



FACTORS AFFECTING THE ROLE OF COMMERCIAL BANK OF ETHIOPIA ON  
THE ECONOMIC DEVELOPMENT OF GERBA GURACHA TOWN:  
(THE CASE OF GERBA GURACHA BRANCH)

BY: MESFIN TESFAYE

ADVISOR: DEMIS HAILEGEBREAL

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DEPARTMENT OF BANKING AND FINANCE

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## *Abstract*

*Commercial bank of Ethiopia Gerba Guracha branch is one of the financial institutions that are located in Oromia region, North shoa zone, Gerba Guracha town. The study was focused on this Town in particular to assess factors affecting the role of commercial bank of Ethiopia for the economic development of Gerba Guracha town. This study used both primary and secondary data. The primary data was collected through interview and questionnaire and the secondary data was collected from different published and unpublished document, other research and websites.*

*The collected qualitative and quantitative data from the current employees of the banks was processed by using data processing procedures. These procedures are editing, coding, analysing and after that appropriate data interpretation was commence. Then based on the above factors, the researcher provides appropriate and feasible solutions, suggestions and recommendations.*

*From an analysis of the collected data, the finding revealed that frequent network and power failure, poor saving culture, high cost of internet, shortage of skilled man power, lack of team spirit, inconsistence in service quality, inflation, lack of customer awareness regarding the bank service are the major factors that affect the role of CBE Gerba Guracha branch on the economic development of Gerba Guracha town. Among those factors network and power failure are the dominant one.*

## List of Acronyms

CBE- Commercial Bank Ethiopia

GG – Gerba Guracha

E-Payment –Electronic payment.

E-banking –Electronic banking

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# CHAPTER ONE

## 1 INTRODUCTION

As an introduction of the study this chapter presents: background of the study, background of the organization, statement of the problem, research objective, scope of the study, significance of the study, and organization of the whole paper respectively.

### 1.1 Background of the Study

Bank is a financial institution, which processes credit and lending operations, as well as accepting deposits and making advances. It also allows for the issuance of money and facilitates payment processing including automatic payment.

As explained in the dictionary, it is described with the terms bank and banking, financial investment that bank company authorized by the state for all financial activities, which include accepting deposits. It also provides the expenditure of funds and the granting of loans. It engages in business investment, advice, and keeping safe deposit boxes. It provides trusteeship, agency, and a number of financial services, which bear the stamp of a bank.

The word 'bank' is itself a space for the disbursement of funds. The meaning of the word 'exchange' in the economy is the swap of the national currency of any other foreign currency or vice versa, and this process is called the exchange rate or currency exchange rate.

As a result of conditions and requirements that global economic developments have emerged from the past commercial banks, bankers in Europe and Italy as traders and businessmen have placed their money. And in this way appeared a job placement and it is the function of the bank, where if the applicant wanted to deposit gold in his possession gave it to the jeweller with a receipt as proof. This resulted in accumulation of gold in the coffers of the goldsmith, who has become a lending jeweller with gold in return for interest.

Thus emerged classic lending banks, The money creation or issuance is in the form of a receipt issued by the goldsmith versus real gold, which in turn gives the borrower great confidence, as these receipts can be converted into gold any time (Ziad Salim Ramadan,1996).

The modern existing banks are the results of developments in the Great built on a lot of primitive past systems and which include the credit operations in its primitive adults traders, usurers and men of the chapel, then while enlarging affecting the nature of modern banks, and in their

operations, where credit is due, as mentioned on the outset that their roots date back to the big traders, goldsmiths Almoravids (Shaker Qazwini, 1989)

Banks are institutions where the nature of credit receive a non-specialized retail deposits Ductile up on request or after short-term and dealing mainly in short-term credit and called in the terminology as 'bank deposits' (Zeinab Awadallah, Osama Mohamed,2005).

Commercial banks are a financial institution based on trade funds, craft their basic as they act as an intermediary between capital and investments and with the investments seek access to private capital (Daiff, Kirat Daiff, 1995).

The institutions that accept cash deposits at any time by the people and state institutions are known as commercial banks (Mahmud Shehab, 1987).As the capital projects are essential to achieve profits, much of profits should be at the lowest cost possible and on the road to provide banking services or the creation of cashed money commercial banks (Mustafa Rushdi Shiha, 1999). Financial institution, which focused its major operations to collect money in excess of the needs of the people or institutions of the state or the state itself for the purpose of lending to others according to certain grounds or selected investments in securities are primarily under commercial banks (Shaker Qazwini, 1989).



## 1.2 Background of the organization

The forerunner of commercial bank of Ethiopia was the state bank of Ethiopia which received its charter by decree on Nov.30.1943 in Addis Ababa. The bank was established with capital one million Maria Theresa Dollar. The bank acted as the country's central bank with power of issuing bank notes and paper money on behalf of the ministry of finance. In May 1945, the bank was granted the sole right of issuing currency and after the legal proclamation of 1945; an issue department was established in July of that year. Later in July 1949, the bank was made the sole authority to deal in foreign exchange. The bank was also engaged in wide range of commercial activities, and introduced saving accounts in January 1946. The state bank of Ethiopia during its two decades of existence opened 21 branches in country, as well as branch office in Khartoum and Djibouti. It started operations with a staff of only about 40 persons, but this had grown twenty years later to little short of monetary sectors. During these periods, the bank played dominant role in the industrial credit and business finance, and had significantly assisted the growth of industry and extension of monetary sector. Up on the declaration of the new banking proclamation issued on July 23 of 1963, all previous regulation which governed the banking and monetary sector were replaced and consequently the function of central and commercial banking separated. Accordingly, the split of the previous state bank of Ethiopia in to National Bank of Ethiopia and Commercial Bank of Ethiopia is new chapter in the history of commercial bank of Ethiopia ([www.combanketh.et](http://www.combanketh.et)).

## 1.3 Statement of the problem

The role of the commercial bank of Ethiopia, by virtue of its size is enormous. The economic development started 1991, when the command economy was abandoned and replaced by an open market system. Since then the commercial bank of Ethiopia has great role for the economic development. It allows investors to participate in their own name and allows foreign exchange retention skins for exports. Commercial bank of Ethiopia helps in increasing the rate of capital formation. It also provide the facility of transferring funds from one place to another which leads to the growth of trade ([www.winna.com/ethiopia to02.htm/](http://www.winna.com/ethiopia%20to02.htm/)).

In light of the above facts, this study comes up with reliable facts for the points about the problems that Gerba Guracha branch has faced. Besides to what extent the bank has now how

major factors affecting the banking activity and the reason behind those factors. The obstacles the bank faces in its activity and the measure the bank shall undertake in order to alleviate the impact of obstacles was investigated in this study. Generally, these studies try to investigate the following questions.

1. What are the factors that affect the role of commercial bank of Ethiopia on economic development of Gebre Guracha town?
2. What are the mechanisms to make effective and efficient banking activity in Gerba Guracha town?
3. What are the possible measures to alleviate the factors that affect the banking activity?

## 1.4 Objectives of the Study

### 1.4.1 General Objectives

The general objective of this study is to assess factors affecting the role of commercial bank of Ethiopia on the economic development of Gerba Guracha town.

### 1.4.2 Specific Objectives

1. To identify factor that affects the role of commercial bank of Ethiopia in a Gerba Guracha branch
2. To assess any mechanism to make effective and efficient banking activity in Gerba Guracha branch.
3. To identify the way of solving the factor that affect banking activity.

## 1.5 Scope of the study

The commercial bank of Ethiopia as a lot in number now has 992 branches in the country. So it is difficult to cover all braches. Therefore, this study covers the Gebre Guracha branch only major factors affecting the role of commercial bank of Ethiopia on economic development of Gerba Guracha town.

## 1.6 Significance of the study

This study has significance both for me and another entity. For me this study is important as a partial fulfilment to get BA degree in banking and finance and to grasp knowledge how to conduct a research project. In addition to this the study is also important for the employee of commercial bank of Ethiopia Gerba Guracha branch by providing them with some sort of information about factors that affect their role for the economic development of Gerba Guracha town. Furthermore, the study will be used as a reference material for those who want to conduct their research on the same issue.

## 1.7 Organization of the Paper

This paper consists of five chapters with different sections and sub-sections. Chapter one presents the introduction for the main part of the paper, and chapter two states the theoretical literature review about the commercial bank. Chapter three discusses research methodology. Chapter four focuses on results and discussions. Finally, the last chapter (chapter five) gives conclusion and recommendation of the study.

## CHAPTER TWO

### 2 RELATED LITERATURE REVIEW

#### 2.1 Definition and role of Bank on economic development, Commercial Bank and Economic Development

##### Definitions of Bank

A bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in the form of deposit and it lends money to those who need it ([www.ehnow.com/list-6127387-character,combank,htm](http://www.ehnow.com/list-6127387-character,combank,htm)).

It is a commercial institution licensed as a taker of deposit. Banks are concerned mainly with making and receiving payments on behalf of their customers, accepting deposits, and making short term loans to private individuals, companies, and other organizations (Encyclopaedia of Accounting, 2006).

##### **Role of bank on the Economic Development**

Any modern financial system contributes to economic development and the improvement in living standards by providing various services to the rest of the economy. These include clearing and settlement systems to facilitate trade, channelling financial resources between savers and borrowers, and various products to deal with risk and uncertainty ([www.rbht.govt.nt\(speech/4487002htm\)](http://www.rbht.govt.nt(speech/4487002htm))).

In principle, these various functions can be provided by banks or other financial institutions or directly through capital markets. Banks and other financial intermediaries exist because they are an efficient response to the fact that information is costly ([www.rbht.govt.nt\(speech/4487002htm\)](http://www.rbht.govt.nt(speech/4487002htm))).

Major roles of banks are accepting deposits, advancing loans, receiving of valuables for safe custody, acting as references, issue letter of credit in foreign trade, merchant banking service provides, deal in foreign exchange, issuer of travellers cheque and credit cards, sale and purchase of stock exchange securities ([www.socialstudieshelp.com/eco-bank](http://www.socialstudieshelp.com/eco-bank)).

## Definitions of Commercial bank

Commercial banks are financial institution that offer the public both deposit and credit services, as well as a more growing list of a never and innovative services, such as investment advice, security underwriting, selling insurance and financial planning. It attract saving by accepting deposit from the general public and advance loan mainly business firm. The name commercial implies that those banks do not most of their resource to meeting the financial need of the business firm. However, in recent decades commercial banks have significantly expanded their fairing of financial services to customers and government unit around the world (peter S.Roeaetal 2006).

## Role of Commercial Bank on Economic Development

- They hold largest proportion of the total asset of all finical institution all over the world.
- They are the principal means of making payments through checking account (demand deposit) credit card, and electronic transfer services they offer.
- They have the ability to create money from excess reserve made available from the public deposit.
- Today, commercial banks are most important saver of consumer credit (loan to individual and families) and one of the major sources of loans to small business.
- Commercial banks are also major buyers of debt securities issued by federal, state and local government (peter S.Rose etal, 2006).

## Meaning of Economic development

The expansion of the output of an economy, usually expressed in terms of the increase of national income. Nations experiences different rate of economic growth mainly because of differences in population growth, investment, and technical progress (Oxford Dictionary of Business, 1986)

## 2.2 Characteristics of banking activity

- A bank accepts money from the people in the form of deposits which are usually repayable on demand or after the expiry of a fixed period. It gives safety to the deposits of its customers. It also acts as a custodian of funds of its customers;
- A bank provides easy payment and withdrawal facilities to its customers in the form of cheque and drafts, and it also brings bank money in circulation;
- A bank provides various banking facilities to its customers. They include general utility services and agency services;
- A bank is a profit seeking institution having service oriented approach;
- Banking is an evolutionary concept. There is continuous expansion and diversification as regards the function, services and activities of a bank;
- A bank acts as a connecting link between borrowers and lenders of money. Banks collect money from those who have surplus money and give them some to those who are in need of money ([www.ehow.com/list-6127387-charactercombank,htm](http://www.ehow.com/list-6127387-charactercombank.htm)).

## 2.3 The Functions and Services of Commercial Banks

### 2.3.1 Functions of Commercial Banks

#### 2.3.1.1 Main Functions of Commercial Bank

- Receiving deposits; the primary function of commercial bank is accepting deposits from the public. Banks maintain deposits accounts for their customers and converts deposit money in to cash and vice versa, at the discretion of the latter;
- Making loans and advances; lending money is one of the important functions of the bank. This lending of advancing of money can be either up on our without security. Banks accept deposits from those who have surplus money and grants loans and advances to those who

need them. Banks charge comparatively higher rate of interest on the amount advanced as a loan. Loans are advanced by the bank in such away as, discount of bills, short notice loans, and various forms of direct loans to trades and producers;

- The drawing, making, accepting, discounting, buying, selling, collecting and dealing in bill of exchange, promissory notes, coupons, drafts, bill of lading, railway receipts, warranted, debentures, certificate, scripts and other instruments and security whether transferable or negotiable or not;
- The granting and issuing of letter of credit, traveller's checks and circular notes;
- The receiving of all kinds of bonds, valuables on deposits or for safe custody of otherwise;
- The purchasing and selling of bonds, other form of securities, other forms of societies on behalf of constituents of other one;
- The acquiring, holding, issuing on commission, underrating, and dealing in stock, funds, debentures, debenture stocks, bonds obligation, security and investment of all kind (E.P.Doyle, 2005).

### 2.3.1.2 Subsidiary or ancillary function

- Guarantee such as performance guarantee
- Safe custody of deeds and securities
- purchase and sales of services
- collection of interest on securities or debentures and dividend on shares, collection pension bills

Remittance of funds, such as bank drafts, mal transfers, telegraphic transfers to other parts of the country and to foreign countries.

Personal tax assistance, preparing income tax/sales tax/wealth tax returns

Investment facilities such as underwriting of new issues guidance to invest, stock exchange assistance.

Credit transfers, credit cards, traveller's check, emergency vouchers, and sales of the unit trust, national saving certificated, etc. (E.P Doyle, 275).

## 2.3.2 Services of commercial bank

### 2.3.2.1 Agency services

- Customers can arrange for dividends to be sent to their bank and paid directly in to them for payment and to act upon announcements in the press of drawn bonds, coupon payable, etc.
- To collect make payment for bills, checks, promissory notes, interest, rent, subscription, insurance premiums etc. for their services, some charges are usually levied by the banks;
- Most of the commercial banks have executes and trustee department; some may have affiliated companies to deal with this branch of their business. They aim to provide, therefore, a complete range of trustees, executer or advisory services for a small charge.
- Sometimes banker also employ income tax experts not only to prepare income tax returns for their customers but to help them to get returned of income tax in appropriate cases (E.P Doyle, page 275).

### 2.3.2.2 Services provided by commercial bank of Ethiopia

Commercial bank of Ethiopia gives the following services for this esteemed customers efficiently and effectively using modern technology;

- Customer accounts and transaction, services which include account opening in local and foreign currency, deposit cash and negotiable instruments, payments in local and foreign currency, foreign and local transfer service and foreign currency exchange;
- VISA branded debit card which allows customers to access his or her account and make financial transactions using ATM, and POS terminals in the public space without the need for a human clerk or bank teller;
- Credit service and
- Trade services which facilitate international trade.



### 2.3.2.3 Types of trade service products

1. **documentary credit:** is a written undertaking by a bank given to the seller at a request and the instruction of the buyer to make payment or accept and pay bill of exchange (draft) drawn by the seller up to a stated sum of money within a prescribed time limit and against stipulated documents.
2. **Documentary Collection:** is a method under which banks handle a seller's commercial documents with or without financial documents in accordance with or without financial documents in accordance with instructions received from the seller in order to deliver the documents to buyer (importer) against payment and acceptance or against other terms and conditions.
3. **Advance payment:** is a method under which a seller receives payment from a buyer prior to shipment or the agreed up on goods or rendering the agreed up on service.
4. **Consignment basis payment:** it is a method of payment in which the title to the goods remains with the seller until an agent (distributor) in foreign country sells them. Payment is made to the seller it and when the agent (distributor) sells the goods.
5. **Guarantee:** is a written undertaking by the bank to compensate (pay assume of money) to the beneficiaries (local or foreign) in the event that the obligor / principal fail to fulfil his/her/ its obligations in accordance with the terms and conditions of the guarantee.
6. **Franco Valuate license (permit):** is a license issued to importers of goods on which no foreign exchange is payable.
7. **Small export items license (permit):** is a license issued for small export items to tourists, foreign residents of Ethiopian replacements, exhibitions and personal effects and belongingness etc.
8. **Money Transfer Services:** - incoming money transfer can be handled through:
  - ✓ SWIFT and in collaboration with foreign money transfer companies.
  - ✓ Exchange of foreign cash notes, traveller and commercial cheques

- ✓ Foreign money transfer companies who are current working with the bank

### **9. Foreign currency account operation:**

- ◆ Non-resident accounts: this can be opened to international organization, foreign nationals, NGOs, embassies, etc. whose source of income is in foreign currencies.

Diaspora account: is a foreign currency account for non-resident Ethiopians and for non-resident Ethiopian origin. The account can be opened in:

- ◆ Fixed time deposit,
- ◆ Current account
- ◆ Non-reparable birr account

### **10. Selling Bonds:**

- ◆ For exporters- currently the bank has waived all changes on export business.
- ◆ Exporters can open retention accounts from their export proceeds
- ◆ In coming money transfer services: Currently the bank has waived all changes on incoming money transfer (Broachers of the organization)

## **2.4 Framework of Banking**

- Core banking transformation: - Provide an integrated infrastructure for managing all business function and mission – critical data across the enterprise.
- Customer care and insight: - increase customer confidence and drive revenue growth from greater insight in to customer needs.
- Integrated risk management: - Take a holistic approach to managing risk across the enterprise to improve financial performance.

- Payments and securities:- Enable flexible, efficient and secure payments and securities operations while reducing costs  
([www.01.ibm.com/software/industry/banking/framwerok/9:55Am](http://www.01.ibm.com/software/industry/banking/framwerok/9:55Am))

## 2.4.1 Objective and role of banking framework

### 2.4.1.1.: Objectives of baking framework

- To preserve the capital of the overall portfolio over the investment horizon subject to the appropriate risk constraints:
- To maintain sufficient liquidity, reserves shall be invested in securities  
([www.01.ibm.com/software/industry/banking/framwerok](http://www.01.ibm.com/software/industry/banking/framwerok)).

### 2.4.1.2 Role of Banking Framework

- ◆ Pre-built assets that reduce development costs.
- ◆ Industry models that help you build solutions faster.
- ◆ Best practice methodologies that promote standardization across solutions.
- ◆ A scalable common architecture that consolidates systems, and provides flexibility for future growth ([www.01.ibm.com/software/industry/banking/framwerok](http://www.01.ibm.com/software/industry/banking/framwerok)).

## 2.5 Bank Regulation

Are forms of government regulation which subject banks to certain requirement restriction banks regulated for their different reasons. The first two reasons involve prudential regulation of banks dealing with their safety and soundness, the third reason concerns social goals.

First banks are regulated to reduce the risk of large scale failures that would adversely affect the level of economic activity. In this regard the smooth functioning of the economy is dependent on the money supply on the payment system checkable deposit, saving deposit, and time deposit institution after the liquidity mobility and acceptability are necessary for our economic performance.

There is also concerned a systematic risk occurs when banks failed potentially to undertake all of the world major economies are linked to gather thought he financial markets and other business relationships commercial can be work as a business relation different country in facilitating economic performance.

Banks are also regulated to achieve desired social goals. These public choice approaches to regulation serve to reallocate resources from one group to another ([en.wikipedia.org/wiki/Bank-regulation](http://en.wikipedia.org/wiki/Bank-regulation).9:04Am

### 2.5.1 Objective of Bank Regulation

The objectives of bank regulations are:

- Prudently to reduce the levels of risk bank creditors are exposed to protect depositors.
- System risk reduction to reduce the risk of disruption from trading condition for banks causing multiple or major bank failure.
- Avoid misuses of banks to reduce risk of banks being used for criminal purpose.
- To protect banking confidentiality
- Credit allocation to direct credit to favoured sectors ([en.wik.org/wiki/Bank-regulation](http://en.wik.org/wiki/Bank-regulation)).

### 2.5.2 General principle of bank regulation

- Minimum requirements are imposed on banks in order to prominent in banking of the regulation. The most important minimum requirement in banking regulation is maintaining minimum capital ratios.
- Supervisory review banks are required to be issued with a bank license by the regulatory in order to carry out business as banks and the regulation supervises licensed banks for compliance with the requirement and responds to braches of the requirements through obtaining understanding giving direction imposing penalties ([en.wik.org/wiki/Bank-regulation](http://en.wik.org/wiki/Bank-regulation)).

### 2.5.3 Instrument and Requirement of bank Regulation

Capitals requirements a frame on how banks must be held their capital in relation to their asst. Reserve requirements set the minimum reserve each bank must hold to demand deposited and bank note. This type of regulation has moves towards capital adequacy and in many counties there is no minimum reserve ratio is liquidity rather than safety ([en.wikipedia.org/wiki/bank-regulation](http://en.wikipedia.org/wiki/bank-regulation)).

## CHAPTER THREE

### 3 RESEARCH METHODOLOGY

Designing appropriate research methodology is a prerequisite in order to conduct a good research work. Accordingly, this chapter discusses about the methodology which the researcher used to conduct this study. Thus, background of the study area, research design, sampling, data source and method of collection and method of data analysis are presented below respectively.

#### 3.1 Research Design

A mixed research design was considered the most suitable approach in view of the nature of the problem that was investigated. A mixed research design is used when the researcher uses both qualitative and quantitative data.

#### 3.2 Sources of Data

The study was conducted by using both primary and secondary sources of data to achieve its objective.

#### 3.3 Methods of Data Collection

In this study both close and open ended questionnaires were distributed to the employees of the bank and a personal interview was held with the manager of the commercial bank of Ethiopia Gerba Guracha branch in order to strengthen the reliability of the information that was collected.

#### 3.4 Target population

This study was focused on the whole employment of the commercial bank of Ethiopia Gerba Guracha branch. This branch has 40 employees which include the branch manager, teller, and other professional employees.

#### 3.5 Sampling Technique

The researcher used census survey sampling technique as the numbers of employees in commercial bank of Ethiopia of Gerba Guracha branch are few in number. The number of employee is only 30.

### 3.6 Methods of Data Analysis

After the relevant raw data collected from sources using data collection method, processing including editing, classifying, and summarizing the collected raw data was undertaken by the researcher. The data was analysed by using descriptive statistics such as tables and percentage.

## CHAPTER FOUR

To investigate the major roles of CBE and to give important recommendations, the collected data should be analysed and discussed, accordingly the analysis and important findings from the collected data are discussed below.

### Data Analysis and Discussion

#### Primary data

This chapter is mainly concerned with analysis and discussion of data gathered through the questionnaire and interview. The questionnaires were distributed to employees of CBE Gerba Guracha branch. And the interview was held with manager of the branch. Through survey, 30 questionnaire copies were distributed and out of this 24 were collected and 6 of them were not collected due to different reason because of this they were excluded from data analysis and discussion.

Table 4.1 Overview of the sample population

Respondents	Number of population	Response	Percentage
Employees	30	24	80%
Total	30	24	80%

(Source: questionnaire survey)

In the above table, there are certain observations about respondents taken as a vital source of information in this study. These survey questionnaire were distributed to 30 employees out of these 24 questionnaire (80%) have been returned generous about the sources help to obtain information to discuss and argue about different facts of the study.

Table 4.2 Background of the respondents

Item	In number	In percentage
Sex: male	19	79.17%
Female	5	20.83%
Total	24	100%



Age: <30	11	45.83%
30-40	7	29.17%
40-50	6	25%
Total	24	100%
Educational Level:		
Degree	22	91.67%
MA	2	8.33%
Total	24	100%
Work experience:		
<1 year	3	12.5%
1-5 year	16	66.67%
5-10 year	5	20.83%
Total	24	100%

(Source: questionnaire survey)

Table 4.2 shows among the respondents 79.17% and 20.83% are male and female respectively and this indicate that the highest degree of the employees are male followed by female. 45.83% of the employees lie in the age of less than 30 years old and 29.17% of them are ranging between 30 up to 40 years old .And 25% of them are ranging from age 40 up to 50 years old. These infer that largest number of employees is less than 30 years old followed by 30 up to 40 years old. According to qualification 91.67% of respondents are degree holder and 8.33% of the respondents are MA holder. This shows that largest numbers of employees are degree holder followed by master's degree holder. Regarding the experience 12.5% of the respondents have less than 1 year of services, 66.67% respondents have 1-5 year of services 20.83% respondent are 5-10 years of services. These indicate that among the employees of commercial bank of Ethiopia Gerba Guracha branch largest present has 1-5 years' experience followed by 5-10 year. Finally, these indicate that the whole employee of CBE Gerba Guracha branch has quite enough experience.

Table 4.3 Show main problems in running banking activities.

Response	No of respondents	In percentage
Inconsistence in service quality lack of balanced focused on major target	2	8.33%
Frequent network and Power failure	–	–
Lack of team spirit	11	45.83%
Shortage of skilled manpower	2	8.33%
poor saving culture	4	16.67%
All can be answer	5	20.83%
Total	24	100%

(Source: questionnaire survey)

Table 4.3 indicates that 45.83% of the sample respondents responds that the major problems faced in running banking activity is frequent network and power failure. The 20.83% of the respondents' response is poor saving culture. Next to this 16.67% of the respondents respond shortage of skilled manpower. And the 8.33%, 8.33% of the respondents respond inconsistency in service quality and lack of team spirit respectively. This shows that lack of team spirit, inconsistency in service quality, and lack of balanced focused on major target influence is very less.

The above finding implies that the majority of the respondents replied that frequent network and power failure is the major problem influencing the banking activity.

Table 4.4 the main reason for the problem in running banking activities

Response	No of respondents	In percentage
Carelessness	10	41.67%
Lack of effective management	14	58.33%
Any other	–	–
Total	24	100%

(Source: questionnaire survey)

Table 4.4 show that 58.33% of the respondents response that the main problem in running banking activity is lack of effective management and 41.67% of respondents response that the main problem in running banking activity is carelessness. Generally these indicate that lack of effective management is the main constraints in running banking activities followed by carelessness.

Table: 4.5 shows communication between manager and employees

Is there good communication between the manager and employees?		
Response	In N <sub>0</sub>	In percentage
Yes	24	100%
No	-	-
Total	24	100%

(Source: questionnaire survey)

Table 4.5 shows that out of 24 respondents 100% of the respondents say yes. This implies that there is good communication between manager and employees.

Table 4.6 shows responses of respondents about free conflicting duty

Are employees free from conflicting duties and are able to investigate any areas that improve their experience?		
Response	In N <sub>0</sub>	In percentage
Yes	6	25%
No	18	75%
Total	24	100%

(Source: questionnaire survey).

Table 4.6 shows that out of 24 respondents 18(75%) of the respondents say no and 6(25%) say yes. According to the respondents response the largest proportion of the response shows that the employee are not free from conflicting duties and not able to investigate any area. Therefore, this results shows most of employees are busy in their duties.

Table 4.7 shows about job training

Have you get job training with past 3years?		
Response	In N <sub>0</sub>	In percentage
Yes	19	79.17%
No	5	20.83%
Total	24	100%

(Source: questionnaire survey).

Table 4.7 shows that job training within three years. 79.17% of the respond say yes. Since bank work require knowledge and experience on a wide range of system and operation, it is imperative to deploy employees with extensive professional skills and upgrade their skill through continuing professional training and development.

The majority of the respondents are responding the open ended question. Their points of view are as follows:

- The job in the bank by its nature tedious and routine, so the training given has a great contribution for productivity.
- It also increases the work quality.
- Training results in the increasing quality of back activity
- It creates capability to do the job.
- It provides information for improving knowledge, communication skill and attitude.

Therefore, according to the respondents, training has high effect on employees' productivity by increasing work performance and by creating capability of the job.

Even though the majority of respondent response yes 20.83% of the respondents response no.

Table: 4.8 shows the quality of banking activity provided by the branch

Response	In N <sub>0</sub>	In percentage
Highly sufficient	11	45.83%
Sufficient	13	54.17%
Not sufficient	-	-
Total	24	100%

(Source: questionnaire survey).

As indicated on the table 4.8, 54.17% of the respondents replied that the service provided by the branch made economic development sufficient, and 45.83% of the respondents respond highly sufficient. There are no respondents who response not sufficient. From this the researcher understands that the service quality provided by the bank is sufficient.

Does network and power failure affect the banking activity?		
Response	In N <sub>0</sub>	In percentage
Yes	24	100%
No	-	-
Total	24	100%

Table 4.9 shows about network and power failure

(Source: questionnaire survey).

Table 4.9 shows 100% of the respondents say yes. This implies that the network and power failure influences the entire activity of the bank. As the majority of the respondents responds yes their point of view are as follows:

- It make the work too delay
- It decrease the quality of services provided by the bank
- It affects customer satisfaction. That means the main effect is customer dissatisfaction.
- Therefore, according to the respondents respond network and power failure has high impact on the banks activity.

Table: 4.10 shows saving culture of the customers

Is there poor saving culture among the customers?		
Response	In N $\bar{O}$	In percentage
Yes	17	70.83%
No	7	29.17%
Total	24	100%

Source: questionnaire survey.

Table 4.10 revealed that 70.83% of the respondents say that there is poor saving culture among customers. Therefore, from this survey the researcher conclude that there is poor saving culture among customers.

For the open ended question some respondents puts the possible measure: now a day 84% of financial transaction are made by the bank. Since this phenomenon is a special phenomenon, awareness need to be created among customers through promotion, continues learning through media, newspaper and magazines.

Even though majority of the respondents respond yes 29.17% of the respondent respond no.

Table: 4.11 problem that affect E-payment services

Are there any problems that affect E- payment service in the branch?		
Response	In N $\bar{O}$	In percentage
Yes	6	25%
No	18	75%
Total	24	100%

(Source: questionnaire survey)

As shown in 4.11, 25% of respondents say yes and 75%of respondents say no. Respondents who respond the item as yes reason out what problem affect the E-payment service is network and power failure as the major issue. Therefore, the researchers understand that there is problem on electronic payment services in the banking activity of Gerba Guracha branch.

Table: 4.12 show problems in relation to bank regulation.

Have you faced problem in relation to bank regulation?		
Response	In N <sub>0</sub>	In percentage
Yes	-	-
No	24	100%
Total	24	100%

(Source: questionnaire survey).

As shown on table 4.12 all respondents said no problems faced in their work in relation to bank regulation. Hence, the researchers understand that bank regulation has no impact on the bank activity.

❖ Suggestion to improve and develop the entire banking activity

For the open ended question some respondents describe their suggestion to improve and develop the entire activities of the bank through:

- First promoting the branch by different means and teaching the people about the advantage of saving and generally banking services.
- Some respondents describes that, increasing skilled manpower and make strong relationship with telecommunication to decrease network failure, and telecom provide quality network and telephone services.
- ❖ Issues related to factors affecting the role of commercial bank of Ethiopia Gerba Guracha branch.

Some of respondents reflect an issue related to factors affecting the role of CBE Gerba Guracha branch on the economic development of Gerba Guracha town.

- Less satisfaction of employee
- Lees infrastructure of the town

- The bank is not able to improve the capital budget of company from other banks.



## 4.4.2 Interview Analysis

In addition to questionnaire, interview was held with manager of commercial bank of Ethiopia Gerba Guracha branch for further information and the analysis of this interview is as written below.

- Do you think that bank regulation has effect on the banking activity?

As the manager of the bank describe, we work according to the bank regulation that the national bank legislate. Therefore, the bank regulation has no impact on the banking activity.

- Does inflation affect the saving culture of the customer?

The manager responded that inflation means the overall increase in prices of the commodity that increase the cost of living. If there is price increasing in goods and services the customer deposit will decrease. Because, Human wants should be first fulfilled before, therefore, inflation has quite enough problems on the saving culture of the customer.

- Do you think that the existing employee's get training and advice to motive for enhancing the banking system so as to contribute for the economic development of Gerba Guracha town?

The manager responded that, most of the employee timely get training and advises in order to change a longstanding way doing of tasks, to create positive feeling toward their work and in order to overcome the problems related to sophisticated technology.

- Do you think that the existing number of employee of the bank enough?

The manager responded that, the existing numbers of employees are enough. Because, the bank does not use the manual system to run its activity, rather the bank uses electronic system to render its services therefore; the existing numbers of employees are quite enough.

- What mechanism do you suggest to make effective and efficient banking activity in Gerba Guracha town?

The manager suggested that the mechanism to make effective and efficient banking activity in GG town include, one, they has to cooperate with GG telecommunication and electric

power supplier more than before, the employee should get training timely, and they could have to create awareness among their customers, introducing new banking technology like mobile banking.

## CHAPTER FIVE

### Conclusion and Recommendation

#### 5.1 Introduction

Commercial bank is considered as the key driver for the changes taking place around the world. Due to a pervasive and steadily growth of sophisticated banking technology, the world banking industry is entering into new phenomena of unprecedented form of competition supported by modern information and communication infrastructure. With this regard currently, CBE Gerba Guracha branch are in an infant stage.

This chapter as a whole presents the concluding remarks for the main findings in chapter four and important recommendations as per the main problems investigated in this research study respectively.

#### 5.2 Conclusion

Based on the analysis made in chapter four the following conclusions are made on the assessment of factors affecting the role of CBE Gerba Guracha branch on the economic development of Gerba Guracha town. In addition to this an attempt has been also made to assess any mechanism to make effective and efficient banking activity in Gerba Guracha branch and to identify the ways of solving the factor that affect banking activity.

Frequent power and network failure, poor saving culture, inflation, shortage of skilled man power, inconsistency in service quality, lack of customer awareness concerning the bank service, low level of internet penetration, security concern and high cost of internet are the major problems that hinder the role of commercial bank of Ethiopia Gerba Guracha branch on the economic development of Gerba Guracha town. Among those problems frequent network and power failure, poor saving culture and shortage of skilled man power are the dominant problems that hinder the role of CBE GG branch on the economic development of GG town respectively.

Regarding electronic payment chances of risk, lack of trained staff in e-payment service, lack of suitable legal and regulatory framework, absence of financial networks, low level of internet penetration, poorly developed telecommunication infrastructure, high cost of internet and security issues are the main challenges for effective applications of e-payment in CBE GG branch. In addition, lack of customer awareness regarding the service is another challenge that affects the role. Therefore, from this, it is possible to conclude that insufficient electronic payment service are among the main problem that hinder the of CBE GG branch on economic development of GG town.

Concerning the mechanism to make effective and efficient banking activity in GG town, cooperating with GG telecommunication and electric power supplier more than before, giving training timely for employee, creating awareness among their customers and introducing new banking technology like mobile banking are the forwarded solution.

### 5.3 Recommendation

As per the findings from the analysis of the collected data; the following recommendations are forwarded in order to overcome those problems that hinder the role of Commercial bank of Ethiopia on economic development of GG town.

- ❖ The manager of the bank should make strong relationship with telecommunication and electric power supplier of Gerba Guracha town to overcome the problems related to network and power failure.
- ❖ The bank manager must free employee from conflicting duties and help them to investigate any area that increase their skill and knowledge to perform their duty properly.
- ❖ Manager could make personal meeting with customer to make awareness about the necessity of saving in order to enhance the saving culture of the customer.
- ❖ The bank manager should encourage the customer taproot their saving activity when inflation occurs and affect the saving culture of the society.
- ❖ The Manager of the branch should prepare various capacity building activities for employees of bank and their customers regarding e-payment services.

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Prof. Dr: MohamadSabri bin Haron is a lecturer at the Centre of General Studies, National University of Malaysia. He is also an Associate Senior Fellow at Institute of West Asian Studies, UKM.

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APPENDIX I

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTEMENT OF BANKING AD FINANCE

Questionnaire for Employees of commercial bank of Ethiopia Gerba Guracha Branch

Dear respondents I am carrying out study for academic purpose on factors affecting the role of commercial bank of Ethiopia Gerba Guracha Branch on economic development of Gerba Guracha town. In order to complete my study, I kindly request you to fill this questionnaire with supreme confidence. Your response used only for study purposes.

Thank you for your participation in success of my studies

Yours faithfully

Mesfin Tesfaye

Instruction:

- ✓ You are not required to write your name
- ✓ Put tick(✓) sign for the choice in the boxes provided
- ✓ Specify your answer on the space provided.

Part I- General information

1. Sex: A. Male B. Female
2. Age: A. <30 B. 30-40 C. 40-50 D.>50
3. Educational level: A. Diploma B. Degree C. MA D.PHD
4. Work experience: A. < 1 year B. 1-5 year C. 5-10 year D. >10 years



Part II information about problems

1. What are the main problems that you have faced in running banking activity?

Inconsistency in service quality  poor saving culture

Lack of team sprit

Frequent network and power failure  Shortage of skilled manpower  Allow them to state if any other problem

2. What do you think the reason behind the above problems?

Carelessness  lack of effective management

If any other, mention it \_\_\_\_\_

3. Is there good communication between the manger and employee?

A. Yes B. No

4. If your answer for Q 3 is no, what are the problems \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

5. Are employees' free form conflicting duties and are able to do what? A. Yes B. No

6. If your answer for Q.5 is yes, what will be your expected out come?

\_\_\_\_\_  
\_\_\_\_\_

7. Have you get efficient job training with in this 3 year? A. yes B. No

8. If your answer for Q.7 is yes, what will your expected outcome?

\_\_\_\_\_  
\_\_\_\_\_

9. The quality of banking service provided by the branch made economic development:

A. Highly sufficient

B. Sufficient

C. Not sufficient

10. Does network and power failure affect the banking activity? A. yes B. No

11. If yes what would be the effects of power failure???

12. Do the customers have poor saving culture?? A. Yes B. NO

13. If your answer for Q.11 is yes, what is the possible Ways to eliminate such problems?

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14. Are there any problems that affect electronic payment service in the branch? A. Yes  
B. NO

15. If your answer for Q14 is yes, what are the problems?

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16. Have you ever faced problems in relation to bank regulation? A. yes B. NO

17. If your answer for Q15 is yes, what are those problems?

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18. What do you suggest to improve and develop the entire activities of the bank in the branch? (please list your option as far as possible)

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19. If you have any suggestion or comment concerning an issue related with factors affecting the role of commercial bank of Ethiopia on economic development of Gerba Guracha town, please specify it:

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## APPENDIX II

### JIMMA UNIVERSITY

#### COLLEGE OF BUSINESS AND ECONOMICS

#### DEPARTMENT OF BANKING AND FINANCE

##### Interview for the Branch Manager

1. Do you think that bank regulation can hinder the banking activity?
2. Does inflation affect the saving culture of the customer?
3. Do you think that the existing employees get training and advice to motivate for enhancing the banking system so as to contribute for the economic development of Gere Guracha town?
4. Do you think that the existing number of employee of the bank enough?
5. What mechanisms do you suggest to make effective and efficient banking activity in GerbaGuracha town?