiopia Jimma District. Due to time and financial constraints, geographically the studies are restricted Commercial Bank of Ethiopia Jimma District and it is restricted on the factors that affect the volume of private deposits. Limitation of the Study

## 1.9.    Limitation of the Study

Although the present study provides findings about the determinants of private deposits, there are some limitations that are noticed. The first limitation is that the study only considered Commercial Bank of Ethiopia. It is selected because the larger proportion of bank deposits in Ethiopia is found in CBE (NBE report 2013).  The other limitation is that due to lack of data, the study used 11 years secondary data, which is shortest period of time.

## 1.10.  Organization of the study

The study is organized into five chapters. Chapter one as an introductory chapter deals with background of the study, statement of the problem, research questions, the general and specific objectives of the study, hypothesis of the study, the significance of the study and limitation and delimitation of the study. The second chapter, literature review, deals with the theoretical and empirical literature review on factors determining commercial bank of Ethiopia Jimma District private deposit. The first part is theoretical review that explains what the literature says about the relationship between the private deposits and the factors affecting it. The third chapter deals with the data and methodology of this study. The sources of qualitative and quantitative data of the study are indicated. The multiple regression model of the study and methods of diagnostic tests are mentioned. The fourth chapter deals with analysis of the data and presentation of the output. In the fifth chapter the researcher concludes the findings of the study and recommends based on the conclusion made.

# CHAPTER TWO

# REVIEW OF RELATED LITRATURE

## 2.1. Introduction

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

## 2.2. Theoretical Literature

Keynes (1936) defined savings as the excess of income over expenditure on consumption. This means that saving is that part of disposable income of the period which has not passed into consumption (Umoh, 2003; Uremadu, 2006).Given that income is equal to the value of current output; and that current investment (i.e. Gross Capital Formation) is equal to the value of that part of current output which is not consumed, savings is equal to the excess of income over consumption.

Hence, the equality of savings and investment necessarily follow the following:

Income = Value of output = Consumption + Investment……………………..…….. (1)

Savings = Income-Consumption………………………..……………………….... (2)

From (1)

Savings = Investment………………………………………….……..…………… (3)

Keynes maintains that on the aggregate, the excess of income over consumption (otherwise called savings) cannot differ from addition to capital equipment (i.e. Gross fixed capital formation or gross domestic investment).Savings is therefore a mere residual, and the decision to consume and the decision to invest between them determine the volume of national income accumulated in a period. In the Keynesian view therefore, rising income would result in higher savings rates. As a matter of fact, savings is regarded as being complementary to the consumption function. In its simplest form, the savings function is derived from the linear consumption function when the autonomous consumption expenditure is separated off (Umoh, 2003).

According to theory of demand for money (Keynes 1964), there are three main motives why people desire to hold money rather than investing in assets; transaction, speculative and precautionary motives. Keynes identifies that people keep money rather than investing it for the purpose of meeting daily transactions and/or making a purchase of securities they speculate to appreciate in value and/or meeting unforeseen expenditures. Speculation is higher in the developing countries with persistent inflation. In such economies people keep money in assets and these affect deposits banks receive. In an economy of political and future uncertainties lots of precautions have to be taken. People keep money and/or any form of assets rather than deposits with the banks to deal with unexpected situations such as making unplanned journeys, sickness and bereavement. In order to cater for these motives, commercial banks offer three categories of deposit facilities that are demand, savings and time deposits.

## 2.2.1. Behaviors of Private Saving

There are three main theories relating to savings behavior:

1. The life-cycle hypothesis (Modigliani and Brumberg, 1954),
2. The permanent-income hypothesis (Friedman, 19570), and
3. Buffer-stock theory of savings behavior (Deaton, 1991 and Carroll, 1992).

The life-cycle model of savings behavior predicts that consumption in a particular period depends on the expectations about lifetime income which implies that people save in order to smooth consumption over time. Therefore, since income tends to fluctuate

systematically over the course of a person's life, saving behavior is determined by one's stage in the life-cycle. Individuals' smooth consumption over their lifetimes, and are consequently, net savers during their working years and not a saver during retirement. Hence the cornerstone of the life-cycle hypothesis is age-related consumer heterogeneity and the prediction that savings follow a hump-shaped pattern, which is high at middle age and low at young and old ages.

The permanent-income hypothesis predicts that higher future income reduces current saving. In contrast to the life-cycle hypothesis, which predicts that consumption function depend upon consumer's lifetime income, the permanent-income hypothesis focuses attention on the income of consumer earned in recent past as well as expected future earnings. It also makes a distinction between permanent and temporary income. Temporary income changes are met by consumption smoothing whereby part of today's income windfall is saved to sustain higher spending tomorrow. Permanent income changes, on the other hand, do not justify current saving since more can be consumed now and in the future.

According to the buffer-stock theory of saving, consumers hold assets mainly so that they can shield their consumption against unpredictable fluctuations in income. The buffer-stock behavior arises because when consumers face important income uncertainty, they are both impatient and prudence. Impatience means that if income were certain, con-summers would like to borrow against future income to finance current consumption and prudence in the sense that they have precautionary motive. Carroll (1992) showed that under plausible circum-stances this tension would imply the existence of a target wealth stock. Whenever wealth is below the target, fear or prudence will dominate impatience and consumers will try to save. Meanwhile, if wealth is above the target, impatience will have a stronger role and consumers will plan not to save.

### 2.2.2. The Factors Affecting Commercial Banks Deposits

For Commercial Banks deposits constitute a vital source of fund. Deposit mobilization is vital factor to increase the source of the banks to serve effectively. The success of the bank greatly lies on the deposit mobilization. But deposit mobilization is very difficult task. In theoretical literature, it is obvious that there is no a single, generalized and

unified theory that explains the main determinants of saving behavior in developing country. A number of partial theories discuss the importance of different approaches and factors in saving theory.

Banks deposit volume depends up on various factors external as well as internal. External factors are factors that are beyond the control of a bank's management. They represent events outside the influence of the bank. Internal factors of bank deposits can be defined as factors that are influenced by a bank's management decisions. More precisely, the internal factors are bank specific variables which influence the volume of deposits of specific bank. (Delaware, 1387:35)

## 2.2.2.1. External Factors

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

The researcher has identified country specific factors that have effect on the commercial banks deposits from the literature.

### 1. Inflation

As to Herald and Heiko(2009), inflation is one of the factor that determines commercial banks deposits. As to Mohammad and Mahdi(2010), in developed countries negative correlation between inflation and absorbed deposits and granted facilities has been documented. However, in developing countries the opposite is true. Fischer showed that in Latin America the effect of inflation on savings and time deposit to GDP was significantly negative (Mohammad and Mahdi, 2010).

A negative influence of inflation on saving would indeed be consistent with two alternative hypotheses:

A) If the change in inflation was unexpected, increases in money income could well be misinterpreted as real income growth, thereby leading to increased real consumption. This argument, first developed by Branson and Klevorick (1968), represents a specific type of money illusion leading to (involuntary) dissaving;

B) If interest rates do not adjust instantaneously to change in the inflation rate, the relative rates of return on financial and real assets will change, and people will rearrange their portfolios, increasing their holdings of real assets at the expense of financial assets. Because real assets include consumer durables, this will affect the measured saving ratio.

Another theory is that the measured household saving ratio increased rapidly when inflation accelerated. To explain this, the following possible effects of inflation on household consumption have been suggested:

a) An increase in inflation rate adds to income uncertainty. If households are risk averse, this will lead to an increased demand for precautionary assets and thereby a permanently higher saving ratio. In such a case, the attempt to raise the asset/income ratio to the new desired level would provide an additional boost to the saving ratio during the adjustment period (cf. Juster and Wachtel, 1972).

b) Given the (positive) cost of information, consumers will usually note perfectly informed about general price developments. Hence may occasionally misinterpret inflation caused price increases of individual items as increases in relative prices and refrain from buying. In the aggregate this leads to an (involuntary) increase in the saving ratio, due to this particular type of money illusion (cf. Deaton, 1977)

c) More recently it has been hypothesized that the most powerful channel through which inflation influences consumption is via inflation effects on real financial wealth. Inflation reduces the real value of financial assets denominated in money terms. If households have a target wealth/income ratio, this will lead to increased saving in order to re-establish the desired target ratio.

The classical belief is that, because bank assets and liabilities are expressed in monetary terms and because these assets will normally grow in line with growth in money supply, banks are relatively immune from the effects of inflation (Devinaga, 2010). Banking

system was affected by inflation in terms of deposit absorption and facilities grant (Mohammad and Mahdi, 2010).

As to Mohammad and Mahdi(2010), as far as the effect of inflation on financial sector conceived the literature demonstrates that inflation affects the capacity of financial sector for optimal allocating of resources. That is as inflation rate increases, true yield rate of money and assets decreases; therefore deposits are no longer attractive. Also the increase of inflation rate has a negative effect on the performance of financial sector through the market credits and in turn, on the performances of banks and capital markets and finally on the long term economic growth (Mohammad and Mahdi, 2010).

With respect to the effect of inflation on savings, it can be mentioned that in general, all individuals who save a part of their incomes in banks are directly damaged by the inflation and their assets decrease in proportion with money value decrease (Mohammad and Mahdi, 2010). In that case as Mohammad and Mahdi(2010) describes people try to change their cashes and savings to more reliable and stable forms such as land, jewelry, antiques, art collections, foreign currencies that causes to definite decrease in commercial bank's total deposit. High inflation rates reduce the real value of deposits (M. A. Baqui et al, 1987). According to M. A. Baqui et al (1987), inflation technically did not decrease deposit; however it decreases the value of deposits.

## 2. Real Interest Rate

Real interest rate is nominal interest rate minus inflation rate. Mohammad and Mahdi(2010) said that in negative real interest rate condition, people withdraw their resources from banking system. According to Mohammad and Mahdi(2010), Some research supposed that decrease in real interest rate could decrease true demands for money (in its extensive definition including savings and time deposits). Therefore it states that the interest rate and deposit of the banks have positive relationship.

According to Voon-Choong et al(2010), while interest rates risk  is a major concern for banks due to the nominal nature of their assets and the asset-liability maturity mismatch (Hasan and Sarkar, 2002), some researchers emphasized that higher interest rates had positive impact on banks (Hanweck and Ryu, 2004; Hyde, 2007).

### 3. Population growth of the country

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

### 4. Per capita income of the society

According to Jim (2008), per capita is the level of GDP divided by the population of a country or region. Changes in real GDP per capita over time are often interpreted as a measure of changes in the average standard of living of a country. If households and firms desire to hold more money, deposits will increase (Evan, 2006). So, the relationship between income and deposits are positive, that is as the income of the society increases the same happens for the commercial bank' deposits. Income is expected to have a positive effect on deposits (M. A. Baqui et al, 1987). Therefore as society's per capita income increases the same will happen for commercial banks deposits. Mahendra(2005) also indicates that income of the society matters for banks' deposit growth.

### 5. Private Consumption

Gross private consumption, people uses their disposable income for consumption and savings. Even at the condition of absence of income people consume by borrowing or selling their assets to survive what is called autonomous consumption. That means consumption is compulsory needs of human life. High consumption implies less saving in the households and economy and vice versa. Here consumption has negative impact on savings.

### 6. Economic growth

Economic performance is generally being measured through GDP (Gross Domestic Product), a variable that has also become the de facto universal metric for 'standards of living (Yanne et al, 2007). It is universally applied according to common standards, and has some undeniable benefits mainly due to its simplicity (Yanne et al, 2007).

According to Herald and Heiko(2009), growth is one  of the determining factor 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) (Jim, 2008).

## 7. Financial Deepening

Financial deepening is the degree of financial depth or development represented by broad money (M 2) as a ratio to GDP. Financial deepening enhances the degree of monetization of the economy. Strong financial intermediation facilitates financial deepening. That is financial performance of different sectors of the economy are highly dependent on level of monetization. Based on this premises financial deepening have positive impact on deposit of banks.

## 8. Consumer price index

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

## 9. Shocks

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

## 2.2.2.2.   Internal  Factors

### 1.  Service Factors Include:

### 1.1.     Variety of banking Service

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

As recommended by Nathan (1986a), one category of deposits might be specifically tied to future loans. Bank customers might be encouraged to participate in a savings program that, for example, provides machinery or housing after a predetermined amount of savings has been accumulated. Services in the bank should be attractive enough for the depositors so as to mobilize deposits. If the banks could offer these services, the savers would be inclined to keep a part of their saving in the form of deposits (V. V. Bhatt, 1970).

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

## 1.2.    The Quality of Banking Service and Customer Satisfaction

'Friendliness of bank personnel', considered as the key factor when selecting a bank. At the same time, the increasingly competitive environment in banking industry has seen customer satisfaction become the ultimate pursue for all banks (Sudin Harun, Norafifah Ahmad & Sandra L. Planisek, 1994). Generally, there is a consensus among many studies that service quality is the primary factor in customers' satisfaction and it will be gauged by how far the bank would go in giving added value services. For instance, considered customer satisfaction with human and automated banking and found that consistent and efficient service delivery was most highly valued. Hence, in terms of the outcomes, a high level of customer satisfaction impacted positively on the continued loyalty of a customer towards a particular bank.

Fast and efficient services directly linked to customers' satisfaction and are also an attractive feature valued by current and potential customers. And of course the most important criterion for a customer to turn back to a particular bank was the security assurance and this definitely will help them to secure their retention. Service quality is not just a critical indicator of customer satisfaction, it also considered a critical success factor that affects competitiveness and allows an institution to differentiate itself from others. Hence, it is essential for banks to adopt service quality in their banking business

to ensure customer satisfaction, which in turn will lead to customers' retention and secure the supply of deposits in a banking system.

## 1.3.    Used Technology

Increase customer access to funds by implementing modern banking technology and use best system such as ATM, POS, and Online banking service. Today, customer's judge in the banking is based on the bank's ability to help solve problems and business development firm.

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 Faullant, 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). Therefore, technology is an important factor in choosing the bank's customers.

## 2.  Financial Factors include:

## 2.1.    Interest Rate (Deposit Rate)

Interest rate is considered as one of the financial factors that have an impact on bank deposit (saving). The relation between interest rates and savings is ambiguous theoretically because interest rate changes are subject to potentially offsetting positive substitution and negative income effects (Ozcan et al., 2003). The substitution effect is that a higher interest rate raises the current price of consumption relative to future price. This reduces current consumption and increase saving. The income effect, on the other hand, is that if the households are net lenders, an increase in interest rate will increase lifetime income, and so increase present consumption by decreasing saving. In this case, if the substitution effects out way the  income effect, aggregate saving will rise and vice versa.

Herald and Heiko(2009), 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. 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 (Romer, 2001, p. 346; Athukorala and Sen, 2004, p. 498). This can easily be explained by the utility maximization (cost minimization) premise, as a depositor will choose an action that will maximize their welfare or satisfaction.

## 3. Relationship and Human Factors

### 3.1. Advertise

Applying aggressive promotion through electronic media and printed materials to attract new deposit and maintaining close communication with depositors. Advertisement is an important factor for choosing the banks.

### 3.2. Bank Employee's Behavior

Bank employee's behaviors such as integrity, honesty, confidentiality, respect and humility have an impact on attracting customers to the Bank.

## 4. Physical Conditions and Factors

### 4.1. Number of Bank Branches

There is a 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 (M. A. 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 commercial bank branch and commercial banks deposits.

### 4.2. Convenience of Bank's office

Place of banks and financial institutions are an important incentive in attracting customers. So banks to establish branches require careful scientific evaluation and feasibility of a bank's branches are located in distance of time and place, establishment of bank branches in key areas such as industrial estates, residential and commercial buildings and the establishment of branches in nearby public car parks are among the parameters that influence Depository bank customers. It concerns the new banking executives and senior managers of the bank. Banks and financial resources attract more customers to the appropriate workplace environment that includes indicators of physical, psychological and social, as well (Delaware, 1387: 34).

## 5. Organizational Dependency Factors:

### 5.1. Payment of Staff Salaries and Social Security

Payment of staff salaries of various organizations by bank will increase number of customers and accordingly increase customer base. For receiving salary the employees opened an account in the bank. Accordingly, the amount that may remain after taking the required amount by the employee will increase the deposit amount of the bank.

## 2.2.3. The Role of Banks in Financial System

A healthy and vibrant economy requires a financial system that helps in effective and efficient allocation and utilization of scarce resources .Financial sector is broad which consists of the banking sector and other financial institution (such as insurance corporations and pension funds, brokers, public exchange and securities markets etc). The banking sector is the largest component of the financial system, and its roles impose on all aspects of the economy (Falk ena et al, 2004). Moreover, in the context of African continent the banking industry carries the greater share of the financial system (Sheku, 2005). Most of the business relies on banking sector as a source of financing (Medhat, 2004). As Northcoth (2004) stated, when a banking system does not work well, there is potential for financial instability. The efficiency of a financial system is measured by how speedily and cheaply the financial system is able to channel funds from the surplus

economic agents to the deficit agents for productive investments, while ensuring reasonable returns for the financial intermediaries.

Banks as one of the key financial intermediaries play an important role in the communication between the owners of surplus funds and required groups to the resources to development and advance their economic activities (SaghebTehrani and Tadayyon, 1380).In fact, banks collect the surplus resources in the hands of people on the supply side of the money market and then allocate resources among different required sectors.

Banks perform various roles in the economy (Franklinand Elena, 2008):-

1. They ameliorate the information problem between investors and borrowers by monitoring the latter and ensuring a proper use of the depositors' fund.
2. They provide inter temporal smoothing of risk that cannot be diversified at a given point in time as well as insurance to depositors against unexpected Factors determining commercial bank deposit consumption shocks. Because of the maturity mismatch between their assets and liabilities, however banks are subject to the possibility of runs and systematic risk.
3. Banks perform an important role in terms of maturity transformation. They collect demandable deposits and raise funds in the short term capital markets and invest them in long-term assets. This maturity mismatch allows them to offer risk sharing to depositors but also exposes them to the possibility that all depositors withdraw their money early.
4. Banks play an important role in providing funds for firms and helping them and spurring growth.
5. They are also important for corporate governance, particularly in countries like Germany where bankers sit on boards and control a significant number of proxy votes.
6. Banks can help overcome asymmetric information problems by forming long-lived relationships with firms.

Banks mobilize, allocate and invest much of society's savings (Berger et al, 2004). Households and businesses are mainly using banks to save their money to get loan for their project undertakings. Kelvin (2001) said that commercial banks are important

financial intermediaries serving the general public in any society. In most cases commercial banks hold more assets than any other financial institutions. Apart from their many functions, commercial banks facilitate growth and development. Banks lend in many areas or sectors of the economy.

Moreover commercial banks will affect the overall economy of the specific country both in a good way or bad way. Commercial banks represent a vital link in the transmission of government economic policies (particularly monetary policy) to the rest of the economy. For example, when banks credit is scarce and expensive, spending in the economy tends to slow and unemployment usually increases as Kelvin (2001) explains. So the event in the commercial banks will affect the country's economy in general.

## 2.2.4. Commercial Bank Deposits

Commercial Bank deposits are major liabilities for commercial banks. Kelvin (2001) said that deposits of commercial banks account for about 75% of commercial bank liabilities. Due to the fact that commercial banks are using this liability to lend it and gain return on it their deposits are using them do their business. Therefore, banks will be better if they are mobilizing more deposits. However, as N. Desinga(1975) indicates deposit mobilization is a very difficult task.

Mobilizing and collecting deposits include all of the funds that deposits in bank branches by private and legal persons. (Ghasemi and Jahangard, 1390) mobilization and accumulation is mean that capital accumulation from small depositors of the reason for the investment. Without access to several investors, many manufacturing processes become limited to a scale of production capacity that is not efficiency in terms of economic (Kazerouni, 1379).

The cost of intermediation for mobilizing deposits is also very important part of overall intermediation cost of the banking system as E. A. Shaw (1995) indicates. Despite all these deposits play an important role in the banking system, whether cooperative or commercial? Deposits provide limits to the working capital of the bank concerned. The higher the deposits, the higher will be the funds at the disposal of a bank to lend and earn profits (N. Desinga, 1975). Therefore to maximize its profit the bank should increase its deposit. Mahendra(2005) had also mentioned deposits as a foundations up on which

banks thrive and grow and unique items on a bank's balance sheet that distinguish them from other type of business organizations.

## 2.2.5. Operational Definitions

- **Demand Deposit:** Demand deposit facility is most commonly referred to as current account and is designed for those who need money for transaction purposes. This motive can be looked at from the point of view of consumers who want income to meet their household expenditure and from the viewpoint of businessmen who require money and want to hold it in order to carry out their business activities. Hence, the purpose of deposit facility is for convenience or for making daily commitments.

- **Saving Deposit**: Saving deposit is a facility that provided for the need of those who wishes to save money but at the same time wants to earn an income. Depositors of savings account hold money because of precautionary motives while are simultaneously induced by their investment motives. Precautionary motive for holding money refers to the desire of people to hold cash balances for un-foreseen contingencies. Others are bounded by the speculative motive for holding money. The speculative motive relates to the desire to hold one's re-sources in liquid form in order to take advantage of market movements regarding the future changes in the rate of interest.

- **Fixed Time Deposit:** Such facility is offered by banks to cater for the investment motives of customers who normally have idle funds and are looking for better returns on their money.

## 2.2.6. Deposit Mobilization Behavior in Ethiopia

During the Derg regime, deposit mobilization was undertaken by public banks. At the end of the regime in 1991/92 all deposits (100%) was mobilized by Commercial Bank of Ethiopia (CBE) and the other two public banks were involved in making loan mainly to state enterprises. Following the fall of the regime, the issuance of free market economic policy, and new banking business Proclamation No 84/94, private banks were established and started banking business since 1994. In 2010/11, due to the competition between the fourteen private banks and three public banks', the deposit mobilization share of CBE

fallen to 62.3%. The market share of the two public banks, Development Bank of Ethiopia and Construction and Business Bank was only 2.2% and 35.5%, respectively while the rest was mobilized by the fourteen private banks.  Out of the total deposit by all banks in 2010/11, 50.4% was demand deposit followed by 45.9% saving deposit and 3.7% time deposit (report of NBE). This result indicated that on average Ethiopian banks pay interest expenses to only half of their deposit balance in the reporting period.

## 2.2.7. Saving Culture of Households in Ethiopia

Gross domestic saving rate of Ethiopia to GDP is 16.4% (Development economics LDB). This shows that Ethiopia is the poorest saving rate in the world as compared to China; Bangladish and South Africa which have a better saving rate in the world. Hence, Ethiopia is characterized by poor saving culture which results in very small domestic saving available for investment.

## 2.2.8. Significance of Deposits for Banks

For a commercial bank, deposits are (apart from equity capital) the oldest, most stable and, by volume, most significant source of funding. In the traditional model of the bank as an intermediary between savers and borrowers, deposits are the counterparts of the loans.

The bank provides savers with the opportunity to earn interest on surplus funds and make an investment that is nevertheless readily available for withdrawal and also in safe hands, while granting longer term loans on fixed terms and conditions to persons or companies that do not have enough funds of their own for investment or consumption purposes.

### a. Deposits as a Source of Fund for Loan

Herald (2009) states deposits are the main source of banks to provide loan. This deposit is mainly provided by people as Mohammad and Mahdi (2010). However deposits can also be provided by business organizations, NGOs, government and so on. Therefore, whether deposits are from individuals, businesses and government they are important financial source of banks.

### b. Attracting Deposit is Cheaper than Raising Equity

Banks as any other business organizations raise 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 are turn in the form of interest payments (Harold, 1946).

### c. Banks Make Profit using their Deposit

Mahendra (2005) said that deposits provide most of the raw materials for bank loans and thus represent the ultimate source of the bank's profits and growth. Banks make profit by using their deposits, therefore it is said that depositors can support banks. For depository corporations mainly deposit money banks, their principal objectives is undertaking financial intermediation to make profit and increase their shareholders value (Sheku, 2005). They achieve their objectives mainly by attracting deposits and investing the money on profitable investment portfolio.

### d. Fund Investment and Development Projects

Debt is largely held by domestic commercial bank which is 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 depends on the deposits of banks to fund their investments and/or development projects.

Generally, the banking system can be viable only if it can mobilize deposits at the required rate. And this can be done only by making a bank deposit more attractive (V. V. Bhatt, 1970). The ability of a bank's management and staff to attract checking and savings accounts from business and individuals is an important measure of the bank's acceptance by the public (Mahendra, 2005).

## 2.2.9. Impact of Bank Deposits on the Profit of the Bank

The banks that mobilized huge amount of deposits and granted more loans and advances were found to have higher profits than the others. This shows the positive relationship between deposit mobilization and bank lending. As Jayaratne and Morgan (1997) declare, lending and deposits move together because faster deposit growth signals growing demand for loans. This confirms that banks generate their incomes through the lending and investment activities.

Commercial banking is a service industry with a high degree of built in profit potential (Meenakshi, 1975). The number one expense item for a bank is interest paid. Commercial banks mainly depend on the funds deposited with them by the public to lend it out to others in order to earn interest income (Davinaga, 2010). Hamid (2011) said that if banks lose their deposit base they rely on non deposit based funding which is expensive. Hence, the competition for deposits is really a competition for profits. Commercial banks compete for deposits in order to become profitable and thus to be able to supply more funds to the public. However such financial growth is profitable only if the commercial bank does not incur additional expenses to obtain and retain cash (Davinaga, 2010). Commercial banks earn a return on their deposits and capital by investing deposit funds and capital funds in assets (Richard E, 1971).That is for commercial banks to attain profit deposits are one of the most important sources of capital.

To sum up, the deposit and lending activities of banks determine to a large extent, the profitability of banks. This is because banks generate their income from the interest differentials from what they pay for deposit and what they charge for their loans and advances.

## 2.3. Empirical Review

There are many studies that focused to determine private saving behavior of particular country and cross-country comparison. Whereas, there are few studies that specifically focused on the factors that determine the level of private deposits at the commercial banks.

Hereafter, published articles which are written on the area of factors determining Commercial bank's deposits are presented. These will help to see where the literature on this area is and how this study will add to the existing literature. Accordingly, the articles will be discussed below one by one.

## 2.3.1. Determinants of Commercial Bank Deposits

## Harald Finger and Heiko Hesse-IMF Working Paper

In the study entitled "Determinants of Commercial Bank Deposits in a Regional Financial Center in Lebanon", the researcher made an attempt to study to provide some empirical evidence on the determinants of commercial bank deposit. Herald Finger and Heiko Hesse (2009), in their study adopted both macroeconomic and microeconomic approaches.

Accordingly, they found that at the macro level domestic factors such as economic activity, prices, and the interest differential between the Lebanese pound and the U.S. dollar are significant in explaining deposit demand, as are external factors such as advanced economic and financial conditions and variables affect the availability of funds from the Gulf. Moreover, at the micro level, they found that in bank-specific variables, such as the perceived riskiness of individual banks, their liquidity buffers, loan exposure, and interest margins, bear a significant influence on the demand for deposits. While both domestic and external variables are significant in explaining deposit demand, impulse response functions and variance decomposition analyses underscore the relative importance of the external variables.  Regarding bank specific variables they found that the banks' perceived riskiness (z-score), their liquidity buffers, loan exposures and interest margins all bear a significant influence on deposit growth at the bank level, controlling for domestic and external macro economic factors.

## 2.3.2. Assessing the effect of Banking Resource Mobilization

## Ahmad Aftabi, Soroush Daneshvar, Amir Karimbakhsh, Roudabeh Shadab and Fatemeh Mortezaei

This study investigated the effect of banking resource mobilization on financial resource attraction. The research has an applied purpose and descriptive survey method. The study population included the Anzali's  Melli Bank customers. The sample size was calculated

using the tables of Krejcie and Morgan, 384 were randomly selected for sampling. Data collection tool is the questionnaire. Validity of the questionnaire was positive through the professors and experts' view of questionnaire reliability was calculated using Cronbach's alpha coefficient for 82/0. Data were analyzed using descriptive and inferential statistics (Univariate t-test and Friedman rank test).

The authors pointed out that financial resource attraction for banks and banking system are concerned both external factors and internal factors. However, only those factors that affect banking resource attraction that are influenced by internal and controllable factors of management are studied.

Finally, the study concluded out that:

- From customer perspectives, financial factors are important in fourth place while the absorption of financial resources is one of the factors to be counted.
- Human factors and physical conditions are moderates effective in banking resource attraction of Melli Bank's branches.
- The last important factor affecting the banking resource attraction is organization affiliation in customer perspectives.

### 2.3.3. Determinants and outlook of private sector deposits.
### Dr. Platon Monokrousos and Dimitris Thomakos

To study the determinants of private sector deposits, their empirical methodology employs co integration techniques and a vector error correction model (VECM).The study data set consists of end-of-quarter observations on domestic private sector bank deposits and a number of potential explanatory variables. The researchers utilize one of VEC Models (Model 1) to produce out of sample forecasts for the evolution of private deposits in Greece.

Generally, among other important empirical findings, their study documented a strong positive link between bank deposits and bank credit to the domestic private sector in the periods before and after the eruption of the sovereign debt crisis. The authors concluded that a strong positive link also exists between bank deposits and the level of Gross National Product (GDP).

### 2.3.4. Factors Determining Commercial Bank Deposit:
### Wubitu Elias Gemedu

In the study entitled "Factors determining Commercial Bank deposit", the researcher made an attempt to study the factors that determine deposits of Commercial Bank of Ethiopia. The study had used both primary and secondary data. The primary data is collected by a means of interview and questionnaire. The secondary data for the study were the values of dependent and independent variables. The study had found variables that can affect the total deposit of commercial banks. Three variables are regressed with the dependent variable, i.e. total deposit, these variables include deposit rate, inflation rate and bank branches.

Finally the researcher concluded that Branch expansion had positive and significant effect on total deposit whereas deposit rate and inflation rate had positive and insignificant effect on total deposit. Moreover the study had recommended what should be done to mobilize more deposits.

### 2.3.5. The Impact of Interest Rate on Bank Deposits Paul Ojeaga and Daniel Ojeaga and Deborah O. Odejimi

The study investigates the effect of interest rates on customer savings behavior in the Nigerian banking sector, after identifying a host of factors that are likely to influence customer confidence in commercial banks such as average income, commercial lending, legal rights strength, central bank monetary policy and total annual commercial bank losses. They used quintile regression estimation method, a non parametric estimation process that is based on the premise that the sample median will tend to that of the distribution and addresses issues of heteroscedastic errors and data stringency associated with the data used in the study under question. Finally the researcher fined that interest rates were probably increasing bank deposits while income was also found to affect bank deposits in general.

## 2.3.6. Mobilizing Deposits; The role of Commercial Banks

The study aimed to identify the most effective and efficient ways commercial banks in Ghana should employ to maximize the volume of domestic deposits in the environment of high rural population, dominant informal sector employment and macroeconomic instability. The researchers concluded that deposits mobilization of Commercial Banks in Ghana, has an upward trend, but it increases at a decreasing rate hence, the present level of deposits as a ratio of the total amount of money in circulation is woefully inadequate. The study also reveals certain basic facts about commercial banks in Ghana. Their concentration in the cities and a few urban areas as well as their product design and services are targeted to the literate formal sector employees. In addition, unfavorable macroeconomic conditions have resulted in negative real interest rate on deposits while unnecessary government intervention has reduced the confidence in the banking sector. The effects of these factors are the low deposits that commercial banks receive. The study gave recommendation for commercial banks, such as; the need to redefine their product target, increase their scope to include the large majority etc. in order to ensure improvements in their operations.

## 2.3.7. Factors Determining Bank Deposit Growth by State
## Bruce C. Cohen and George G. Kaufman

This article is written in 1965 G.C by Bruce C. Cohen and George G. Kaufman. It identifies the factors determining bank deposit growth and empirically analyzes them. Finally it describes the result of the study and recommends how states realize deposit growth.

According to Bruce and George (1965), the total volume of commercial bank deposits in the country is determined largely by the Federal Reserve System in accordance with the needs and objectives of the economy. However, as Bruce and George (1965) the distribution of these deposits among individual's banks and areas is determined by market forces. When explaining the importance of deposits for banks, they said that bank deposits are one of many forms in which liquid wealth may be held and the very important one. As a medium of exchange demand deposits are an alternative to currency particularly for individuals and small business firms.

The study shows that time deposit growth is related positively to per cent increases in permanent income, importance as financial center, number of bank offices and interest paid on time deposits and to the ratio of interest rates paid by banks to that paid by near banks. Time deposit growth is negatively related to legal ability to branch, wealth per capita and time deposits to income. These variables explain almost 30 per cent of the interstate variance in percent change in time deposits. In the study branch banking and per cent change in bank offices enter the regression significant by themselves.

## 2.3.8. Savings Determinants of Moroccan Banks:
## El Mehdi Ferrouhi and Abderrassoul Lehadiri
## Mohammed V Agdal University,
## Faculty of law and economics, Rabat, Morocco

El Mehdi Ferrouhi and Abderrassoul Lehadiri, in their study examines the existence or not of long run relationship between bank specific and macroeconomic variables and savings in Moroccan banks using co integration approach and aims to identify the determinants of Moroccan banks' savings.

The author described that the presence of co integration between deposits and macro level and bank specific variables provide evidence that these variables share a long-run relationship. Therefore, they conclude that there is a long run equilibrium governing the relationship among the variables.

# CHAPTER THREE

# RESEARCH DESIGN AND METHODOLOGY

## 3.1. Research Design

A research design is the logic that links the data to be collected (and the conclusions to be drawn) to the initial questions of the study (Yin, 2003). This study is applied in terms of objective and descriptive survey in terms of method. A descriptive study includes procedures which aim to describe the current situation or support the decision process (Moghimi, 2007). In descriptive studies, the studied population can be investigated through survey (Kumar, 1995). This study uses the descriptive-survey method because such research describes the population based on one or more variables (Sarmad, 2004).

Considering the subject of the study, the method of data collection is a descriptive survey. Required data from this study were collected through questionnaires given and taken. Thus, I have conducted a review of the research literature on the factors affecting bank deposit volume, and the mobilization of financial resources, to enjoy their results. The relationship between the study variables has been developed and presented in the form of the model.

## 3.2. Target Population

The research population in this paper includes different branches of Commercial Bank of Ethiopia Jima District customers, which are 506,163 people as at March 31, 2014 (report of CBE Jimma District).

## 3.3. Method of Data Collection

For the purpose of investigating the factors affecting volume of private deposits of Commercial Bank of Ethiopia Jimma District from customer perception, the researcher used both primary and secondary data collection methods. Primary data was gathered through structured questionnaires and Group discussion with branch managers. The questionnaire was composed of three sections.

The questionnaires were distributed to the respondents by one assigned contact person in each branch. In collecting the questionnaires the researcher physically contacted the

assigned person through the available fastest transportation means in addressing branches that are found out of Jimma town. In addition the researcher was responsible for the administering of the distribution and collection of the questionnaire to and from the representatives of each respective branch.

Secondary data was also collected from published and unpublished documents like: audited annual reports of the Jimma district. The researcher used eleven years annual reports of Commercial Bank of Ethiopia Jimma District from 2003/04-2013/14GC.

## 3.4.   Sampling Technique

In this study the sampling method was simple random, in such a way that all the population's members had an equal probability of getting selected (Cooper and Schindler, 2003).

The accessible population or the respondents were customers from the 12 out of the 54 specific Commercial Banks of Ethiopia  Jimma District branches (operating as of March 31,2014) selected for the study. A sample of (22%) 12 banks of the total 54 Commercial Banks of Ethiopia operating in Jimma District were selected for the purpose of this study.

The researcher has managed a visit and made group discussion with the Commercial Bank of Ethiopia Jimma District Branch Managers of the 12 selected Bank branches and it is from this interview that the estimated number of bank customers from each branch was derived. Branches of Commercial Bank of Ethiopia are classified in "Grade" based on the number of customers. The grade ranges from Grade 1 up to Grade 4. The highest grade is 4; the lowest grade is 1 and the remaining fall under Grade 2 or 3 (CBE Grade structure).

Table 3.1: Grade of branches under Jimma district and number of branches Sample was taken

| Branches of CBE-Jimma District | | No. of Branches Sample taken |
|---|---|---|
| Type of Grade | No. of Branches | |
| Grade 4 | 1 | 1 |
| Grade 3 | 3 | 2 |
| Grade 2 | 5 | 3 |
| Grade 1 | 45 | 6 |
| **Total** | **54** | **12** |

- From Grade One 50% of total sample size was taken i.e. 50% * 12 = 6
- For the remaining branches the researcher used proportionally i.e.

  From Grade 4 = 1/ (1+3+5) * 12 = 1

  From Grade 3 = 2/ (1+3+5) * 12 = 2

  From Grade 2 = 5/ (1+3+5) * 12 = 3

## 3.5. Sample Size

A sample is a finite part of a statistical population whose properties are studied to gain information about the whole (Webster, 1985). When dealing with people, it can be defined as a set of respondents (people) selected from a larger population for the purpose of a survey.

The statistical population includes all customers of 54 branches of Commercial Bank of Ethiopia Jimma district i.e. 506,163 (as at march 31/2014). Since the total number of population is greater than 50,000, we assume it as infinite population (Bill Godden, January 2004). In order to select a suitable sample, the researcher used Bill Godden formula, that mainly used by descriptive statistics dealing with probability.

$$S = \frac{_z2\ (p)\ (1-p)}{_c2}$$

Where, S- Sample Size

$x^2$     N- Number of total population

z- Z-value /Confidence level at 95% value of confidence level from z-table

P- Percentage of population picking a choice, expressed as decimal

C-Confidence interval, expressed as decimal (e.g., .04=+/-4 percentage point)

The total number of customers of 54 branches under Jimma district as at December 31, 2014 is 506,163.00 and the researcher will take 95% confidence level.

A  Z-values (cumulative Normal probability Table) represent the probability that a sample will fall within a certain distribution. The Z-value for confidence levels is: 1.96 = 95 percent confidence level:

$$SS = \frac{1.96^2 \text{x.5 x .5}}{.05\text{*.05}} = 384$$

Therefore, the study used 384 as sample from the total population of the Customers of entries with 95% confidence level and 5% of margin of error means that the Researcher has 95% confidence that the findings of this study is in the interval of 5% error from the true value of the population. (Source Kothari, 2004)

Table 2 below shows name of Commercial Bank of Ethiopia Jimma District branches selected for the survey, location of the branches, and the actual sample size that was taken for the study. The sample size for each Commercial Bank branches was randomly selected during the survey.

Table 3.2: Sampling size

| Ser. No. | Name of Branches | Grade of Branch | Location | | Sample Size |
|---|---|---|---|---|---|
| | | | Region | Town | |
| 1 | Jimma Main Branch | 4 | Oromiya | Jimma | 54 |
| 2 | Agaro Branch | 3 | Oromiya | Agaro | 44 |
| 3 | Mizan Teferi Branch | 3 | SNNPS | Mizan | 44 |
| 4 | Hirmata Banch | 2 | Oromiya | Jimma | 34 |
| 5 | Bedele Branch | 2 | Oromiya | Bedele | 34 |
| 6 | Teppi Branch | 2 | SNNPS | Teppi | 34 |
| 7 | Jiren Branch | 1 | Oromiya | Jimma | 24 |
| 8 | Ginjo Guduru Branch | 1 | Oromiya | Jimma | 24 |
| 9 | Abajifar Branch | 1 | Oromiya | Jimma | 24 |
| 10 | Openo Branch | 1 | Gambela | Gambela | 24 |
| 11 | Ameya Branch | 1 | SNNPS | Ameya | 24 |
| 12 | Limu Suntu Branch | 1 | Oromiya | Limu Genet | 20 |
| | **Total** | | | | **384** |

## 3.6. Questionnaire Design

Questionnaire design was of key importance in our research given that we would have one opportunity to get the questionnaire answered by each respondent. The design process required a thorough investigation about what could be relevant questions to include and what not to include.  To create the questionnaire the researched adopted different approaches including an examination of available data on similar subject topics in social research. We followed the instructions of Denscombe (2009) of ensuring that our questionnaire started with the necessary instructions and definitions relevant to the questions through the questionnaire. The research placed the instructions for answering at the start of the questions, to ensure that our respondents read and absorbed the information correctly. Our instructions followed the same principles as question writing and they were specific, short, consistent and written in a simple language (Denscombe

2009). The questionnaires were translated in Amharic language for those customers who could not understand English questions.

The questionnaires were contained three parts: The first part consists of questions 1-5, which were considered as background questions (descriptive questions). These questions requested information about the respondents including the, gender, age, marital status, occupation and educational background of the respondents.

Part two questions emphasize the respondents saving behavior. Answers to these questions give a description about respondents' relationship with banks.

Part three questions, concern facts which refer to a certain condition that has influence on the customers motives to deposit their money in bank. The researcher presented 18 selected questions that were grouped in to five variables which the investigation indicated could influence customers' motives to deposit their money in the bank. These variables are service factors, financial factors, communication and human factors, physical factors and organizational dependency factors. These questions were measured on a 5 (five) point Likert-type scale of importance ranging from 1=strongly disagree and 5= strongly agree. The respondents were ticks the box that fit their opinion in terms of how much each variables motives their interest to deposit their money in a bank. This sort of scale is called Likert scale, which uses a "nominal responses format" (Bryman & Bell, 2011).

The decision to which variables to include in the questionnaire required careful consideration to avoid biases such as only basing the questionnaires on the literature review  the information may not be applicable to Commercial Bank of Ethiopian Jimma District or the geographical area in this study. Therefore, the choice of variables and questions were based on:

1. The literature review,
2. Pilot and pre-testing questionnaires based on the literature review and the bank manager interviews.

For the study 384 questionnaires were distributed, then 379 questionnaires were received and there was no missing data. 379 questionnaires out of 384 were gathered directly from respondents. The response rate was 98.7%.

Table 3.3: Correspondence of the questionnaire questions based on the variables

| Variables | Items and questions |
|---|---|
| Items of service factors | ❖ Variety of new products<br>❖ Quality of banking service<br>❖ Speed of providing services to depositors<br>❖ Appropriate electronic banking services |
| Items of financial factors | ❖ The rate of the interest paid in deposits<br>❖ The number and amount of gifts granted to depositors<br>❖ The amount and type of prize linked |
| Items of communication and Human factors | ❖ Advertisements of CBE-Jimma district in mainstream & print media<br>❖ The behavior of the bank's employees with customers<br>❖ Influential marketing campaign |
| Physical factors | ❖ The number of the branches<br>❖ Location of the branches<br>❖ Design and beauty of the internal and external environment of the branches<br>❖ The physical facilities of the CBE jimma district branches |
| Organization dependency factors | ❖ Payment of the salary and bonus of the Government organization's employees by bank<br>❖ Salary and bonus payment of the Government organization's retired employees by the bank<br>❖ Compensation paid on behalf of Government organization by Bank<br>❖ Receiving tuition fee from university students. |

## Validity

Before the survey was conducted, the questionnaires were given to the advisors and for some managers of Commercial Bank of Ethiopia and comments were received. Moreover, in order to determine the validity of the questionnaire and to improve, the researcher was conducted a pilot test. For the pilot test, 30 customers of Commercial Bank of Ethiopia Jimma Main branch were selected. Researchers distributed questionnaires to them and asked them if there is any wrong questioner misunderstanding, besides if the respondents have any comments on these questionnaires. The suggestions were welcome. After the pilot test, the researcher adopted a number of the suggestions and improved the questionnaire. Questionnaires were modified according to the comments and suggestions from 30 respondents. Then, we distributed questionnaires to customer's face to face contact by assigning persons. Each case of the face to face survey, information of this survey was clearly explained to the respondents by the assigned person. In addition, in order to ensure respondents complete the whole process, they have least 30 minutes to finish the questionnaire. The questionnaire was immediately collected by the assigned person when it was filled out. Moreover to test the validity of the questionnaires comment was received from Bank Branch Managers and research advisers.

## Reliability

According to Cooper and Schindler (2003), data reliability is concerned with a measurement of consistency. In order to check the reliability of the data, the researcher adapted one of the most commonly indicators of internal consistency: Cronbach's alpha test in the SPSS 16. Pallant (2010) suggested that Cronbach's alpha is a test for a survey's internal consistency and finding scales are reliable. Values range of Cronbach's alpha is from 0 to 1. A high value for Cronbach's alpha indicates a good internal consistency of the items in the scale. In general, at least 0.7 Cronbach alpha values are good enough. In this case, table 4, Presents that Cronbach's alpha score is 0.905 which means that questionnaire is reliable to test at any place. George and Mallery (2003), provide the following rules of thumb for Cronbach's alpha coefficient in the table below.

# Rules of thumb for Cronbach's alpha Coefficient

=>0.9_____Excellent

=>0.8_____Good

=>0.7_____Acceptable

=>0.6_____Questionable

=>0.5_____poor

=<0.5_____Unacceptable

Table 3.4: **Cronbach's alpha Test**

| **Case processing summary** | | |
|---|---|---|
| | N | % |
| Cases            Valid | 379 | 100 |
| Excluded | 0 | 0 |
| Total | 379 | 100 |
| **Reliability Statistics** | | |
| Cronbach's alpha | Cronbach's alpha based on standardized items | No. of Items |
| 0.905 | 0.906 | 18 |

## 3.7. Data Analysis Techniques and Method of Presentation

As the major objective of the data analysis was to assess the factors that affect volume of private deposit of CBE Jimma District, which was analyzed using both qualitative and quantitative methods. In the analysis of responses from the questionnaires the Statistical Package for Social Sciences (SPSS-16) was utilized. SPSS is among the most widely used programs for statistical analysis in social science (Pallant, 2010). In presenting the data gathered descriptive statistics was used to illustrate the quantitative data and presented by using tables and charts. In addition inferential statistics was used to test the relationship between determinants of private deposits and volume of private deposits of CBE Jimma District.

In the next chapter, we present the results of respondents' profile data which was collected from 384 questionnaires. Each item in Part 1 and Part 2 of the questionnaire were presented using percentages figures and tables. SPSS is used for the simple descriptive data, which describes the mean score of factors. In order to determine the factors which affect the determinants of private deposits of Commercial Bank of Ethiopia Jimma District I used Multi-variable Regression Analysis.

## 3.8. Model Specification

The theoretical literature discussed above suggests that bank deposit, service factors, financial factors, communication and human factors, physical factors and organizational dependency factors are related. Following these theoretical views a multiple linear regression model was used to test the relationship between volume of private deposits of Commercial Bank of Ethiopia and the internal determinants. The linear equation relating volume of private deposits to the independent variables is as shown below:

## Model 1:

$$Y = A + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + e$$

Y=the predicted score on the dependent variable, A= the value of Y when both $X_1$ and $X_2$ equal zero, $B_1$=the change in Y unit change in $X_1$ when other dependent variables are controlled, $X_1$ is the score of independent variables.

Y= Volume of private deposits of Commercial Bank of Ethiopia Jimma district.
A= Constant
$X_1$= Service Factors

$B_1$=Coefficient indicating the service factors

$X_2$= Financial Factors

$B_2$=Coefficient indicating the financial factors

$X_3$= Index of communication and human factors

$B_3$=Coefficient indicating communication and human factors

$X_4$= physical factors

$B_4$=Coefficient indicating the physical factors

$X_5$=organizational dependency factors

$B_5$=coefficient indicating the organizational dependency factors

e = error

## 3.9. Research Hypotheses

1. (Ho): There is no significant relationship between service factors and volume of private deposits Commercial Bank of Ethiopia Jimma District.

2. (Ho): There is no significant relationship between financial factors and volume of private deposits Commercial Bank of Ethiopia Jimma District.

3. ($H_o$): There is no significant relationship between communication and human factors and volume of private deposits Commercial Bank of Ethiopia Jimma District.

4. (Ho): There is no significant relationship between physical factors and volume of private deposits Commercial Bank of Ethiopia Jimma District.

5. (Ho): There is no significant relationship between organizational dependency factors and volume of private deposits Commercial Bank of Ethiopia Jimma District.

## 3.10. Measuring the Variables

The independent variable, service factors, financial factors, communication and human factors, physical factors and organizational dependency factors were measured on a 5-point Likert Scale, 1= strongly disagree, through to 5= strongly agree. The dependent variable, volume of private deposits of Commercial Bank of Ethiopia Jimma District, was measured using annual incremental ratio of the volume of private deposits of Commercial Bank of Ethiopia Jimma District which is reported annually by the district. Eleven years data was used.

# Chapter Four

# Results and Discussion

This chapter presents results of the study and interpretation of the findings. It gives the sample characteristics which include back ground information of the respondent in respect to gender, age, marital status, occupation, level of education and bank related issue like, personal reasons of the people to have made saving in a bank, the source of information about the benefits of depositing money in a bank and the type of bank accounts. It also presents inferential statistical results of the study variables.

## 4.1. Descriptive Data Analysis

### 4.1.1. Analysis of Qualitative Data

The main source of funds for commercial bank of Ethiopia Jimma District is the amount collected from depositors and the mandate to finance countries GTP has given to Commercial Bank of Ethiopia. Owning to these facts the banks made unreserved efforts to increase the volume of deposits by providing various types of deposit products to its customer. Among the types of deposits, saving deposit, demand deposit, fixed time deposit and special demand deposits are provided by commercial bank of Ethiopia Jimma District. Moreover, the depositors of CBE-Jimma district are classified according to their ownership as private individuals, Government, Public enterprise, financial institutions and Cooperatives. From these, CBE gives main focus to the private individuals because the bank believes that the volume of these types of account can be raised with the efforts of the bank, particularly the management and staffs of the bank. Due to this, CBE-Jimma district has exerted their efforts to increase the volume of its deposits by using various strategies.

## 4.1.2. Trend of Private Deposit

The study used volume of private deposit of Commercial Bank of Ethipia Jimma District as dependent variables. To see the overall volume and trend of this deposit the data obtained from annual report prepared by CBE-Jimma District. The data is time series covering the period from the year 2003/2014 up to 2013/2014 G.C. As we can see from the graph the total private deposit of Commercial Bank of Ethiopia is growing year to year throughout the periods.

Table 4.1: Trend of Private deposits growth of CBE-Jimma District for the Period from 2003/04 up to 2013/14

| Date | Total Private Deposits | |
|---|---|---|
| | **Absolute** | **Incremental (%)** |
| 2003/04 | 250,533,155 | (Base year) |
| 2004/05 | 249,955,075 | -0.23 |
| 2005/06 | 301,971,877 | 20.81 |
| 2006/07 | 337,154,818 | 11.65 |
| 2007/08 | 463,250,004 | 37.40 |
| 2008/09 | 536,574,012 | 15.83 |
| 2009/10 | 1,006,752,410 | 87.63 |
| 2010/11 | 1,261,153,927 | 25.27 |
| 2011/12 | 1,962,042,274 | 55.58 |
| 2012/13 | 2,477,030,160 | 26.25 |
| 2013/14 | 3,475,221,011 | 40.30 |

Source: Annual report of CBE-Jimma District

Chart 4.1: The trend of total private deposit Growth of
CBE Jimma District between 2003/04 and 2013/14
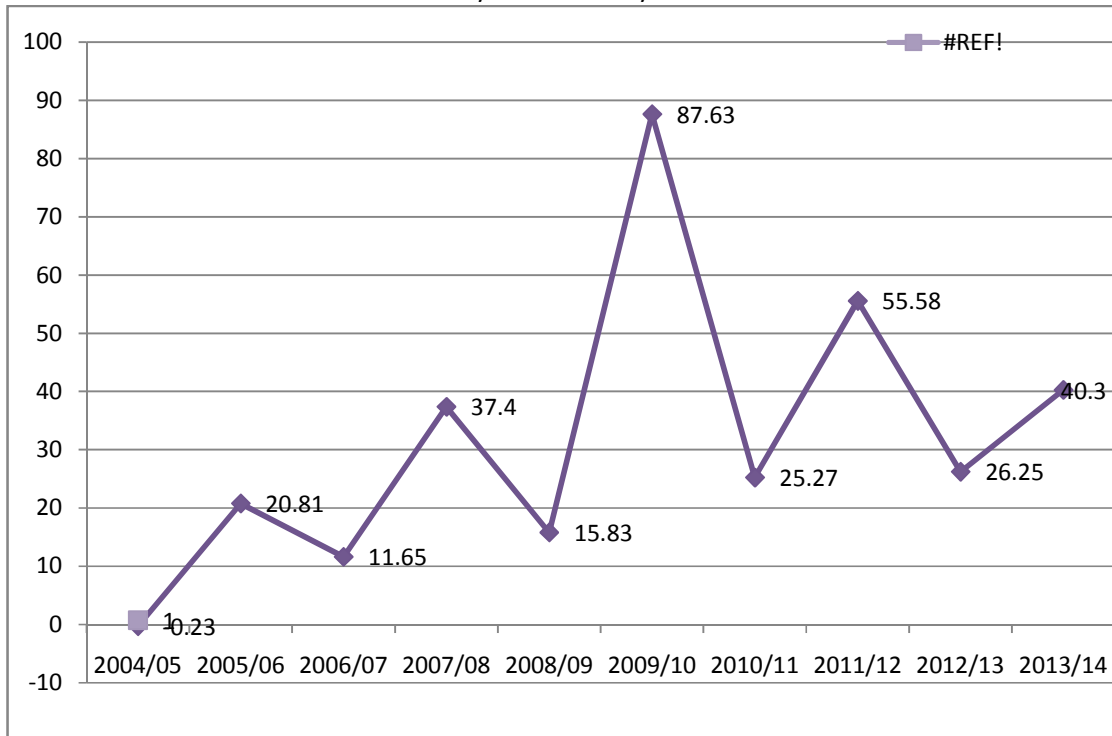


Source: Microsoft Excel output for time series data of total private deposits

## 4.1.3. Demographic Characteristics

In order to have a clear understanding of respondents, they were asked preliminary information about their gender, age, marital status, occupation, educational background, personal reasons of the respondents to have made saving in banks, the source of information that customers get information about the benefits of saving and the type of bank deposits the respondents maintained.

The study achieved an appropriate number of respondents for the findings to be statistically significant to inference the study population. To achieve this, the study administered 384 questionnaires with 379 of them being appropriately filled for analysis. This response constitutes 98.7 percent of responses. This response rate was considered appropriate for analysis as supported by Mugenda and Mugenda (2003) who posit that a response rate of 70% and above is excellent.

Table 4.2: Demographic Characteristics of the Sample.

| | Frequency | Percentage |
|---|---|---|
| **Response Rate** | | |
| Responded | 379 | 98.7 |
| Not Responded | 5 | 1.3 |
| **Gender** | | |
| Male | 290 | 76.5 |
| Female | 89 | 23.5 |
| **Age** | | |
| 18-24 | 152 | 40.1 |
| 25-30 | 124 | 32.7 |
| 31-35 | 34 | 9 |
| 36-40 | 43 | 11.3 |
| 41-45 | 18 | 4.7 |
| 46-50 | 4 | 1.1 |
| 51-60 | 4 | 1.1 |
| **Marital Status** | | |
| Married | 138 | 36.42 |
| Single | 237 | 62.5 |
| Divorced | 4 | 1 |
| **Occupation** | | |
| Trader | 35 | 10 |
| Farmer | 29 | 7.7 |
| Employee | 203 | 53.6 |
| Others | 109 | 28.8 |
| **Education** | | |
| Diploma | 95 | 25.1 |
| First Degree | 187 | 49.3 |
| Second Degree | 30 | 7.9 |
| Other | 67 | 17.7 |

Source: SPSS output of frequency distribution of the respondents

### 4.1.4. Customers Saving Behavior

This part of the paper discussed and analyzed the saving behavior of the respondents.

### 4.1.4.1. Customers Reasons to Deposit money in the Bank

Table 4.3: below shows that most of the customer interested to deposit their money in the bank for the purpose of increasing their living standards, next to use their money for future unexpected expense, in the third place they wants to deposit money in the bank as they like saving rather than spending and the remaining deposit money for retirement, to leave may for their children and to be independent.

**Table4.3: Reasons of Respondents for depositing money in a bank**

| Reasons | Frequency | Percentage |
|---|---|---|
| For unexpected expense | 60 | 15.8 |
| For retirement | 20 | 53 |
| To get income (interest) | 28 | 7.4 |
| To leave something for children | 11 | 2.9 |
| To increase living standards | 140 | 369 |
| Like saving rather than spending | 35 | 92 |
| To be independent | 5 | 1.3 |
| Family Tradition | 5 | 1.3 |
| For other reasons | 18 | 4.7 |
| No answer | 14 | 3.7 |
| One or more of the above | 14 | 3.7 |
| Total | 379 | 100 |

Source: Source: SPSS output of frequency distribution of the respondents

### 4.1.5. Types of Bank Account

The respondents were asked which bank account they operated as a measure of preference. 84.7% cited that they operated a savings account, 4.5% cited that they preferred the utility of a current account, 6.1% of the respondents cited the utility of fixed time accounts and only 4.7% cited the preference of special demand account as shown in chart 2.

Chart 4.2: Types of Accounts
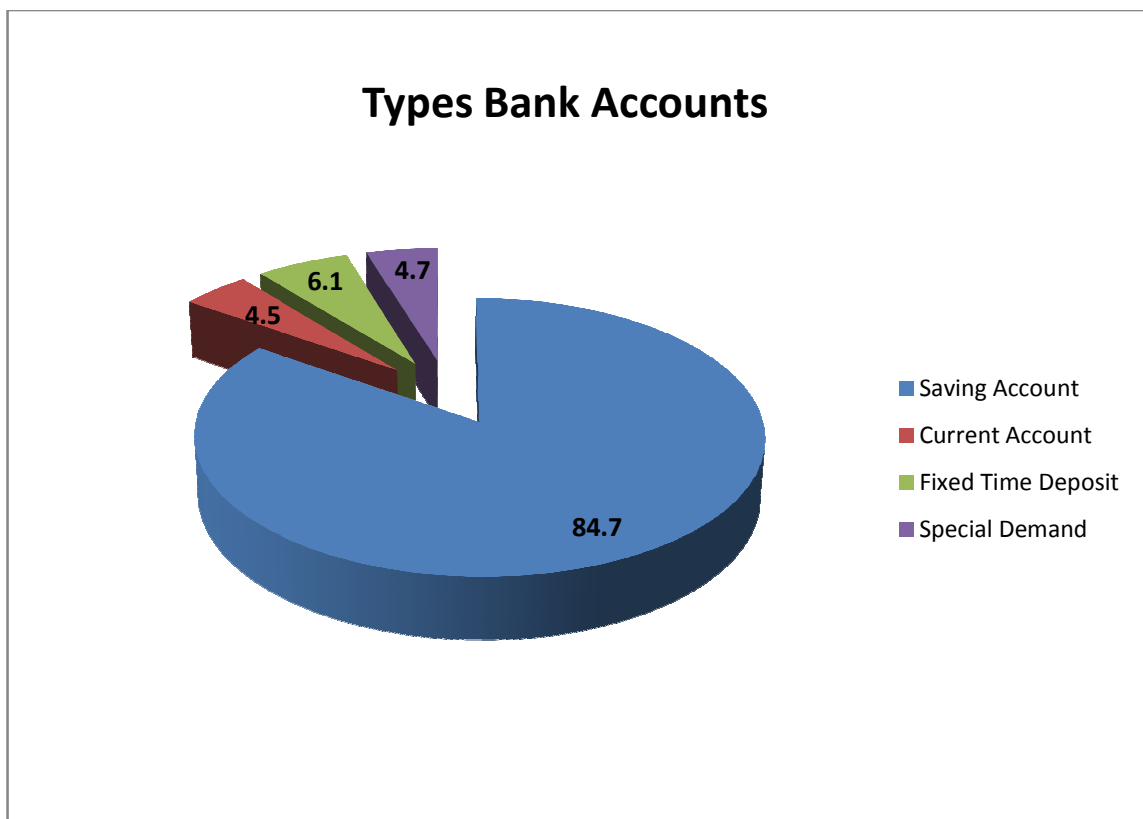


Source: SPSS output of frequency distribution of the respondents

## 4.2. Econometric Analysis and Results

The researcher had used the econometric model of multiple regressions for this study. The Model contains one dependent variable, five independent variables, the constant term and the error term. The linear regression model was used to come up with the econometric results. For the test statistics 5% (0.05) significant level is used to reject or not to reject the null hypothesis. The first test the researcher used was diagnostic taste because they are the means to know whether the model is valid or not and to confirm the continuity of the regression analysis. Accordingly autocorrelation test, and multi co linearity test are tested and the results are presented. As these test proved the validity of the model, the study had continued the regression analysis and hypothesis testing.

### 4.2.1. Diagnostic Test

Before regression analysis and hypothesis testing the researcher was tested the validation and sensitivity of the research model.

### 4.2.1.1. The average value of the error is zero

This assumption is not violated as the regression line did not force through the origin to pass. This assumption is violated if the model does not have constant term since the line will be forced to pass through the origin, however in our case the model have constant term which will prove that the line did not pass through the origin and the first assumption of classical linear regression model (CLRM) is not violated. Therefore the variation in the dependent variable, total deposit of commercial banks, is explained by the independent variables.

### 4.2.1.2. The Assumption of Disturbances are Normally Distributed

The study uses Bera Jarque(BJ) normality test for non normality. From the result the study uses the value of kurtosis and p-value to identify whether normality exists or not. The null hypothesis is that the distribution is normal and the alternate hypothesis is that the distribution is not normally distributed. Therefore if the null hypothesis is rejected then the distribution is not normally distributed. The researcher had also used kurtosis value to test for non normality and from the literature the normal distribution had a kurtosis value of 3. A normal distribution is not skewed and is defined to have a

coefficient of kurtosis of 3(Brooks, 2008). For the residuals to be normal jarque bera value should not be significant.

### 4.2.1.3. Co linearity Test

The results from variation inflation factor (VIF) suggest that VIF is not greater than 10 for any of the explanatory variables. Hence, irrespective of the significance level of multi co linearity, it appears to be not serious and can be ignored. The result of VIF depicted that there were not multi co linearity between explanatory variables as VIP is not greater than 10.

Table 4.4: Co linearity Statistics

| EXPLANATORY VARIABLES | V IF |
|---|---|
| (Constant) | |
| Service Factors | 5.330 |
| Financial Factors | 7.337 |
| Communication and Human Factors and Human Factors | 3.450 |
| Physical Factors | 1.841 |
| Organizational Dependency Factors | 3.286 |

Source: SPSS output

### 4.2.1.4. Autocorrelation test

The Durbin Waston test result has shown that the D-statistics (1.53) appear closer but less 2 depicting positive correlation. As suggested by the field (2009), values less than 1 or greater than 3 are a cause of concern. Hence from field's rule of thumb it can be inferred that autocorrelation is not serious.

## 4.2.2. Multi-variable Regression Analysis

In this section the prediction equations of the factors affecting the volume of private deposits of commercial bank of Ethiopia Jimma District and its impact on profit are evaluated and tested with the use of regression test. Moreover, the impact of independent variables i.e. service factors, financial factors, communication and human factors, physical factors and organizational dependency factors on the volume of private deposits of Commercial bank was ascertained using multiple regression.

Multiple regression equation is as follows:

$$Y = A + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + e$$

Table 4.5: Regression Analysis of the Variables

**Dependent Variable: Volume of Private Deposits of CBE-Jimma District**

| | | Un standardized Coefficients | | Standardized | T | Sig. |
|---|---|---|---|---|---|---|
| **Model 1** | | **B** | **Std. Error** | **Beta** | | |
| | (Constant) | 9.006 | 26.469 | | 0.340 | 0.751 |
| | Service Factors | 43.990 | 14.541 | 1.081 | 3.025 | 0.039 |
| | Financial Factors | -13.046 | 11.142 | -0.491 | -1.171 | 0.307 |
| | Communication and Human Factors | -11.247 | 8.197 | -0.394 | -1.372 | 0.242 |
| | Physical Factors | 19.154 | 5.212 | 0.771 | 3.675 | 0.021 |
| | Organizational Dependency Factors | -32.582 | 7.417 | -1.232 | -4.393 | 0.012 |
| R = .951 R Square = .904 Adjusted R Square = .785 F change 7.556 Sig. 0.036 | | | | | | |

Source: Source: SPSS output of Regression Analysis

In the model1 summary, multiple R=0.951, means that relationship between dependent and independent variable is strong. R square=0.904 a value close to 1. This means that explanatory variables are strongly associated to explain the volume of private deposits of Commercial Bank of Ethiopia Jimma District and the adjusted R square=0.785 which tells that after taking into account the number of regressor the mode explain 78.5% of the variation in determining the volume of private deposits of Commercial Bank of Ethiopia Jimma district. This clearly depicted that the combination of service factors, financial factors, communication and human factors, physical factors and organizational dependency factors significantly predicted the volume of private deposits of Commercial Bank of Ethiopia Jimma District. Thus about 21.5% of volume of private deposits level of Commercial Bank of Ethiopia jimma district is predicted by other variables not covered in this research.

The coefficient estimates of the regression (constant) shows that the value of dependent variable if all independent variable becomes zero. Therefore the total private deposits of Commercial Bank of Ethiopia Jimma District will be 9.006 given all independent variable zero.

Based on the above table, the coefficient of the regression analysis test of the effective factors on volume of private deposits of Commercial Bank of Ethiopia Jimma District, the effective variables on it are as per the following:

- The service factors have a significant positive Beta of 43.99%. This means that service factor is direct and significant in explaining (determining) the level of private deposit of Commercial bank of Ethiopia Jimma District.
- The physical factors have a significant positive Beta of 19.15%. This means that physical factor is direct and significant in explaining (determining) the level of private deposit of Commercial bank of Ethiopia Jimma District.
- The organizational dependency factors have a significant negative Beta of   -11.25%. This means that organizational dependency factor is opposite and significant in explaining (determining) the level of private deposit of Commercial bank of Ethiopia Jimma District.

## 4.2.3. Hypothesis Test

Fadiya (2010) asserted that hypothesis testing has become the building block of any scientific research. To this end, it would be appropriate to test the following hypotheses in respect of the determinants of volume of private deposits of Commercial Bank of Ethiopia Jimma District. This research consists of five hypotheses which study the relationship between volume of private deposits of Commercial Bank of Ethiopia Jimma district with service factors, financial factors, communication and human factors, physical factors and organizational dependency factors. In order to test the hypothesis linear multivariable regression test is used. In this method, all the collected data is inserted into the regression equation. The multiple regressions were used to test the extent and significant level between variables. It is worthy to note that base of inference in acceptance or rejection of research hypothesis, was the level of significance or P-value. In this way when amount of possibility or significant is less than 0.05, null hypothesis at the level of 95% rejected.

The null hypothesis says that the coefficient of independent variables on the right hand side is zero that means the independent variables have no effect on the dependent variable, volume of private deposits of Commercial Bank of Ethiopia. The alternate hypothesis is therefore the coefficient of independent variables are different from zero, that s the independent variable have effect on the dependent variable, volume of private deposits of Commercial Bank of Ethiopia Jimma District. Therefore, the rejection of the null hypotheses shows that the coefficients of variables on the right hand side are different from zero i.e. independent variables has effect on the dependent variable. Which means that service factors, financial factors, communication and human factors, physical factors and organizational dependency factors positively affect volume of private deposits of Commercial Bank of Ethiopia Jimma District?

### 4.2.3.1. Hypotheses One

(**H₀**): There s no significant relationship between service factors and volume of private deposits Commercial Bank of Ethiopia Jimma District.

(**H₁**): There is significant relationship between service factors and volume of private deposits of  Commercial Bank of Ethiopia Jimma District.

**H₀: β = 0**

**H₁: β ≠ 0**

Table 4.6: Relation Test Between service factors and volume of private deposits of
          CBE Jimma District

| | Un standardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 9.006 | 26.469 | | 0.340 | 0.751 |
| Service Factors | 43.990 | 14.541 | 1.081 | 3.025 | 0.039 |

Source: Source: SPSS output of Regression Analysis

The coefficient of regression between the service factors and volume of private deposits of CBE Jimma District has been calculated using multiple regression analysis and we have sig=0.039 which is smaller than the significance level of 0.05, hence the null hypotheses is rejected and the alternative hypotheses accepted and it is concluded that the relationship between the service factors and volume of private deposits is significant. In other words volume of private deposits is highly determined by the service factors. Considering the obtained values, the hypothesis is confirmed and it can be generated to the whole research population.

Moreover, the regression analysis shows that service factors has a significant positive Beta of 43.99%. This means that service factors is direct and significant in explaining (determining) the level of private deposits of Commercial Bank of Ethiopia Jimma

District. It means that a unit change in service factors brings about a 43.99% positive change in volume of private deposits of CBE jimma District in the same direction.

According to the obtained result, it can be seen that amount of sig. is less than 5%. For this reason this relationship was significant so H1 is accepted. In other words the set of service factors in banks is a very good incentive (motivator) for attracting the people to deposits their money in the bank and this hypothesis is confirmed with probability of 96.1%.

Generally, the test of this hypotheses confirmed that service factors found to positively significant influence volume of private deposit of Commercial Bank of Ethiopia Jimma District, meaning as per the customer perception improving the service factors by the bank might lead to higher level of deposit. This implies that if Commercial Bank of Ethiopia Jimma District provide variety of banking service (product), improve the quality of its banking service, develop the professional skills of its employees and can deploy many ATMs and other e-payments in several and suitable location, the societies motivated to deposit their money in the bank as a result the volume of private deposit of Commercial Bank of Ethiopia Jimma District will increase. This result conforming to the priori expectation because the service in routine life has emerged, the component of service factors also has been attention as a main characteristics of competition between organizations so that attention to service factors has distinguished organization service from its competition and caused competition advantage acquisition (qubaraan et al.2004). As a result people prefer the specific bank to deposit their money.

The result corroborate with a study by Abbas Talebbeydokhti and Ahmed Reza (2014), in their study to identify the influential factors in attracting banking resource, suggest that all the factors i.e. service factors, financial factors, communication and human factors, physical factors and organizational dependency factors have a significant and positive effect on the attraction of bank resource.

Ibrahimi Nejad (2008) in a research tried to identify and test the most important factors affecting the increase in the amount of deposit from customers' point of view, suggest that from customers' point of view providing desirable service leads to increase in the amount of deposits in branches.

Other studies that was consistent with the above findings were by Alopour shirsavar (2004), evaluated the factors affecting equipping the bank resource or in other words determination of factors of Saman bank's success in absorbing resources. In his finding he was pointed out that variability and the quality of service, the amount of using computer technology, customer satisfaction of branch employees, and desirability of the internal environment are all effective in absorption of financial resources of banks.

## 4.2.3.2. Hypotheses Two

($H_o$): There s no significant relationship between Financial factors and volume of private deposits of Commercial Bank of Ethiopia Jimma District.

($H_1$): There is significant relationship between financial factors and volume of private deposits of Commercial Bank of Ethiopia Jimma District.

$H_o: \beta = 0$

$H_1: \beta \neq 0$

Table 4.7: Relation Test Between financial factors and volume of private deposits of CBE

|  | Un standardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
|  | B | Std. Error | Beta |  |  |
| (Constant) | 9.006 | 26.469 |  | 0.340 | 0.751 |
| Financial Factors | -13.046 | 11.142 | -0.491 | -1.171 | 0.307 |

Source: Source: SPSS output of Regression Analysis

Result of this test shows that the significance level obtained for this test equals to 0.307 and is not less than 0.05, it can be concluded that the null hypotheses is accepted and it is concluded that the relationship between the financial factors and volume of private deposits is insignificant. In other words volume of private deposits is not determined by the financial factors. Financial factors had positive insignificant effect on volume of private deposits of commercial Bank of Ethiopia Jimma Distric. As the resulted suggested, interest rate on saving and other financial incentives does not motivate

customers of Commercial Bank of Ethiopia Jimma District. Because customers save primarily to accumulate enough funds to pay for future unexpected expense, for retirement and to leave something for children to inherent rather than earning income in the form of interest

Generally, the result of the finding confirmed that as per customer perception interest rate that banks paid to the depositors has insignificant impact to motivate the customers to deposit their money in the bank. The result of the finding, corroborate with Ghafur's (2003) shows that the rate of interest does not have influence on the volume of deposits as Stated by Erna and Ekki(2004). It also consistent with the study conducted by Haile Ademe (2013) in his study conducted determinants of domestic saving in Ethiopia which suggest that deposit interest rate was confirmed as statistically insignificant determinants of domestic saving ratio in Ethiopia. Moreover, real interest rate in Turkey was shown to have insignificant impact on saving rate (Ozcan et al, 2000) and a negative and negligible effect of real interest rate on saving rate in developing countries was reported (Schmidt-Hebbel et al, (1992).However, the finding contradict with Erna and Ekki (2004) thought that depositors are attracted to deposits their money in banks because of the opportunity cost of holding cash in hand is high when the interest rate is also high.

### 4.2.3.3.  Hypotheses Three

($H_o$): There is no significant relationship between communication and human factors and volume of private deposits of Commercial Bank of Ethiopia Jimma District.

($H_1$): There is significant relationship between communication and human factors and volume of private deposits of Commercial Bank of Ethipia Jimma District.

$H_o: \beta = 0$

$H_1: \beta \neq 0$

Table 4.8.: Relation Test Between communication and human factors and volume of private deposits of CBE

| | Un standardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 9.006 | 26.469 | | 0.340 | 0.751 |
| Communication and human Factors | -11.247 | 8.197 | -0.394 | -1.372 | 0.242 |

Source: Source: SPSS output of Regression Analysis

The coefficient of regression between the communication and human factors and volume of private deposits of CBE Jimma District has been calculated using multiple regression analysis and we have sig=0.242 which is greater than the significance level of 0.05, hence the null hypotheses is not rejected and it is concluded that the relationship between the organizational and human factors and volume of private deposits is insignificant. In other words the communication and human factors are found insignificant in explaining the volume of private deposits of Commercial Bank of Ethiopia Jimma District.

## 4.2.3.4. Hypotheses Four

(**H$_o$**): There is no significant relationship between physical factors and volume of private deposits of Commercial Bank of Ethiopia Jimma District.

(**H$_1$**): There is significant relationship between physical factors and volume of private deposits of  Commercial Bank of Ethiopia Jimma District.

**H$_o$: β = 0**

**H$_1$:β≠0**

**Table 4.9: Relation Test Between physical factors and volume of private deposits of CBE**

| | Un standardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 9.006 | 26.469 | | 0.340 | 0.751 |
| Physical Factors | 19.154 | 5.212 | 0.771 | 3.675 | 0.021 |

Source: Source: SPSS output of Regression Analysis

Result of this test shows that the significance level obtained for this test equals to 0.021( sig=0.021) which is smaller than the significance level of 0.05%, hence; the H1 assumption of the test is confirmed and it is concluded that the relation between the physical factors and the volume of private deposits of Commercial Bank of Ethiopia is significant. In other words, the volume of private deposits of Commercial Bank of Ethiopia Jimma District is influenced by the physical factors. Considering the obtained values, this hypothesis is confirmed and it can be generalized to the whole research population.

The result confirmed that working in the physical factors i.e. increasing the number of branches, making the location of the branches convenient to the customers, making the internal and external design beautiful, by the bank to the customers of Commercial Bank of Ethiopia Jimma District has a very effective role in attracting customers to deposit money in the bank, which increase the volume of deposits of the bank. This hypothesis is confirmed with a probability of 97.9%.

The result of the regression analysis shows that physical factors have a significant positive Beta of 19.154. This means that physical factors is direct and significant in explaining (determining) the level of private deposits of Commercial Bank of Ethiopia Jimma District. It means that a unit change in physical factors brings about a positive change in volume of private deposits of CBE jimma District in the same direction.

This result conforming to the priori expectation as, a bank that can balance between physical and cyber development appropriately and rationally can perform more successfully in future competitions in which there are no significant branches (Khazra; 2006). It is also argued that to attract the societies to deposits their money in the bank various physical features and facilities should be taken into account by bank, some of them can be referred to: having enough space in the branch to provide ser-vices, appropriate furniture for customers' waiting room, feasibility of access to accounting condition by customer, feasibility of car parking for customer, the possibility of using ATMs and appropriate access to required facilities (Abdolvafi et al. 2004). Moreover, to absorb more financial resources branch managers of banks should equip to appropriate business environment that have business environment indicators from physical, psychological and social aspect (Venus,2004). Also the finding was consistent with the study of Abbas Talebbeydokhti and Ahmed Reza (20 14), Ibrahimi Nejad (2008), and S aeed Meskini and NilufarMirsepassi.

## 4.2.3.5. Hypotheses Five

($H_o$): There is no significant relationship between organizational dependency factors and volume of private deposits of Commercial Bank of Ethiopia Jimma District.

($H_1$): There is significant relationship between organizational dependency factors and volume of private deposits of   Commercial Bank of Ethiopia Jimma District.

$H_o: \beta = 0$

$H_1: \beta \neq 0$

Table 4.10: Relation Test between Organizational Dependency factors and volume of private deposits of CBE

| | Un standardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 9.006 | 26.469 | | 0.340 | 0.751 |
| Organizational Dependency Factors | -32.582 | 7.417 | -1.232 | -4.393 | 0.012 |

Source: Source: SPSS output of Regression Analysis

As per the result of the regression analysis, organizational dependency factors had a negative and statistically significant in explaining the volume of private deposits of Commercial Bank of Ethiopia Jimma District. It has sig=0.012 which is smaller than the significance level of 0.05, hence the null hypotheses is rejected and the alternative hypotheses accepted and it is concluded that the relationship between the organizational dependency factors and volume of private deposits is significant. In other words volume of private deposits is negatively determined by the organizational dependency factors.

Considering the obtained values, the hypothesis is confirmed and it can be generated to the whole research population. In addition, the regression analysis shows that organizational dependency factor has a significant negative Beta of -32.582. This means that organizational dependency factors is inversely significant in explaining (determining) the level of private deposits of Commercial Bank of Ethiopia Jimma District. It means that working more in organizational dependency factor leads to reduction in the volume of private deposits of Commercial Bank of Ethiopia Jimma District.

The result of the finding indicates that, as per customer perception, a higher organizational dependency of Commercial Bank of Ethiopia, that is payment of Government employees salary by the bank, payment for pensioners, compensation payment effected by the bank and tuition and other fee collected by the bank from individuals' on behalf of other organization, negatively affects the service quality of Commercial Bank of Ethiopia. Due to this argument the customers discourage to deposits their money in the bank. This ultimately decreases the volume of private deposits of Commercial Bank of Ethiopia Jimma District.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter summarizes the study and discusses the conclusions drawn from the study, and provides recommendations for policy makers and for future research.

## 5.1. Summary of the Findings

The research on the title of factors affecting volume of private deposits of commercial banks of Ethiopia Jimma District had gone through both descriptive and inferential analysis. In the study, the researcher investigates the factors affecting the volume of private deposit of Commercial Bank of Ethiopia Jimma District and assesses the impact of private deposits on profit. The study was conducted with view to identifying those internal factors that can promote private deposits. In order to achieve these objectives of the study, an econometric model was formulated. Volume of private deposits of CBE-Jimma district regressed on service factors, financial factors, communication and human factors, physical factors and organizational dependency factors. The variables were included in our econometric model based on review of past studies.

The major findings of the study are summarized below:

- Among the four kinds of deposits (saving deposit, demand deposits, fixed deposits and special demand Deposits), saving deposit is a mainly used by the bank and its customers.

- The minimum interest rate on saving deposit is fixed by NBE. Whereas, there is no limit to set interest rate more that the minimum threshold.

- Service factors have positive and significant effect on the volume of private deposits of Commercial Bank of Ethiopia Jimma District.

- Financial factors have no effect on the volume of private deposits of Commercial Bank of Ethiopia Jimma District.

- Communication and human factors have no effect on the volume of private deposits of Commercial Bank of Ethiopia Jimma District.

- Physical factors have positive and significant effect on the volume of private deposits of Commercial Bank of Ethiopia Jimma District.
- Organizational dependency factors have negative and significant effect on the volume of private deposits of Commercial Bank of Ethiopia Jimma District.

## 5.2. Conclusion

Banks are significant institution of any economy. The Commercial Bank of Ethiopia is the back bone for the economic growth of Ethiopian economy. As deposits are the main source of commercial Bank of Ethiopia and CBE has takes a large commitment in financing GTP projects of the country, Commercial Bank of Ethiopia should work hard to increase the volume of private deposits. Based on ownership, CBE deposits classified as private individuals, Government, public enterprise, financial institutions deposits and cooperatives. Among these deposits, the volume of private individuals account can increase or decrease with the efforts of banks management as well as the employees. As a result, Commercial Bank of Ethiopia Jimma District must exert maximum effort to increase the volume of private deposits. To make this practical first the bank must know the determinants of private deposits. Accordingly to identify the determinants, the relationship between service factors, financial factors, communication and human factors, physical factors and organizational dependency factors and the volume of private deposits is studied.

The main aim of this research is to study the effective factors on deposits attraction based on the importance and priority in Commercial Bank of Ethiopia Jimma District. The effective factors have been divided into five groups of services factors, financial factors, physical factors, communication and human factors and organizational dependency factors.

The research results, considering the conducted tests are summarized as per the following: Based on the results of the multi-variable regression analysis, all the independent variables have been entered into the equation and the variables which are effective have been remained in the equation and the effective variables have a good power to explain the effective determinants of Commercial Bank of Ethiopia Jimma District.

❖ The study reveals certain basic facts about commercial bank of Ethiopia Jimma district in their struggle to mobilize greater domestic deposits. Firstly, Commercial bank of Ethiopia Jimma District deposits mobilization from 2003/04 to 2013/14 indicates an upward trend however, the present level of deposits as a ratio of the total amount of money in circulation is inadequate.

Given the summary result of descriptive and inferential analysis, the study had concluded the following to commercial bank of Ethiopia Jimma district by taking evidence of the study.

❖ Even if Commercial Bank of Ethiopia get its funds from other sources e.g. form profit, the main source of capital for Commercial bank of Ethiopia Jimma Distinct is deposits.

❖ Among the kind of deposits saving deposits are mostly used by commercial banks and their customers. That is from the deposit available in the bank's the largest proportion is saving deposit which is fixed interest bearing deposit.

❖ Service Excellency, good will of the bank, branch expansion, promotional effort, awareness creation and coupon prize can be an opportunities that the bank obtains from its environment and efforts that the bank can do to mobilize more deposits.

❖ Promotional effort and awareness creation campaign had an impact on deposit mobilization.

❖ Branch expansion is an important strategy for deposit mobilization, it significantly increases deposit.

## 5.3. Recommendation

On the basis of the findings and conclusions drawn, the following recommendations are forwarded.

❖ From the study, it has been shown that customer service is vital in attracting the customers to deposit their money in Commercial Bank of Ethiopia; therefore, CBE should emphasize on fast delivery of service by recruiting energetic staffs who cope with the speed of delivering service.

❖ To increase the volume of private deposit, CBE should promote service excellence; provide reliable service for its customers. Moreover, the bank should conduct customer satisfaction survey periodically and take action on the findings.

❖ The bank should establish minimum standard service delivery time that will become reference on level of responsiveness on customer expectation.

❖ The bank should give more customer service trainings for the front staffs, to make them willing to help customers and provide quick service.

❖ More and adequate staffs should be allocated on the front office.

❖ Commercial Bank of Ethiopia Jimma district should adopt a marketing approach for deposit mobilization, which focuses the identification of customer needs and offering of products accordingly.

❖ The bank should conduct modern banking services to keep pace with scientific developments and technological advances in banking services for customers as fast and accurately. More automated Teller machine (ATM) and Point of sales (POS) should be installed at various places.

❖ The bank should control their networks to ensure the service provided to the customers and it should have alternative application systems that will be used when the network fail.

❖ Commercial Bank of Ethiopia Jimma District should be more accessible for its customers and increase its branches especially by opening additional branches in rural areas.

❖ Whenever the bank opened a branch, it must give due attention for the location of the branch. The bank must make the location of the branch suitable for many customers, as it is the factors for preferring the bank to deposit money and the bank

must make the internal as well as the external environment and the physical appearance of the branch attractive for customers.

❖ Commercial banks should have convenient and suitable office environment to attract depositors.

❖ Commercial banks should go through promotional effort and awareness creation campaign to have well informed societies who have awareness of the banking system who are interested in keeping their money in banks. Moreover, commercial banks should use their good will to attract depositors and for those that do not have good will it is recommended that banks should build good will to be acceptable for the society.

# For Further Research

In this study in title: the factors affecting the volume of private deposits of Commercial bank of Ethiopia Jimma District had studied using customer perception and some recommendations are made based on the findings and conclusions. In the future, the factors affecting deposit mobilization can be studied with the perception employees of co Commercial Bank of Ethiopia. Moreover, in these studies the determinant of volume of private deposits and impact on profit has studied but in the future the impact of deposits on the economic development can be studied.

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# Appendixes

## Appendix 1-Questionaries

**JIMMA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

First of all I would like to thank for responding this questionnaire honestly and reliably. The questionnaire is designed to collect the necessary information to undertake a research on the topic "Factors affecting the volume of private deposits of Commercial Bank of Ethiopia Jimma District" for the partial fulfillment of the requirements of the degree of Masters of Social Science (MSCs). Kindly do not leave any option unanswered.

Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

Thank You

Andualem Gizachew Nigussie

Email: andualemmm@gmail.com

Tel: 0912153970

## SECTION 1: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

**Please place (√) in the space that most accurately reflects you**

1. Gender:        Male    ☐         Female    ☐

2. Age group:    18-24    25-30    31-35    36-40    41-45    46-50    51 -60
                  ☐        ☐        ☐        ☐        ☐        ☐        ☐

3. Marital status    Married ☐            Single ☐            Divorce ☐

4. Occupation

   Trader    ☐        Farmer ☐        Employe ☐            Others ☐

5. Educational Background

   Diploma    ☐        First Degree    ☐

   Second Degree    ☐        Other (please specify)    ☐

**Section 2: About Customer Saving Behavior**

**Below we would like you to choose a number which best fit your opinion.**

1.  How do you usually manage your everyday revenues?
    a)  I try to save something and spend the rest of the money on everyday needs.
    b)  I spend money on the everyday needs and save the rest.
    c)  I spend all the money on everyday needs and do not save anything.
    d)  I find it difficult to answer this question

2.  What are your personal reasons to have made saving in Bank?
    a)  For unexpected expenses
    b)  For retirement
    c)  To get income in the form of interest
    d)  To leave something for children to inherent
    e)  To increase my living standards in the future
    f)  I like saving rather than spending money
    g)  To be independent
    h)  No particular reason, this is a family tradition
    i)  For another reason
    j)  I find it difficult to answer this question

3.  What source do you use to get information about the benefits of depositing money in banks?
    a)  Advertizing
    b)  Newspaper, magazines, TV-program
    c)  Bank officers and/or employees of the bank
    d)  Friends
    e)  From other source
    f)  I find it difficult to answer this question

**Section 3: Factors influencing your motives of depositing money in Commercial Bank of Ethiopia Jimma District**

Please rank the following factors, which influence your motives to deposit money in commercial Bank of Ethiopia (Determinants of the level of private deposits of Commercial Bank of Ethiopia Jimma District). After you read each of these factors, evaluate them in relation to your motives and then put a tick mark (√) which best fit your opinion under the choices below.

**1. Please indicate the degree to which you agree with the following factors.**

| S. No. | Factors | Strongly agree | Agree | undecided | Disagree | Strongly disagree |
|--------|---------|----------------|-------|-----------|----------|-------------------|
|  | **Service Factors** | | | | | |
| 1 | Did the variety of banking services affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| 2 | Did the quality of banking services affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| 3 | Did the technology used by Commercial Bank of Ethiopia Jimma District affect your motives to deposit money in the Bank? | | | | | |
| 4 | Did fast and efficient service provided by Commercial Bank of Ethiopia Jimma District affect your motives to deposit money in the Bank? | | | | | |
|  | **Financial Factors** | | | | | |
| 5 | Did the interest rate of Commercial Bank of Ethiopia affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |

| 6 | Did the number and price of free gifts given to the customer motive you to deposit money in Commercial Bank of Ethiopia? | | | | | |
|---|---|---|---|---|---|---|
| 7 | Did prize linked campaign implemented by Commercial Bank of Ethiopia affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| | **Relationship and Human Factors** | | | | | |
| 8 | Did advertisement affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| 9 | Did employee's behavior of the bank affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| 10 | Did professional skills of employee of the bank affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| | **Physical Condition Factors** | | | | | |
| 11 | Did the number of branches of Commercial Bank of Ethiopia affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| 12 | Did the location of bank branch offices affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| 13 | Did Internal and External Design and Beauties of bank branch offices affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |
| 14 | Did the physical facilities of Commercial Bank of Ethiopia affect your motives to deposit money in Commercial Bank of Ethiopia Jimma District? | | | | | |

| | **Organizational Dependency Factors** | | | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|
| 15 | Did salary payment for Government employees by the bank affect your motives to deposit money in Commercial Bank of Ethiopia? | | | | | |
| 16 | Did pension payment by the bank for pensioners affect your motives to deposit money in Commercial Bank of Ethiopia? | | | | | |
| 17 | Did compensation payment made by the bank on behalf of Government bureau affect your motives to deposit money in Commercial Bank of Ethiopia? | | | | | |
| 18 | Did receiving tuition fee from university student affect your motives to deposit money in a bank? | | | | | |

# APPENDIX II:

# QUESTIONER AMHARIC VERSION

ዉድ እህት/ወንድም

ስሜ አንዱዓለም ግዛቸዉ ይባላል የጇማ ዩኒቨርሲቲ የአካዉንቲግና ፋይናንስ ት/ክፍል የሁለተኛ ዲግሪ ተማሪ ስሆን; የዚህ መጠየቅ ዋና ዓላማ የጥናት ዉጥን መረጃ መሰብሰብ ሲሆን የጥናቱ አርዕስት የኢትዮጵያ ንግድ ባንክ የጇማ ዲስትሪክትን የግለሰቦች የተቀማጭ ሂሳብ መጠን ላይ ሊወስኑ የሚችሉ ነገሮችን ለመለየት ነዉ፡፡ እርሶ ይህንን መጠይቅ በአግባቡና ግልፅ በሆነ መልክ ሞልተዉ እንዲመልሱልኝ በአዕኖትና በአክብሮት እጠይቃሁ፡፡ ሁሉም ምላሾች የጥናቴ ሚሙ-ሚያና የድህረ ምረቃ በአካዉንቲግና ፋይናንስ ት/ክፍልን ለማጠናቀቅ የሚዉለ ሲሆን ሚስጥራዊነታቸዉም የተጠበቀ ይሆናል፡፡

ስለተሳትፎዎ በቅድሚያ አመሰግላነሁ፡፡

አንዱዓለም ግዛቸዉ ንጉሤ
የጇማ ዩኒቨርሲቲ የሁለተኛ ዲግሪ ተማሪ
ቢዝነስና ኢኮኖሚክሰ ኮሌጅ
አካዉንቲግና ፋይናንስ ት/ክፍል

## ክፍል አንድ፡ የተሳታፊዎች መረጃ

የሚፈልጉትን ምላሽ (√) በማድረግ ይመልሱ። ለ አንደንድ ጥያቄዎች ከአንድ በላይ መልስ መስጠት ይችላሉ።

1) ፆታ፡-

        ወንድ ( )                       ሴት ( )

2) ዕድሜ

        18-24 ( )    25-30 ( )   31-35 ( )   36-40 ( )  ከ41-45 ( ) ከ46-50 ( ) ከ51-60 ( )

3) የትዳር ሁኔታ   ያገባ ( )     ያላገባ  ( )   አግብቶ የፈታ ( )

4) ሥራ

  ነጋዴ ( )   አርሶ አደር ( )   ሠራተኛ ( )  ሌላ ( )

5) የትምህርት ደረጃ

        ዲፕሎማ (10+1፤10+2፤10+3) ( )    የመጀመሪያ ዲግሪ ( )

        የሁለተኛ ዲግሪ ( )        ሌላ ( ) -----------

**ክፍል ሁለት፡ ስለተሳታፊዎች የቁጠባ ባህሪ**

የሚፈልጉትን ምላሽ (√) በማድረግ ይመልሱ፡፡ ለ አንዳንድ ጥያቄዎች ከአንድ በላይ መልስ መስጠት ይችላሉ፡፡

1) የየእለት ገቢዎትን እንዴት አድርገዉ ያስተዳድሩታል?

   ሀ. ከፈሉን በመቆጠብ የተቀረዉን ለእለት ፍላጎቴ እጠቀምበታለዉ

   ለ. የቀን ወጭዬን ካወጣዉ በሃላ ቀሪዉን ቆጥባለሁ

   ሐ. ሁሉን ገንዘቤን ለቀን ፍጆታዬ አዉላለሁ

   መ. ምላሽ ለመስጠት እቸገራለሁ

2) ገንዘቦን በባንክ የሚቆጥቡት ለምንድነዉ?

   ሀ. ላልተጠበቁ መጭዎች

   ለ. ለጡረታ ጊዜ እንዲሆነኝ

   ሐ. ወለድ ለማግኘት

   መ. ለልጆቼ ቅሪት ለማስቀመጥ

   ሠ. የኑሮ ደረጃዬን ለማሻሻል

   ረ. ገንዘብ ከማዉጣት ይልቅ መቆጠብ ስለምወድ

   ሰ. እራሴን ለመቻል

   ሸ. ቁጠባ ከቤተሰብ የወረስኩት በመሆኑ

   ቀ. ምክንያቱ ላልተገለጸ ሌላ ምክንያት

   መ. ምላሽ ለመስጠት እቸገራለሁ

3) ገንዘቦን በባንክ ማስቀመጥ ስለሚሰጠዉ ጥቅም ለማወቅ የትኛዉን የመረጃ መንገድ

   ይጠቀማሉ?

   ሀ. ከማስታወቂያ

   ለ. ከጋዜጣ፤ መጽሄቶች፤ ከተሌቪዥን ፕሮግራም

   ሐ. ከባንክ ባለሞያዎች

   መ. ከጓደኛ

   ሠ. ከሌላ ምንጭ

   ረ. ምላሽ ለመስጠት እቸገራለሁ

## ክፍል ሶስት፡ ገንዘቦን የኢትዮጵያ ንግድ ባንክ ጂማ ዲስትሪክት እንዲቆጥቡ ስለሚያበረታታታዉ ጉዳዮች፤

ከዚህ በመቀጠል የባንክ የግለሰብ ተቀማጭ ሂሳብ መጠን ስለሚወስኑ ነገሮች በተመለከተ የተቀመጠ ጥያቄዎች ሲሆኑ በተነሱት ሀሳቦች ላይ መስማማትዎንና አለመስማማቶን በጣም እስማማሁ ከሚለዉ እስክ በጣም አልስማማም እስከሚለዉ የምርጫዎን በተቀመጠዉ ቁጥር ፊትለት (√) በማድረግ ይመልሱ ::

| | | በጣም እስማማለሁ | እስማማለሁ | ሀሳብ የለኝም | አልስማማም | በጣም አልስማማም |
|---|---|---|---|---|---|---|
| 1 | የተለያዩ የባንክ ቤት የአገልግሎቶች ዓይነት መኖራቸዉ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጂማ ዲስትሪክት እንዲያስቀጥጡ ያበረታቶታል? | | | | | |
| 2 | የባንክ ቤት የአገልግሎቶች ጥራት መኖሩ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጂማ ዲስትሪክት እንዲያስቀጥጡ ያበረታቶታል? | | | | | |
| 3 | ባንክ የሚጠቀምበት ዘመናዊ ቴክኖሎጂዎች ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጂማ ዲስትሪክት እንዲያስቀጥጡ ያበረታቶታል? | | | | | |
| 4 | የባንክ ቤት አገልግሎቶች ፈጣንና የተሟላ መሆኑ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጂማ ዲስትሪክት እንዲያስቀጥጡ ያበረታቶታል? | | | | | |
| 5 | ባንክ ቤት የሚከፍለዉ የወለድ መጠን ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጂማ ዲስትሪክት እንዲያስቀጥጡ ያበረታቶታል? | | | | | |

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| 6 | ባንክ ቤት የሚሰጠዉ የስቶታ ብዛትና የገንዘብ መጠን ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |
|---|---|---|---|---|---|---|
| 7 | ባንክ ቤት የሚያዘጋጀዉ የሸልማት እጋ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |
| 8 | የባንክ ማስታወቂያ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |
| 9 | የባንክ ሠራተኞች የግል ጸባይ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |
| 10 | የባንክ ሠራተኞች የስራ ክህሎት ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |
| 11 | የባንክ የቅርንጫፎች ብዛት ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |
| 12 | የባንክ ቅርንጫፎች የተከፈቱበት ቦታ ምቹ መሆን ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |
| 13 | የባንክ ቅርንጫፎች የዉስጥና የዉጭ ዲዛይንና የቢሮ ገጽታ ማማር ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቶታል? | | | | | |

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| 14 | የባንክ የቅርንጫፎች የመስሪያና ሌሎች መሳሪያዎች መሟሚላታቸዉ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቾታል? | | | | | |
| 15 | የመንግስትስራተኞች ደመወዝ በባንክ መከፈሉ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቾታል? | | | | | |
| 16 | የሙረተኞች የጡረታ አበል በባንክ መከፈሉ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቾታል? | | | | | |
| 17 | የካሳ ክፍያ በባንክ መከፈሉ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቾታል? | | | | | |
| 18 | የዩኒቨርስቲ ተማሪዎች የትምህርት ክፍያ በባንክ መሰብሰቡ ገንዘቦን በኢትዮጵያ ንግድ በባንክ ጅማ ዲስትሪክት እንዲያስቀምጡ ያበረታቾታል? | | | | | |