



# **Challenges and Prospects of Deposit Mobilization: (In Case of Commercial Bank of Ethiopia, Gubre Branch)**

**Prepared By: Gemechis Kuma**

**A Research Paper Submitted to the Department of Accounting and Finance  
for Partial Fulfillment of the Requirements of the Bachelor of Art Degree  
(BA) In Accounting and Finance**

**Advisor: Birhanu Yirga (M.Sc.)**

**College of Business and Economics  
Department of Accounting and Finance  
Wolkite University**

**June, 2019**

**Wolkite, Ethiopia**

## ABSTRACT

*The general objective of this study was to assess the challenges and prospects of deposit mobilization on commercial Bank of Ethiopia by examining Gubre Branch. In this study the researcher was used descriptive analysis design and census method was used. The study focused on the identifying the challenges influencing related financial, administrative, Technology and external factors challenges in deposit mobilization and possible prospects of CBE in deposit mobilization. The study was used primary data. Primary data was being collected through questionnaires from the employees and interview with the branch manager. It was synthesized and analysed using both qualitative and quantitative analytical approach to draw valid conclusions. The study shows that the administrative challenges are governance low and lack of awareness about deposit mobilization. Technology challenges are bank access by giving services and products, Electric Power of Agency infrastructures, and interruption of the network, Deposit interest rate and loan interest rate are the finance challenges affect deposits, The external factors challenges are compete with private banks, unstable macroeconomic, existence of political unrest and Community attitude towards the bank. Using new technologies, qualified employees, and giving interested service, and improving local and international money transfers is a source of prospects deposit mobilization. As a result, the study recommended that, the manager should be designing situations policy to management deposits mobilization, government should solve the problem related to electric power of agency infrastructure and interruption of the network, stable macroeconomics and regulate existence of political unrest. The bank should increase deposit interest rate, use new technologies, giving interested service, and improving local and international money transfers to improving the deposit mobilization*

## **ACKNOWLEDGMENT**

First and for most, I would like to express my sincere thanks to who I created by him and helped me in all aspect of my life.

Second, My deepest and great gratitude to my advisor, Mr. Birhanu Yirga (M.Sc.) for his extremely valuable comments, encouragements and expert guidance at various stage of the prepare study paper.

I also a grateful and very much indebted to my family for the financial and moral support that they offered I not only for completion of the research study but also for the whole of my educational careers.

## ACRONOMYS

MFIs – Microfinance Institutions

ICT – Information Communication Technology

SACCOs - Saving and Credit Cooperatives

NBE - National Bank of Ethiopia

CBE - Commercial Bank of Ethiopia

CD - Certificate of Deposit

ADB - Agricultural Development Bank

## Table of Contents

<b>ABSTRACT</b> .....	i
<b>ACKNOWLEDGMENT</b> .....	ii
<b>ACRONOMYS</b> .....	iii
<b>CHAPTER ONE</b> .....	1
<b>INTRODUCTION</b> .....	1
<b>1.1 Background of the Study</b> .....	1
<b>1.2. Statement of the Problem</b> .....	3
<b>1.3. Research Questions</b> .....	5
<b>1.4. Objectives of the Study</b> .....	5
<b>1.4.1. General Objectives</b> .....	5
<b>1.4.2. Specific Objectives</b> .....	6
<b>1.5. Significance of the Study</b> .....	6
<b>1.6. Scope of the Study</b> .....	6
<b>1.7. Limitation of the Study</b> .....	7
<b>1.8. Organization of the Study</b> .....	7
<b>CHAPTER TWO</b> .....	8
<b>LITERATURE REVIEW</b> .....	8
<b>2.1. Theoretical Review</b> .....	8
<b>2.1.1. The Concept Deposit Mobilization in the Banking Industry.</b> .....	8
<b>2.1.2. Importance of Deposit Mobilization</b> .....	9
<b>2.1.3. Depository Institutions</b> .....	10
<b>2.1.4. Major Types of Deposit products</b> .....	13
<b>2.1.5. The Prospective of the Deposit Mobilization in Commercial Banks</b> .....	14
<b>2.1.6. The Challenges of Deposit Mobilization in Commercial Banks</b> .....	15
<b>2.1.7. The Effects of Poor Deposit Mobilization</b> .....	17
<b>2.2. Empirical Literature Review</b> .....	17
<b>2.3. Conclusion and Knowledge Gap</b> .....	20
<b>CHAPTER THREE</b> .....	22
<b>RESEARCH METHDOLOGY</b> .....	22
<b>Introduction</b> .....	22

<b>3.1. Research Design and Approach</b> .....	22
<b>3.2. Target population</b> .....	22
<b>3.3. Data Type, Source of data and Methods of Collection</b> .....	23
<b>3.3.1. Data Type</b> .....	23
<b>3.3.2. Source of Data</b> .....	23
<b>3.3.3. Method of Data Collection</b> .....	23
<b>3.4. Methods of Data Analysis</b> .....	23
<b>CHAPTER FOUR</b> .....	24
<b>4. DATA ANALYSIS AND INTERPRETATION</b> .....	24
<b>4.1. Result and Discussion</b> .....	24
<b>4.1.1 General Information of Respondents</b> .....	24
<b>4.1.2. Questionnaires to Employees of Commercial Bank of Ethiopia</b> .....	26
<b>4.1.3 Analysis of interview from the manager of CBE</b> .....	30
<b>CHAPTER FIVE</b> .....	32
<b>5. CONCLUSIONS AND RECOMMENDATIONS</b> .....	32
<b>5.1. Conclusions</b> .....	32
<b>5.2. Recommendations</b> .....	33
<i>References</i> .....	35
<b>APPINDEX</b> .....	37

## **Lists of Tables**

<b>Table: 4.1. Gender distribution of the respondents.....</b>	<b>24</b>
<b>Table: 4.2 Age distribution of the respondents .....</b>	<b>25</b>
<b>Table: 4.3. Educational Qualification of the Respondents.....</b>	<b>25</b>
<b>Table: 4.4. Experience of the respondents .....</b>	<b>26</b>
<b>Table: 4. 5. Position of respondents in the bank .....</b>	<b>26</b>
<b>Table: 4.6. Having any information about the challenges of deposit mobilizations in commercial bank of Ethiopia? .....</b>	<b>27</b>
<b>Table: 4.7. The administrative challenges effects in banks deposit mobilization .....</b>	<b>27</b>
<b>Table: 4.8. What the administrative challenges effects in banks deposit mobilization .....</b>	<b>27</b>
<b>Table: 4.9. The lack of technological facilities challenges affects in banks deposit mobilization .....</b>	<b>28</b>
<b>Table: 4.10. What the lack of technological facilities challenges affects in banks deposit mobilization .....</b>	<b>28</b>
<b>Table: 4.11. The finance challenge of mobilizing deposits changes affects the bank’s deposits.....</b>	<b>29</b>
<b>Table: 4.12. What the finance challenge of mobilizing deposits changes affects the bank’s deposits.....</b>	<b>29</b>
<b>Table: 4.13. The external factors challenges of deposit mobilization in Commercial Bank of Ethiopia.....</b>	<b>30</b>

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Deposit Mobilization plays an important role in providing satisfactory service to different sectors of the economy. Deposit mobilization have a critical role to play in financing development, and it needed to provide resources for investment, increase financial market development, and stimulate economic growth (Teferi, 2016).

According to Kibebe (2016) deposit mobilization and subsequent investment is the key to economic growth and development. At the level of the national economy, high levels of savings increase the amount of national resources and decrease the need to resort to foreign indebtedness in order to cover domestic investment and consumption demand. Numerous countries with low internal savings rates must borrow from abroad, which results in a debt service burden. This clearly underlines the importance of deposit mobilization to sustain economic growth with national financial resources.

Deposit mobilization is one of the main functions of banking business and so an important source of working fund for the bank. Deposit 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 (Kibede, 2016)

According to Teferi (2016) Deposits are foundations upon which thrive and grow the financial resources. They are unique items on a bank's balance sheet that distinguish them from other types of business organizations. The ability of a bank's management and staff to attract checking and savings accounts from business and individuals is an important measure of the bank's acceptance by the public. Deposits provide most of the raw materials for bank loans and thus represent the ultimate source of bank profits and growth. Deposits generate cash reserves, and it is out of the excess cash reserves a bank holds, that new loans are created. Important indicators of management effectiveness in any bank are whether or not deposited funds have been raised at the lowest possible cost and whether enough deposits are available to fund those loans the bank wishes to make.

According to Mohammad and Mahdi (2010), financial resources are naturally provided from people's deposit. Therefore, we can say that deposits are the most important resource of commercial banks. Thus, the amount of deposit a commercial bank should have at hand should be enough to make the bank involve in the market and to satisfy the financial needs of its customers. Given these general facts, therefore, the bank is expected to mobilize its deposit. Managing deposits is not possible without knowing and controlling the factors challenging it. There are several factors that are claimed to be challenges of deposits mobilizations.

As done by Samuel (2015), we can classify the variables which are claimed to have effect on commercial banks' deposit into two, namely exogenous and endogenous factors. Exogenous factors can further be divided into country specific factors and bank specific factors for clarification purpose. Endogenous (Internal) factors can be controlled by the banking system. However, the Exogenous factors (The bank specific factors and the country specific factors) cannot be controlled by the banking system. The bank specific factors are factors that are specific to the banking system and the country specific factors are factors that are beyond the banking system.

The deposit mobilization can be also affected by financial unstable and designing not situations administrative policy to management deposits mobilization (Oduro, 2015).

Information technology developments affect banking in two main ways. First, it contribute to the reduction of the costs associated with the management of information (collection, storage, processing and transmission) by replacing paper-based and labour-intensive methods with automated processes. Second, it modifies the ways in which customers have accesses to banks' services and products, mainly through automated channels (remote banking) (Samuel, 2015).

In Ethiopian context, deposit mobilization in the financial institutions are very low, and also the deposits are not sufficiently mobilized, because there are so many challenges related to designing situations administrative policy to management, adequate financing, technological development and not controlling external factors that challenging in deposit mobilizations (Fisseha, 2017, Teferi, and Kibede, 2016).

According to Zewdu (2014) currently, the Ethiopian financial sector consists of 2 public banks including the Development Bank of Ethiopia, 16 private banks, 14 private insurance companies, 1 public insurance company, 31 microfinance institutions and over 8200 Saving and Credit Cooperatives (SACCOs) in both rural and urban areas, their resources are not sufficiently mobilized to make of loan and deposit services.

Thus, the banking sector in Ethiopia must increase their deposits by overcoming the existing challenges; hence they need to know the challenges of deposit mobilizations.

Therefore, this study aims to identify the challenges and prospects of deposit mobilization of Commercial Banks in Ethiopia.

## **1.2. Statement of the Problem**

Deposit is the most liquid money that is found in the treasury of the bank and which is ready to be borrowed by a body in need of the fund (Seyte, Kenenisa, and Ganfure, 2018). Deposits are the primary source of funds for a bank, which facilitates the uses of funds (loans and investments). The higher the deposits amount, the bigger the lending and investments portfolio can be maintained by the banks to sustain its expansion and future growth. The banks must have adequate deposits to meet the lending volume required by the public and at the same time maintain extra cash for withdrawals by depositors (Keteme, 2017). The fund mobilized is made available to the deficit unit for economically and socially desirable

Selvaraj & Kumar (2015) State that, the success of the banking greatly lies on the deposit mobilization. Performances of the bank depend on deposits, as the deposits are normally considered as a cost-effective source of working fund. Mobilization of savings is one of the important objectives of the Commercial Banks. It helps to expand banking operations. The successful functioning of commercial banks depends on the extent of funds mobilized. Deposits constitute a vital source of funds required for banking business. There are different types of

deposits, with different maturity pattern carrying different rates of interests. Mobilization of deposits for a bank is as essential as oxygen for human being.

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.

According to Abay (2010), by sub-Saharan Africa standards, Ethiopia's rate of domestic saving has been very low. From 1997 to 2010, the average saving rate in low-income countries of the region was about 9 per cent, while it was about 19 per cent for middle-income countries. In the same period, the average saving rate of —fragile sub-Saharan African states was 11.5 per cent, still significantly higher than Ethiopia's rate of 4 per cent.

Ethiopian banking industry is still in its growing stage. Statically Evidence from National bank of Ethiopia (NBE Annual report of 2012/13) indicates that from deposits that should be mobilized by banks only 7% is mobilized. That indicates that from the money that should be deposited in the bank 93% of it did not mobilize (Mamo, 2017). And though such a case the banks have not been performing the desired roles in improving financial mobilization and economic development in Ethiopia. It may be rise from the banks didn't knowing and controlling the challenges as external factors challenges, administrative challenges, technological challenges and financial challenges in deposit mobilization.

According to Teferi (2016) NBE 2014/15 report at the end of 2014/15, domestic liquidity, as measured by broad money supply, reached birr 371.2 billion reflecting a 24.7 percent annual growth out of 371.2 billion money supply. Out of the 371.2 billion broad money supply 60.5 billion is outside of banks. These shows that still the resources are not sufficiently mobilized.

These show that, in addition to the current practices, the deposit mobilization practices of commercial banks in the country can be well developed and additional mechanisms can be identified to mobilize such deposit. Therefore, this study intended to identify and evaluate the challenges and possible prospects of the deposit of Commercial Bank of Ethiopia

The empirical study on the area of challenges and prospects of deposit mobilization is rarely available in case of Ethiopian Commercial Banks, and some researchers were concerned on determinant of deposit mobilization. Wubitu (2012), Shemsu, (2015), Hibret (2015), and Keteme

(2017), all were conducted a study on determinants of commercial bank deposit of in the Commercial Bank of Ethiopia and Hilegiorgis (2014) and Samuel (2015) studied on private banks. But there is no many researchers who conducted on the area of challenges and prospects of deposit mobilization to identify the problem related with bank deposits in case of Commercial Bank of Ethiopia. Since the major challenges and prospects of the bank deposit mobilizations were not more studied before in the case of commercial banks of Ethiopia, there is a research gap and the researcher try to contributes idea in literature and identify the challenges and prospects of bank deposit in the case of Commercial Bank of Ethiopia.

Therefore, this study intended to identify and try to show some challenges which hindering an effective deposit mobilization and possible prospects of CBE Gubre branch. To identify this, the researcher would address the following research questions based on the above stated problem the study would focused on the following research questions.

### **1.3. Research Questions**

1. What are the administrative challenges of deposit mobilization in Commercial Bank of Ethiopia Gubre branch?
2. What are the technology challenges of deposit mobilization in Commercial Bank of Ethiopia Gubre branch?
3. What are the financing challenges of deposit mobilization in Commercial Bank of Ethiopia Gubre branch?
4. What are the external factors challenges of deposit mobilization in Commercial Bank of Ethiopia Gubre branch?
5. What are the possible prospects in deposit mobilization in Commercial Bank of Ethiopia Gubre branch?

### **1.4. Objectives of the Study**

#### **1.4.1. General Objectives**

The general objective of the study is to assess the challenges and prospects of deposit mobilization in case of Commercial bank of Ethiopia in Gubre branch.

### **1.4.2. Specific Objectives**

1. To assess the administrative challenge of deposit mobilization in Commercial Bank of Ethiopia Gubre branch.
2. To assess the Technology challenge of deposit mobilization in Commercial Bank of Ethiopia Gubre branch.
3. To assess the Financing challenge of deposit mobilization in Commercial Bank of Ethiopia Gubre branch.
4. To assess the external factors challenge of deposit mobilization in Commercial Bank of Ethiopia Gubre branch.
5. To identify the possible prospects in deposit mobilization in Commercial Bank of Ethiopia Gubre branch.

### **1.5. Significance of the Study**

The findings of the study would dimensional significance among this significance

- The study would help the organization to improve its capacity for deposit mobilization.
- The study would create best opportunity for bank managers; it provides basic information about the challenges and prospects of deposit mobilization and understanding on the activities that enhance their banks performance in deposit mobilization.
- It creates best opportunity to have a good knowledge about challenges and prospects of deposit mobilization, by give insight to researchers and students about the problem and stimulate further investigation of the issue.

### **1.6. Scope of the Study**

This study would be investigated to the challenges and prospects of deposit mobilization commercial bank of Ethiopia by using the data of the bank. This study was conducted on the CBE of Gubre branch and the study also focus on the examining the challenges related with financial, administrative, technological and external factors that challenges facing in deposit mobilization and possible prospects of CBE in deposit mobilization.

### **1.7. Limitation of the Study**

There were challenges that affect the fullness of this study. Among these challenges of the study, the major one are, Lack of reference materials such as a book and sample research, Lack of money, Lack of time, lack of the employees give the real information. Thus, these limiting factors may negatively impact the findings of this study.

### **1.8. Organization of the Study**

The final paper for the study was organized into five chapters including. The first chapter deals with the background of the study, statement of the problem, research questions, objectives of the study, the significance of the study, scope of the study, limitation of the study, and organization of study. The second chapter, literature review, deals with the literature on the concept of deposit mobilization in the banking industry, importance of deposit mobilization, depository institutions, the major types of deposits products, prospective of deposit mobilization, challenges of deposit mobilization, effects of poor deposit mobilization, and empirical part evaluate past studies. The third Chapter deals about research methodology of the study which consists of research design, data type, and source of data, method of data collection, target population, and method of data analysis. The fourth chapter deals with analysis of the data and presentation of the output. In the fifth chapter the researcher concludes the findings of the study and recommended based on the conclusion made.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1. Theoretical Review

Deposit mobilization is a fundamental part of banking activity. Hence, deposit mobilization is critical to Banks. Understanding the nature of Deposit Mobilization behaviour is critical in designing policies to promote savings and investment which in turn enhance economic growth through capital formation. Mobilization of deposit for a bank is as essential as oxygen for human being” (Keteme, 2017).

Mobilizing deposits is one of the essential issues in developing countries as domestic funds provide cheap and reliable source of funds for development, which is of great value to the countries

#### 2.1.1. The Concept Deposit Mobilization in the Banking Industry.

Deposit mobilization is the act of making financial and investing in various financial markets. It is the banking activity of accepting deposit form individuals/ business with surplus money and then investing in different sectors in need of money (with scarcity) (Hilegirgis,2014). Mobilization of deposit for a bank is as essential tool for the survival of the banking industry. Deposit mobilization is one main functions of banking business and so an important source of working fund for the bank. Mobilization deposit is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other specialized schemes (Maende, 1992). Since deposits are normally considered as a cost effective source of working fund, the bank’s ability to lend more as well as its success greatly lies on its deposit mobilization.

However, the bank’s ability to mobilize enough funds from the public through its current, savings, fixed, recurring accounts and other specialized schemes will depend on the systems employed in this highly competitive industry. Banking over the years has lived up to its definition of safe keeping of customers funds and ensuring that the customers get the money upon demand. And this has been the basic function of banking just as a raw material is for a business; to banking institution is cash. Deposit mobilization therefore the world over has continually been part of the primary and

important component of banking. The challenges of the banking industry have effects on the performance of other businesses. Other businesses cannot assess loans to finance their activities thereby disturbing their production and services (Oduro, 2015).

### **2.1.2. Importance of Deposit Mobilization**

#### **A. A Source of Investment**

According to Keteme (2017), Intermediation function of banks plays a vital role in the efficient allocation of resources of countries by mobilizing resources for productive activities. They transfer funds from those who don't have productive use of it to those with productive venture. Dereje (2017) States that, savings are resources which one decides to put aside for investment purposes and not for luxury. What people save, avoiding consuming all their income, is called "personal savings". These savings can remain on the bank accounts for future use or be actively invested in houses, real estate, bonds, shares and other financial instruments.

#### **B. Low Cost**

According to Kibebe (2016) the success of the banking greatly lays on the deposit mobilization. Performances of the bank depend on deposits, as the deposits are normally considered as a cost effective source of working fund.

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

#### **C. A Source of Profit**

The ability of a bank's management and staff to attract checking and saving accounts from business and individuals is an important measure of the bank's acceptance by the public. Deposits provide most of the raw materials for bank loans and thus represent the ultimate source of bank profits and growth.

Deposits are an indispensable tool commercial banks use to enhance its profitability through advancing deposits mobilized to its customers in form of loans which make in return interest to commercial banks(Kibebe, 2016).

## **D. Economic Growth and Development**

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

### **2.1.3. Depository Institutions**

Depository institutions are financial intermediaries that accept deposits from individuals and make loans. Depository institutions are the most important source of credit to consumers and small business. They are financial intermediaries that issue debt instruments. The call deposits among these deposits such as demand deposits or negotiable order of withdrawal (now) account. Depository institutions is that they issue debt instruments that function as medium of exchange and are included in common measures of money. Depository institutions also issue deposits denominated in foreign currencies commonly called Euro currencies (Kibede, 2016).

#### **2.1.3.1. Types of Depository Institutions**

##### **1. Commercial Banks**

They are the most important of all financial institutions: commercial banks are by far the largest depository institutions. Commercial banking definitions focused on commercial bank's assets and liabilities. It is depository institutions that is relatively unrestricted in its ability to make commercial loans and that is legally permitted to issue checking accounts. Commercial banks the only institution that legally could issue checking account as liabilities. Commercial bank is the dominant privately owned financial institution with economies of most major countries. This institution offer the public both deposit and credit service, as well as growing list of newer and more innovative services, such as investment advice, security under writing and financial planning. Commercial Banks are major buyer of debt security issued by federal, state and local governments. The name commercial implies that banks devote most of their resources to meeting the financial needs of business firms. However commercial banks have significantly expanded their offering of financial service to customers and units of government. The importance commercial banks may be measured in number of ways. They hold more than a third of the total assets of all financial

institutions. Commercial banks are still the principal means of making payments. Through the checking account (demand deposits) and electronic fund transfers service they often. Banks are important because of their ability to create money from excess reserves made available from the public deposits. Commercial banks are the most important source of consumer credit and one of the major services sources of loans to small business (Fisseha, 2017).

According to Prof. Sayers, "A bank is an institution whose debts are widely accepted in settlement of other people's debts to each other." In this definition Sayers has emphasized the transactions from debts which are raised by a financial institution.

According to Shemsun (2015) Commercial bank being the financial institution performs diverse types of functions. It satisfies the financial needs of the sectors such as agriculture, industry, trade, communication, etc. That means they play very significant role in a process of economic social needs. The functions performed by banks are changing according to change in time and recently they are becoming customer centric and widening their functions. Generally the functions of commercial banks are divided into two categories viz. primary functions and the secondary functions. Commercial bank acquires fund by issuing (selling) liabilities. The funds obtained from issuing liabilities are used to purchase income-earning assets. The source of fund in commercial banks is checkable deposits, no transaction deposits, borrowing and bank capitals.

#### **A. Primary Functions of Commercial Banks**

Commercial Banks performs various primary functions some of them are given below

- A. **Accepting Deposits:** Commercial bank accepts various types of deposits from public especially from its clients. It includes saving account deposits, recurring account deposits, fixed deposits, etc. These deposits are payable after a certain time period.
- B. **Making Advances:** The commercial banks provide loans and advances of various forms. It includes an overdraft facility, cash credit, bill discounting, etc. They also give demand and demand and term loans to all types of clients against proper security.
- C. **Credit Creation:** It is most significant function of the commercial banks. While sanctioning a loan to a customer, a bank does not provide cash to the borrower Instead it opens a deposit account from where the borrower can withdraw. In other words while

sanctioning a loan a bank automatically creates deposits. This is known as a credit creation from commercial bank (Hilegiorgis 2014).

## **B. Secondary Functions of Commercial Banks**

Along with the primary functions each commercial bank has to perform several secondary functions too. It includes many agency functions or general utility functions. The secondary functions of commercial banks can be divided into agency functions and utility functions.

### **A. Agency Functions:**

Various agency functions of commercial banks are collect and clear cheque, dividends and interest warrant, make payment of rent, insurance premium, etc. deal in foreign exchange transactions, purchase and sell securities, act as trusty, attorney, correspondent and executor and accept tax proceeds and tax returns.

### **B. General Utility Functions:**

The general utility functions of the commercial banks include provide safety locker facility to customers, provide money transfer facility, issue travellers cheque, act as referees, accept various bills for payment e.g. phone bills, gas bills, water bills, etc. provide merchant banking facility and provide various cards such as credit cards, debit cards, Smart cards, etc. and Information about the money banking and business trends of the economy (Hilegiorgis 2014)

## **2. Credit Union**

These institutions are house-holds oriented intermediaries, offering deposits and credit services to individual and families their long run survival stem from mainly being able to offer low loans rates and high deposit rates to their customers. Credit Union are cooperatives self-help associations of individuals rather than profit motivated financial institution saving deposits and loans are offering only to members of each association, and the members are technically the owners, receiving dividends and sharing in only losses that occurs (Begashaw, 2010).

## **3. Saving and Loan Associations**

Saving and loan association are credit union, extended financial services primary to households, in their heavily emphasis on long term lending rather than short term. Saving and loans are a major source of mortgage loans to finance the purchase of single-family homes and multifamily dwelling. And like credit union today they are developing new financial services to attract customers and protect their earnings. Many savings and loans are multi and therefore have no stock holders. Technically, they are owner by their depositors (Zewdu, 2014).

#### **4. Saving Banks**

These institutions play an active role in the residential mortgage market, as do savings and loans, are more diversified in their investments, purchasing corporate bonds, and common stock making consumer loans, investing in commercial mortgage. Technically, saving banks are owned by their depositors. All earning available after fund are set aside to provide adequate reserve must be paid to depositor as owners dividends. Saving banks from earliest or regions, they have designed their financial services to appeal to individuals and families. Deposit accounts can be opened for amounts as small as and one (Zewdu, 2014).

##### **2.1.4. Major Types of Deposit products**

Deposit account is a savings account, current account or any other type of bank account that allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the bank and represents the amount owed by the bank to the customer. Some banks may charge a fee for this service, while others may pay the customer interest on the funds deposited. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The following are most common type of bank deposit.

**Demand Deposit:** it consists of funds held in an account from which deposited funds can be withdrawn at any time without any advance notice to the depository institution. Demand deposits can be "demanded" by an account holder at any time. Many checking accounts today are demand deposits and are accessible by the account holder through a variety of banking options, including teller, ATM and online banking.

**Savings Account:** is a deposit account held at a bank or other financial institution that provides principal security and a modest interest rate. Depending on the specific type of savings account,

the account holder may not be able to write checks from the account (without incurring extra fees or expenses) and the account is likely to have a limited number of free transfers/transactions.

**Time Deposit:** time deposit or certificate of deposit (CD) held for a fixed-term, with the understanding that the depositor can make a withdrawal only by giving notice. A time deposit is an interest-bearing bank deposit that has a specified date of maturity. Generally speaking, the longer the term the better the yield on the money (Dereje, 2017)

### **2.1.5. The Prospective of the Deposit Mobilization in Commercial Banks**

The ways of improving deposit mobilization are reduce requirement for loan application, the use of mobile phone to deposit money into account, service delay and duplication, reduce high rate of inflation, the use of attractive products, incentives and bonanzas, improving local and international money transfers among others. Reducing the improvement for loan application is a major way of improving the deposit mobilization aspect of the banks (Aduro, 2015).

The use of mobile phone to deposit money in accounts is a very critical factor to improving deposit mobilization of bank institutions. As rational beings, customers will be interested in sitting at their respective places and using their mobile phones to deposit money into their various accounts, and also, another way by which banks can improve its deposit mobilization is to reduce the high rates of charges on their products and services. The high rates on their services deter customer to transact business with banks but will prefer banks with low rates of service charges (Samuel, 2015).

Another factor to improving deposit or revenue mobilization of commercial banks is the use of attractive products, incentives and bonanzas. Customers as a rational and economic as they will be interested to attractive products as well as incentives and bonanzas, and improving on local and international money transfers is a source of improving the deposit mobilization of the commercial banks (Aduro, 2015).

### **2.1.6. The Challenges of Deposit Mobilization in Commercial Banks**

The challenges associated with deposit mobilization of the Commercial banks some of the challenges to be looked under this are, cumbersome account opening procedure and processes, service delay and duplication, high rate of interest on loan, availability of branches, minimum balance deposit and competition in the banking industry among others. Another challenge facing the deposit mobilization of Commercial banks are attributable to the cumbersome account opening requirement and processes, Competition in the banking industry is a challenge to deposit mobilization of Commercial banks. Due to the competitive nature of the banking industry across country, clients or customers' are attracted to banks where their services and demands are met (Aduro, 2015).

According to Kibebe (2016), the performance of commercial banks can be challenge by internal and external factors these challenges can be classified into bank specific (internal) and macro-economic variables. The internal factors are individual bank characteristics which challenges the bank's performance. These factors are basically influenced by the internal decisions of management and board. The external factors are sector wide or country wide factors which are beyond the control of the company. As many empirical literatures also stated that, in a general classification, the challenges of the banking resources can be divided into different categories: these challenges are.

#### **2.1.6.1. External Challenges**

The external challenges are that are not related to bank management but reflect the economic and legal environment that affects the operation and deposit positions of Banks. The external factors that can challenges bank's deposit include factors such as; Deposit Rate, Exchange Rate, Inflation and Government Expenditure among others. The ability of an institution to successfully mobilize saving is contingent first up on a macroeconomic environment which allows the savings institution to operate at rates that are viable and sustainable while providing a real positive return to protect the value of client savings" (Samuel, 2015).

There are certain external factors that are out of the control of the banks institutions. For example, unstable macroeconomic and financial sector environment can divert poor savers away from formal financial institutions. According to Adams (1978) it is necessary to institute appropriate

legal changes so that the poor institution can mobilize local deposit from the public. According to Oduro (2015) study, existence of political turmoil, high inflation rate, extensive government interventions through interest rate controls and subsidized credit can highly hamper the performance of saving mobilizations.

#### **2.1.6.2. Internal Challenges**

According to Oduro (2015) institutional governance, ownership and reputation of the banks institutions is key factors for successful deposit mobilization. Prior to offering voluntary deposit services, banks must ensure that they have the institutional structures that allow them to mobilize savings legally. “Institutional capacity requires that adequate governance, management, staff and operational structures are in place to provide savings services”. Moreover, Klaehn (2002) expound that the vision, commitment and disposition of the pro poor institutions are critical in successfully mobilizing deposit from the public. The study also added that strong professionalism in how to manage savings among the management and staff of the institutions is also a pillar for their success. The internal challenges are factors that are related to internal efficiencies and managerial decisions. Such factors include factors such as into service factors, financial factors, relationship and human factors, physical and institutional affiliation factors.

#### **2.1.6.3. Technological Challenges**

European central bank (1999) stated that the information communication technology development had a strong influence on the structure and the activities of the banking sector. The elements that have changed are several, besides allowing transactions to be conducted more efficiently; technology allows banks to market their products more effectively. The technology deployed in banks affects its operational efficiency and determines its competitive position in the market (Brickwork ratings 2008). As per Thomas (2010), technological development removed repetitive and time consuming tasks, reduced human error and extended access to banking related facilities. Technology also provides customer information that it would be much more expensive to provide on a person-to-person basis. The dilemma still remains, however, as to how to maintain a satisfactory number of face-to-face interactions with the customers.

Information technology developments affect banking in two main ways. First, it contribute to the reduction of the costs associated with the management of information (collection, storage,

processing and transmission) by replacing paper-based and labour-intensive methods with automated processes. Second, it modifies the ways in which customers have accesses to banks services and products, mainly through automated channels (remote banking). Whereas improvements in the area of information management have been taking place for a long time, remote banking is a more recent phenomenon with developments occurring more progressively, especially in retail banking (Oduro, 2015).

### **2.1.7. The Effects of Poor Deposit Mobilization**

According to Kibede (2016) there are a number of effects that are brought about as a result of the poor deposit mobilization. These Includes; Inability to disburse loans to qualifying members on demand, Inability to meet operation costs, Inability to service debts, unstable board of directors due to frequent reshuffle as disgruntled members vote officials out, quitting of members to competitors, and Falsification of financial reports. These can cause the voting out of elected officials on accusations of fraud, financial mismanagement practices. In addition, dissatisfied members can quit in large numbers to join alternative and emerging financial institutions for fear of losing their savings if the situation deteriorates.

## **2.2. Empirical Literature Review**

Under this section, previous empirical studies on challenges and prospects of commercial banks deposit mobilization and related studies in other country and in Ethiopia will be reviewed.

The study conducted as Oduro (2015) studied on challenges and prospects of deposit mobilization on the four branches of Agricultural Development Bank as sample selected in Ghana (2015).The study was used as factors of challenges in deposit mobilizations are opening accounts, providing loan facilities, open new branches, consumer scare, attractive banking products, interest rate, ICT facilities and for the objective of assessing challenges and prospects of deposit mobilization in ADB in Ghana. The researcher was used descriptive analysis to describing the behavioural of individual variables that affect in the operation of deposit mobilizations. The result show that account opening process, loan application process, non-function of ICT facilities, inadequate branches, and poor customers services delivery are identified as some challenges facing in Agricultural Development banks in Ghana on deposit mobilization operations, and the study was recommended some possible for addressed challenges; regular training of staff, reduce loan

application requirement, improve information communication technology, provision of attractive products such as mobile phone services, open new branches at vantage location and ensure good customers services to growth deposit mobilization in ADB in Ghana.

The study conducted as Shemsu (2015) aimed to identify and evaluate those factors affecting bank deposit in general by taking Commercial Bank of Ethiopia as evidence. Accordingly, the researcher adopted mixed research approach. The rationale of using such a mixed approach was to gather data that could not be obtained by adopting a single method. Regarding to the qualitative data; questionnaire was used to gather information from the employees of commercial bank of Ethiopia particularly for those employees who actively participated in deposit mobilization tasks in CBE city branches. Regarding to the secondary data; time series data covering 1998 -2014 was analysed. First, the time series data were assessed using descriptive statistics for the variables as well as the test for autocorrelation and normality testing to know if the assumptions of CLRM violated or not. Second, estimated model was a single regression equation with deposit as the dependent variable and explanatory variables as deposit interest rate, overall inflation rate, number of branch opening, gross domestic product, individual foreign remittance and dummy variable. Estimation was done using Ordinary Least Squares technique by E-views7 statistical package. The results from economic analysis showed that all the explanatory variables were positively correlated with the explained variable. Among these variables, branch opening was an important strategy for deposit mobilization, it is highly significant than others. An individual remittance from Diasporas was also next to branch opening was significantly affects CBE's deposit. The others were affects positively and can increase CBE's deposit.

The study by Wubitu (2012) had looked at the potential factors determining commercial bank deposit in Ethiopia by taking CBE as evidence. The study had used both primary and secondary data. The primary data was collected by a means of interview and questionnaire. The secondary data for the study were the values of dependent and independent variables. The study had found variables that can affect the total deposit of commercial banks. Three variables were regressed with the dependent variable, i.e. total deposit, these variables include deposit rate, inflation rate and bank branches. The data for these variables was collected from commercial bank of Ethiopia, national bank of Ethiopia and central statistics authority of the sample year from 2000GC up to 2011GC. The multiple regression models were constructed for the dependent variable and the three

independent variables. Different diagnostic tests were tested to know whether the model is valid or not, having the model was valid the regression analysis and hypothesis testing was performed using E-Views software. As a result of the hypothesis testing it was found that all the three variables can affect total deposit. Branch expansion had positive and significant effect on total deposit whereas deposit rate and inflation rate had positive and insignificant effect on total deposit.

The study conducted as Begashaw (2010) studied on challenges of deposit mobilization performances of Ethiopian MFI that examined on three branches Wasassa MFIs (2010). The study was used saving mechanism, savers attributes, owner structure, internal environment, external environment, cost of deposit mobilization, saving behaviour and sources of funds are the factors that facing in deposit mobilization performances and to identifying challenges of deposit mobilization on Wasassa MFIs. The descriptive analysis was used to describing or identifying variables challenges facing in deposit mobilization and the result shows that from analysing external factors such as, existence of political un rest, high inflation rate, governmental intervention and internal factors (governance, ownership, structure, staff), low interest on small deposit, lack of appropriate saving products, and lack of saving mechanism are identified as some of facing the challenges of deposit mobilization in Wasassa MFIs in Ethiopia and the study was recommended for as regulatory frame work, realize source of fund, revisited owner structure, conduct saving mechanism for their in deposit mobilization operation.

The study conducted as (Hilegiorgis (2014) studied on challenges and prospects of deposit mobilization on the Wagegan bank in Ethiopia. The studied used such as technology, competitors, numbers of branches, interest rate, customers services, work experience, and customers attractive are used as the factors or variables which challenge facing in deposit mobilization in Wegagen Bank and the study was analysed data by using descriptive analysing to identifying challenges and prospects on Wagegan bank. The result from the analysed shows that the less numbers of branches and not well experience employees are identified as some of challenging facing in Wegagen Bank of deposit mobilizations operations. However, the bank was strong competitive using modern banking technology services to costumer motive to minimize time consumption, increasing interest rate for their deposit mobilization operation.

### **2.3. Conclusion and Knowledge Gap**

As it was discussed on reviews theoretical literatures on deposit mobilization and also reviews on empirical studies in the previous studied by the different of researchers on the deposit mobilization, Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively and the success of the banking greatly lies on the deposit mobilization. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy and also play very important role in development of the country.

The study of Oduro (2015) on challenges and prospects of deposit mobilization in Ghana by descriptive design method, account opening process, loan application process, non-function of ICT facilities, inadequate branches, and poor customers services delivery are identified as some challenges facing in deposit mobilization. Shemsu (2015) and Wubitu (2012) were studied on determinant of deposit mobilization in Ethiopia by using explanatory method and found that conducted variables that can affect the total deposit of commercial banks, by examining the relationship of dependent variable and the independent variables. The study of Begashaw (2010) on challenges of deposit mobilization performances of Ethiopian MFI by descriptive design method, external factors such as, existence of political un rest, high inflation rate, governmental intervention and internal factors (governance, ownership, structure, staff), low interest on small deposit, lack of appropriate saving products, and lack of saving mechanism are identified as some of facing the challenges of deposit mobilization. The study of (Hilegiorgis (2014) on challenges and prospects of deposit mobilization on in Ethiopia by used descriptive method, less numbers of branches and not well experience employees are identified as some of challenging facing in deposit mobilizations operations.

As the previous studied by the different of researchers on the area of challenges and prospects of deposit mobilization in case of Ethiopian Commercial Banks, and some researchers were used different research design methods. Wubitu (2012), Shemsu (2015), both were conducted a study on determinants of deposit mobilization in the Commercial Bank of Ethiopia by using explanatory method to examining the relationship of dependent variable and the independent variables,

Begashaw (2010) and Hilegiorgis, (2014) on studied on MFI and private banks respectively by using descriptive design methods to describing the challenges in deposit mobilizations.

In this study there is a research gap and the researcher try to fill this gap by contribute idea in literature and by using descriptive design method to describe or identify the administrative and technology challenges in deposit mobilizations and also assess the finance and external factors challenges in deposit mobilizations and also to identify the possible prospects of bank in deposit mobilizations in the case of Commercial Bank of Ethiopia Gubre branch.

## **CHAPTER THREE**

### **RESEARCH METHDODOLOGY**

#### **Introduction**

Designing appropriate research methodology is a prerequisite in order to conduct a good research work. Accordingly, this chapter focused about the methodology by which the researcher was used to conduct this study. Thus, research design, data type, source of data, method of data collection, target population, and method of data analysis were presented below respectively.

#### **3.1. Research Design and Approach**

The study was used descriptive types of research design based on survey. The ground for selecting descriptive types of research design is that, it is clear that the researcher was simply describing the available situation which already exists. And also, the researcher was describing characteristics of a particular event.

There are three main research approaches; quantitative approach, qualitative approach and mixed approach Creswell, (2009). Thus, to generate necessary information and come up with more rich and comprehensive data, both qualitative and quantitative approaches (Mixed approach) were employed. The qualitative approach might be focus on examining the real experiences of the respondents including their own expression and articulation with more subjective views, whereas the quantitative approaches mostly concentrate on the critical interpretation of quantifiable numerical data. The rational for which selecting the integrated approach was due to the fact that evaluating the challenges and prospects of deposit mobilization require multifaceted patterns.

#### **3.2. Target population**

As the primary objective of this study was focused on the deposit mobilization activities of banks and mainly on Commercial Bank of Ethiopia in Gubre branch for this reason the manager and employees of commercial bank of Ethiopia in Gubre branch have been taken as a target population for the study. The population of the present consists of 11 workers in Commercial Bank of Ethiopia Gubre branch. The method that is going to be implementing for the study would be census method. This technique was selected because the population of the bank was very small in numbers and it enables to get accurate and sufficient information. By using this technique, the data was collected from 11 individual workers who related with deposit mobilizations of the bank such as bank

manager, branch controller, banking officer workers, customers' service manager and senior cashier.

### **3.3. Data Type, Source of data and Methods of Collection**

#### **3.3.1. Data Type**

The researcher was used primary source of data to achieve objective of the study.

#### **3.3.2. Source of Data**

Primary data would be collected through questionnaires from the employees and interview with the manager of the Commercial Bank of Ethiopia in Gubre branch.

#### **3.3.3. Method of Data Collection**

To achieve the objectives of the study primary source of data was used. So as to conduct the study primary data would be employed. This primary data was collected by go to the Commercial Bank Ethiopia Gubre branch and distributing questionnaires and by interview. The questionnaires would be distributed to all employees and interview with the manager of the bank. The reason for selected questionnaires that the questionnaire was used to collected a large amount of data from population and is efficient in time and cost.

### **3.4. Methods of Data Analysis**

After collecting the data through different instruments mentioned above the collected data would be analysed and interpreted in quantitative data and the data collected was processed by editing and coding to eliminate all errors. It was then synthesized and analysed using both qualitative and quantitative analytical techniques to draw valid conclusions and tables and percentages was used in the case of the quantitative approach, while descriptions was used in the case of the qualitative analysis. The findings and recommendations of the analysed data was list for policy formulation and implementation

## CHAPTER FOUR

### 4. DATA ANALYSIS AND INTERPRETATION

The main purpose of this chapter is to analyse data collected through questionnaires related to challenges and prospects of deposit mobilization of Commercial Bank Ethiopia in Gubre branch, the questionnaires conducted for CBE employees and interview for the manager. This study mainly concerned with the problem of deposit mobilization.

In general, as clearly stated in the study, the collected data by using questionnaire analysed through quantitative research method of data analysed through quantitative research method of data analysis including tables and percentages were presented in the preceding section of this chapter

#### 4.1. Result and Discussion

In any research endeavour, the research needs to assess the relevance of the collected data. Accordingly, the researcher collected the following data about gender and age distribution, Education qualification, and Work experience and work position of Commercial Bank of Ethiopia in Gubre branch.

##### 4.1.1 General Information of Respondents

The first part of the questionnaire was designed to gather information about respondents' characteristics. It has general information about the respondent's characteristics like gender, age, education level, working experience and job position

##### Gender Distribution

**Table: 4.1. Gender distribution of the respondents**

Gender	Frequency	Percentage (%)
Male	11	100%
Female	0	0
Total	11	100%

*Source; Researcher own survey (2019)*

The above table show that 11 (100%) of the respondents are male. But, as the above table mentioned there is no participation of female on the other hand the all percent's of the respondents are male as we can understand from the table. This shows that all of the respondents are male.

**Table: 4.2 Age distribution of the respondents**

Age	Frequency	Percentage (%)
Below 25	0	0%
25-30	2	18.2%
31-35	9	81.8%
Above 35	0	0%
Total	11	100%

*Source; Researcher own survey (2019)*

The above table show that 2 (18.2%) of respondents are age between 25 and 30, and the respondents' age between 31 and 35 are 9 (81.8%). But, there is no respondent are below 25 and above 35 of age. Generally from this table most of the respondent is age between 31 and 35. This also indicates the bank's operations done by the adult employees who can give attention on what they have to do.

### **Educational Qualification of the Respondent**

Educational qualification is one of the limits base to support worth achievements especially in institution like banks which show so along with the dynamic movements of global financial transaction in this regard, Educational of respondents is show in the table below.

**Table: 4.3. Educational Qualification of the Respondents.**

Educational qualification	Frequency	Percentage%
Diploma	0	0%
BA degree	9	72%
MSc	2	18%
PHD	0	0%
Total	11	100%

*Source; Researcher own survey, 2019)*

The above table show that the 9 (72%) of respondents are BA degree, and 2(18%) of respondents have MSc level education. Generally, this shows that no respondents having below the BA degree and also not have MSc level education. Generally the most of respondents are covered by BA degree holders.

### **Work Experience**

Deposit mobilization is one of the banking service areas, which is characterized by dynamic and skill competition. As a result such areas shall be performed with relatively experienced bank professionals. In this regard the researcher gathered the data about work experience of the respondents as summarized in Table below.

**Table: 4.4. Experience of the respondents**

Experience	Frequency	Percentage%
Below 5 years	9	81.8%
6-10	2	18.2%
11-15	0	0%
16 and above	0	0%
Total	11	100%

*Source; Researcher own survey, 2019*

The above table show that 9 (81.8%) of respondents have less than five year of experience, 2 (18.2%) of respondents have work experience of 6 to 10 year and there is no respondent of work experience more than 6-10 years. This shows that most the respondents of the bank haven't experience in the activities of bank deposit mobilization.

#### **Employment position in the bank.**

For any researcher studying the position of the respondents is beneficiary in batter understanding in this regard the researcher gathered regarding position of the respondents as summarized in the table below.

**Table: 4. 5. Position of respondents in the bank**

Job position	Frequency	Percentage%
Branch manager	1	9.10%
Customer service manager	1	9.10%
Banking officer	5	45.45%
Branch controller	1	9.10%
Senior Casher	3	27.25%
Total	11	100%

*Source; Researcher own survey, 2019)*

The above table shows that 5 (45.45%) of the respondents are banking officer and 3 (27.25%) of the respondents are senior casher and 1 (10%) of respondent is branch manager, 1 (10%) of the respondent is branch controller and 1 (10%) respondent is customer service manager for each of them. This shows that most of work is done by banking officers. This also indicates the bank's operation is handled safely.

#### **4.1.2. Questionnaires to Employees of Commercial Bank of Ethiopia.**

In this part of research paper the researcher wants to analyse the general information about challenges and prospects of deposit mobilization in Commercial Bank of Ethiopia in Gubre branch.

**Table: 4.6. Having any information about the challenges of deposit mobilizations in commercial bank of Ethiopia?**

Do you have any information about the challenges of deposit mobilizations in CBE?	Respondent		
		Frequency	Percentage (%)
	Yes	11	100%
	No	0	0%
Total	11	100%	

*Source; Researcher own survey, 2019)*

The above table shows that the respondents knowledge about the challenges of deposit mobilizations in commercial bank of Ethiopia and all the respondents 11 (100%) have knowledge about the challenges of deposit mobilizations and there is no respondents who have no knowledge about the challenges of deposit mobilizations. This shows that the all of the respondents have knowledgeable about the administrative challenges affects in banks deposit mobilization.

**Table: 4.7. The administrative challenges effects in banks deposit mobilization**

Do you think that the administrative challenges effects in banks deposit mobilization?	Respondent		
		Frequency	Percentage (%)
	Yes	10	91%
	No	1	9%
Total	11	100%	

*Source; Researcher own survey, 2019)*

The above table shows that the 10 (91%) of the respondents believe that the administrative challenges effect in banks deposit mobilization and 1 (9%) of the respondents believe that the administrative challenges no effect in banks deposit mobilization. This shows that the administrative challenges affects in banks deposit mobilization.

**Table: 4.8. What the administrative challenges effects in banks deposit mobilization**

Administrative challenges	Frequency	Percentage (%)
Account opening process	3	27.3%
Loan application process	1	9%
Employee experience	1	9%
Governance	3	27.3%
Others	3	27.3%
Total	11	100%

*Source; Researcher own survey, 2019)*

According to the filled and returned questionnaires, 3 (27.3%) of the respondents the administrative challenges in deposit mobilization in the banks account opening process, 1 (9%) of the respondents believe loan application process, 1 (9%) of the respondents believe that employee experience, and 3 (27.3%) of the respondents believe that governance and The remaining 3 (27.3%) of the respondents the administrative challenges in deposit mobilization in the banks others challenges. In general account opening processe, governance of the bank, and others such as lack of awareness about deposit mobilization of peoples are the most administrative challenges in deposit mobilization in the banks.

**Table: 4.9. The lack of technological facilities challenges affects in banks deposit mobilization**

Do you think lack of technological facilities challenges affects in banks deposit mobilization?	Respondents		
		Frequency	Percentage (%)
	Yes	11	100%
	No	0	0%
Total	11	100%	

*Source; Researcher own survey, 2019)*

The above table show that 11 (100%) of the respondents answered that the lack of technological facilities challenges affects in banks deposit mobilization and there is no the respondents as answered that the lack of technological facilities challenges no affects in banks deposit mobilization. From the above response, the researcher observes that the lack of technological facilities challenges affects in banks deposit mobilization.

**Table: 4.10. What the lack of technological facilities challenges affects in banks deposit mobilization**

Technological challenges	Frequency	Percentage (%)
Information management	3	27.3%
Access by giving service and products	6	54.5%
Others	2	18.2%
Total	11	100%

*Source; Researcher own survey, 2019)*

From the above table, 3 (27.3%) of the respondents believe that information management technological challenges affects in banks deposit mobilization, 6 (54.5%) of respondents believe that the bank access by giving service and products, and 2 (18.2%) of respondents believe that the

others technological challenges affects in banks deposit mobilization. From the above response, the researcher observe that the bank access by giving service and products is the most technological challenges affects in banks deposit mobilization.

**Table: 4.11. The finance challenge of mobilizing deposits changes affects the bank’s deposits.**

Is the finance challenge of mobilizing deposits changes affects the bank’s deposits?	Respondents		
		Frequency	Percentage%
	Yes	6	54.5%
	No	5	45.5%
Total	11	100%	

*Source; Researcher own survey, 2019)*

The above table indicates that 6 (54.5%) of the respondents answered that the finance challenge in mobilizing deposits changes affects the bank’s deposits and 5 (45.5%) of the respondents answered that the finance challenge in mobilizing deposits does not changes affects the bank’s deposits. From this researcher observe that the finance challenge in mobilizing deposits changes affects the bank’s deposits.

**Table: 4.12. What the finance challenge of mobilizing deposits changes affects the bank’s deposits.**

The following table is depend on the table 4.12 and the participants included in the following table is only respondents answered say “yes” or who believed that the finance challenges affects in banks deposit mobilization on the table 4.12. Therefore, the researcher depend on only six respondents from the eleven the respondents to interpret the data

Finance Challenge	Frequency	Percentage%
Saving interest rate	3	50%
Interest rate on loan	3	50%
Lack of appropriate saving products	0	0%
Others	0	0%
Total	6	100%

*Source; Researcher own survey, 2019)*

From the above table, 3 (50%) of the respondents believe that saving interest, and also 3 (50%) of respondents believe that the Interest rate on loan are the finance challenge of mobilizing deposits changes affects the bank’s deposits mobilization, and Lack of appropriate saving products is do

not the finance challenge of mobilizing deposits. From the above response, the researcher observes that the saving interest and Interest rate on loan are the finance challenge of mobilizing deposits affects the bank's deposits.

**Table: 4.13. The external factors challenges of deposit mobilization in Commercial Bank of Ethiopia.**

External factors challenges	Frequency	Percentage%
High inflation rate	1	9%
Governmental intervention	1	9%
Existence of political unrest	8	73%
Others	1	9%
Total	11	100%

*Source; Researcher own survey, 2019)*

The above table indicates that 1 (9%) of the respondents answered that each of the high inflation rate, and governmental intervention are the external factors challenges of deposit mobilization in bank, 8 (73%) of respondents believe that the existence of political unrest and 1 (9%) of respondents believe that the others are the external factors challenges of deposit mobilization in bank. From the above response, the researcher observe that the existence of political unrest is the most external factors challenges affects in banks deposit mobilization.

#### **4.1.3 Analysis of interview from the manager of CBE**

##### **1. The main challenges of the bank in relation to deposit mobilization**

According to data obtained from the manager of Commercial Bank of Ethiopia by using interview methods of data collection the main challenges of the bank in relation to deposit mobilization are lack of awareness about deposit mobilization, religious of society, existence of political un rest, and lack of awareness of the customers about bank deposit are the main challenges of the bank in relation to deposit mobilization in Commercial Bank of Ethiopia.

##### **2. The administrative challenges effects in bank's deposit mobilization**

The administrative challenges effects in bank's deposit mobilization are lack of employee experience, and lack of awareness about deposit mobilization of peoples.

##### **3. The lack of technological challenges affects in bank's deposit mobilization**

As the manager of the bank said, lack of technological challenges affects deposit mobilization in Commercial Bank of Ethiopia and the technological challenges affects deposit mobilization in bank are that lack of the bank access by giving service and products, Electric Power Agent infrastructure and interruption of the network.

#### **4. The finance challenges affect the volume of deposits of the bank**

The manager of the bank responds that the deposit interest rate and loan interest rate are the finance challenges affect the volume of deposits of the bank.

#### **5. The external factors challenges of deposit mobilization in Commercial Bank of Ethiopia**

The external factors challenges of deposit mobilization in Commercial Bank of Ethiopia are competitive with private banks, unstable macroeconomic, and Community attitude towards the bank.

#### **6. The Bank mobilizing deposits, currently**

The manager of the bank responds that the bank has more enough deposit to mobilizing more than previous years in Commercial Bank of Ethiopia, Because of increasing number of accounts opening, increase of Automatic Teller Machine card sold, banks increasing their accessibility, peoples are getting knowledge about saving, the competition brings quality customer service, and availability of various products with modern technologies.

#### **7. The bank utilize deposit mobilization**

As the manager of the bank said, that the bank properly utilize mobilized deposit by using new technologies, such as (Automatic Teller Machine, mobile phone, Point of sell), qualified employees, and giving interested service,

#### **8. The possible prospects of deposits mobilization in the commercial bank of Ethiopia.**

The manager of the bank responds that the ways of prospective deposit mobilization are by using new technologies, existence of qualified employees, and giving interested service, and improving on local and international money transfers is a source of improving the deposit mobilization of the commercial banks

## CHAPTER FIVE

### 5. CONCLUSIONS AND RECOMMENDATIONS

The previous chapter presented the analysis of the findings, while this chapter deals with the conclusions and recommendations provided based on the findings of the study. Accordingly this chapter is organized into two subsections. The first section presents the conclusions while, the second section presents the recommendations.

#### 5.1. Conclusions

This study identified the challenges and prospects of deposit mobilization in Commercial Bank of Ethiopia Gubre branch. Based on the result of descriptive analysis, the study had concluded the following:

The workers of the bank who participates in deposit mobilization activities, all are male

Educational qualification is one of the limits base to support worth achievements especially in institution like banks. The most employees of the bank are degree holders

Deposit mobilization is one of the banking service areas, which is characterized by dynamic and skill competition. As the result shows that deposits mobilization activity performed by those employees who have less than five year of experience.

The position of most of the respondents in the bank is bank officers' employees. This also indicates the bank's operation is handled safely.

Commercial Bank of Ethiopia Gubre branch affect by administrative challenges in deposit mobilization are account opening process, and lack of awareness about deposit mobilization of peoples.

Lack of technological facilities challenges affects the deposit mobilization of the Commercial Bank of Ethiopia of Gubre branch. The most technological challenges are the bank access by giving service and products, Electric Power of Agency infrastructure and interruption of the network are affects in deposit mobilization of the Commercial Bank of Ethiopia Gubre branch.

The deposit interest rate and loan interest rate are the finance challenges affect the volume of deposits of the Commercial Bank of Ethiopia Gubre branch.

The external factors challenges of deposit mobilization in Banks are competitive with private banks, unstable macroeconomic, existence of political unrest and Community attitude towards the bank

Commercial Bank of Ethiopia Gubre branch has more enough deposit to mobilizing than previous years, Because of increasing number of accounts opening, increase of Automatic Teller Machine card sold, banks increasing their accessibility, peoples are getting knowledge about saving, the competition brings quality customer service, and availability of various products with modern technologies.

Bank properly utilizes mobilized deposit by using new technologies, such as (Automatic Teller Machine, mobile phone, and Point of Sell), qualified employees, and giving interested service.

The ways of possible prospective deposit mobilization are by using new technologies, existence of qualified employees, and giving interested service, and improving on local and international money transfers is a source of improving the deposit mobilization of the Commercial Bank of Ethiopia.

## **5.2. Recommendations**

- The manager of the bank should be designing situations administrative policy to management deposits mobilization in account opening process, and in improving awareness of the people about deposit mobilization.
- The CBE Gubre branch should be improving using technological access by giving service and products.
- Government body should solve the problem related to electric power of agency infrastructure and interruption of the network which challenges in deposit mobilization of the Commercial Bank of Ethiopia of Gubre
- Interest rate charged on deposit and loan interest rate: those competitors charged different interest rate on deposit and on loan provided. Since customers are interest motive, they select those banks that pay higher interest rate for its deposit. So the bank should increase deposit interest rate at equivalent to the other banks

- The government ought to encourage investment to take steps that ensures address the stable macroeconomics and regulate existence of political unrest. It has been proved that economic growth is good for the growth of the banking sector.
- The bank should be improve its capacity to competitor with private banks
- Banks should increase creating awareness to peoples because, one of the main challenges that affect the savings mobilization is literacy of saving of the people. The more the people are educated the higher will be the savings mobilization.
- The bank prospects in deposit mobilization should use new technologies; hire qualified employees, and giving interested service, and improving on local and international money transfers. Because it is a source of improving the deposit mobilization of the Commercial Bank of Ethiopia.

## References

- ❖ Abay, s. W. (2010). *Domestic Resource Mobilization in Sub-Saharan Africa: The Case of Ethiopia*. Addis Ababa.
- ❖ Adams, S, (2012.) *Financial liberalization and banking sector performance in Ghana*
- ❖ Begashaw D (2010). *Deposit Mobilization Performance of Ethiopian Microfinance initiations: Challenges and Prospects*. The State University of Bergamo.
- ❖ Dereje Hailemariam Amene (2017), *Determinants of Deposit in Ethiopian Private Commercial Banks*. MSc. Addis Ababa University.
- ❖ Fisseha T (2017). *Determinants of Commercial Banks Deposit in Ethiopia*. Degree of Master"s Thesis Addis Ababa University.
- ❖ Hibret Belay (2015). *Determinants of Commercial Banks' Deposit Growth in Ethiopia: Case Study on the Commercial Bank of Ethiopia*, Addis Ababa University.
- ❖ Hilegiorgis A (2014). *Challenges and Prospects of Deposit mobilization in the case of Wegagen Bank*.
- ❖ Keteme G (2017). *Determinants of commercial bank deposits Mobilization in Ethiopia" Degree of Master"s Thesis ST, Merry University*.
- ❖ Kibebe G (2016). *Determinants of commercial bank deposits Mobilization evidence from Private Commercial Bank in Ethiopia" Degree of Master"s Thesis Addis Ababa University*.
- ❖ Mamo E (2017). *An Investigation of Determinants of Deposit Mobilization in Commercial Banks of Ethiopia*. *Research on Humanities and Social Sciences* ISSN 2225-0484 (Online) Vol.7, No.19, 2017.
- ❖ Modigliani F. and Brumberg R. (1986). *Utility analysis and the consumption function, the collected papers of Franco Modigliani, vol.6*
- ❖ Mohammad A. and Mansur M. (2014). *Do the macroeconomic variables have any impact on the Islamic bank deposits? An application of ARDL approach to the Malaysian market*. Kuala Lumpur, Malaysia
- ❖ National Planning Commission (2015). *The Second Growth and Transformation Plan (GTP II) (2015/16-2019/20) Draft of the Federal Democratic Republic of Ethiopia*, Addis Ababa, Ethiopia.

- ❖ *Oduro A (2015). Challenges of Deposit Mobilization at Agricultural Developmental Bank in Ghana. Degree of Master's Thesis Kwame Nkrumah University.*
- ❖ *Samuel T (2015). Challenges of Deposit Mobilization for Private Commercial Banks in Ethiopia. Addis Ababa University.*
- ❖ *Selvaraj, N., & Kumar, B. (2015). A Study on the Deposit Mobilization Pattern of the Dindigul central Bank Co-operative Bank Limited. J Tourism Hospit, 4, 1-8.*
- ❖ *Abay, s. W. (2010). Domestic Resource Mobilization in Sub-Saharan Africa: The Case of Ethiopia. Addis Ababa.*
- ❖ *Seyte Z, Kenenisa L, and Ganfure T. (2018). Determinants of Deposit Mobilization in Ethiopian Commercial Banks. Horn of Africa Journal of Business and Economics (HAJBE), 2018, 1(1), PP:67 - 76 ISSN: 2617-*
- ❖ *Shemsu B (2015). "Determinants of commercial bank deposits in Ethiopia: a case of Commercial Bank of Ethiopia" Degree of Master's thesis Addis Ababa University.*
- ❖ *Teferi G (2016). Commercial Banks, Role in Domestic Financial resources Mobilization and Economic Development Support in Ethiopia. Addis Ababa.*
- ❖ *Wubetu, E. G. (2012). Factors Determining Commercial Bank Deposit: An Empirical study.*
- ❖ *Zewdu, G. A. (2014). Financial Inclusion, Regulation and Inclusive growth in Ethiopia. Overseas Development institution, Addis Ababa.*

**APPINDEX**  
**WOLKITE UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**Questionnaire for employees of the bank**

**Dear respondent**

This questionnaire is prepared by Gemechis Kuma, under graduate Wolkite University student Department of Accounting and finance to gather relevant information for the study entitled challenges and prospects of deposit mobilization in Commercial bank of Ethiopia Gubre branch. In order to achieve the state object of the study your given response is highly require. Your response will only for the academic purpose and the data will be treated utmost confidentiality. Therefore, your kind co-operation is appreciated in advance for giving me your valuable time in responding the issues raise below.

**INSTRUCTION:**

- ✓ put your answer (x) in the box that belongs to your answer
- ✓ don't write your name

**Part one I: Personal information**

1. Gender, male  female
  2. Age, Below 25  25-30  31- 35  Above 35
  3. Qualification, Diploma  BA Degree  MSc  PHD
  4. Work experience  
Below five years  11-15 years   
6-10 years  16 and above years
  5. What is your position in commercial bank of Ethiopia of Gubre branch?
-

**Part Two: General questions:**

1. Do you have any information about the challenges of deposit mobilizations in commercial bank of Ethiopia?

A. Yes  B. No

2. Do you think that the administrative challenges effects in banks deposit mobilization?

A) Yes  B) No

3. If your answer for question number 2 is “yes” what are the administrative challenges affect deposit mobilizations?

A. Account opening process

B. Loan application process

C. Employee experience

D. Governance

E. Others.....

4. Do you think lack of technological facilities challenges affects in banks deposit mobilization?

A) Yes  B) No

5. If your answer for question number 4 is “yes” what is the lack of technology challenges affect deposit mobilizations?

A. Information management

B. The bank access by giving services and products

C. Others.....

6. Is the finance challenge of mobilizing deposits changes affects the bank’s deposits?

Yes  No

7. If your answer for question number 4 is “yes” which of the followings are finance challenges do you think affect the volume of deposits of the bank?

A. Saving interest rate

B. Interest rate on loan

C. Lack of appropriate saving product

D. Others.....

8. Which of the following are the external factors challenges of deposit mobilization in Commercial Bank of Ethiopia?

A. High inflation rate

B. Governmental intervention

C. Existence of political unrest

D. Others.....

**Part- three: Interview question to the manager**

1. What do you think the main challenges of your bank in relation to deposit mobilization?
2. Do you think administrative challenges effects in bank's deposit mobilization? Yes/No if yes in what way
3. What are the lacks of technological challenges affects in bank's deposit mobilization?
4. What are finance challenges do you think affect the volume of deposits of the bank?
5. What are the external factors challenges of deposit mobilization in Commercial Bank of Ethiopia?
6. Is your Bank mobilizing enough deposits, currently?
7. Does the bank properly utilize deposit mobilization?
8. What are the possible prospects of deposits mobilization in the commercial bank of Ethiopia?