Assessments of Saving Mobilization: in case of bank of Abyssinia Wolkite branch



COLLAGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

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ADVISOR'S APPROVAL SHEETS

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This is to certify that the thesis entitled " **Assessments of Saving Mobilization: in case of bank of Abyssinia Wolkite branch "** submitted in partial fulfillment of the requirements for the Bachelor of Art in Accounting and Finance and has been carried out by (**ABEL MERGA**) under our supervision. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the research paper to Department of Accounting and Finance.

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ABSTRACT

This study aimed at assessment of saving mobilization in bank of Abyssinia at Wolkite branch with the primary objective of assessing the external and internal problem of saving mobilization of bank of Abyssinia at Wolkite branch. From the external problems: existence of competitors, expansion of informal saving and also individual income. And the rest are internal problems; quality of banking service, bank employee's behavior, as well as interest rate paid on deposits this paper explores the theoretical as well as empirical analysis of those problems having an impact on saving volume in banks and to assesses which one is more challenges of saving mobilization. In this study, we used primary sources of data. Primary sources of data collected by means of opened and close ended questionnaires to collect data from the employees of the organization. And also interview with managers as well as the researchers used qualitative approaches. The researchers used census survey sampling techniques to select all employees from the total target population and the researchers used descriptive methods of data analyzing. And also the research contains data analysis and interpretation by using tabulation and percentage. Finally, the researcher recommended that banks have to do much in branch expansion, to increase the awareness of the society, adjust the rate of interest paid on deposit according to demand of customers and also hire well experienced employees should be done to mobilized more saving in Abyssinia bank.

Key words: Saving mobilization, customers, banks

List of Acronyms

CBE - Commercial Bank 0f Ethiopia

CPI - Consumer Price Index

GDP - Gross Domestic Product

BLR - Based Leading Rate

NBE - National bank of Ethiopia

NGO - Nongovernmental organization

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CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Banks are the most important financial intermediaries that play an important role between depositors and borrowers as well as to mobilize fund and pass them over or lend to those which need to finance business or projects (Deaton, 2007. In other word banks act as a bridge between societies by transferring fund from savers to borrowers that were in need of fund to invest. Because of their intermediary function, banks also serve as a vehicle for economic and social development of a country.

Modern banking in Ethiopia began in 1905 with the bank of Abyssinia (Kiyota, 2007)now a day the number of banks in Ethiopia is 19 banks. Among these the three are state owned. Such as Commercial bank of Ethiopia (CBE), Construction and Business bank and Development bank of Ethiopia.

The others are private banks. Among these Abyssinia bank is one of the private banks of Ethiopia which provides financial service. (Fasil Alemayehu & Merhatbeb Teklemdhin, 2012)

The function of banks is divided in to two. These are primary function and secondary function. The primary functions of banks are also known as banking function. From this primary function accepting of deposit, granting of loans and advanced are some components of primary function. The secondary functions of banks are including agency functions and general utility function. Saving is an act of depositing of money in to the bank (GaruravaAkrania, 2011)

One of the problems, in the mobilization of saving is that, banking activity in developing countries is limited to the officially existed marketing activities. In addition, the peoples in the country are not well familiar with banking services and they have poor saving habits. (Sergeant, 2001)

Increasing depositors to intensive collection of cash has been regarded as a major task of banking. Acceptance of saving is the primary function of bank of Abyssinia at Wolkite branch. Maximization of savings of customer can be meeting by using high technologies, training has given to saving promoting staff, developing high organizational trust, giving client full pledged facilitate at new (Rose, 2005)

1.2 Statement of the Problem

Saving mobilization is fundamental part of banking activity. Mobilization of saving through intensive deposit collection will be regarded as the major task of banks. According to (Banson, 2012) **"**mobilization of saving for a bank is as essential as oxygen is for human being**."**

Saving mobilization is one of the main functions of banking business and so an important source of working fund for the bank. Saving mobilization is the collection of cash or funds by a financial institution from the public through its current savings, fixed recurring accounts and other banks specialized schemes.

(Selvaraj&Kumar, 2015) states that, the success of the banking greatly lies on the saving mobilization. Performance of the bank depends on saving, as the saving is normally considered as a cost effective source of working fund. It helps to expand banking operation.

Deposit has been globally acknowledged for their unique role as an engine of growth and development in any economy. Their intermediation role can be said to be a catalyst for economic growth and development as investment funds are mobilized from the surplus units in the economy and made available to the deficit units (Jonathan et al, 2013). Deposit is one of the resources banks highly motivated to mobilize and the most liquid money that is found in the treasury of the bank and which is ready to be borrowed in need of the fund. Private Banks should mobilize enough deposit to disburse the loan request of the customer. Deposit mobilization is an integral part of banking activity. Mobilization of savings through intensive deposit collection has been regarded as the major task of banking in Ethiopia today (Samuel, 2015).

According to NBE (2020), In Ethiopia, while deposits have been growing rapidly, further mobilization is needed to satisfy the significant demand for financing. Policies that promote the expansion of bank branches, increase financial awareness, and diversify savings instruments will help boost savings. To promote savings, banks were being encouraged to expand their branch network and to develop better-targeted savings instruments (for example for homebuyers and Ethiopia's Diaspora). The NBE agreed with staff that higher interest rates (especially for time deposits) could also promote savings, though they saw greater impact from structural policies.

The importance of savings in the development experience of Asian countries may be relevant in this regard

A deposit of the bank may be affected by different factors. A deposit is most useful Liabilities of the bank and it is relevant to find out factors affecting the deposit of a bank and determine the relationship between them. However, most commercial banks were not successful in controlling and managing their deposit as they were not aware of the factors that can affect the deposit (Sisay, 2013).

Many researchers conducted the same study regarding deposit mobilization at Abyssinia bank. According to their study, bank of Abyssinia faced different problems towards saving mobilization. Some of the problems are internal of the organization, like the quality of banking service, the interest rate paid on deposits, employee's behavior towards the customer and salary level of employees. While others are external problems. Such as existence of competitors, expansion of informal saving practices and level of individual income. There for the researcher tries to fill the gap on by conducting additional assessment specifically focused on saving mobilization factors which are not deeply studied by other researchers. The study aims to examine the challenges faced by the bank in mobilizing deposits, the techniques used by the bank to manage deposit mobilization, and the overall deposit mobilization practices employed by Bank of Abyssinia. By conducting this study, the researcher aims to contribute to the understanding of deposit mobilization at Bank of Abyssinia and potentially provide insights and recommendations to improve the bank's deposit mobilization efforts.

1.3 Research questions

In general, the study tries to answer the following research questions.

1. What are the internal and external problems that affect mobilization of saving in bank of Abyssinia at Wolkite branch?
2. What type of method the bank use in order to maximize the amount of cash collection and number of depositors in bank of Abyssinia at Wolkite branch?
3. How inflation affect saving mobilization in bank of Abyssinia at Wolkite branch?
4. How interest rates affect the saving mobilization in bank of Abyssinia?

1.4 Objectives of The study

1.4.1 General Objectives

The general objective of the study is the assessment of saving mobilization in Abyssinia bank at Wolkite branch.

1.4.2 Specific Objectives

1. To identify how the internal and external problems affect mobilization of saving in bank of Abyssinia at Wolkite branch.
2. To show the method to be used by bank of Abyssinia in the mobilization of saving.
3. To identify how inflation affect saving mobilization in bank of Abyssinia.
5. To identify how interest rate affect saving mobilization in bank of Abyssinia.

1.5 Significance of the Study

The study is important to identify problems that challenge saving mobilization and help banks to design and implement effective deposit mobilization strategies**.**

The other significance of this study will be used as reference for the future researchers and initiated them to perform. It gives opportunities for the researchers to gain deep knowledge in the practice of saving mobilization and also important to improve the saving mobilization policy and practice to increase saving mobilization activities by alleviation of existing problems. It also helps managers of banks, particularly bank of Abyssinia to identify the cause of the problems and redirects their policies based on the finding of this study in order to maintain effective saving mobilization practices. This study comes up with relevant information to improve its performance regarding saving mobilization.

1.6 Scope of the Study

The scope of this study is limited to deal with the assessment of saving mobilization of bank of Abyssinia in Wolkite branch. It is focuses on the mobilization practices at Bank of Abyssinia (BOA). It aims to address the gap in existing knowledge by examining the challenges faced by BOA in mobilizing deposits. Specifically, the study will explore both internal and external factors that affect saving mobilization.

1.7 Limitation of the study

Although this study was completed successfully, there were practical difficulties. In its best, this research work should have extended to cover all the commercial banks in Ethiopia to collect facts however, the inadequacy of relevant data compel the researcher to limit the study to only one commercial banks which is bank of Abyssinia. The main limitation of the study that other private banks were not including in the study is due to budget and time constraints.

1.7 Organization of the Study

The study is organized in five chapters. the first chapter deals with introduction of the study which consists of background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, limitation of the study and organization of the study. The second chapter deals about review related literature. The third chapter deals with data design and methodology of the study. The fourth chapter deals with data analysis, presentation and interpretation. The last chapter presents the conclusion and recommendation of the study.

CHAPTER TWO

2. LITERATURE REVIW

2.1. Definition of Saving Mobilization

Saving Mobilization is designed to attract funds from customer who wish to set their money anticipation of future expenditures or financial emergencies. These Mobilizations generally pay significant higher interest rates. While their interest cost is higher in saving or thrift mobilization are generally less costly for a bank to process and to manage just as bank for decades offered only one basic transaction mobilization of the regular checking account, so it was saving Plan. Book Savings is sold to house hold customer in small denominations and with drawl privilege were unlimited. Few banks have insisted on this technique because of the low interest rate paid on these account and because pass book savings tend to be stable any way with little sensitivity to change in interest rates. Saving mobilization, these are mobilization which the Bank Pays small interest to the customers who are usually small savers. (Customers can withdrawal any amount standing in their credit by checks without notice (menaces, 2000).

The bank pays another rate of interest on such saving the interest rate **interest** rate increase with the length of period of saving mobilization. Early withdrawal all (before the maturity date) are made up giving advance notice.

- **Advance Loan**: -bank lend certain amount of money to customers as per their request and charging higher interest rate than it pay for saving mobilization on such mobilization they have given loan in the following ways.

Cash credits bank advance to business man against certain specified securities. The borrower can withdraw money through checks according to his requirement; but pays interest along with principle amount at regular interval.

- **Cash loan**: - these are very shorter loans advance to the bull blacker for hot more than fifteen days; such bills can be recalled at very short notice.
- **Overdrafts**: - a bank often allows business man to draw checks for a sum greater than the balance lying in their account. The business man is charged interest on the amount by which his current accounts or over drawn. Discounting bill of exchange if creditor

holding a bill of exchange wants money immediately, the bank provides him the money by discounting the bill of exchange.

- **Financing foreign trade**: - Abyssinia bank finances foreign trade of its customers by accepting foreign bill of exchange and collecting them from foreign bank. It also buys and sells foreign currencies.
- **Agency services**: - bank acts as an agent of its customers in collecting and paying checks; bills of exchange.
- **Miscellaneous**: - besides; the above noted service the Abyssinia bank act as, custodian of valuables of its customer by providing them locker where they can keep their Jewells and valuable documents.

2.1.1 Importance of saving mobilization of Abyssinia Bank

- **Saving mobilization as source of fund for loan: -**

((Herald, 2001) States that saving mobilization is one of the main sources of fund to provide loan. The bank customers, business organizations, NGOs, government, mainly provide thus saving mobilization and so on.

- **Attracting saving Mobilization is Cheaper than Raising Equity: -**

Banks as any other business organization mobilize funds from debt or equity. In the banks context raising equity is more expensive or costly than attracting saving. ((Lorenz, 2010)States that, if the leading channel plays role, the saving growth should lead to an increase in the supply of loans due to the additional source of financing for banks. As the demand for loan increases, private and government banks create a saving by lending environment to the public. This clearly perform a function of a return in the form of interest payment (Harold, 2001)

- **Fund Investment and Projects: -**

Debt is largely held by domestic Abyssinia banks, which are funded mainly from saving of government and individuals. Investors and government are mainly depending on the savings of banks to fund their investment and development.

Generally, the banking system can be viable only if it can mobilize saving at the required rate and this can be done only by making a bank saving more attractive.

2.1.2 Exogenous factors

These are problems from the country and from other private and government banks that can affect the growth of Abyssinia bank saving mobilization.

- **Country's Specific Problems: -**

The country's economic, social and political problems can affect the banking industry. According to (Harold, 2010), country's specific problems such as political and financial problems may affect the propensity for saving to place funds in the banking system. A bank success mainly depends on the environment where the business is undertaken.

- **Saving Interest Rate: -**

One of the most important factors that affect the decision to save in the banking system is the level of interest rate. Therefore, as the interest rate changes the saving mobilization of the bank will also change.

- **Inflation: -**

Inflation affects economic growth, employment, income distribution, wealth as well as social and political conditions of a country.

- **Real Interest Rate: -**

Real interest rate is nominal interest rate minus inflation rate. When real interest rate is negative due to high inflation rate, people withdraw their resource from the bank. When the real interest rate decreases, saving mobilization also decreases.

- **Economic Growth: -**

Economic performance is generally being measured by gross domestic product (GDP) which shows standard of living.

According to (Herald, 2009), growth determines banks saving mobilization. GDP is calculated by adding up the value added at stage of production deducting the cost of production (Jim, 2008).

- **Consumer price index: -**

According to (Heral, 2009) price can also determine saving mobilization and it is measured by consumer price index. In literatures, there is evidence of the influence of consumer price index on banks saving mobilization; however, this area was rarely *studied.*

2.1.3 Bank specific factors

- **Liquidity**

Liquidity from the banks point of view is "the ability to meet its day to day withdrawals". Banks by accepting short term deposits (liabilities) and lending them to borrowers by loan commitments (assets) have the obligation to keep part of the deposits to meet daily demands for money. Where the bank has enough cash to meet daily demand for money then it is liquid (Freixaset. al. 2008).

This is not in any way a measure of soundness of the bank regarding its capital adequacy ratio. The soundness of the bank measured by the ratio of the banks paid up capital and accumulated reserves (adjusted capital) to total asset, less risk free assets plus off balance sheet assets. A bank can be liquid but not necessarily solvent (Basel II). Households and firms who are the bank main depositors are also affected by the concept of liquidity.

Liquidity preference on the part of household/firms is the desire to hold money other than assets. Thus, it is the unwillingness on the part of potential savers to part with money based on three motives; transaction, speculative and precautionary (Keynes, 1964). Keynes identifies that people keep money rather than investing it for the purpose of meeting daily transactions and/or making a purchase of securities they speculate to appreciate in value and/or meeting unforeseen expenditures. Speculation is higher in the developing countries with persistent inflation. In such economies people keep money in assets and these affect deposits banks receive. In an economy of political and future uncertainties lots of precautions have to be taken. People keep money and/or any form of assets rather than deposits with the banks to deal with unexpected situations such as making unplanned journeys, sickness and bereavement. Expenditure affects liquidity and it is inversely related to deposit mobilization. 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). According to (Voon-Choonget al, 2010), the basic need for liquidity, asset, liability, capital adequacy, credit and interest rates risks management are now more challenging than before. The more liquid

banks can attract the deposits. When banks fail to pay for its depositors then it faces liquidity risk that makes other depositors not to deposit in that particular bank.

- **Profitability of the bank**

The long run relationship between Commercial bank deposits and the profitability of the banks indicated that higher banks' profits would tend to signal increased bank soundness, which could make it easier for these banks to attract deposits (Herald and Heiko, 2009) .However, the effect of bank profitability and bank size are found to be insignificant once controlling for other variables. So, the effect of profitability and banks size on commercial bank deposit is lower as compared with other variables.

- **Bank size**

Among the factors prominently identified as affecting deposit variability, one is bank size. Evidence indicates that the number and diversity of the ownership of individual deposit accounts as well as the distribution of deposits by type vary with bank size (George, 2002). (Herald and Heiko, 2009) find that although insignificant once controlled by other variables bank size have an effect on deposits. A smaller bank has to generate less deposit in absolute terms to achieve the same deposit growth than large banks, thus possibly favoring smaller banks in achieving higher deposit growth.

2.2 Empirical literature

Among the articles written on the subject, the researcher has selected two local and One overseas study made by:- The study conducted by Silvester, (2011) the article were used data aims to evaluate the design of bank products and services, assess their effectiveness of harnessing domestic deposits and challenges they face in mobilizing deposits. The research is based on relevant books, journals, articles and other publications. In addition, data from commercial banks in Ghana on deposits they received from 2000 to 2004 were studied to make recommendations. Results from the analysis indicated that deposits mobilization of Commercial Banks in Ghana though, has an upward trend, it increases at a decreasing rate hence, the present level of deposits as a ratio of the total amount of money in circulation is woefully inadequate. The study also reveals certain basic facts about commercial banks in Ghana. Their concentration in the cities and a few urban areas as well as their product design and services are targeted to the literate formal sector employees. In addition, unfavorable macroeconomic conditions have resulted in

negative real interest rate on deposits while unnecessary government intervention has reduced the confidence in the banking sector. The effects of these factors are the low deposits that commercial banks receive. The study concluded with recommendations for commercial banks such as; the need to redefine their product target, increase their scope to include the large majority etc. in order to ensure improvements in their operations. Kibebe (2016), the objective of the study is to assess determinants of deposit mobilization in Ethiopian private commercial banks and the study adopts mixed approach to gather the data. The primary data is gathered using questionnaire. Sampling method of the primary data is purposive sampling technique. While the secondary sources of data were extracted from annual reports of all private commercial banks of Ethiopia, data from National Bank of Ethiopia (NBE) and from Central Statistical Authority (CSA). Regarding the secondary data, the study used time series data from 2000-2014 for analysis made using Classical linear regression method. The study shows that, Age dependency ratio, Investment and money supply, are the most significant factors of deposit mobilization activity. The other variable such as Per capita income has insignificant power to influence the dependent variable. As a result, the study recommended that, Government should increase investment so as to promote economic growth to mobilize deposits since there exists a positive relationship between deposit and Investment. And private banks ought to increase number of branches to mobilize more resources.

The study conducted by Sisay (2013), examines and assesses factors affecting deposit mobilization of private commercial banks. Those having two years and above experience senior Addis Ababa area branches and head office employee were selected for data collection. The research has used questionnaire and structured interview discussion for employees and the management of Awash International Bank Share Company. The result shows that the reconstruction of Addis Ababa roads, Aggressive branch expansion of CBE, the current condominium house construction program, peoples attitude towards using private banks and poor parking area are strongly influence the deposit mobilization process of Awash International Bank S.C. Opening of additional branches, aggressive promotion and upgrading service deliverance can boost the deposit balance of a bank positively. The study suggested the management of the bank should arrange and apply incentive program such as coupon prizes to attract more depositors, open additional branches near to the customers, promote excellent services and other mores are discussed in the research. According to (Daniel, 2005), a deposit holds 63% of

commercial bank liabilities. This indicates that factors that affect deposits mobilization have a huge impact on the performance of commercial banks. Developing economies are characterized by unstable macroeconomic environments such as inflation, inappropriate fiscal and monetary policies, interest rate controls. The net effect is the change in liquidity which affects savings and capital formation. Where the macroeconomic environment is favorable to savings then the commercial banks are in a better position to increase savings. On the contrary, where macroeconomic policies erode liquidity from the hands of the people then deposits reduce and may negatively impact on capital growth and investment in the country. The study conducted by (Haron , 2006) on deposit determinants of commercial banks in Malaysia using co integration techniques they suggest that rates of profit sharing of Islamic banks, rates of interest rate on deposit, base lending rate (BLR), composite index of Malaysian bourse (KLCI), consumer price index (CPI), money supply (M3) and gross domestic product (GDP) have positive effect on deposits of the bank. The higher the rate of interest, the more money will be saved, since at higher interest rates people will be more willing to forgo present consumption. For a net saver an increase in the rate of interest will have an overall effect composed of two partial effects: an income effect leading to an increase in current consumption and a substitution effect leading to a reduction in current consumption.Net lender (net saver) receives more in investment income than he has to pay to service his debt, high interest rates increases net investment income, thus encouraging present consumption and lessening the need to save in order to finance future consumption. If the substitution effect is strong, an increase in rate of return tends to encourage consumers to postpone consumption and increase savings in the present period in order to achieve higher consumption levels later. BLR represents the lowest interest rate charged for bank loans. Changes in the rate will have a direct relationship with the credit availability to customers. Increase in the rate means higher cost of they can easily obtain financing for their needs as well as their capacity to payback the loans. Composite Index of the Malaysian Bourse or Kuala Lumpur Composite Index (KLCI) is another new variable introduced in this study. This variable represents the future growth in the economy and the confidence level of people toward the economics of the country. Instead of putting their money in the bank accounts, they will buy stocks hoping that they will benefit from higher dividend rates and capital gain. Therefore it is expected that this variable will have an inverse relationship with deposits. Consumer Price Index (CPI) is used as a proxy for inflation. Inflation may influence saving through several reasons.

Theory postulates that greater uncertainty should rise saving since risk-averse consumers set resources aside as a precaution against possible adverse changes in income and other factor. Hence, when inflation raises uncertainty regarding future income growth, risk-adverse consumers may increase their precautionary saving. Secondly, savings may rise in inflationary environment if consumers mistake an increase in the general price level for an increase in some relative prices and refrain from buying (Deaton, 2007). Inflation could also influence saving through its impact on real wealth. If consumers attempt to maintain target level of wealth or liquid assets relative to income, saving will rise with inflation. The research conducted by (Herald and Heiko, 2009) to examine the demand for commercial banks deposits in Lebanon, a regional financial center classified the variables into two, i.e. macro and micro level variables. At the macro level, they found that domestic factors such as economic activity, prices, and the interest differential between the Lebanese pound and the U.S. dollar are significant in explaining deposit demand, as are external factors such as advanced economic and financial conditions and variables proxying the availability of funds from the Gulf. At the micro level, they found that in addition, bank-specific variables, such as the perceived riskiness of individual banks, their liquidity buffers, loan exposure, and interest margins, bear a significant influence on the demand for deposits. They have used quarterly data from 1993 to 2008. They have estimated a number of vector error correction model (VECMs) to take account of co integration in the non-stationary time series. They found that both domestic and international factors help explain deposit demand. Among domestic variables, they found that the coincident indicator for real economic activity in Lebanon, consumer prices, and the interest differential between the local currency and the U.S. dollar matter. Among the external variables, advanced economy economic and financial conditions appear significant (especially advanced economy industrial production and the Goldman Sachs Risk Aversion Index), as do so proxying the availability of funds from the Gulf. While both domestic and external variables are significant in explaining deposit demand, impulse response functions and variance decomposition analyses underscore the relative importance of the external variables. Regarding bank specific variables they found that the banks perceived riskiness (z-score), their liquidity buffers, loan exposures and interest margins all bear a significant influence on deposit growth at the bank level, controlling for domestic and external macroeconomic factors. In a similar way investigated a research on deposit mobilization in Ghana to evaluate the trend of deposit through secondary data from commercial banks in Ghana

that received from 2000 to 2004 were studied using nine sample banks out of twenty seven commercial banks and the result from the analysis indicated that deposits mobilization of Commercial Banks in Ghana show increasing trend, that is increases at a decreasing rate. Hence, the present level of deposits as a ratio of the total amount of money in circulation is woefully inadequate.

The study also reveals certain basic facts about commercial banks in Ghana. Their concentration in the cities and a few urban areas as well as their product design and services are targeted to the literate formal sector employees. In addition, unfavorable macroeconomic conditions have resulted in negative real interest rate on deposits while unnecessary government intervention has reduced the confidence in the banking sector. The effects of these factors are the low deposits that commercial banks receive. The study conducted by (Fadare, 2011) through linear least square model and time series data from 1980 to 2009 examine the determinants of Banking Sector liquidity in Nigeria and assesses the extent to which the recent financial crises affected liquidity in deposit money banks in the country.

The findings indicate that only liquidity ratio, monetary policy rate and lagged loan-to-deposit ratio are significant for predicting Banking Sector liquidity; and that a decrease in monetary policy rates, liquidity ratios, volatility of output in relation to trend output, and the demand for cash, leads to an increase in current loan-to-deposit ratios; while a decrease in currency in circulation in proportion to Banking Sector deposits; and lagged loan-to-deposit ratios leads to a decline in current loan-to-deposit ratios. The result suggests that during periods of economic or financial crises, deposit money banks are significantly illiquid relative to benchmarks, and getting liquidity monetary policies right during these periods is crucial in ensuring the survival of the Banking sector.

The research study undertaken by (Wubitu, 2012) on factors determining commercial bank deposits in Ethiopia using both primary and secondary data from the year 2000 – 2011 which regressed the dependent variable or total deposit with three independent variables bank branch, deposit rate and inflation rate through multiple regression model indicated that all have positive effect on deposit of the bank, but their significances differ from one variable to others. Hence, the findings depicted that branch expansion had positive and significant effect whereas deposit rate and inflation rate have positive and insignificant effect on total deposit of the banks.

2.3 Summary and knowledge gap

Theories are well available in various literatures about deposit mobilization. But, they focus on assessment of deposit mobilization. The empirical studies on bank deposit are rarely available especially in Ethiopia. According to the review, all of the empirical studies done on the area of bank deposit and its assessment.

In Ethiopia, an important gap still exists in the theoretical and empirical literature about deposit mobilization practice. All studies cited above suggest that commercial banks deposit is determined both by bank specific factors and macroeconomic factors. Some of the studies given more attentions to the macro determinants rather than bank specific and the significance of the assessment identified by the studies are completely different.

To the knowledge of the researcher there is a gap in theoretical and empirical studies specifically focused on deposit mobilization practices in the case of Bank of Abyssinia S.C. While previous research by Kibebe (2016) and Sisay (2013) examined the determinants and factors influencing deposit mobilization of private commercial banks in Ethiopia, they did not specifically analyze the deposit mobilization practices and activities of Bank of Abyssinia. The current deposit mobilization practice and activities of private commercial banks were not analyzed by many researchers. Therefore, it is important to assess the current deposit mobilization strategies employed by Bank of Abyssinia in order to understand their unique practices in this area. This study aims to fill the gap in existing research and provide a comprehensive analysis of Bank of Abyssinia's deposit mobilization practices. It is an essential of assessing the current practice of deposit mobilization strategies of BOA. And finally, this study is different from previous works done by others; specifically it assesses the deposit mobilization practice of Bank of Abyssinia S.C.

CHAPTER THREE

3. Research Methodology

This chapter discuss about the methodology used to conduct this study. The primary aim of the study is Assessment of saving mobilization in Wolkite branch. The research methodology section is clearly defining the, research approach, research design, the sample and sampling techniques, sources and instruments that have been utilized in collecting data, the procedure of data collection and finally the method of data analysis was presented as follows

3.1 Research approach

The research approach used in this study was mixed methods since it drive the best out of the two approaches quantitative and qualitative. Hence, both approaches have their own limitations it is best used them so that to fill the gap brought and to get more answers that are accurate. Hence, it is weak in understanding the context (Creswell, 2013).

3.2 Research design

According to (Polit & Hungler (, 2004)descriptive research refers to research studies that have as their main objective the accurate portrayal of the characteristics of persons, situations or groups.
This study was used descriptive research type; the objective of this study is the assessment of saving mobilization in Abyssiniya bank by identifying how internal and external factors affect saving mobilization

3.3 target population

The total population for this study was workers of Abyssinia bank at Wolkite branch. The researcher primarily asked the number of employees available in the branch selected in order to decide on the sampling technique to be used.

The total target population of bank of Abyssinia in Wolkite branch is 26 employees. From those target populations, the researcher was used all respondents in the sample size by using Census Survey.

Census method is the method of statistical enumeration where all members of the population are studied. A population refers to the set of all observations under concern.
The reason behind using this technique is:

- To get relevant and sufficient information.
- To get accurate information and minimize bias.
- To enable the researcher freely select the respondents who are relevant for the study.

3.4. Source of data

This study was used both primary and secondary data. Primary data was obtained from managers and employees of bank of Abyssinia in Wolkite branch. The secondary data was obtained from previous studies, articles, and journals.

3.5 Data collection method

The primary data was gathered through a structured questionnaire, which were designed from the literature review of various assessments of saving mobilization in the banking industry and selected interviews. The questionnaire was an open ended and closed ended. And also the secondary data that was used in this research is obtained from like books, documents, existing research papers, journals and publication, websites, institutions reports and other relevant journal. This study involved largely the use of these data for the purpose of empirical analysis and the other tool is an interview with the workers chosen.

3.7 Method of data analysis

The collected data has to be changed and interpreted in to meaningful information, figure and statement. So it will be analyzed, processed and interpreted according to the nature of data.

This study was analyzed the data gathered from the selected respondent for the closed ended questionnaire.The descriptive statistical results were being presented by tables, and Percentages to give a condensed picture of the data.

Many researchers, which are included in the literature reviews, applied this two analyzing techniques, those were to measure the importance of the factors based on their appearance and their impact on saving mobilization in the company.

CHAPTER FOUR

4. Data analysis and presentation

This part of the paper contains data presentation; interpretation and analysis using tables and percentage. The questionnaires were distributed to 26 salary employees of the company. The questionnaires were distributed to employees are filled and collected back for analysis to conduct this study.

4.1 Demographics characteristics of the respondents (employees).

Table 4.1 gender of employees

Gender	Number of respondent	Percentage %
Male	16	61.54%
Female	10	38.46%
Total	26	100%

Source; primary data; 2025

As can be seen from table 4.1 more than half of the employees 61.54%are male and the rest 38.46 % are female. This indicates that most of bank of Abyssinia employees are males.

Table4.2age of employees

Table4.2age of employees Age	Number of respondent	Percentage %
20-30	15	57.7%
30-40	7	26.9%
40-50	4	15.4%

Above 50		
Total	26	100%

Source; primary data; 2025

Table 4.2 Shows that 57.7 % of respondent lies between 20-30 years. Around 26.9 % of respondent's lies between 30-40 years and 15.4%of respondents lies between 40-50 years. Therefore; this shows that the high percentage of respondents is lies "between" 20-30.

Table4.3 educational level of employees

Educational level	Number of respondent	Percentage (%)
12and above	-	-
Diploma	-	-
BA degree	17	65.4%
MA/MSC	9	34.6%
TOTAL	10	100

Source; Primary data 2025

As shown from table 4.3. The qualification of the respondent's shows that the respondents with BA degree are about 60.4% and the respondent educational qualification of MA/MSC are about 34.6% and there were none respondent with the qualification of 12 and above and diploma. This shows that the highest percentages of respondents are with educational qualification of BA degree.

Table 4.4 work position of employees

Work position	Number of respondent	Percentage (%)
Clerk	6	23.1%
Accountant	18	69.23%
Vise Manager	1	3.84%

Manager	1	3.84%
Total	26	100%

Source; Primary data 2025

Table 4.4 Shows that the work position 23.1% respondents was clerk; 69.23% of respondents are accountant and 3.84% of respondents are vice manager and manager. This shows that accountants are more among the respondents

4.2 Internal problems challenges of saving mobilization in bank of Abyssinia

Table 4.5 challenges of saving mobilization

Internal factors that challenge saving mobilization	Number of respondent	Percentage (%)
Low interest rate for saving	11	42.3%
Bank employee behaviors	-	-
High limitation on providing loan	13	50%
Other	2	7.7%
Total	26	100%

Source; primary data 2025

From the above table shows, that the internal problems that challenges saving mobilization 42.3%of the respondents selected Low interest rate problems are the most influence on the mobilization of saving for a bank. 7.7% were other problems for saving; 50% were high limitation on providing loan and there were no respondent bank employee's behavior.

4.3 Degree of interest rate paid by the bank of Abyssinia in comparison to other banks.

Table 4.6 degree of interest rate paid by the bank in comparison to other banks interest rate

Interest rate paid by BOA	Number of respondent	Percentage (%)
Lower	11	42.3%
Medium	13	50%
High	2	7.7%
Total	26	100%

Source; primary data 2025

Table 4.6 Show that 42.3% of respondent responded that the interest rate paid on saving mobilizing by bank of Abyssinia is lower than that of interest rate paid by other banks. 50% of respondent responded that interest rate paid by bank of Abyssinia is medium interest rate paid by other banks. And 7.7% of respondents answer that interest rate paid on saving mobilization by bank of Abyssinia is higher than other banks

4.4 The bank paid interest rate to attracting the customers

Table 4.7 bank paid interest rate to attracting the customers

Interest rate paid by BoA attract customer	Number of respondent	Percentage (%)
Yes	11	42.3%
No	15	57.7%
Total	26	100

Source; Primary data 2025

Table 4.7 Shows most of the respondents are not satisfied with interest rate paid by the bank. From the total of respondents 57.7% are responded “No". I.e. it indicates that most of respondent

are not satisfied by the interest rate. Whereas the rest of 42.3 % of the respondents responded “Yes" which means the bank did satisfy the respondent. so almost the bank is not satisfying the respondent**.**

4.5 Income Level of saver in bank of Abyssinia

Table 4.8 income of savers level

Income level	Number of respondent	Percentage (%)
Less than 1000birr	3	11.6%
1000-5000 birr	6	23%
5000-10000	13	50%
10000 and above	4	15.4%
Total	26	100%

Source; primary data 2025

Table 4.8 Shows that regarding to income level 11.6% of respondents are earning less than 1000 birr and 23% of respondents are earning 1000-5000 birr. 50 % of respondents were 5000-10000 and 15 % of respondents was earning 10000 and above. The researchers observe that majority of respondents were 5000-10000 income level.

4.6 Purpose for saving money.

Table 4.9 about issue related to saving of money by the customer

Why customer save in BoA	Number of respondent	Percentage (%)
For Security	16	61.5%
For Emergency	-	-
To get interest	10	38.5%
Other	-	--
Total	26	100%

Source; primary data 2025

The above table 4.9 indicates that 61.5% of respondent responded that customers saving money for the purpose of security; 0 % of respondents answered that they save their money for emergency purpose and 38.5 % of respondents answered that they save their money to gain interest. From the above table researchers observe that the majority customers saving their money for the purpose of security.

4.7 External problems that challenges of saving mobilization in bank of Abyssinia.

Table 4.10 external problems challenges of saving mobilization

External Problem Challenge saving Mobilization	Number of respondent	Percentage (%)
Existence of competitor	8	31.%
Market Fluctuation		
Individual Income	6	23%
Expansion of informal saving	12	46%
Total	26	100%

Source; primary data 2025

Table 4.10 Show that most of the respondents respond that 46% indicated that the major problems that challenges saving mobilization is expansion of informal saving. Where 23 % of respondents respond that the problems that challenges saving mobilization is individual income. And 31% respondents respond that problems that challenges saving mobilization in bank of Abyssinia at branch are existence of competitors. Therefore, the researchers conclude that the major problems that challenges saving mobilizations are mostly affected by expansion of informal saving.

4.8 The most hinder to saving mobilization in the Abyssinia bank.

Table 4.11 hinder of saving mobilization

Which challenge are most hinder for BoA	Number of respondent	Percentage (%)
External	20	77%
Internal	6	23%
Total	26	100%

Source; primary data 2025

Table 4.11 Shows that among the respondents about 77% of the responds are the most challenges problems in the saving mobilization is external problems and 23% respondents are responds the most challenge's problems in the saving mobilization is internal problems. Therefore, the researchers conclude that the most challenges that affecting the saving mobilization are external problems.

4.9 Activities for increasing Saving Amount

Table 4.12 increasing of saving amount

How increase amount of saving	Number of respondent	Percentage (%)
Pay higher interest rate for saving	-	-
Efficient and effective service	16	61.5%
Near to home	10	38.5%
Total	26	100%

Source; primary data 2025

Table 4.12 Show that none of the respondents responded that pay higher interest rate for saving does not increase the volume of saving mobilization in bank. 61.5 % of respondents answered that efficient and effective service; 38.5% of respondent responded near to home. Therefore, the researchers observe that efficient and effective service is the most activities to increase the volume of saving mobilization in bank of Abyssinia.

4.10 Awareness of Customers to improve saving habit in the bank

Table 4.13 awareness of customers

Is BoA Awareness for customer	Number of respondent	Percentage (%)
Yes	11	42.3%
No	15	57.7%

Total	26	100%

Source; primary data 2025

Table 4.13 from the total respondents 42.3% are responded “Yes" this indicates that the employees create awareness to the society about the saving mobilization in the bank. Whereas the rest of 57.7% of the respondents responded "No" which means that the bank did not create awareness to the society about saving mobilization in the banks. Therefore, the researchers conclude that the bank did not create awareness to societies.

4.11The effect of inflation on saving mobilization

Table 4.14 Effect of inflation

Effect of inflation	Number of respondent	Percentage (%)
Strongly disagree	-	-
disagree	4	15.4%
agree	9	34.6%
Strongly agree	13	50%
Total	26	100

Source; primary data 2025

Table 4.14 from the total respondents 15% are responded disagree this indicates inflation has no effect on saving mobilization,34.6% of respondents responded agree and 50%of respondents responded strongly agree means that most of respondents says inflation has negative impact on saving mobilization. Generally, the researcher concluded that inflation has negative impact on saving mobilization in bank of Abyssinia.

4.12Expansion of branch improve saving mobilization on bank of Abyssinia

Table 4.15 effect of branch expansion

Expansion of branch improve saving mobilization	Number of respondent	Percentage (%)
Strongly disagree	-	-
disagree	4	15.4%
agree	13	50%
Strongly agree	9	34.6%
Total	26	100%

Source; primary data 2025

Table 4.15 from the total respondents 15.4% are responded disagree this indicates branch expansion has no effect on saving mobilization, 50% of respondents responded agree and 34.6%of respondents responded strongly agree means that most of respondents says branch expansion has positive impact on saving mobilization. Generally, the researcher concluded that branch expansion increase saving mobilization in bank of Abyssinia.

4.13. The impact of saving mobilization on loan disbursement on bank of Abyssinia

Table 4.16 relationship between saving mobilization and loan disbursement

impact of saving mobilization on loan disbursement	Number of respondent	Percentage (%)
Strongly disagree	3	11.6%
disagree	5	19.2%
agree	13	50%
Strongly agree	5	19.2%
Total	26	100%

Source; primary data 2025

Table 4.16 from the total respondents 11.6% are responded strongly disagree and 19.2%ofrespondent responded disagree this indicates saving mobilization has no effect on loan disbursement, 50% of respondents responded agree and 19.2%of respondents responded strongly agree means that most of respondents says saving mobilization has positive impact on loan disbursement. Generally, the researcher concluded that saving mobilization increase loan disbursement in bank of Abyssinia. Means that the number of saver increases the wealth of bank of Abyssinia increase so bank of Abyssinia provide loan.

4.14 Analysis of Information from Interview with Manager.

The researchers made face to face interviews with the manager on the problems that affect saving mobilization are as follows:

High limitation on providing loan: - this is the problem that affect saving mobilization. The bank does not provide loan without collateral securities unlike micro finance. Mostly bank of Abyssinia provide loan to agricultural, industrial sectors and for business engaged in import and export.

Problems in saving in agricultural sector: - because some years ago government was providing fertilizer by loan there were high savings by them in agricultural sector. But now a day the supply of fertilizer is provided in cash. Therefore; instead of saving they prefer to buy the fertilizer.

Inaccessibility of bank of Abyssinia in Keeble level: - this is also a problem that affects the bank of Abyssinia saving mobilization due to the existence of micro finance, because it has easy accessibility in Keeble level.

Existence of competitors: - this is also a problem that affects saving mobilization. Since there are many private and government bank and there is strong competition among banks.This competitors affect bank of Abyssinia in many ways to saving mobilization. Customer select among those competitors on the bases of interest rate paid on saving service efficiency and site convenience.

Interest rate affect saving mobilization: - these are also other problems that affect saving mobilization. As mentioned above those competitors charge different interest rate on saving mobilization. Some private bank charges higher interest rate on saving mobilization, greater than 7 % which National bank of Ethiopia (NBE) set Minimum interest rate 7 % interest rate on saving mobilization. While the bank of Abyssinia branch is charging only 7 % interest rate on saving mobilization. As describe above the national bank fixes only the minimum interest rate. Therefore, banks can increase the interest rate on mobilization for the competition purpose. However; as the researcher's gets information from an interview with branch manager of bank of Abyssinia is not using these mechanisms to increase its saving.

Expansion of informal saving: - the expansion of informal saving i.e. ekub, Eder and arata affect the level of saving in bank. People set aside their money in such away other than bank.

Lack of awareness about saving: - it is the most influence problem that affect saving mobilization of banks. These poor cultures of saving on society affect the level of saving in the bank.

Transfer Money: - when the people want to move their money from one place to another place it can use any one of the service. For example, money grams, western union, express money. this activity done by bank of Abyssinia to increase saving mobilization.

Inflation affect saving mobilization in bank of Abyssinia at Wolkite branch because of the purchasing power of money so people use their money for satisfying their day today consumption. Income= saving +consumption. Therefore, consumption increase leads to saving decrease which means as inflation increase saving habit of people decrease. As a result researcher concluded that

Inflation has a negative impact on saving mobilization for Abyssinia bank at Wolkite branch.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on the finding of the study and data presentation the following conclusions are drawn. The finding of the study revealed that the existing level of saving mobilization has affected by internal and external problems. From internal problems that affect saving mobilization, low interest rate and high limitation on providing loan are mostly influence on the mobilization of saving for a bank of Abyssinia at Wolkite branch. The income level of customer in bank of Abyssinia in Wolkite branch is between 5000-10000.Customers saving their money for the purpose of security and to gain interest. From external problems existence of competitor's, expansion of informal saving, individual income and market fluctuation are found to a significant problem, which affect saving mobilization.

Low interest rate paid on deposit, the way they deal with customers regarded as internal problems that affect saving mobilization. And also high limitation on providing loan found to be the problem that affect saving mobilization. From the manager point of view; society does not have awareness about savings and also Lack of accessibility of the bank in Keeble level are found to be the problems that affect saving mobilization. The volume of saving mobilization activities grows year to year in the bank. Inflation has negative impact on saving mobilization in bank of Abyssinia because saving=income-consumption. Branch expansion in different area increase saving mobilization in bank of Abyssinia. The bank is providing special service for customers according to their request.

5.2 Recommendations

Based on the study the following recommendations are given:-

- The bank better to expand branches in different areas of the country.
- The bank better to adjust the rate of interest paid on deposit according to demand of customers. If the bank revised the rate of interest it will attract customers.
- Bank of Abyssinia at Wolkite branch recommended promoting saving mobilization by increasing customer saving.
- The bank better to take necessary step to create saving awareness among the people by creating attractive advertisement and by describing the benefit of saving for the society.
- The bank is also recommended to establish different opportunities for the society in return for their saving like's prizes, loan opportunities and quality service.

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Appendix-1

COLLEGE 0F BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Dear respondents:

This questioner is prepared by fourth year accounting and finance student in university of Gondar. The purpose of conducting of this research for partial fulfillment in the requirement of BA degree in accounting and finance.

The aim of this questionnaire is to collect relevant data on Assessment of saving mobilization in bank of Abyssinia at Wolkite branch. Therefore, you are kindly requested to respond genuinely by putting "√" make on the box for your response.

We would like to thank for your cooperation and for your golden time in filling this questionnaire. Your information keeps as secrete.

Instruction:

Don't write your name.

Make on the box "√".

Write explanation on the blank space.

I Personal information

1. Sex: male ☐ female ☐

2. Age: 20-30 ☐ 30-40 ☐

40-50 ☐ above 50 ☐

3. Education level: 12 and above ☐ diploma ☐

BA degree ☐ MA/MSC ☐

4. Work Position: clerk ☐ manager ☐

Accountant ☐ vice manager ☐

II General Questions:

5. What are the internal problems that challenges saving mobilization in united bank?

Low interest rate for saving ☐

Bank employees' behaviors ☐

High limitation on providing loan ☐

Other ☐ mention these problem----------

6. In comparison to other banks what is the degree of saving interest rate paid by your bank?

Lower ☐ medium ☐ higher ☐

7. Is interest rate paid by the bank attracting the customers?

Yes ☐ No ☐

8. If your answer for Q NO 7 is "yes" please justify your reasons?----------

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9. The income level of savers in your bank:

Less than 1000 birr ☐ 1000-5000 ☐

5000-10000 ☐ Above 10000 ☐

10. Why savers save money in your bank? For security ☐ p gain interest rate ☐

For emergency ☐

If others, please specify…….....

11. What are the external problems that challenges saving mobilization in united bank?

Existence of competitors' ☐ market fluctuation ☐

Expansion of informal saving ☐ Individual income ☐

12. Which challenges are the most hinder to saving mobilization in your bank?

Internal problem ☐ external problem ☐

13.what activities do the bank to increase the volume of saving mobilization in united bank?

Pay higher interest rate for saving ☐ near to home ☐

Efficient and effective service ☐ if others please specify ……
……..

14. are there any awareness creation made by your office to improve saving habit of local customers?

Yes ☐ No ☐

15 if your answer number14 is yes what are the possible reasons?

……
……

…

16. Branch opening at rural areas benefits the bank in terms of increasing deposit mobilization. ***Strongly disagreedisagree*** ☐

Agree ☐ ***strongly agree*** ☐

17. Inflation has negative impact on deposit mobilization performance in bank of Abyssinia.
Strongly disagreedis agree ☐ ☐

Agree ☐ ***strongly agree*** ☐

18. Bank of Abyssinia needs substantial deposit mobilization to meet the current demand of loan disbursement. ***strongly disagreedisagree*** ☐ ☐

Agree ☐ ***strongly agree*** ☐

We would like to thanks for your cooperation and for your golden times in filing this questioner

Appendix-2

Interview questions

i. What is the internal problem that challenges saving mobilization?
ii. What is the external problem that challenges saving mobilization?
iii. From the problems, which is the most influenced on saving mobilization?
iv. How inflation affect saving mobilization?