JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF GRADUATE STUDIES

ANALYSIS OF EMPLOYEE'S PERCEPTION ON THE IMPACT OF DEPOSIT MOBILIZATION AND LOAN DISBURSEMENT ON FINANCIAL PERFORMANCE; A CASE OF BANKING INDUSTRY IN ETHIOPIA

BY:

SISAY TADESSE

JULY, 2020

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JIMMA UNIVERSITY, JIMMA, ETHIOPIA

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DECLARATION

I, **Sisay Tadesse**, would declare that this study is the result of my own work prepared under guidance of **Eshetu Yadecha (PhD Candidate) and Mr. Tesfaye Ginbare,** that no part of it has been accepted for the award of any other degree of this university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Name	**Signature**
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ENDORSEMENT

This study has been submitted to JIMMA UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS, and School of Graduate Studies for examination with my approval as a university advisor

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ABSTRACT

Deposit mobilization and loan disbursements are the most fundamental activity and the life blood of financial institution performance, particularly, the Banking industry. In view of this, the study tested analysis of employee's perception on the impact of deposit mobilization and loan disbursement on the financial performance. The study employed mixed research approach and cross-sectional survey research design. Data was collected through primary (administration of questionnaire and an in-depth interview) and also secondary sources. The study is finding out the deposit mobilization and loan disbursement has a correlation and a significant impact on financial performance. Financial performance has a strong correlation with DM and moderate correlation with LD variables. Finally, the study revealed that Banks Branches managers' conducted the deposit mobilization and loan disbursement with no pledged management recognition and staff , inadequate service provide, and lack of society awareness were major challenges of DM and LD that affect the financial performance. Based on the findings and conclusion the banking industry should attract deposit and loan by Improving the management and employees' commitments, providing convenience technologies and enhance awareness of society about the bank service, provide accessible banking service through expanding number of branches, introduce and enhance E-banking such as internet banking, card banking mobile banking.

Key word: *Bank Size, Deposit, Loan, Financial Performance,*

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ACRONYM & ABBREVIATIONS

CBE: - commercial bank of Ethiopia

DM: -Amount of deposit mobilization

FP: Financial Performance

IBISAD: Impact of Bank (Image, Size & accessibility) for Deposit

IBISAL: Impact of Bank (Image, Size & accessibility) for loan

IBCAD: Impact of Bank Capital Adequacy for Deposit

IBCAL: Impact of Bank Capital Adequacy for loan

IBIRD: Impact of Bank Interest Rate for Deposit

IBIRL: Impact of Bank Interest Rate for Loan

IEED: Impact of Bank Interest Rate for Deposit

IEEL: Impact of External Environments for loan

IBSCD: Impact of Security of the Bank for deposit

IBSCL: Impact of Security of the Bank for loan

IBSRD: Impact of Services in the Bank for deposit

IBSRL: Impact of Services in the Bank for loan

LD: Amount of loan disbursement

NBE: National Bank of Ethiopia

CHAPER ONE

INTRODUCTION

1.1 Back Ground of the Study

Deposit mobilization and loan disbursements are the most crucial activity for any bank for the success or failure and determine financial performance (Selvaraj & Kumar, 2015). In recent times, the top priority of financial institution in a financial market is that of a financial intermediary, which makes use of loan and deposit services to effectively channel the idle funds of the general public into valuable production and other investment projects helping people to reach their goals (Tuyishime, et al, 2015). As according to Khalily and Hushak (1987) state that, 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. Any successful business must meet its customer needs and make a profit. Likewise, successful financial institutions must meet the desperate needs of depositors and borrowers. Depositors look for high rates, short terms and no risk, while borrowers seek low rates and long terms. Financial institutions are therefore, in the risk intermediation business. To be successful, financial institutions, banks in particular, must properly underwrite risk, manage and monitor the risk assumed (Barrickman, 1990). Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed and other banks specialized schemes (Selvaraj& Kumar, 2015**).** Current accounts: A deposit account held at a bank or other financial institution, for the purpose of securely and quickly providing frequent access to funds on demand, through a variety of different Channels. Because money is available on demand these accounts are also referred to as demand accounts or demand deposit accounts. Savings accounts: Accounts maintained by retail banks that pay interest but cannot be used directly as money (for example, by writing a cheque). Although not as convenient to use as checking accounts, these accounts let customers keep liquid assets while still earning a monetary return. Fixed Deposit: A money deposit at a banking institution that cannot be withdrawn for a preset fixed 'term' or period of time. When the term is over it can be withdrawn or it can be rolled over for another term. On the other hands, Loan Disbursement is the provision of resources (granting loan) by one party to another, its look for borrowers seek low rates and long terms and it depends on the adequacy of Banks capital and monetary policy. Types of loan are classified into three: long-term loan, middle term loan and short term loan; long term loan is refers to the loan granted from 5-10 years, middle term loan from 1-5years and short term loan from 1-2 years. Loan classified as Real estate loans, Commercial loans, Individual loans, Agricultural loans, International loans and other loan that is investing in other assets that will yield a return higher than the amount bank pays the depositor. The heart of any successful Banks lending function is credit discipline written in loan policy, structured loan approval process and strong loan administration function (Barrickman, 1990). According to Sholapur, (2010) stated that, the deposit mobilization directly related to loan disbursements that affect the performance loan activity of banking industry. he concludes that, the larger the amount of deposits a bank receives from its customers, the better is its capacity to give out loans and the higher is the interest income. From this illustration, the larger the amount of deposits a bank receives from its customers, the better is its capacity to give out loans and the higher is the interest income, and get the better achievements of financial performance at banking industry. So, the deposit mobilization and loan disbursements interventions and their outcomes such as financial performance, customer satisfaction, profitability, asset quality, return on asset and overall financial performances are emphasized on the banking industry objectives. Hence, banks industry in Ethiopia is giving services to the customer with 5 work teams and total number of 389 employees and in order to increase financial performance, the banks industry has delivered deposit and loan to the customer. And the impact of deposit mobilization and loan disbursements are the most crucial concepts for any bank institution practices and one of the most heavily researched topics. But almost all studies reviewed by the researcher those related to deposit mobilization and loan disbursement focused on western countries banking organization and contexts which present a contextual gap. Thus, the researcher attempts to study the impact of deposit mobilization and loan disbursement on the profitability of the bank: at financial institution; particularly, at banks industry in Ethiopia

1.2 Background of Ethiopian Banking Industry

According to NBE (2008) the agreement that was reached in the year 1905 between Emperor Minilik of Ethiopia and Mr. Gillivray, representative of British owned National Bank of Egypt, marked the establishment of The Bank of Abyssinia, the first modern bank in Ethiopia. By the year 1931 the Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Haile Sellasie1 came to power. The new bank, Bank of Ethiopia, was a purely Ethiopian institution and was the first indigenous bank in Africa (NBE, 2008).

After the Italian invasion in 1943 The State Bank of Ethiopia was established and acted as the central bank of Ethiopia. The State Bank of Ethiopia was engaged in both commercial and central banking activities. Then, later the Ethiopian monetary and banking law that came into force in the year 1963 separated the functions of commercial and central banking creating the National Bank of Ethiopia and Commercial Bank of Ethiopia. The first private commercial Bank, Addis Ababa Bank was established by Ethiopians and started its operation in the year 1964 with a capital of Ethiopian Birr (ETB) 2 million in association with National and Grindlay Bank, London which had 40 percent of the total share (NBE, 2008).

Further, as per the NBE (2008), following the declaration of command economy by Dergue regime in 1974 the government extended its control and nationalized all the three previously established private banks and merged into one bank. After nationalization the Dergue regime also re-established Agricultural and Industrial Development Bank. After the demise of the Dergue regime in 1991 that ruled the country for 17 years under the rules of command economy, the new government declared a free market economy. In line with this, monetary and banking proclamation No 83/1994 and the licensing and supervision of banking business No 84/1994 laid down the legal basis for investment in the banking industry in the country (NBE, 2008). Following the enactment of the banking legislations in the country in the 1990s, a fairly good number of private banks have been established. For example, in the 2018/19 fiscal year the total number of banks already operational in the country reached **eighteen**. Of these banks, six**teen** were private and the other **two** were government owned. There is also a sign of interest in establishing other new banks by different individuals and groups. Accordingly, at present, there are at **least six** banks under the process of establishment. Currently banks industry in Ethiopia work for profit and the NBE controls and gives license for banks industry in Ethiopia. Looking at the banking sector in Ethiopia further reveals that in the fiscal year 2018/2019 state owned banks absorbed about 65 percent of the market share and 82 percent of the total capital in the industry. And the total number of bank branches and their capital increased. The number of branches increased by 75% or 12.2 billion and total capital of the banking industry increased by 55% 39.8 billion (NBE, 2018/2019). As of NBE (2018/19); Total Capital of The Banking Industry more than 987.5 billion Birr in assets and held approximately 77% of deposits and about 23% of all bank loans in the country and also these bank institution has around 152,500 employees, out of overall employees 57,950 (38%) employees' work in Addis Ababa, at head office and district (South, North, East, & West) which gives the Bank services to the people with 5(five) work teams.

Although the banking industry in Ethiopia has about hundred years of experience, the sector is not yet developed and is still in its infancy or growing stage. Currently, Ethiopian banks offer different types of services that include:

- Credit facility (lending) – some of the credit line offered by banks are term loan (short and medium), letter of credit (L/C) facility, merchandise loan, personal loan and overdraft,
- Deposit Service – Including saving deposit, fixed time deposit, demand deposit and youth saving deposits,
- International banking services- Like opening L/C for importers, handling incoming L/C for exporters, receiving and transferring foreign currency payment by swift and handling incoming and outgoing international letter of guarantee,
- Fund transfer – domestic and international money transfer and
- Other Services – few banks give services like Visa and Master card, and automatic tailor machine (ATM) and safe box.

Banking is a highly regulated industry for a number of reasons. Some of the reasons include protecting depositors' fund, ensuring safety and stability of the banking system, protecting safety of banks that means to limit credit to a single borrower, and limiting or encouraging a particular kind of lending because of expected impact on the economy. For these and other reasons, the Ethiopian government issued the following Bank proclamations.

The first Banking proclamation is for the re-establishment of NBE (proclamation No 591/2008). The proclamation sets out the purpose, powers and duties of the national bank. According to Federal Democratic Republic of Ethiopia (FDRE, 2008) proclamation No 591/2008 the functions of NBE include:

- License and regulate banks, insurance companies and other financial institutions in accordance with the relevant laws of Ethiopia, determine on the basis of assessing the received deposit, the amount of assets to be held by banks. (reserve requirement),
- Issue directive governing credit transactions of banks and other financial institutions, and
- Determine the rate of interest. The Second proclamation is banking business proclamation (FDRE 2008) proclamation No 592/2008.The proclamation sets the following banking business issues:
- Requirement for obtaining license for banking business in Ethiopia,
- Prohibit foreign nationals or organizations fully or partially owned by foreign national may not be allowed to open banks or branch offices, Subsidiaries of foreign bank in Ethiopia or acquire the shares of Ethiopian banks,
- Limitation of the acquisition of shares,

- Appointment of bank directors and officers
- Maintenance of required capital, legal reserve and adequate liquidity and reserve balance,
- Limitations on certain transaction (investment),
- Inspection of banks, and
- Revocation of license.

Since the banking sector is highly regulated business and has great influence on country's economic development, the Ethiopian government issued new bank regulations by considering current local and global business environment. The Government of Ethiopia with its financial controlling body (NBE) has changed capital, minimum interest rate and reserve requirements. The purpose was to establish a ground for the rapid economic development of the county, to stabilize the price inflation and create healthy financial system in the country. According to the new banking regulations, the minimum paid up capital requirement is ETB 75 million while the reserve requirement and the minimum interest rate on saving and time deposits are respectively 15 percent and 4 percent (NBE, 1999; NBE, 2008; NBE, 2007, NBE, 2010).

1.3 Statement of the Problem

Deposit mobilization and loan disbursements are the most crucial activity for any bank for the success or failure and determine financial performance (Selvaraj& Kumar, 2015). In recent times, the top priority of financial institution in a financial market is that of a financial intermediary, which makes use of loan and deposit services to effectively channel the idle funds of the general public into valuable production and other investment projects helping people to reach their goals (Tuyishime, et al, 2015). As according to Khalily and Hushak (1987) state that, 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. The lending activity is made possible only if the banks can mobilize enough funds from their customers. Since commercial banks depend on depositor's money as a source of funds (Tomola 2013). According to Shollapur (2010), bank use customer's deposits mainly to give out loans to deficit economic units or borrowers. The larger the amount of deposits a bank receives from its customers, the better is its capacity to give out loans and the higher is the interest income (Sholapur, 2010). In addition to resource allocation good bank performance rewards the shareholders with sufficient return for their investment. When there is return there shall be an investment which, in turn, brings about economic growth (Heffernan, 1996; Shekhar, 2007). On the other hand, low banking performance has a negative repercussion on the economic growth and development. And, it can lead to runs, failures and crises (Marshal, 2009). Thus, to avoid the crisis due attention should be given to banking performance. Thus, financial performance analysis of banking Industry has been of great interest to academic research since the Great Depression Intern the 1940's. In the last two decades' studies have shown that banks industry in Sub-Saharan Africa (SSA) are more profitable than the rest of the world with an average Return on Assets (ROA) of 2 percent (Flamini et al., 2009). Besides, the banking environment in Ethiopia has, for the past two decades, undergone many regulatory and financial reforms. These reforms have brought about many structural changes in the banking sector of the country and have also encouraged banks industry to enter and expand them operations in the industry. During those periods, Ethiopia has been showing an impressive performance in banking service and the economic growth as a whole (Desalegn.2014). Bank Industry in Ethiopia continues to pay cardinal attention to supporting national development strategies by availing the funding needed to finance development priorities. With the recent growing market demand for credit mega development projects urge the bank to make saving mobilization and loan disbursement priority over the other tasks. To mobilize deposit and loan disbursement from the public is not as such an easy task; it has many challenges that emanates internally from the bank and externally from the environment. External factors from the environment are the general economic environment of the region, social and political factors, the volume of business transaction of the region, the confidence of the people on the banking system, the banking habit of the people, the saving culture of the society and the saving potential of the region. Even when external factors are more conducive for deposit mobilization and loan disbursement, banks deposit and loan may fail because of unfavorable internal factors such as location of the branch, awareness of the society for using banks to deposit their money, convenience of Bank's office and service in the banks, type of product provide which assure the customers about the physical fitness of a bank (N. Desinga, 1975). The profitability issues of banks need to have a great attention through deposit mobilization endeavors so as to make them capable to provide loans and advances facilities to their customers (Worku, 2006).

A research on deposit mobilization and loan disbursement is rarely available. The managers of commercial banks may face a problem of identifying and managing the challenges that determine the commercial bank deposit and loan and their impact on financial performance. Accordingly, they face a problem of lack of deposit and loan because of their limitation of effort to mobilize and disburse finance to customer. However, most banking industry in Ethiopia was not successful in controlling and managing their deposit and loan as they were not aware of the factors that can affect the deposit and loan (Admasu yesu, 2018). According to preliminary survey researcher, me and conducted in this particular area; there is rarely available literatures and lack the reference material on this area. The researcher is motivated to undertake a research on this particular area in order to investigate the impacts of deposit mobilization and loan disbursement on profitability of the banks. And also to recommend the best way of examine mobilizes deposit and disbursing loan. In despite of the fact that some studies developed to examine the impact of deposit mobilization and loan disbursement on the profitability of the banks, most of them did not target Ethiopian banking industry. Therefore, this study would be conducted to measure and analyze the analysis of employee's perception on the impact of deposit mobilization and loan disbursement on profitability of the banks; a case of banking industry in Ethiopia.

1.4 Research Questions

In order to answer the problem related to this research paper the researcher will raise some questions which related to the statement of problem and try to give appropriate answer.

1. What are the impact deposit mobilization and loan disbursement that affect the profitability of the bank; a case of banking industry in Ethiopia?
2. To what extent impact of deposit mobilization and loan disbursement that affects the profitability of the bank; a case of banking industry in Ethiopia?
3. Is there a significant relationship between the impact of deposit mobilization and loan disbursement with the profitability of the bank; a case of banking industry in Ethiopia?

1.5 Objective of the Study

1.5.1 General Objective

The objective of the study is to analysis of employee's perception on the impact of deposit mobilization and loan disbursement on financial performance; a case of banking industry in Ethiopia

1.5.2 Specific Objective

The specific objectives include;

1. To identify the impacts of deposit mobilization and loan disbursement that affects the profitability of the bank; a case of banking industry in Ethiopia.

2. To determine to what extent impacts deposit mobilization and loan disbursement that affect the profitability of the bank; a case of banking industry in Ethiopia.
3. To show the relationship that exists between the impact of deposit mobilization and loan disbursement with the profitability of the bank; a case of banking industry in Ethiopia.

1.6 Constructing Hypothesis

Hypothesis is a tentative answer to a research problem expressed in the form of a clearly stated relationship between independent (Cause) and dependent (effect) variable.

Accordingly, following were the hypothesis of this study.

H1: There is significant positive relationship between the impact of deposit mobilizations and the profitability of the bank; a case of banking industry in Ethiopia.

H2: There is significant positive relationship between the impact of loan disbursement and the profitability of the bank; a case of banking industry in Ethiopia.

H3. There is significant positive relationship between independent variables (the impacts deposit mobilizations &loan disbursement) and dependent variable (the profitability of the bank); a case of banking industry in Ethiopia.

1.7 Significance of the study

The purpose of the study is to analysis of employee's perception on the impact of deposit mobilization and loan disbursement on financial performance and the findings produce empirical results that contribute to the government and private financial institution to design effective deposit mobilization and loan disbursement programs and enhancing awareness of the management in the area in what way the government offices can go in deposit mobilization and loan disbursement activities. It is also useful to the banking business analysts, Consultants, who utilize the government and private financial institution banking business statistics to evaluate financial performance. Banking business officers and policy makers will find the results of the research as a useful device to understand the problems facing financial performance to raise deposit mobilization and loan disbursement strategies and how to overcome them. The study also would be serving as a secondary source for those who want to make further study. In general, this research is essential for any banking organization as a document to enhance performance of financial institution.

1.8 Delimitation/Scope of the study

The study was conducted at banking industry, Addis Ababa, Ethiopia. The reason behind selecting this organization is that, it is convenient for the researcher's working area to gather data related to the study. Evidently, there are a number of banking in practices which affect the performance of financial in an organization such as performance deposit mobilizations, loan disbursement, customer satisfactions, bank image, asset quality and expansion and more. This study was limited on the elements of banking industry performance, particularly in the area of deposit mobilizations and loan disbursement. Methodologically, based on purpose of the study, this study was used correlational research design and mixed research approach. All the same, based on time dimension, this study used cross-sectional survey. Hence, data was collected from the sample respondents selected through stratified random sampling technique at the same time at one point in time and the respondents involved in this study was 389 the total employees that works in bank industry in Addis Ababa, more 6-month experience in bank industry.

Furthermore, the study examined by taking evidence from banking industry and NBE for the period of nine years' operating from 2010/2011 -2018/2019.

There are different Financial Institutions in deposit mobilization such as corporate enterprise, non-scheduled commercial banks and many other non-banking Financial Institutions like micro finance. So it is to be considered as a competitive market whose influence is not taken into scope of the study.

1.9 Limitation of the Study

This academic research achieved its objectives; however, some limitations were identified. The major limitation of this study was it covered only from 2010/2011 -2018/2019, 18 (eighteen) banks are operating their works in Ethiopia and the findings cannot generalize recent at present, there are banks under the process of establishment more updated contribution regarding to to analysis of employee's perception on the impact of deposit mobilization and loan disbursement on financial performance.

The other major limitation s occur at the time of data collection was Corona (COVID-19) that made the respondents felt uncomfortable and others were simply not bothered.

1.10 Organization of the Study

The study is presented in five chapters: Chapter one highlights: background of the study, statement of the problem, research questions, objectives of the study, significant of the study, scope of the study, organization of the paper. Chapter two presents the review of related literatures. Chapter three discusses the research methodology which contains: research design and approach, population of the study, sample size and sampling techniques, data types and sources and data analysis method. Chapter four of the thesis is the analysis of the data, results and discussions of findings of the study. The data presented is statistically treated in order to cover the relationship of the variables involved in the study. And the last chapter is comprised of three sections: Summary of the findings, conclusions, the recommendations of the study, limitation of study and future research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

In this chapter, the researcher reviewed different sources of literature related to the impacts of Deposit Mobilization and Loan Disbursement on Financial performance that help the researcher to understand and identify the problem being studied more appropriately. The review includes basic issues like: Concepts and Meaning of Deposit Mobilization and Loan Disbursement, Deposit Mobilization and Loan Disbursement, approaches and philosophies of Deposit Mobilization and Loan Disbursement, The Role of Deposit Mobilization and Loan Disbursement, Deposit Mobilization and Loan Disbursement Products, Factors & challenges to be considered in Deposit Mobilization and Loan Disbursement, Financial performance, The Relationship of Deposit Mobilization and Loan Disbursement and Financial performance, and finally the conceptual framework model of the impacts of Deposit Mobilization and Loan Disbursement on Financial performance.

2.1 Concepts and Meaning of Deposit Mobilization and Loan Disbursement

Different authors defined Deposit Mobilization and Loan Disbursement in several ways. The main idea that each one of them emphasized in their studies is the "banking business" competency development. Deposit can be defined as a sourcing of funds or borrowing money from customers (Suresh, 2012). On the other hand, lending is the provision of resources (granting loan) by one party to another party where the second party doesn't reimburse the first party immediately there by generating a debt, and instead arranges either to repay or return those resources a later date (Furlong, 1992). Loan is a major asset, income source for banks, and risky area of the industry. Moreover, its contribution to the growth of any country is very clear. Therefore, managing loan in a proper way not only has positive effect on the bank's performance but also on the borrower firms and a country as a whole (Zewdu, 2010). As according to Khalily and Hushak (1987) state that, 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. Herald and Heiko (2009) states deposits are the main source of banks to provide loan. On the other side, banks cannot achieve its goals until and unless it mobilizes it deposits in right sectors and by performing different activities. Much kind of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its deposits

(Sanderson, 2013). Therefore, Bank mobilizes its deposits by performing different activities to achieve its desired goals i.e. earning profit.

2.2 Approaches and Philosophy of Deposit Mobilization and Loan Disbursement

Bank Industry plays a vital role in the economic resource allocation of countries. They channel funds from depositors to investors continuously (Shanta and Mithun, 2014). They can do so, if they generate necessary income to cover their operational cost they incur in the due course.

In other words, for sustainable intermediation function, banks need to be profitable. Beyond the intermediation function, good financial performance rewards the shareholders for their investment (Vincent & Gemechu, 2013). This, in turn, encourages additional investment and brings about economic growth. On the other hand, poor banking performance can lead to banking failure and crisis which have negative repercussions on the economic growth (Marshall, 2009, Heffernan, 1996; Shekhar and Shekhar, 2007.) Thus, to avoid the crisis due attention was given to banking performance. The performance of banks industry can be affected by various factors (Al-Tamimi, 2010; Aburime, 2005). These factors can be classified into bank specific (internal) and macroeconomic (external) variables. Among various factors, deposit mobilization and loan disbursement have an impact on performance of banks industry. The impact of deposit mobilization and loan disbursement on bank performance is not widely studied, however, some of the relevant studies have examined the impact of deposit mobilization and loan disbursement on banks' performance around the world (Rajeshwari, 2014, Verma, P., & Kumar, N. 2007, Kaur, R. 2012) As cited by Khalily and Hushak (1987), 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. Herald and Heiko (2009) states deposits are the main source of banks to provide loan. On the other side, banks cannot achieve its goals until and unless it mobilizes it deposits in right sectors and by performing different activities. Much kind of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its deposits (Sanderson, 2013). Therefore, Bank mobilizes its deposits by performing different activities to achieve its desired goals i.e. earning profit. According Mohammad and Mahdi (2010) banks are able to earn sufficient profit by mobilizing its deposits in proper way into the different profitable sector. Based on this concept, in the ensuing paragraphs, this study briefly describes the theoretical and empirical perspectives which are used in explaining the impact of deposit mobilization and loan disbursement on financial performance of bank industry.

2.3 Deposit Mobilization and Loan Disbursement

Deposit Mobilization and Loan Disbursement are dissimilar. Banson (2013) have clarified the difference as follows. Deposit Mobilization is the collection of cash or funds by a financial institution from the public through its current, savings and fixed amounts and other specialized schemes. On the contrary, Loan Disbursement is the provision of resources (granting loan) by one party to another, its look for borrowers seek low rates and long terms and it depends on the adequacy of Banks capital and monetary policy. Types of loan are classified into three: long-term loan, middle term loan and short term loan; long term loan is refers to the loan granted from 5-10 years, middle term loan from 1-5years and short term loan from 1-2 years. Loan classified as Real estate loans, Commercial loans, Individual loans, Agricultural loans, International loans and other loan that is investing in other assets that will yield a return higher than the amount bank pays the depositor.

Loan Disbursement is different from Deposit Mobilization in that it is often the result of experience and the maturity that comes with and it focuses on less tangible aspects of performance such as attitudes and values. Whereas Deposit focuses on learning specific behaviors and actions, demonstrate techniques and processes, it is short term and its effectiveness is matured by performance appraisals, cost benefit analysis, passing test or certification. Development focuses on understanding information concepts and context, develop judgments, expand capacities for assignments, and long term in duration. Its effectiveness measured qualified people available when needed. All the same, Armstrong (2006) identified the difference between deposit mobilization and loan disbursement as table 2.1 follows.

Table 2.1: The Difference between DM and LD

Deposit Mobilization	Loan Disbursement
Deposit is a sourcing of funds or borrowing money from customers.	Lending is the provision of resources (granting loan) by one party to another.
Depositors look for high rates, short terms and no risk.	Loan look for borrowers seek low rates and long terms and it depends on the adequacy of Banks capital and monetary policy.

A deposit account is a current, savings and fixed amounts or other type of bank account, at a banking institution that allows money to be deposited and withdrawn by the account holder	Loan classified as Real estate loans, Commercial loans, Individual loans, Agricultural loans, International loans and other loan that is investing in other assets that will yield a return higher than the amount bank pays the depositor.

Source: Mac Donald and Koch (2006)), adopted by Yikeber (2016).

The concept of deposit mobilization and loan disbursement is summarized as: Both deposit mobilization and loan disbursement are functions of financial institution management concerned with organizational activity aimed at bettering the financial performance of individuals, organization and country settings. Deposit mobilization and loan disbursement can also be described as an educational process which involves the sharpening of skills, concepts, changing of attitude and gaining more knowledge to enhance the performance of financial institution. Deposit is a short term/narrow perspective and focuses on specific the collection of cash or funds; but Loan is an investing in other assets that will yield a return higher than the amount bank pays the depositor.

2.4 The Role of Deposit Mobilization and Loan Disbursement

Developing countries are characterized by high dependence on external source of finance for the functioning of their economies. These countries, however, have the option of mobilizing the resource needed to finance their development internally, though this seems to be a long-term task. Developing countries have to exert maximum effort to mobilize resource from within. It is this mobilization of domestic resources that take these countries to self-sustaining development through the financing of domestic investment and social programs. (shende as quated in CBE, 2012). One way of mobilizing domestic resources is tax revenue. For developing countries to take advantage of these sources of finance, they have to broaden the tax base. In addition to taxes, domestic savings are the other resource of finance on which developing countries have to work hard.

2.4.1 Role of Deposit Mobilization and Loan Disbursement for Individuals

To individuals such as households and the public, deposits represent customer's savings or their financial assets. By depositing money in a bank, customers expect the bank to safeguard their savings to utilize them into productive investments for a satisfactory rate of return or to enable them to facilitate their payment transactions (van dahm,1972:2) As Van Dahim (1975:2) explained, recent literature shows a broad consensus regarding the need for clients to access saving services. The main effect of saving accounts is that they prevent the risk of losing cash money in accidents (fire, flooding), theft induced by hoarding or in unnecessary expenditures. Another important element of saving is the assurance that deposits will be safe guarded against unwanted requests from direct or extended family. Saving deposits also help to stabilize income. During periods of needs, savings help to secure the acquired assets which would otherwise have to be sold at a loss to meet emergency needs. Savings are often the most liquid assets and can be accessed more quickly than physical assets. Based on work done by women's world banking we can conclude that two factors determine the propensity to save: income and gender. Low income groups tend to save for emergencies while higher income groups tend to save for emergencies while higher income groups tend to save for acquiring assets. It can be said that, women save for life cycle events while men save for the acquisition of assets.

In contrast to productive credit or consumer credit, savings deposit is often used to acquire essential goods over the short term, especially food and health care thus providing a safety net to meet basic needs. In most households, the woman saves, because they feel responsible for the risks the house hold faces. Studies conducted by women's world banking identify five main reasons why women save: health, education, housing, old age and adult children (e.g. dowry). Savings are also built up over the long term for clearly identified projects requiring considerable planning such as housing or starting up or expanding productive activities. (Robinson, 2000:3)

2.4.2 Role of Deposit Mobilization and Loan Disbursement for a Bank

To a bank, deposit is its main source of funding for which it uses to provide income. Deposits contribute 75% of a bank's total fund. Banks give out loans to deficit economic units or borrowers. Besides loans, banks also mobilize deposits by purchasing trading securities, investments and maintain some as cash in hand to meet withdrawals on demand. The largest amount of deposits a bank receives from its customers, the better is its capacity to give out loans and the higher is the interest income. Because of this positive relationship between deposits, loan and interest income banks are competing intensively and aggressively among other deposit taking institutions to obtain higher deposits by offering attractive deposit rates plus other appealing packages depositors (Robinson, 2004).

"The main business for banks is accepting deposits and granting loans. The more the loans the banks disburse the more profit they make. In addition, banks do not have a lot of their own money to give as loans. They depend on customer deposits to generate funds for generating loans to other customers." As Mohan quoted in CBE (2010), deposit mobilization is one of the most effective means for intermediaries to mobilize resources. It is one of the main functions of banking business and an important source of working fund for the bank. At the level of financial institution, lack of saving facilities will create undue dependence on external source of financing.

2.4.3 Role of deposit mobilization and loan disbursement for the economy

To the economy, bank deposit is the main source of money supply that can be mobilized to generate economic growth and wealth creation. By giving out loans to borrowers and investors, banks create credits. Banks' ability to create credit enable them to supply money to borrowers, suppliers and investors to conduct economic activities, such as opening up plants, funding their working capital requirements, financing their business expansion or increasing their investments. Such economic activities create job opportunities, increasing productivity and income, which subsequently lead to wealth creation in the economy. For interest-bearing deposits, interest rate is very important. When market interest rates rise, so would deposit rates and this would attract higher deposits to flow in to the economic system. (Marguerite, 2000.36).A common feature of economic growth theories is the premise that capital accumulation is a prerequisite of economic growth and the savings of individuals and households are an essential part of the process of capital accumulation. Savings determine, to a large extent, the rate at which productive capacity and income grow. On average rapidly growing countries have higher saving rates than lower growing countries. These rates are influenced by many factors: the level of income per capita, the rate of income growth, the age composition of the population and attitudes toward thrift. Macroeconomic and political stability affect expectations and thus, also the saving rate. The services provided by government, such as social security can affect saving, as well as the availability and quality of financial services. Government financial policy also has an impact, and higher real interest rates lead to financial deepening as savers are encouraged to switch their savings from real to financial assets.

According to FAO (1995) until 1980s, however, most developing countries relied heavily on external funding to finance their development and did little to promote domestic savings. Then the flow of external resources, consisting of foreign private investment, official grant aid, public and private borrowing, radically decreased and government efforts to mobilize local resource intensified. Now an adequate domestic savings rate is considered to be essential for the attainment of Sustainable economic growth in developing countries. At the level of national economy, lack of savings limits the amount of national resource and increase the need to resort to foreign indebtedness in order to cover domestic involvement and consumption demand. Numerous countries with low internal savings rate must borrow from abroad, which results in adept service burden. This clearly underlines the importance of domestic savings mobilization to sustain economic growth (CBE, 2010)

2.5 Deposit Mobilization and Loan Disbursement Products

Banking industry classifies the deposit and loans according to purpose or use of proceeds. Some authors who wrote in banking such as Islam & Ghosh (2014), Mac Donald and Koch (2006), Campbell et al. (1988) and Black and Daniel (1981) grouped deposit and loans into the following categories based on the use of proceeds. A deposit account is a current account, savings account, or other type of bank account, at a banking institution that allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the bank, and represents the amount owed by the bank to the customer. According to (Islam &Ghosh, 2014) the Major types of deposits are: -

Checking accounts: A deposit account held at a bank or other financial institution, for the purpose of securely and quickly providing frequent access to funds on demand, through a variety of different Channels. Because money is available on demand these accounts are also referred to as demand accounts or demand deposit accounts.

Savings accounts: Accounts maintained by retail banks that pay interest but cannot be used directly as money (for example, by writing a cheque). Although not as convenient to use as checking accounts, these accounts let customers keep liquid assets while still earning a monetary return.

Term Deposit: A money deposit at a banking institution that cannot be withdrawn for a preset fixed 'term' or period of time. When the term is over it can be withdrawn or it can be rolled over for another term.

According to Mac Donald and Koch (2006), Campbell et al. (1988) and Black and Daniel (1981) grouped loans into the following categories based on the use of proceeds.

Real Estate Loans: are loans secured by the real estate sector and generally consist either of property loans secured by first mortgages or interim construction loans.

Commercial Loans: consist of commercial and industrial loans, loans to financial institutions, and obligations (other than securities) to states and political sub-divisions. Commercial loans appear in many forms but typically finance firms' working capital needs, equipment purchases and plant expansions.

Individual Loans: include those negotiated directly with individuals for household, family and other personal expenditures, and those obtained indirectly through the purchase of retail paper.

Agricultural Loans: appear in many forms but typically finance agricultural production and include other loans to farmers.

International loans: are essentially business loans and lease receivables made to foreign enterprises or loans guaranteed by foreign governments.

Foreign Banks: include individuals and business firms located abroad and borrowed just like in local borrowers.

Security Loans: many firms hold substantial amount of securities that can be pledged to secure business loans. The amount that bank will loan on securities also depends largely on credit risk and marketability.

Farmer's Loan: Loan for current expenses include loans made by commercial banks for financing recurring seasonal expenses of crop and feeder livestock production, such as seed, fertilizer, labor and fuel.

Other Loans in domestic offices: include all other loans and all lease –financing receivables in domestic offices.

2.6 Factors to Be Considered in the impacts of Deposit Mobilization and Loan Disbursement

It depends up on various factors exogenous as well as endogenous, to the banking Deposit Mobilization and Loan Disbursement system (N. Desinga, 1975). Endogenous factors can be controlled by the banking system; however, the exogenous factors cannot be controlled by the banking system. According to N. Desinga, (1975), stated that, there are many determinants of bank industry deposits and loan classify the variables which are claimed. The researcher has identified seven major determinants that have affected the bank industry deposits and loan from the literature.

1. Bank Interest Rate
2. Population & Economic Growth, Politics & legal issue
3. Bank Capital Adequacy
4. Safety of the Bank:
5. Bank Size
6. Services in the Bank

2.6.1 Interest Rate (Loan and Deposit Rate)

According to Herald & Heiko (2008) state that, the impact of interest rate on the performance of the banking system to achieve the goals that are expected from the banking system. He also mentioned interest as one of the determining factors for commercial banks deposits and loan. (Philip, 1968), also states that the offering of attractive interest rate on bank deposits may be considered to have had a beneficial effect. Moreover, (Mustafa &Sayera, 2009) said that low interest rates are discouraging saving mobilization and encouraging loan disbursement. Interest rate in the banking system is held as investment cost from the investor's point of view and opportunity cost from the depositor's point of view (Mohammad & Mahdi, 2010). Thus, capital market forces balance interest rates. In other words, the just and correct interest rate should be determined through market mechanism, that is, interest rate is balanced in supply and demand conditions in proportion with the inflation rate. (Eustacius& David, 1995), states that deposits and loan are more interest rate sensitive and banks may choose to increase investments in interest rate sensitive assets and to decrease investments in loans. That is bank industry deposits and loan is interest rate sensitive, therefore as the interest rate changes the deposits and loan of the bank industry will change.

2.6.2 Impacts of External Environments (Population& Economic & legal issue) on LD

Population (Growth & Awareness): The twin objectives of commercial banks, i.e. acquiring deposits and advancing credit cannot be attained without good banking habits of the people (Mahendra, 2005). Moreover (Mahendra, 2005) states that, the number of deposit accounts is more important because it ensures that the probability of account is more important because it ensures that the probability of account holders withdrawing cash at a time decreases as the number of deposit account increase, thereby creating advantage for banks in terms of increasing the size of the loanable fund. So, the higher number of deposits accounts the greater is the advantage to banks. The number of deposit accounts depends on the number of deposit account holders. According to M. A. Baqui et al (1987), some analysts argue that demand for deposits is influenced by education level which in turn increases the awareness of the rural people about banking services. Since the study of M. A. Baqui et al (1987) conducted by taking rural area as its base it is obvious that it considers the awareness as a factor of deposit mobilization. It was also found that literacy as a proxy for awareness about banking, positively influence deposits and loan.

Society (Economic Growth &Per Capita Income): 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. So, the relationship between income and deposits is positive that is as the income of the society increases the same happens for the commercial bank deposits. Income is expected to have a positive effect on deposits (M. A. Baqui & Richard L. Meyer, 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. Economic performance is generally being measured through GDP (Gross Domestic Product), a variable that has also become the de factor universal metric for 'standards of living. It is universally applied according to common standards, and has some undeniable benefits mainly due to its simplicity.

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

2.6.3 Bank Capital Adequacy

Thorn & S. (1959) said that reserves that are fixed legally can influence the deposits that banks can hold. According to them reserve requirements determine the maximum amount of loans and investments that each bank and the banking system as a whole may maintain in relation to deposits. Thus, if the reserve requirement is 20 percent of deposits, loans and investment (of the bank's own choosing) may not exceed 80 percent of deposits. Therefore, reserve requirements limit the total expansion of bank deposits that can occur on the basis of any primary increase in deposits. Reserve requirements also have the effect of limiting the reduction in bank credit and deposits that is forced up on the banking system by a primary decrease in deposits. The commercial banks can obtain currency to pay out to customers only by drawing down their reserve deposits at the central bank or by using till money (Thorn & S., 1959). Till money, according to (Thorn & S., 1959) is the currency that banks keep on hand to satisfy day to day needs. They pointed out that bank deposits are a large part of the money supply in virtually all countries. The concept of liquidity in finance principally lies in two areas: - Liquidity of financial instruments in the financial market and the liquidity related to solvency. The former related to liquid financial markets and financial instruments, smooth transactions and no barriers. As to (ISMAL, 2010), the latter discusses the obligation of banks to make payments to third parties. Some examples of this includes: setting up liquidity management policies, reserve liquidity, balancing assets and liabilities and preparing liquid financial instruments (ISMAL, 2010). An important measure of liquidity is loan to deposit ratio. The loans to deposit ratio are inversely related to liquidity and consequently the higher the loans to deposit ratio the lower the liquidity and vice versa (Devinaga, 2010). Key liquidity indicators such as central bank credit to financial institutions, deposits as a share of monetary aggregates, loans to deposits ratios, are important for open market operations and liquidity management (Sheku, 2005). The basic need for liquidity, asset, liability, capital adequacy, credit and interest rates risk management are now more challenging than before. The banks' liquidity management involves acquiring sufficient liquid asset to meet the bank's obligation to depositors. According to the theories of financial intermediation, the two most crucial reasons for the existence of financial institutions, especially banks, are their provision of liquidity and financial services (ISMAL, 2010). According to (ISMAL, 2010), Regarding the provision of liquidity, banks accept funds from depositors and extend such funds to the real sector while providing liquidity for any withdrawal of deposits, however the banks' role in transforming short term deposits into long term loans makes them inherently vulnerable to liquidity risk(Bank for International Settlements, 2008b:1). Individual, business and government will be willing to deposits their money in banks if they are certain that they are save to withdraw the money whenever they want, this is the question of liquidity of banks. The more liquid banks can attract the deposits.

2.6.4 Safety of the Bank:

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

2.6.5 Bank size

Erna &Ekki, (2004), finds that the long run relationship between commercial banks deposits and the profitability of the banks. Higher bank profits would tend to signal increased bank soundness, which could make it easier for these banks to attract deposits (Herald &Heiko, 2008). However, the effect of bank profitability and bank size are found to be insignificant once controlling for the other variables. So, the effect of profitability and banks size on commercial bank deposit is lower as compared with other variables.

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& Richard L. Meyer, 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 &Ekki, (2004), there is a long run relationship between commercial bank branch and commercial banks deposits.

It is often argued that branching stabilizes banking system by facilitating diversification of bank portfolios. (Mark & Kris, 2006), found from theoretical literature on banking regulation that branch banking leads to more stable banking systems by enabling banks to better diversify their assets and widen their deposit base. An argument commonly articulated in the literature is that branch banking stabilizes banking systems by reducing their vulnerability to local economic shocks; branching enables banks to diversify their loans and deposits over a wider geographical area or customer base (Mark & Kris, 2006). Restrictions on branching have been linked to the instability of banking systems. (Daniel, 2005), suggest that the lack of widespread branching bank networks hindered the development of large-scale industrial firms. It is stated that unit banks become increasingly incapable of receiving deposits from a widespread geographic area. The single office bank is also not able to monitor geographically diffuse debtors as easily as could be done with multiple offices. Moreover, it can be concluding that under branch banking the mobility of capital is almost perfect.

Among the factors prominently identified as affecting deposit variability one is bank size. Evidence indicates that the number and diversity of the ownership of individual deposit accounts as well as the distribution of deposits by type vary with bank size (Kaufman, 1972). (Herald &Heiko, 2008), founds that although insignificant once controlled by other variables bank size have an effect on deposits. Smaller banks have to generate fewer deposits in absolute terms to achieve the same deposit growth than large banks, thus possibly favoring smaller banks in achieving higher deposit growth. But a larger bank with economies of scale as well as larger branch network might be able to better attract deposits (Herald &Heiko, 2008).

2.6.6 Quality Services in the Bank

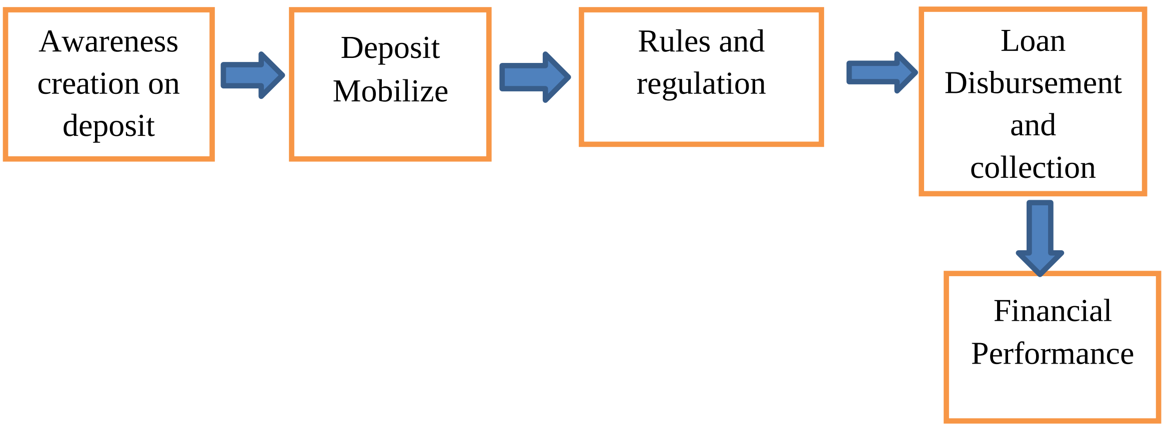
It is known that banks are service giving organizations and the service delivery can affect their business undertakings. M. A. Baqui et al (1987) stated that there is some empirical evidence demonstrating the positive influence of services rendered to depositors and loaner. Services in the bank should be attractive enough for the depositors and loaner so as to mobilize deposits and loan disbursed. 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).

Financial technologies such as card banking enable customers' access to cash services 7-days-24 hours by making large cash carrying unnecessary (Mr Gunnar &Mr Zhao, 2013). It shifts out the traditional frontier of access to banks. Deposit per capita of countries had grown well after the introduction of card payment, ATM and mobile/internet banking technologies in their financial system. A study in Georgia indicated that these technologies have reduced public preference to holding cash in purse. Road and vehicles directly influence interest bearing deposits because of the reduction in depositors' transaction costs through reduced time spent in travelling to and from banks (M. A. Baqui et al,1987). Banks can mobilize more deposit when they make themselves closer to their customers (depositors).

2.7 Process of Deposit Mobilization in Banking Industry

The larger the amount of deposits a bank receives from its aware customers, the better is its capacity to give out loans and the higher is the interest income, and get the better achievements of financial performance at banking industry (Sholapur, 2010). According to Sholapur, (2010) stated that, the deposit mobilization directly related to loan disbursements, based on the rules and regulation of the deposit and loan activities that affect the financial performance of banking industry. As figure 2.1 shows below.

Figure 2.1: Process of Deposit Mobilization and Loan Disbursement



Source: Own Construction from Literatures & field survey, 2020

2.8 Profitability of the Bank

Jane (2014) cited from Donald and Koch (2006), Financial Performance is the important factor and the building block which increases the performance of the overall banks industry. Financial performance depends on many factors like Bank Interest Rate, Security, Bank Size and the management's commitment but the most important factor of financial performance is Deposit Mobilization and Loan Disbursement. According to Popa et al. (2009) stated that financial performance is measured against the performance standards set by the banks industry. Financial Performance is normally looked at in terms of outcomes. However, it can also be looked at in terms of behavior. There are a number of measures that can be taken into consideration when measuring performance for example using of Generate the More Income or Profitability, Increasing the Bank Size & Image, Ensuring the Return on Asset (ROA), Build Sufficient Capital, Provide Large Amount Loan, Enhanced Employee Commitments and Customer Satisfaction measures are as follows.

- **Profitability is** the ability to earn profits consistently over a period of time. It is expressed as the ratio of gross profit to sales or return on capital employed.
- The **Return on Asset (ROA)**: as measure of business performance it explains productivity of the managements in utilizing assets properly to generate profit.
- **Provide Large Amount Loan:** it describes the total amount that an applicant is authorized to borrow. Maximum loan amounts are used for standard loans, credit cards and line-of-credit
- **Employee Commitments and Customer Satisfaction**: - Commitment to work or work commitment is defined as the level of enthusiasm an employee has towards his/her tasks assigned at a workplace. It is the feeling of responsibility that a person has towards the goals, mission, and vision of the organization he/she is associated with. There are Top 5 Strategies to Improve Employee Commitment and Loyalty namely set clear goals and objectives, instill positive energy among the workforce, help employees fit in well in the workplace, create a competitive work environment, Ensure skills grooming training programs. Employee satisfaction raises employee productivity, and higher productivity means greater service and value to customers. This value leads to increased customer satisfaction and loyalty, which promotes profitability and continued success

2.9 Relationship between DM and LD and Financial Performance

According to Sholapur, (2010) stated that, the deposit mobilization directly related to loan disbursements that affect the performance loan activity of banking industry. He concludes that, the larger the amount of deposits a bank receives from its customers, the better is its capacity to give out loans and the higher is the interest income. From this illustration, the larger the amount of deposits a bank receives from its customers, the better is its capacity to give out loans and the higher is the interest income, and get the better achievements of financial performance at banking industry. So, the deposit mobilization and loan disbursements interventions and their outcomes such as financial performance, customer satisfaction, profitability, asset quality, return on asset and overall financial performances are emphasized on the banking industry objectives. There is a positive relationship between impact of Deposit Mobilization and Loan Disbursement and Financial Performance.as below figure show that; the larger the amount of deposits a bank receives from its customers, the better is its capacity to give out loans and the higher is the interest income, and get the better achievements of financial performance at banking industry. So, the deposit mobilization and loan disbursements interventions and their outcomes such as profitability and return on asset performances are emphasized on the banking industry objectives.

Figure 2.2: Relationship between impacts of DM and LD and Financial Performance.

Source: Khalily and Hushak (1987) Adapted by Abayneh Yigzaw (2016)

2.10 Empirical Literature

Empirical findings are one of the significant components of literature review in the study of a give research. These types of literature contribute a lot of the effective of the investigation under study revealing the gap that the research wants to finds out and how the research had empirically undertaken. Here under are the researcher reviews of some important issues which were conducted by different researchers in Ethiopia:

Solomon Yimenu (2018) examined Impact of Deposit Mobilization and Loan Disbursement on Financial Performance in Ethiopia among 277 employees (includes both workers and managers) at commercial bank of Ethiopia. The researches regarding to determinants of Deposit Mobilization and Loan Disbursement; all the independent variables i.e. Amount of deposit mobilized, Amount of loan disbursed and none performing loan has a significant impact on Financial Performance. The link shows that a positive advancement on the independent variables can enhance the Financial Performance. The correlation analysis indicates that independent variables; amount of deposit, amount of loan disbursed and none performing loan have a positive correlation with return on asset. Besides, control variable (Bank size) has a positive correlation with return on asset.

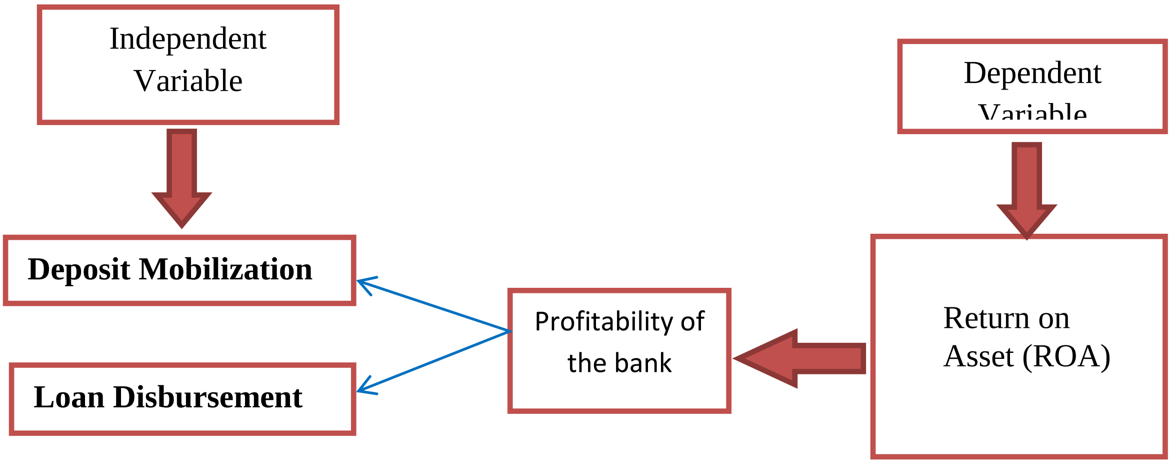
Worku (2006) argued that liquidity has an impact on the performance of commercial banks in Ethiopia and there is an inverse relation between deposit/net loan and ROE. And the coefficient of liquid asset to total asset is positive and directly related with ROE. Worku (2006) also studied capital adequacy and found that the capital adequacy of all banks in Ethiopia were above threshold, means there is sufficient capital that can cover the risk-weighted assets. Depositors who deposit their money in all banks are safe because all the studied banks fulfilled NBE requirement (Worku, 2006). Worku used different ratios when analyzing liquidity effect on banks performance and these ratios were liquid asset/net profit, liquid asset/total assets, net loans/net deposits, interest income/net deposit and interest income/interest expense (Worku, 2006).

Anteneh Teshome (2018) examined Financial Performance analysis of in Ethiopia among 18 banks in Ethiopia and incorporated 61% of total population. The researches regarding to Financial Performance of Capital adequacy, asset quality, management efficiency; all the independent variables i.e. Amount of deposit mobilized, Amount of Financial Performance (Capital adequacy, asset quality, management efficiency) has a significant impact on Financial Performance. The link shows that a positive advancement on the independent variables can enhance the Financial Performance. Capital adequacy, asset quality, management efficiency has an inverse relationship with return on equity, while liquidity and net interest margin have direct relationship with it.

2.11 Conceptual Framework

The conceptual framework can be defined as the system of concepts, assumptions, expectations, beliefs, and theories that supports and informs of the research and it is a key part of the research design (Miles and Huberman, 1994; Robson, 2011). This study is guided by the following conceptual framework, which used to explain the interrelationship between the variables. The proposed model is self-made and explains the relationship between deposit mobilization and loan disbursement on financial performance. Financial performance is a dependent variable and deposit mobilization and loan disbursement is independent variable. Bank-specific factors (such as Deposit, Interest rate, Security, Branch Expansion, Service Quality and Technology Awareness) All the same, impact is intervening variable that explains the relationship between the dependent and independent variable as shown figure 2.3 below.

Figure 2.3: Conceptual Framework



Source: **Own Construction from Different Literatures, 2020**

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter describes the Research Methodology that consists, research design and approach, population of the study, sample size and sampling techniques, sources and types of data, data collection tools, data collection procedures, data analysis method and statistical tools used in the study.

3.1 Research Methodology

According to Leedy and Ormrod (2005) research methodology is a means to extract the meaning of data. Data and methodology are highly interdependent. Therefore, the methodology to be used for a particular research problem must always take into consideration about the nature of data that would be collected to resolve the research problem. This Research Methodology contain the type of research design and approach, population of the study, sample size and sampling techniques, sources and types of data, data collection tools, data collection procedures, data analysis method, validity and reliability analysis and ethical consideration that were applied on the study are explained.

3.1.1 Research Approach and Design

This research was employed both quantitative and qualitative research approach because using mixed research method could offset the bias of any single quantitative data (Creswell, 2009 cited by Yikeber, 2016). And also This study was applied the correlational research design. The research design to show the relationship between impacts deposit mobilization and loan disbursement and profitability of the bank and to determine to what extent the impact of deposit mobilization and loan disbursement contribute to profitability of the bank a case of banking industry in Ethiopia. Thus, the selected method was appropriate for this study.

3.1.2 Target Population

Population can be defined as the whole group of people, events or things of interest that the researcher needs to study (Sekaran, 2001). So as to perform this study, the first step was to get the total number of populations. The target population was all banks registered by NBE (2018/2019) report and under operation in the country currently.

3.1.3 Sample frame and Sample

Due to resource constraint, it is difficult to cover all the banks in Ethiopia that stretched all over the country, and to keep the study manageable, however, the study has focused only each bank of Ethiopia employees that operate in Addis Ababa city branches and Head office. The researcher carried out the research in different each Bank which is locates in Addis Ababa. According to NBE, 2018/2019 report, the total population that located in Addis Ababa is around 15,950 (i.e. cover 38% of the over population of banking industry in Ethiopia).

3.1.4 Sample Size

Sampling is the process of selecting units (e.g. people, organizations) from a population of interest so that by studying the sample, a fairly generalize results is trace back to the population from which they were chosen. From the types of probability sampling, this study finds stratified random sampling appropriate for selecting samples from the population. In this study, the total population of Addis Ababa was divided in to five stratums based on geographical area and from this each stratum the researcher takes samples because each subgroups of the population have an equal likelihood of being selected to be part of the sample. A stratified random sampling allows us to take into account, the different subgroups of people in the population and helps guarantee that the sample accurately represents the population on specific characteristics.

The head office employees and especially human resource (HR) management staffs has selected for interview using purposive sampling technique has also used to select interviewees (four district HR and business managers and Senior Human Resource Development officer in the organization head office). This is because of that; these five participants are the main actors of the system and their role and closeness to the subject they believed to be having a better knowledge on the subject. This is because of the fact that studying a subset of the population is manageable size relative to study the entire population due to time, cost and accessibility. Thus, the sample size was determined so as to represent the whole population. In this study, the sample size was extracted through the use of Yamane's (1997) Statistical Formula adopted by Mitiku (2017) and illustrate as follows. i.e.

Where n = sample size

N = population of the study

$$\boxed{\mathbf{n = N/N\,(e)^2+1}}$$

e = % level of significance or margin of tolerable error. The researcher was considered 5% level of significance or margin of tolerable error and the confidential level is 95%.

$$\boxed{\mathbf{n= 15{,}950/15{,}950(.05)^2 +1 \quad = 389}}$$

By computing the sample size of the population using the above formula, the sample size for both who receives questionnaires and conduct an interview to the study were 389 i.e.

Therefore, a sample size of 389 has been selected from a total population of 15,950 that is the total employees that works in bank industry in Addis Ababa. The sample size is sufficiently large enough to produce results among variables that are significantly different and it broadens the range of possible data and forms a better picture for analysis. And also, the samples of the total population for all banks were stratified on the basis of geographical area and business process/work team. Hence, the sample size representing the number of each team who receives questionnaires divided into strata and calculated using this simple formula (Mitiku, 2017).

$$\boxed{X= n (p) / N}$$

Where X = sample size in each work team

n = total sample size of the study who receives questionnaires

P = population size of the team in each stratum excluding the team leaders

N = total population of the study excluding the team leaders.

Table 3.1: Sample frame & size distributions

Strata's for all Bank in Addis Ababa	Sampling Frame	Sample Size	sample size in each work team				
			work team	**P**	**n**	**N**	**X**
Head Office	3,410	83	Branch manger	14	83	389	3
			Senior customer services	112	83	389	24
			Credit officer	98	83	389	21
			Planning and marketing officer	110	83	389	23
			Customer service manager	56	83	389	12
South Addis Ababa District	3,540	86	Branch manger	28	86	389	6
			Senior customer services	96	86	389	21
			Credit officer	96	86	389	21
			Planning and marketing officer	110	86	389	224
			Customer service manager	60	8	389	13
East Addis Ababa District	3,360	82	Branch manger	14	82	389	3
			Senior customer services	109	82	389	23
			Credit officer	98	82	389	21
			Planning and marketing officer	110	82	389	23
			Customer service	60	82	389	13

			manager				
North Addis Ababa District	2,680	65	Branch manger	18	65	389	3
			Senior customer services	112	65	389	17
			Credit officer	112	65	389	17
			Planning and marketing officer	90	65	389	18
			Customer service manager	56	65	389	10
West Addis Ababa District	2,960	72	Branch manger	14	72	389	3
			Senior customer services	126	72	389	21
			Credit officer	112	72	389	21
			Planning and marketing officer	112	72	389	17
			Customer service manager	56	72	389	10
Total	15,950	389					389

Source: NBE portal September, 2018/19

3.1.5 Data Type and Sources

The study used both primary and secondary data. The primary data is collected from management; and staffs of the banking industries. Questionnaires prepared were distributed in order to gather information from employees of banking industries. Currently there are 18 Banks in Ethiopia. Out of these 16 privates and two states owned bank which are licensed and operating in Ethiopia under NBE. For the purpose of this study the researcher selected all banks at work in Ethiopia as a sample which covers above 38 percent of the total population. The selection is primarily based on stratified sampling technique in which it is based on the availability of data for the period 2018/19. The secondary source of data was the audited financial statements, number of population and branches of the banking industry. These data were obtained from each banks and National Bank of Ethiopia.

3.1.6 Methods of Data Collection

Data were collected through primary (self-administered questionnaires and interview guide) and the secondary source of data was the audited financial statements of the banking industry over a period of nine years (2011-2019). These data was obtained from National Bank of Ethiopia.

3.1.7 Data Collection Procedures

To get full support in overseeing and collecting the data, first contact was made with the human resource department of the organization. Following this, respondents who filled out, Then the questionnaires were distributed (drop-off method) to the respondents. The filled-out questionnaires and interview results were collected (pick-up method) and systematically organized. Finally, the collected data were edited through data cleaning, coding & data verification and analyzed quantitatively and qualitatively.

3.1.8 Methods of Data Analysis

Data collected from respondent employees through questionnaire and interview discussions are analyzed and interpreted so as to arrive at meaningful findings. The researcher used Microsoft Excel software to code, summarize and analyze the collected responses from questionnaires. After proper editing, data was coded; entered to the SPSS Version 24 software and then it was made ready for analysis and the results were presented through tables and figures. For secondary data Descriptive statistical techniques, correlation and linear regression methods are adopted for analysis of data collected from questionnaire responses of respondents. In so doing frequency tables and percentages were applied. This helps to thoroughly analyze and interpret the questions in order to achieve sound results. The descriptive statistics was used to quantitatively describe the important features of the variables using mean, median, maximum, minimum and standard deviations. The correlation analysis was used to identify the relationship between the independent, dependent and control variables. Multiple panel linear regression also used to test the hypothesis and to explain the relationship between the variables.

3.1.9 Model Specification

The Main Objectives of the study is to examine the impact of deposit mobilization and loan disbursement on the financial performance; a case of banking industry in Ethiopia. Under this study there are two independent variables (DM and LD) and one dependent variable (Return on Asset (ROA)).

Instead of this the study were used multiple linear regression models so that the Impact of DM & LD significantly predicts the Financial Performance at Banking Industry in Ethiopia.

The equation of the multiple regression lines is defined by the following

$$\boxed{ROA = \beta 0 + \beta 1DM + \beta 2LD + e}$$

Whereas, ROA= Return on Asset /Yi= Outcomes score (dependent variable); β0 = constant value /correlation; β1DM = Coefficient for slope of DM; β2 LD = Coefficient for slope of LD and e= St. Error of estimate.

3.1.10 Validity and Reliability

The validity defined as the degree to which a measure accurately represents what is supposed to (Hair et al., 2007). Validity is concerned with how well the concepts are defined by the measure(s). It also refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration. However, an instrument cannot measure the attribute of interest if it is unpredictable, inconsistent, and inaccurate. As this specific study the validity test to be used is addressed the impacts are measured at the time, the questionnaire was modified with necessary recommendations of the thesis advisor and measure of internal validity is whether the finding shows strong foundation or not. Therefore, the finding in this specific study is strongly supported by the reality in the context and the general theory in the field (Leary, 2004).

Reliability refers to is whether an instrument can be interpreted consistently across different situations or it relates to the consistency of collected information. Cronbach's alpha is a coefficient of reliability. It was first named by Lee Cronbach in 1951. The pre-testing of this study was done to know the reliability and construct validity of the constructs of the questionnaire, a stratified sample size of 30 was chosen from the study population who were then excluded from the final study to get rid of biasness. The following measures were used to achieve the internal consistency among items in the construct adopted from EL Hajjar (2014): Cronbach's alpha acceptable value is > .80; interim correlation acceptable value is > .30, and item total correlation is > .50. Accordingly, reliability analysis was run to check the reliability of the instrument employed in this research, and the result presents as follows.

Table 3.2: Coefficient of Reliability

Alpha value	Number of Items
.719	50

Source: *Field Survey Questionnaire 2020* output result from SPSS version 24

As shown in the above table 3 the coefficient of reliability for the data collection instrument for all 50 items is .719 Alpha values. In this regard, items with a coefficient alpha greater than .80 are considered to have a very good reliability (Duffy, 2001) and Said Taan, 2018). Therefore, based on the above test results, the instrument scored acceptable Cronbach's alpha and the instrument is found reliable. All the same, the reliability score for the individual items of the deposit mobilization and loan disbursement with the financial performance ranges between .487 and .777 Therefore, based on the test results as shown below table 4, individual items of the instrument scored acceptable/not Cronbach's alpha and each items of the instrument found reliable.

Table 3.3: Coefficient of Reliability for each item

No	Variables	Items in number	Alpha value
1	Impact of Deposit Mobilization	20	.776
2	Impact of Loan Disbursement	23	.487
4	Profitability of the bank	07	.777
	Total	**50**	**.7190**

Source: *Field Survey Questionnaire 2020* output result from SPSS version 24

3.1.11 Ethical Consideration

There are certain ethical protocols that have been followed by the researcher. The first is soliciting explicit consent from the respondents. This ensures that their participation to the study is not out of their own volition. The researcher also ensured that the respondents were aware of the objectives of the research and their contribution to its completion. One other ethical measure exercised by researcher is treating the respondents with respect and courtesy (Leary2004). This was done so that the respondents were at ease and more likely to give honest responses to the questionnaire. There were also ethical measures that have been followed in the data analysis. To ensure the integrity of data, the researcher checked the accuracy of encoding of the survey responses. This was carried out to ensure that the statistics generated from the study are truthful and verifiable (Leary 2004).

3.2 Conclusion

In conclusion, the chapter considered the research methodology that used for the study including research design, research strategy (approach), data source, research population, sample frame, sample size, sampling technique, source of data, Data collection procedures, methods of data collection, methods of data analysis, validity and reliability analysis and ethical consideration etc.

CHAPTER FOUR

ANALYSIS AND INTERPRETATIONS OF DATA

Introduction

This chapter focuses on the analysis and report of the results of the study. The chapter has 2 (two) sections. At the first section of the chapter, the Quantitative: analysis and discussion of findings: contains the demographic profile of the respondents, the main part of the study, the analysis and interpretation of data those were collected through questionnaire are presented. The second section of this chapter used to present qualitative results from interviewees in support of the quantitative results. Presentation of findings in each section is according to the order of basic research questions of the thesis. Descriptive and inferential analysis of the study was presented respectively. The data for this study was collected using a self-administered questionnaire and semi-structured interview guide to identified sample respondents. The total of 389 questionnaires were distributed and 370 were collected that accounts 95% response rate, (5%) of them were unfiled; no questionnaires were rejected due to missing data. This response rate was adequate to safely conclude on the impact of deposit mobilization and loan disbursement on the financial performance of banking industry in Ethiopia. Accordingly, the analysis of this study is based on 370 respondents only.

4.0 The Quantitative: Analysis and Discussion of Findings

The quantitative analysis involves use the descriptive statistics and Results of Inferential Statistics. Descriptive statistics were computed in the form of frequency distribution, percent, mean and standard deviation for all variables and for the responses of all respondents. Computed frequency distribution and percent is used to determine the proportion of respondents choosing the various responses. All the same, Computed mean is used to measure the central tendency on each dimension in the questionnaire which implies that the levels of agreeableness and disagreeableness of the respondents/perceptions of the respondents on various dimensions in the questionnaires. And the value of standard deviation indicates that how much variation a value deviates from the mean. The Results of Inferential Statistics were measure the study variable in the form of correlation and regression analysis and interprets the results.

4.1 Demographic Characteristics of Respondent

The first part of the questionnaire consists of 5 (five) items about demographic data of the respondents such as: Sex group of the respondents, Age Group, Academic qualification of respondents, Work Experience and Job Position of the respondents; this helps the researcher to understand the characteristics of respondents with in different categories and the following table summarized the demographic data of the respondents

Table 4.1: Demographic Profile of the Respondent

#	Demographic Variables	Variables.	Frequency (N=370)	Percent (%)	Cumulative Percent (%)
1	Gender (Sex)	Male	**173**	**46.8**	**46.8**
		Female	**197**	**53.2**	**100**
2	Age	18-25	**97**	**26.2**	**26.2**
		26-30	**184**	**49.7**	**75.9**
		31-40	**89**	**24.1**	**100**
3	Education Level	Level 4 certificate	**0**	**0**	**0**
		First Degree	**283**	**76.5**	**76.5**
		Master& Above	**87**	**23.5**	**100**
4	Experience years	1-5 years	**184**	**49.7**	**49.7**
		6-10years	**111**	**30.0**	**79.7**
		11-15 years	**49**	**13.2**	**93.0**
		16-20	**13**	**3.5**	**96.5**
		More than 21 years	**13**	**3.5**	**100.0**
5	Job position	Branch manager	**63**	**17.0**	17.0
		S/customer service officer	**97**	**26.0**	43.0
		Customer service officer	**122**	**33.0**	76.00
		Credit officer	**60**	**16.2**	92.2
		Plan and marketing Officer	**28**	**7.8**	100.00

Source: *Field Survey Questionnaire 2020* output result from SPSS version 24

As shown from the above table 4.1, the majority 197(53.2%) of the respondents were Female and the remaining 173(46.8%) of the respondents were Male. Regarding the Age group of the respondents, the greater part 184(49.7%) of respondents were within the age category of 26-30 years. The second were 97(26.2%) within the age category of 18-25 years. The third were 89(24.1%) within the age category of 31-40 years respectively. With regard to Academic qualification of the respondents, the majority of the respondents were 283(76.5%) first degree. The second group 87(23.5%) of the respondents were holders of 2nd Degree and above. With regard to the Work Experience of the respondents, largest group of respondents 184(49.7%) had a working experience of 1 to 5 years. The second group 111(30%) of respondents have served in the banking industry in between 6-10 years. The third group 49(13.2%) of respondents have served in the banking industry in between 11-15 years. The fourth group 13(3.5%) of respondents have served in the banking industry in between 16-20 years, and the last group 13(3.5%) of respondents have served in the banking industry 21 and above years. With regard to the Job Position of the respondents, the majority of the first and the second respondents were Customer service officer 122(33%) and senior customer service officer respectively. The third group 63(17%) of the respondents were Branch manager. The fourth group 60(16.2%) of the respondents were Credit officer and the last group 28(7.8%) respondents were Plan and marketing officer.

From the results of Demographic Profile of respondents, it can be concluding that majority of the banking industry employees are degree and Master Holders and also Young employees and energetic employees were worked at the industry which made the banking industry to become more productive and competitive advantageous that supports its deposit mobilization and loan disbursements targets accordingly.

4.2 Perception of Respondents on impact of DM and LD

The First question of the study is what are the impacts of deposit mobilization and loan disbursement that affect the profitability of the bank a case of banking industry in Ethiopia? The study identifies 6 (six) impact of deposit mobilization and loan disbursement identified based on the nature of banking industry**.**

Table 4.2: Perception of respondents on impact of DM and LD

A	**Impacts of Deposit Mobilization (DM) and loan disbursements**
1	Bank Interest Rate
2	Population Growth, Economic Growth, Politics & legal issue.
3	Bank Capital Adequacy
4	Security of the Bank:
5	Bank (Image, Size & accessibility)
6	Services in the Bank

Source: *Field Survey Questionnaire 2020* output result from SPSS version 24

4.3 Extents (Level) of the Impact of DM and LD on the profitability of the bank

The Second Objective of the study is to determine to what extent the impact of Deposit Mobilization and Loan Disbursement contribute to the profitability of the bank; a case of banking industry in Ethiopia. The above illustrated the impact of Deposit Mobilization and

Loan Disbursement by what extent affect profitability of the bank a case of baking industry in Ethiopia? Look the respondent answer in detail as below:

4.3.1 Extents (Level) of the Impact of DM on the profitability of the bank

Table 4.3: Extents (Level) of the Impact of DM on the profitability of the bank

B	Variables	Level of Agreement					Mean	St. Deviation
		SDA N (%)	**DA N (%)**	**N N (%)**	**A N (%)**	**SA N (%)**		
1	Bank Interest Rate		24(6.5)	12(3.2)	211(57)	123(33.2	4.17	.773
2	Population & Economic Growth, Politics & legal issue.			97(26.2)	161(43.5)	112(30.3)	4.04	.752
3	Bank Capital Adequacy		12(3.2)	101(27.3)	196(53)	61(16.5)	3.83	.734
4	Safety of the Bank:			48(13)	162(43.8)	160(43.2)	4.30	.687
5	Bank (Image, Size & accessibility)			72(19.5)	187(50.5)	111(30)	4.11	.696
6	Services in the Bank			49(13.2)	172(46.5)	149(40.3)	4.27	.681
	Impacts of DM			**24(6.5)**	**272(73.5)**	**74(20)**	**4.17**	**.580**

Source: *Field Survey Questionnaire 2020* output result from SPSS version 24

As shown from table 4.3 above, overall findings suggest that; 346(93.5%) and 24(6.5%) respondents are choosing agree and neutral, respectively. And also score that group mean/St. Deviation is 4.17(± .580) for Impacts of deposit mobilization on profitability of the bank. That means; the respondents have a positive perception about profitability of the bank of the banking industry in Ethiopia.

4.3.2 Extents (Level) of the Impact of LD on the profitability of the bank

Table 4.4: Extents (Level) of the Impact of LD on the profitability of the bank

C	Variables	Level of Agreement					Mean	St. Deviation
		SDA N (%)	**DA N (%)**	**N N (%)**	**A N (%)**	**SA N (%)**		
1	Bank Interest Rate		37(10)	86(23.2)	185(50)	62(16.8)	3.72	.855
2	Population & Economic Growth, Politics & legal issue.			75(20.3)	259(70)	36(9.7)	3.89	.538
3	Bank Capital Adequacy		12(3.2)	113(30.5)	172(46.5)	73(19.7)	3.83	.777
4	Safety of the Bank:			48(13)	162(43.8)	160(43.2)	4.30	.687
5	Bank (Image, Size & accessibility)			72(19.5)	187(50.5)	111(30)	4.11	.696
6	Services in the Bank			**49(13.2)**	**172(46.5)**	**149(40.3)**	**4.27**	**.681**
	Impacts of LD			**24(6.5)**	**272(73.5)**	**74(20)**	**4.14**	**.497**

Source: Field Survey Questionnaire 2020 output result from SPSS version 24

As shown from table 4.4 above, overall findings suggest that; 346(93.5%) and 24(6.5%) respondents are choosing agree and neutral, respectively. And also score that group mean/St. Deviation is 4.14(± .497) for Impacts of loan disbursement on profitability of the bank. That means; the respondents have a positive perception about profitability of the bank of the banking industry in Ethiopia.

4.3.3 Extents (Level) of the Impact of MD & LD on the profitability of the bank

Table 4.5: Extents (Level) of the Impact of MD&LD on the profitability of the Bank

D	Variables	Level of Agreement					Mean	St. Deviation
		SDA N (%)	**DA N (%)**	**N N (%)**	**A N (%)**	**SA N (%)**		
1	Impact of DM on the profitability of the bank			36(9.7)	235(63.5)	99(26.8)	4.17	.580
2	Impact of LD on the profitability of the bank			24(6.5)	272(73.5)	74(20)	4.14	.497
	Impact of DM &LD on the profitability of the bank			**36(9.7)**	**248(67)**	**86(23.2)**	**4.14**	**.559**

Source: *Field Survey Questionnaire 2020* output result from SPSS version 24

As shown from table 4.5 above, overall findings suggest that; 334(90.3%) and 36(9.7%) respondents are choosing agree and neutral respectively. And also score that group mean/St. Deviation is 4.14(± .559) for Impacts of deposit mobilization and loan disbursement on Financial Performance. That means; the respondents have a positive perception about financial performance of the banking industry in Ethiopia.

4.4 Profitability of the bank

Table 4.6: Perception of respondents on profitability of the bank

E	Variables	Level of Agreement					Mean	St. Deviation
		SDA N (%)	**DA N (%)**	**N N (%)**	**A N (%)**	**SA N (%)**		
1	Banks industry generate the more income or **Profitability**		13(3.5)	24(6.5)	210(56.8)	123(33.2)	4.20	.707
2	Banking industry is the return on asset (**ROA)** of the bank.			12(3.2)	173(46.8)	185(50)	4.47	.561
3	**employee commitments and customer satisfaction**			25(6.8)	221(59.7)	124(33.5)	4.27	.576
4	Provides **large amount loan disbursement**.			12(3.2)	198(53.5)	160(43.2)	4.40	.553
	Profitability of the bank				**197(53.2)**	**173(46.8)**	**4.47**	**.499**

Source: *Field Survey Questionnaire 2020* output result from SPSS version 24

As shown from table 4.6, overall findings suggest that; 197(53.2%) and 173(46.8%) respondents are choosing agreed and strongly agreed, respectively. And also score that group mean/St. Deviation is 4.47(±.499) for profitability of the bank. That means; the respondents have a positive perception about profitability of the bank; a case of the banking industry in Ethiopia

4.5 Results and Discussion of Correlation and Regression Analysis

4.5.1 Correlation analysis

Correlation was used to find out the relationship between the independent variables (Deposit Mobilization and Loan Disbursement) and the dependent variable (**Profitability of the Bank**) conceptualized in the framework. A correlation coefficient expresses quantitatively the magnitude and direction of the linear relationship between variables, Pearson correlation coefficient reveal magnitude and direction of (either positive or negative) and the intensity of the relationship (-1 to +1). The researcher used one of the most commonly used types of correlation coefficient which is Pearson correlation coefficient methods because of the statistical accuracy that usually results from these methods. The strength of correlation would interpret through suggestion by Evans (1996) as cited in Mitiku (2017), as shown in the following pattern.: - 0.00 - 0.19 very weak, 0.2 - 0.39 weak, 0.4 - 0.59 Moderate, 0.6 - 0.79 strong, 0.8 - 1.0 very strong

Table 4.7 Pearson's Correlation Analysis

Variables	**Sample**	**DM**	**LD**	DM and LD	**Profitability of the bank**	**Sig. (2-tailed)**
Pc Analysis For DM	370	1	.840	.948	.650	.000
Pc Analysis For LD	370		1	.890	.552	.000
DM and LD	370			1	.608	.000
Profitability of the bank	370				1	.000
**Correlation is significant at the 0.01 level (2-tailed).						

Source: Field Work, 2020

According to Evans, 1996 as cited in Mitiku (2017) state that; the correlation analysis as Pearson correlation; the Pearson correlation of impacts of Deposit Mobilization and loan disbursement with profitability of the bank have .608 or 60.8% and p-value = 0.000. As results show that, the correlation ships between DM and LD with the profitability of the banks have a strong correlation. The coefficient of correlation (R) measures the degree of association between the dependent and the independent variables. Therefore, R=.608-or

60.8% means that there are correlations between DM and LD with the profitability of the banks have a strong correlation at banking industry in Ethiopia.

4.5.2 Hypothesis Tests Results

The 1st hypothesis tests of deposit mobilization of this study are the null hypothesis "that there is relationship between (profitability of the bank) DV and impacts of Deposit Mobilization (Iv) is accepted (i.e. the sign is indicating positive or direct). The 2nd hypothesis tests of Loan Disbursements of this study are the null hypothesis "that there is relationship between (profitability of the bank) DV and impacts of Loan Disbursements (Iv) is accepted (i.e. the sign is indicating positive or direct). And also, the 3rd hypothesis test significant relationship between DM and LD with profitability of the bank (i.e. the value of p is less than 0.01 and R = .608) is accepted.

4.5.3 Discussion of Regression Analysis and Results

This section found out how the variation of the dependent variable, FP, is explained by a portion variation of the independent variation DM & LD. In addition, linear regression analysis was used to examine the Impacts of the independent variable (DM & LD) on the dependent variable (FP). To achieve this, we find the coefficient of determination and test it is significance, and to determine the regression line and test it is slope. The coefficient of determination R^2 shows how much of the variation of the dependent variable FP, can be explained by a portion variation of the independent variable DM & LD. Table 24 indicates the coefficient of determination R^2 for the linear regression between DM & LD and Financial' performance (FP)

Table 4.8: Analysis model summary of R and R^2

Model Summary [b]										
					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.608[a]	0.423	0.419	0.38068	0.423	134.313	2	367	0.000	1.644
a. Predictors: (Constant), the Impact of LD on the profitability of the bank, the Impact of DM on the profitability of the bank										
b. Dependent Variable: Profitability of the Bank										

Source- survey data (2020)

From the above model summary table 4.8, it can be seen that R is .608 and R square is .423. This indicates about 42.3% of the variance is profitability of the bank (dependent variable) can be explained by overall DM & LD (independent variable), the remaining 57.7% of the variance is explained by other variables that are not included in the study.

Table 4.9: (ANOVA) MD&LD as predictor to PB

ANOVA [a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.928	2	19.464	134.313	.000[b]
	Residual	53.183	367	0.145		
	Total	92.111	369			

a. Dependent Variable: Profitability of the Bank

b. Predictors: (Constant), the Impact of LD on the profitability of the bank, the Impact of DM on the profitability of the bank

Source- survey data (2020)

The f- test (134.313) result in the ANOVA table 4.9 and the p value-.000, tests whether the overall regression model is good predictor and the probability of this result is occurred by chance or not. In this regard, the f- test result is 369 with a significance of less than 0.01, this means, the probability of those results occurs by chance is < 0.001. therefore, significant amount of profitability of the bank is influenced by the DM & LD practice, which means independent variable (MD and LD) significantly predict the dependent variable (profitability of the bank) and it can be concluded as the overall regression model is significant, f(134.313) 369,p<0.01, R^2 = 42.3% (that is the regression model is a good to fit the data). Furthermore, the lower the standard error of the estimate and the higher f–value evidenced that the interdependence of the variables, that is deposit and loan and profitability of the bank have a strong and significant relationship. Therefore, influence, it may be concluded as DM and LD is influence over profitability of the bank is significant, where, p<0.001. This implies that, the banking industry effort to develop its ROA, profit and bank size and intervention of deposit mobilization and loan disbursement practices, impact on profitability of the bank significantly. This result is also in line with the study finding of kum, cowden & karodia (2014) and elnaga and imran (2013), who found that profitability of the bank is predicted by deposit and loan, rendered by banking industry.

Table 4.10: (Coefficient) DM & LD as predictor to profitability of the bank

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.111	0.166		12.706	0.000		
	the Impact of DM on the profitability of the bank	0.545	0.063	0.633	8.650	0.000	0.294	3.404
	the Impact of LD on the profitability of the bank	0.020	0.074	0.020	0.276	0.782	0.294	3.404

a. Dependent Variable: Profitability of the Bank

Source- Field Work (2020)

Based on the above coefficient table 4.10 Beta value .608 indicated that there is a positive relationship exists between overall Deposit Mobilization and Loan Disbursement and overall profitability of the bank. The major finding of this study is R^2 of Impact of DM & LD = .423 means that 42.3 percent of the total variation in the dependent variable (profitability of the bank) is explained by the independent variable (Impact of DM & LD). Which means, changes in the predictor's value are related to changes in the response variable, that is, Impact of DM & LD significantly predicts the Financial Performance at Banking Industry in Ethiopia. In these results, with a goodness fit of 42.3%, we can argue that the regression line is a "Good fit" at Banking Industry in Ethiopia.

The equation of the regression lines is defined by the following

ROA= β0+β1 MD+ β2 LD +e

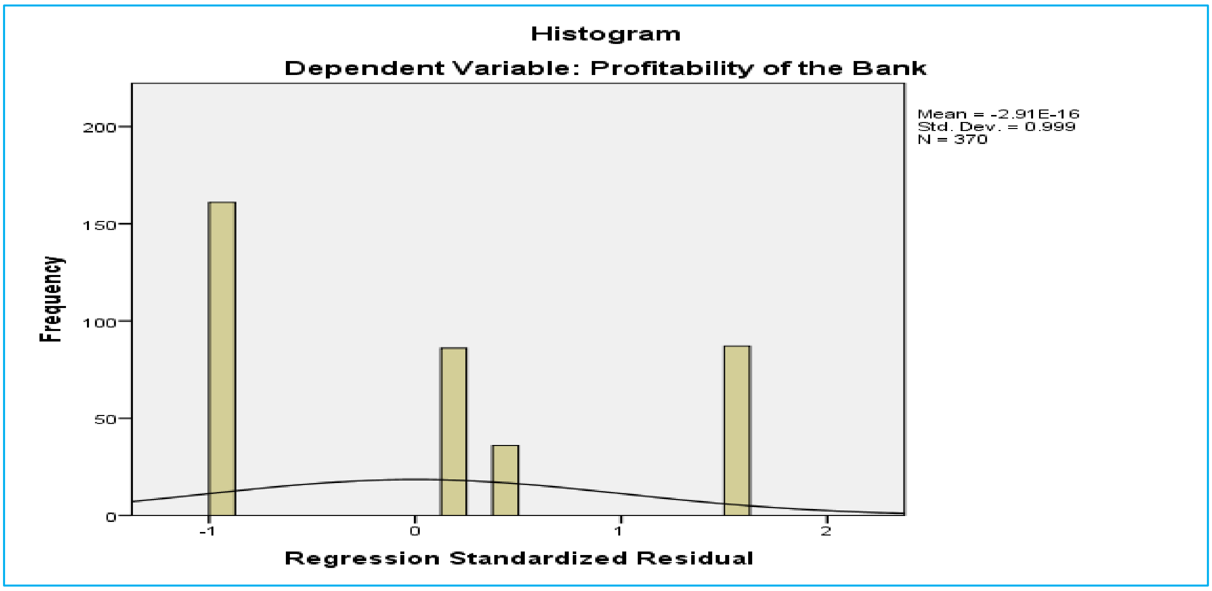
ROA =2.111+.565MD+.02LD+.2

Whereas, **ROA** = Return on Asset or Outcomes score (dependent variable); β0 = constant value /correlation; β1= Coefficient for slope of DM; β2= Coefficient for slope of LD and e= St. Error of estimate.

4.5.4 Normality Test:

Normality test is used to determine whether sample data has been drawn from a normal distributed population. Shapiro Wilk normality test assumption: - if the p-value is less than the threshold the null hypothesis is rejected and the p-value is greater than the threshold the null hypothesis is not rejected.

Figure 4.1: Normality Test



Source- survey data (2020)

As a result, a Shapiro-Wilk's test (P>.05) (Shapiro and Wilk, 1965; Razali and Wah, 2011) and a visual inspection of their Histograms, normal Q-Q plot and box plots showed that the residuals were approximately normally distributed.

4.6 Qualitative data analysis

Qualitative research involves the use of methods such as participant observation or case studies which result in a narrative, descriptive account of a certain practice (Parkinson and Drislane, 2011). The qualitative findings and analysis present sector- based interviews with managers. The qualitative analysis intends to help the quantitative analysis that understands in detail the impacts of Deposit Mobilization and Loan Disbursement on financial performance at banking industry in Ethiopia. Key findings from the study are summarized as follows:

4.6.1 Demographic Characteristics

In all, 18 (eighteen) branches managers of different banks from the banking industry in Ethiopia, selected were interviewed by the help of an in-depth interview guide. Nine out of the eighteen respondents were male and master's holder. Their ages range between 35-40 years of age. On other hand, the remaining female was 43 years old and 1st degree holder. All of them are experienced and have more than 10 years' service years in banking industry.

4.6.2 Determinants of Deposit Mobilization and Loan Disbursement

This section of the analysis is views of banking industry management staff on the determinants of Deposit Mobilization and Loan Disbursement; all banking industry management respondents are saying "In our company various determinants of Deposit Mobilization and Loan Disbursement applied in different events to enhance financial performance". The CBE, Abisinay Bank, United Bank, Abay Bank, Oromia Cooperative Bank, Dashen Bank, Nib Bank, And Enat Bank Branch Manager and Head Office Manager indicated bank interest rate, society awareness, employee turnover, bank security, legal restriction and political instability are the major determinants of Deposit Mobilization and Loan Disbursement implemented in the banking industry in Ethiopia.

4.6.3 The Impacts of DM and LD on financial performance

Various banks branch managers respondents' views; besides Impacts of Deposit Mobilization and Loan Disbursement on financial performance at banking industry in Ethiopia. And give reason(s) for that. Their responses are depicted in the following: "In their opinion, enhance customer relationships, asset quality, bank size & financial performance is the positive Impacts of

Deposit Mobilization and Loan Disbursement on financial performance because if Deposit more collected, become loan disbursed adequately for the customer, more impact on financial performance"

4.6.4 The challenges of Deposit Mobilization and Loan Disbursement

The bank branch manager respondent views besides challenges of Deposit Mobilization and Loan Disbursement on financial performance. Their responses are depicted as below: "Saving and lending habit, awareness and income of the societies, Staff commitment, quality of service, new technologies barrier to deposit mobilization and loan disbursement and also political instability and legal issue regarding loan are challenges for deposit mobilization and loan disbursement at banking industry in Ethiopia".

4.6.5 Improve the Financial Performance By using DM and LD

The aim of managers should be creating a high level of customer and employee satisfaction to improve the financial performance banks; Profitability, Ensuring the Return on Asset (ROA), Build Sufficient Capital, bank size & image. In relation to this, the banking industry management respondents were asked to suggest on how best the management's staffs could do to improve the Financial Performance By using Deposit Mobilization and Loan Disbursement in the banking industry in Ethiopia.

Their responses were captured as follows: "Develop formal and legal benefits policies, Build Fair service provide for all issues, Build safe working environment & good team sprits, Develop well communication and relationships with employees and customer, Provide adequate deposit & loan and Provide adequate working facility (used technologies)" are the major activities used to improve the Financial Performance By using Deposit Mobilization and Loan Disbursement in the banking industry in Ethiopia.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Introduction

The chapter presents the general findings of the research in the context of the central ideas underpinning the objectives of this research. The perspective of this chapter does not only recommend solutions but presents the findings in relation to the impact of deposit mobilization and loan disbursement on the financial performance; a case of banking industry in Ethiopia. The key components of the chapter include the Summary of Findings, Conclusion and Recommendations.

5.1 The Summary of Findings

Banking industry plays very significant role in the economies of the nation. The well-being of the economy is highly related to the soundness of its banking system. This study was focused on the area of financial performance analysis of banking industry by using financial performance approach in case of Ethiopian. The output of the study also indicated that total deposits and loan of banking industry were depend on Bank Interest Rate (deposit &Loan Rate), External Environments (Population& Economic Growth, Politics & legal issue) , Bank Capital Adequacy (Reserves & Liquidity), Security of the Bank, Bank (Image, Size & Accessibility), Services in the Bank and Non-Performing Loan. The results of this study **except the Non-Performing Loan,** suggest that the majority respondents **agree** as regards the determinants of deposit mobilization and loan disbursement. Furthermore, the respondents have a positive perception about the presentation of the financial performance when conducting determinants of deposit mobilization and loan disbursement. The study also found out the impacts of deposit mobilization and loan disbursement has a positive correlation and a significant impact on financial performance at the Banking industry. Financial Performance has a strong correlation with deposit mobilization and moderate correlation with loan disbursement variables. But the non- performing loan have a very weak correlation with financial performance. Except non- performing loan all the variables recognition has positive impact deposit mobilization and loan disbursement on the financial performance (which means changes in the predictor’s value are related to changes in the response variable) at the Banking industry. Finally, the study revealed that Banks Branches managers’ conduct the deposit mobilization and loan disbursement with in poor management recognition and staff commitment, inadequate service provide, and lack of society awareness were major challenges of deposit mobilization and loan disbursement that affect the financial performance at the Banking industry.

5.2 Conclusions

The conclusions and recommendations presented in this chapter are the outcomes of the findings and the statistical analysis of the empirical results. Deposit mobilization and loan disbursements are the most fundamental part of banking activity and the life blood of banking industries and also determine the success or failure financial institution performance, particularly, the Banking industry. This research study intended to investigate the impact of deposit mobilization and loan disbursement on the financial performance; a case of banking industry in Ethiopia. The objectives of the study were to find out the determinants of deposit mobilization and loan disbursement that affects the financial performance, to determine to what extent of the deposit mobilization and loan disbursement that affect the financial performance and To show the relationship that exists between the deposit mobilization and loan disbursement with the financial performance a case of banking industry in Ethiopia. The study targeted a total of 389 respondents. However, only 370 respondents were responded and returned their questionnaires contributing to 95% response rate. The Data was collected administration questionnaires and depth interview. The data was analyzed into descriptive statistics (frequency distribution, percentages, mean and standard deviation) and inferential statistics (correlation & regression) using the Statistical Package for Social Sciences (SPSS) version 24. The data was presented using tables and figures. Respondent from different age group, gender, educational background, year of experience and job position were represented in the data collected. From the summary of the findings and based on the objectives of the study the researcher draws the following conclusions. A summary of results revealed that finding out 6 (six*)* and 7(seven) determinant of deposit mobilization and loan disbursement have a positive correlation and a significant impact on financial performance at the Banking industry. Financial performance has a strong correlation with deposit mobilization and moderate correlation with loan disbursement variables. But the non- performing loan have a very weak correlation with financial performance. Except non- performing loan all the variables recognition has positive impact deposit mobilization and loan disbursement on the financial performance at the Banking industry. Finally, the study revealed that Banks Branches managers' conduct the deposit mobilization and loan disbursement with in poor management recognition and staff commitment, inadequate service provide, and lack of society awareness were major challenges of deposit mobilization and loan disbursement that affect the financial performance at the Banking industry

5.3 Recommendations

In the light of the key findings of the study and the conclusions drawn, the following recommendations are made:

The major finding of this study is the deposit mobilized and loan disbursements a positively and significantly relationship with the financial performance of banking industry in Ethiopia:

- ❖ so to keeping this significant association the banking industry should perform sustained creating awareness to customers by providing convenience and accessible banking (through expanding number of branches, introduce and enhance E-banking such as internet banking, card banking and mobile banking), in order to mobilize and disburse more money.
- ❖ The banking industry in Ethiopia should apply research and development for market assessment to identify the potential resource of the area during their branch expansion and provide the bank service to their customer.
- ❖ Aggressive expansion of banking industry to each and every corner of the country is very important in order to mobilize and disburse more money but the management should give attention in terms of cost and convenience.
- ❖ Banks should provide excellent services for their customers to mobilize more deposits than before by providing different incentives.
- ❖ As asset quality, management efficiency, deposit mobilizations and loan disbursements are determinant factors to increase financial performance, banks shall give special attention in that area.
- ❖ As total asset or size of the bank is a main factor to increase financial performance, so banking industry shall concentrate on increasing their total asset by mobilizing more deposit and converting the deposit to grant loan in area of industrial sector, Real State sector, Agricultural sector (flower, coffee & cotton) and traders (import& export) because loan is the major source of income and has a positive impact on banking industry performance.

5.4 Recommendation for Further Researches Study

Finally, this study is important for other researchers to conduct research in this particular area in the future by including additional variables like return on investments, return on equity, banking liquidity (capital market) and more to generate more convincing results that may increase the importance of deposit and loan for financial performances.

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APPENDIX 1: QUESTIONNAIRES

JIMMA UNIVERSITY

MBA Program, Department of Management

College of Business and Economics

Questionnaire

This questionnaire is prepared by **Sisay Tadesse,** who is Master of Business Administration (MBA) student at Jimma University. The purpose of this questionnaire is to gather data in order to study the impact of Deposit Mobilization and Loan Disbursement on Financial Performance; which is purely for academic purpose. I kindly request your cooperation by filling the questionnaire. Because, your genuine and on time response is essential for the success of my study. Your response will be kept highly confidential and used only for this research. Thus, you are requested to respond each item carefully. No need of writing your name.

If you have any question or comment, please contact me by the following addresses:

- ✓ Email address: sitadesse@gmail.com
- ✓ Cell phone +251-911-55-35-24.

Thank you, in advance, for your cooperation!

Part I: Personal information/demographic data

Please read each question carefully and tick(x) in the box ☐ matching to the response.

1. Sex: Male ☐ Female ☐

2. Age group: 18-25 ☐ 26-33 ☐ 34-41 ☐ 42-49 ☐ 50 and above ☐

3. Academic qualification: Level IV certificate ☐ 1st Degree ☐ 2nd Degree or above ☐

4. Work Experience at the organization: 1-5 years ☐ 16-20 years ☐

6-10 years ☐ 21 and above ☐

11-15years ☐

5. Your level of position in the banking industry: Branch manager ☐ Senior customer service officer ☐ Customer service officer ☐ Credit officer Planning and ☐ marketing Officer

Part II

Put an "X" mark to indicate your level of agreement to the following statements by using a scale of 1-5 where, strongly disagree is (**SDA=1**) disagree is (**DA=2**) neutral is (**N=3**) agree is (**A=4**) and strongly agree is (**SA=5**).

#	**Impact of Deposit Mobilization and Loan Disbursement on Financial Performance**	**Level of Agreement**				
A	Questions Related to Determinants of **deposit mobilization activities** performed by the bank.					
1	**Impacts of Bank Interest (deposit Rate) on deposit mobilization**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
1.1	High Saving interest rate are encouraging deposit mobilization activities performed by the bank.					
1.2	The bank industry may be increasing the interest rate it might be increase the number of deposits.					
2	**Impacts of external environments (Population, Economic, Politics & legal issue) on Deposit Mobilization**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
2.1	The number of deposit accounts depends on the number of deposit account holders.					
2.2	The society education level and awareness about banking services is increases demand for deposit mobilization.					
2.3	If society's per capita income increases the same will happen for bank deposits.					
2.4	Impacts of political					
2.5	Legal Issue in the Bank on deposit Mobilization					
3	**Impacts of Capital Adequacy (Reserve and Liquidity) of the Bank on deposit mobilization**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
3.1	The currency that banks keep on hand to satisfy day to day needs depositor.					
3.2	Asset quality of the banks attracts more deposit customer offers.					
3.3	The Liquidity of the Banks increase the short-term deposits or sourcing fund					
4	**Impacts of Security of the Bank on deposit mobilization**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**

4.1	The bank should secure its system so as to mobilize more deposit than before and to attract new depositors and maintain the exiting depositors.					
4.2	Riskier banks would be able to attract deposits only paying higher Interest rates.					
5	**Impacts of Banking (Image, Size & Accessibility) on deposit mobilization**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
5.1	Bank Industries make themselves closer to their customers or Convenience of Bank's offices improve the depositor.					
5.2	A Larger bank with economies of scale as well as larger branch network might be able to better attract deposits than small size.					
5.3	Banking Accessibility & bank size increase deposit offers needs because of banks diversify their deposits over a wider geographical area or customer base					
5.4	The bank aggressive promotion increases the bank depositor number and deposit amount					
6	**Impacts of Services in the Bank on deposit mobilization**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
6.1	Enhancing customer satisfaction through differentiated products is helpful for deposit mobilization.					
6.2	Developing staff, quality of service and a consistent brand image in the market enhance deposit mobilization.					
6.3	The bank uses new technologies to enhance its service for mobilize deposit activities					
B	Questions Related to Determinants of **Loan Disbursement** activities performed by the bank.					
1	**Impacts of Bank Interest Rate (loan Rate) on loan disbursement**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
1.1	Low level of loan interest rate is encouraging loan disbursement activities performed by the bank.					
1.2	High Interest Rate made customers to bring more deposits but opposite for loan disbursement					
2	**Impacts of external environments (Population, Economic, Politics & legal issue) on loan disbursement**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
2.1	Acquiring lend and advancing credit cannot be attained without good banking habits of the people.					

2.2	The society education level and awareness about banking services is increases demand for loan disbursement.					
2.3	Society per capita income is a key element to absorb high amount of Loan Disbursed					
2.4	Impacts of political					
2.5	legal issue in the Bank on loan disbursement					
3	**Impacts of Capital Adequacy (Reserve and Liquidity) of the Bank on loan disbursement**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
3.1	The currency that banks keep on hand to satisfy day to day needs loan disbursements					
3.2	Asset quality of the banks attracts more loan customer offers					
3.3	The Liquidity of the Banks are providing a long-term loan makes them inherently vulnerable to liquidity risk.					
4	**Impacts of Security of the Bank on loan disbursement**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
4.1	The bank should secure its system so as to disburse more loan than before and to attract new lender and maintain the exiting lender.					
4.2	The bank should secure its system so as to balance the loan disbursement and its needs.					
5	**Impacts of Banking (Image, Size & Accessibility) on loan disbursement)**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
5.1	Bank Industries make themselves closer to their customers or Convenience of Bank's offices improve the loan disbursement.					
5.2	A Larger bank with economies of scale as well as larger branch network might be able to more loan disburse than small bank size.					
5.3	The bank aggressive promotion increases the bank lender number and loan amount.					
6	**Impacts of Services in the Bank on loan disbursement**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
6.1	Enhancing customer satisfaction through differentiated products is helpful for Loan Disbursements					
6.2	Developing staff, quality of service and a consistent brand image in the market enhance loan disbursement the bank.					
6.3	The bank uses new technologies to enhance its					

	service for disbursed loan activities.					
7	**Impacts of Non-Performing Loan in the Bank on loan disbursement**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
7.1	High non-performing loans to total loans shows that the good health of the portfolio a bank.					
7.2	Non- Performing Loan used to enhance the quality of loan portfolio in bank industry.					
7.3	Non- Performing Loan was doing not determine the profitability bank industry.					
C	**Questions Related to challenges of DM and LD Implementation**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
1	Saving and lending habit, awareness and income of the societies is barrier to deposit mobilization and loan disbursement of bank industry					
2	Staff commitment, quality of service and new technologies barrier to deposit mobilization and loan disbursement of bank industry					
3	Political instability and legal issue regarding loan are challenges for deposit mobilization and loan disbursement of the bank					
D	**Questions Related to Financial Performance**	**SDA=1**	**DA=2**	**N-3**	**A-4**	**SA-5**
1	Banks industry generate the more income or **Profitability** after achieved the financial performance					
2	Financial performance of banking industry is increasing the **bank size & image**.					
3	banking industry is ensuring the return on asset (**ROA)** of the bank.					
4	Financial performance of banking industry helps to get better the **Net Loan to Total Deposits**					
5	Banks industry enhanced **employee commitments and customer satisfaction** after achieved the financial performance.					
6	Banks industry **build sufficient capital** after achieved the financial performance.					
7	Banks industry provide **large amount loan disbursement** to its customer after achieved the financial performance.					

APPENDIX 2: INTERVIEW GUIDE FOR MANAGERS

INTERVIEW GUIDE FOR MANAGERS

Thank you very much for volunteering for this interview.

This is research conducted as part of my MBA study at Jimma University. Your participation is very important to the research; hence you are kindly requested to respond to this interview to achieve the grand objective of the study. Your response will be kept highly confidential and used only for this research on academic purpose. I thank you very much in advance for participating in this survey and provide your thought full feedback.

Part 1: Introduction

Please provide a brief demographic information about your

1. Age: ----------------
2. Gender: ----------------
3. Level of education: ---------------------------
4. Job position: ----------------------------
5. Years of experience in the banking industry: -------------------

Part 2

6. What are the major Determinants of Deposit Mobilization and Loan Disbursement at banking industry in Ethiopia?
7. What are the impacts of Deposit Mobilization and Loan Disbursement on financial performance at banking industry in Ethiopia?
8. What are the challenges of DM and LD at banking industry in Ethiopia
9. How can improve the financial performance by using Deposit Mobilization and Loan Disbursement in banking industry in Ethiopia?

Thank you for your time and attention.

Jimma University
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Date: 10/01/2020

Ref. No: RGS/056/2020

To: ______________________________

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Subject: Requesting Your Cooperation

______________________________ is one of our postgraduate Student conducting research for the partial fulfilment of his/her Master degree under the title:

"______________________________

______________________________".

Research and Post graduate coordinating office of business and Economics College request your esteemed organization to give the necessary data for the aforementioned student as it enables him/her to come up with reliable research outcome. Thank you for your cooperation in advance.

With regards,

Deresse Mersha (PH.D.)
College of Business &
Economics Research &
Postgraduate Coordinator