

**THE ROLE OF COMMERCIAL BANK OF ETHIOPIA IN  
PROMTING PRIVATE SAVING (IN CASE OF GUBRYE BRANCH)**



**WOLKITE UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF ACCOUNTING AND FINANCE**

**A RESEARCH PAPER SUBMITTED TO PARTIAL FULFILLMENT OF  
BA DEGREE IN ACCOUNTING AND FINANCE**

**PREPARED BY: TINSAE TEKLU**

**ADVISOR: MAHLET DERA**

**MAY 2023**

**WOLKITE, ETHIOPIA**

**WOLKITE UNIVERSITY**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**STATEMENT OF DECLARATION**

**Declaration**

I hereby declare that this study entitled “THE ROLE OF COMMERCIAL BANK OF ETHIOPIA IN PROMTING PRIVATE SAVING (IN CASE OF GUBRYE BRANCH)” is my original work prepared under the guidance of my advisor. Mahlet Dera This paper is submitted in partial fulfillment of BA Degree in accounting and finance and it has not been previously submitted to any diploma or degree in any college or university. I would like also to confirm that all the sources of materials used in this study are duly acknowledged.

Declared by: Tinsae Teklu

Signature: \_\_\_\_\_

Date \_\_\_\_\_

## **ACKNOWLEDGEMENT**

First and foremost, I would like to glorify the almighty God for all his marvelous works in my life and for through him all things were possible. Next, I would like to extend my deepest gratitude to my insightful advisor Mahlet for her unreserved and professional guidance and encouragement during this study. My gratitude should also extend to my family for their support and persistent prayer that enabled me to succeed in this work. I am also indebted to say thank you to all my friends and staff of Commercial Bank of Ethiopia working in target branches those who helped me in collecting data required for the study.

## **ABBREVIATIONS & ACRONYMS**

**CBE:** Commercial Bank of Ethiopia

**NBE:** National Bank of Ethiopia

**PLS:** Prize-Linked saving

## Table of Contents

<b>ABSTRACT</b> .....	vii
<b>CHAPTER ONE</b> .....	1
<b>1.1 Background of the study</b> .....	1
<b>1.2 STATEMENT OF THE PROBLEM</b> .....	3
1.3 OBJECTIVE .....	4
<b>1.3.1 General Objective of the study</b> .....	4
<b>1.3.2 Specific objective</b> .....	4
1.4 Limitation of the study .....	5
1.5 Scope of the study .....	5
1.6 Significance of the study .....	5
1.7 Organization of the study .....	6
<b>Chapter two</b> .....	7
<b>2. Literature review</b> .....	7
<b>2.1 THEORETICAL FOUNDATION OF THE STUDY</b> .....	7
<b>2.1.1 An over view of commercial bank</b> .....	7
<b>2.1.2 Definition of saving</b> .....	7
<b>2.1.3 Factors that affect saving quality</b> .....	8
<b>2.1.4 Why people save and invest</b> .....	9
<b>2.1.5 How to save a money</b> .....	9
<b>2.1.6 Saving Products offered by Commercial Banks to the Population</b> .....	9
<b>2.1.7 The Relationship between the Commercial Banks and Savings</b> .....	11
2.1.9. Determinants of Intention to Save .....	13
<b>2.2 Empirical review</b> .....	14
<b>CHAPTER THREE</b> .....	16
<b>3. Researches methodology and design</b> .....	16
3.1 Research design .....	16
3.2 Research approach.....	16
3.3. Type and Source of Data .....	16
3.4 population and sample frame.....	16
<b>CHAPTER FOUR</b> .....	18
<b>4. ANALYSIS, PRESENTATION AND INTERPRETATION</b> .....	18
4.1. Introduction .....	18

<b>Demographics characteristics of the respondents (employees).....</b>	<b>18</b>
<b>CHAPTER FIVE .....</b>	<b>27</b>
5.1. Conclusion.....	27
5.2. Recommendation.....	28
REFERENCE.....	29
<b>APPENDEIX .....</b>	<b>31</b>

## LIST OF TABLE

Table 4.1 Response rate .....	18
Table 4.2 gender of employees .....	18
Table 4.4 Educational level of employees .....	19
Table 4.5 Work position of employees .....	19
Table 4.6. Provision of deposit service .....	20
Table 4.8 Degree of interest rate paid by the bank in comparison to other banks interest rate .....	21
Table 4.9 about issue related to saving of money by the customer.....	22
Table 4.10 Employee’s response to the number of customer increase from time to time .....	22
Table 4.11 Challenges of saving mobilization.....	23
Table 4.12 External problems challenges of saving mobilization .....	24
Table 4.13 Hinder of saving mobilization .....	24
Table 4.14 Employee’s response to working relation with customer .....	25
Table 4.15 Awareness of customers .....	25

### **ABSTRACT**

*The study examined the role of commercial bank of Ethiopia (CBE) in promoting private savings among the people of gurage in gubrye branch. The objectives of the study were to establish the relationship between (CBE) and savings, to determine the saving products offered by CBE and to find out the role of Commercial Bank of Ethiopia in promoting private savings. In the literature review, theories were used to support the study and concepts linked and analyzed to bring out and understand the objectives. In the research methodology, the study employed by a qualitative approaches and the study population consisted of managers of the bank and bank's employees, around 21 respondents through census method. The findings of the study reveal that Commercial Bank of Ethiopia plays a vital role in promoting saving among the people of gurage in gubrye using different approaches and techniques like sensitizing and educating the rural people, improving interest rates, establishing appropriate saving instruments among others. And the bank offers a variety of savings products such as Students Accounts, Savings Accounts, Fixed Deposit accounts, Islamic Accounts.*

*(Key words; - 'private saving, saving product')*

# CHAPTER ONE

## 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. In other word banks act as a bridge between societies by transferring fund from savers that were in need of fund to invest. Because of their intermediary function bank also serve as vehicle for economic and social development of country.(Kiyota, 2007)

Modern banking in Ethiopia began in 1905 with the bank of Abyssinia. In 1931 it was liquidated and replaced by the Bank of Ethiopia. Which was the bank of issue until invasion of 1936.in 1943 the state bank of Ethiopia was established with two departments performing the separate function of an issuing bank and commercial bank. In 1963 this function were formally separated and the National bank of Ethiopia (the central and issuing bank) and the commercial bank of Ethiopia were formed. In the period of 1974 several other financial institutions are emerged including the state owned such as the agricultural and industrial development bank, the saving and mortgage corporation of Ethiopia and imperial saving and home ownership public association.( Kiyota,2007).

Saving is the portion of income not spent on current expenditures. In other words, it is the money set aside for future use and not spent immediately. Why should we save money? Saving can be used to accomplish objectives in the short-term such as buying a mobile phone, or in the longer run such as continuing to study, or else buying a car or a house.

Saving money can also help us cover unexpected expenses, such as an illness, replace an appliance that cannot be repaired or make an emergency trip.

In addition, savings can be invested and, as a result, you get a profit on the money you have set aside. That is to say, not only will you have the funds available to spend later, but you will also earn money in the process.

Why Saving Money is Important: Because saving is a good practice, not only for families, businesses and entrepreneurships, but also for the economy as a whole.

To cultivate the habit of saving is good for individuals and groups alike. If you save money instead of spending it in a kiosk or store, you will achieve a greater goal, like buying a pair of sport shoes, with less or even no effort at all! Moreover, your family can make a more efficient use of the money you have saved, such as making some home improvements or replacing an appliance. Saving money can also mean having more freedom to pursue different life goals and make investments that could lead to greater financial success in the future and it is an important habit that can make a big difference in one's overall financial health.

The role of commercial banks in promoting private savings is an important one. Banks are the traditional providers of banking services, and they play an integral role in helping individuals and businesses to save money. Banks offer various banking products and services that facilitate the process of saving and investing money, enabling individuals and businesses to build up financial security over time.

The first role of commercial banks in promoting private savings is to offer a safe and secure place for depositors to keep their money. Commercial banks provide secure banking services that allow individuals and businesses to store their money in an account where it is safe from theft or loss. Additionally, banks provide insurance on deposits, which further encourages saving by providing depositors with peace of mind.

The second role of commercial banks in promoting private savings is their ability to provide a variety of financial products and services. Banks offer a wide range of savings and investment accounts that provide individuals and businesses with the opportunity to grow their money over time. Banks also provide loans, mortgages, and other financial products that allow individuals and businesses to borrow money to purchase assets or finance investments.

The third role of commercial banks in promoting private savings is to provide financial education and advice. Banks provide educational materials and seminars to help individuals and businesses make informed financial decisions. Banks also offer advisors who are knowledgeable about financial matters and can provide advice to customers about savings, investments, and other financial topics.

The fourth role of commercial banks in promoting private savings is to provide incentives for depositors. Banks often offer attractive interest rates on their savings and investment accounts, which help to encourage individuals and businesses to save more. Banks also offer promotional campaigns and special offers on their financial products and services, which help to motivate customers to save more and invest their money.

Overall, the role of commercial banks in promoting private savings is an important one. Banks provide a safe and secure place to store money, offer a variety of financial products and services, provide financial education and advice, and offer incentives to depositors. By offering these services, banks help individuals and businesses to save and invest their money, enabling them to build up financial security over time.

## **1.2 STATEMENT OF THE PROBLEM**

Commercial banks are a key player in promoting private savings. Banks offer a range of products and services that make it easier for people to save and manage their money. For instance, banks offer savings accounts, certificates of deposit, and money market accounts. These products provide users with a safe and convenient way to store their money and earn interest. In addition, many banks also offer financial planning and investment advice, which can help people make informed decisions about managing and growing their savings.

Commercial banks also offer incentives to encourage people to save. For example, banks usually offer higher interest rates on savings accounts and other products when customers commit to keeping their money in the account for an extended period. Banks also often offer sign-up bonuses and other rewards to new customers. These incentives help motivate people to start saving and keep their money in the same account for a longer period of time.

Banks also promote private savings through education and outreach. Banks often provide online and in-person resources that help people understand the different types of savings products and how to make the most of them. Banks may also offer seminars and workshops that teach customers about the importance of saving and how to go about it. By educating customers, banks can help people make informed decisions about their finances and start saving for their future.

Commercial banks also promote private savings by offering services that make it easier for customers to manage their accounts. For example, online and mobile banking tools allow customers to track their savings and monitor their accounts on the go. Banks may also offer budgeting and financial planning tools that help customers develop a strategy for saving and managing their money. By offering these services, banks make it easier for customers to keep track of their finances and save for their future.

Finally, commercial banks promote private savings by making it easier for customers to access their funds. Banks offer a variety of ATM networks and debit cards so customers can easily withdraw their money. Banks also offer direct deposit services, which can help customers save time and effort by automatically transferring funds from their paycheck directly into their savings account. By providing these convenient access options, banks make saving easier and more accessible for customers.

As a branch as per the researcher's knowledge no study is conducted to examine the role of commercial bank in Ethiopia in promoting private saving in Gubrye branch. Thus, by taking this account and the researchers attempts to examine the role of commercial bank of Ethiopia in promoting private saving in Gubrye branch by seeking answer for the following research question

1. Does Commercial banks of Ethiopia make incentive package for private savior?
2. Is Commercial bank of Ethiopia efficient mobilization of saving for private savior?

### **1.3 OBJECTIVE**

#### **1.3.1 General Objective of the study**

The main objective of the study is to examine the role of commercial bank of Ethiopia in promoting private saving in gubrye branch

#### **1.3.2 Specific objective**

1. To examine the incentives package provided by commercial bank of Ethiopia for Customers.
2. To examine the role of commercial bank of Ethiopia in mobilization private saving.

#### **1.4 Limitation of the study**

The researchers faced the following limitation which is constraints, shortage of time, cost In addition to the above constraints, reluctant and misunderstanding responding to our interview and unwillingness of respondents were among the limitation.

#### **1.5 Scope of the study**

This study would carry out in commercial bank of Ethiopia around wolkite town in gubrye branch. The study dwelled on the relationship between commercial bank of Ethiopia and saving among the people of Gurage in gubrye . In doing so, the relationship between saving and commercial bank of Ethiopia will establish together with various saving products offered by commercial bank of Ethiopia and lastly role of commercial bank of Ethiopia in promoting private saving among the people in Gurage would also establish.

#### **1.6 Significance of the study**

This research would be significant in the following ways:

- ✓ Information provided in this research may help the policy maker in formulating strategic policies with regards to saving friendly approaches in commercial banks as a way forward to build business that creates income opportunity and saving culture for the society
- ✓ The research would be useful to management of commercial banks specially in determining appropriate strategies to encourage and promote saving cultures among the local people of Gurage in gubrye. This means that through some of the findings in this research, the management may review some of their unnecessary charges on saving products and other aspects that discourage individuals from saving hence employing the most appropriate approach to boost and attract more savings.
- ✓ The researcher result will help clients and local population to learn and start saving money in banks as appropriate way of keeping and accumulating money such that they get economically empowered and their livelihood improved.

- ✓ The research findings will contribute to the existing theories on the relationship between commercial banking and saving. This means that the study will act as a source of reference hence, contributing to academic career of the researcher.

### **1.7 Organization of the study**

The paper would organize in five chapters. The first chapter provides general introduction information about the topic of the study, Statement of the problem, objective of the study, significance, scope and limitation of the study.

The second chapter is literature review. The third chapter discusses research methodology adopted in the process of the research undertaking. The Fourth chapter deals about result and data analysis interpretation. And the fifth one deals with conclusion and recommendation of the study.

# Chapter two

## 2. Literature review

### 2.1 THEORETICAL FOUNDATION OF THE STUDY

#### 2.1.1 An over view of commercial bank

savers may withdrawal The concept commercial bank has been defined as financial institution that is authorized to hold checking, savings and time deposit accounts for individuals and institutions in local and international currencies. Commercial banks are also authorized to buy and sell foreign exchange, issue letters of credit and make loans to depositors and non-depositors. Some of the additional services offered by commercial banks include trade financing, offering transfers and payments, money transfers, mobile banking, ATM banking, standing orders, banks cheques among others (King and Levine, 1993).

The history of banking and money can be traced back to the ancient world. Merchants made loans to farmers and traders that carried goods between cities. In ancient Greece and in the Roman Empire lenders were usually based in temples. During this time new banking businesses developed: accepting deposits and changing money. Similar developments took place in China and India. Modern banking, the way it is understood to date, started in Italy in the medieval. The first banks were intermediaries linking those with money with others who needed money to invest in their business. As these banks acted regionally they were relatively similar to regional credit unions as we know them today (Waterloo).

#### 2.1.2 Definition of saving

Saving is an act of giving money or securing in to a bank and to others who promises to preserve it or to use it and return it in kind, especially the act of placing money in a bank safety and convenience and saving is an excellent place to build up an emergency cash fund. the emergency fund can be your life line when you are facing with unemployment or un foreseen expense. Saving are accounts maintained by retail financial institutions that pay interest but cannot be used directly as money in the narrow sense of medium of exchange. Those accounts let customers set aside a portion of their liquid assets while earning a monetary return. Saving provide the economic security of safety net. By transferring resources from the present to the future via saving, individuals are prepared to face an expected and irregular financial

circumstance. Besides, it leads to accumulation of wealth that enables individuals to improve their living standards and to respond to new opportunities. Most people as form of savings maintain these accounts so as to earn interest from the banks (rasial, 2010).

According to (Kelvin (2001) said that savings of private banks account for about 75% of banks liabilities. due to the fact that banks are using this liability to lend it and gain return on it, and their saving are using for third person's business. Therefore, bank shall mobilize more saving provide limits to the working capital of the bank concern. If bank has accepting more saving from customer and can able to lend and through this it can earn more profit. The higher the saving the higher will be funds at the disposal of bank to lend and earn profits, therefore to maximize its profits the bank shall increase its saving. banking is a service industry with a high rate of built in profit potential. The number one expense item for a bank is interest. banks mainly depend on the funds saving with them by the public to lend it to other in order to earn interest income (Drainage 2010)

### **2.1.3 Factors that affect saving quality**

Different studies undertaken on the factors on the performance of saving quality and they suggest is affected by both internal and external factors),,) stated that some of the factors that affect the quality of saving could be under the control of bank management and the other could be beyond management control. (Nassiredine 2013).

Those factors which could be under the control of the management are called internal or bank specific factors. According to (Mohana et.el ,2012) they are so called bank specific factors because depending on the likely impact they have on the profitability of the bank they can be reinforced (positive treatment) or weakened (negative treatment) by the management of the bank. The major internal factors that affect saving quality of commercial bank include: capital structure, asset quality, management efficiency, earning liquidity, liquidity, bank size technology, human capital, loan performance and income diversification among other. Moreover, those factors which are beyond the management control are referred as external or macro-economic factors and these factors are related to the industry and macroeconomic factors. These include: bank concentration, inflation, real GDP growth, effective tax rate, interest rate, among other (Ezera, 2013)

#### **2.1.4 Why people save and invest**

Most people start saving and investing to meet a specific goal, such as buying a car, continuing their education or starting a family. Among the tasks young adults face as they move into the working world are the following: preparing for a career, often by going to college, saving for major purchase and expenses (such as a college education, a family and a first home), building up a “rainy day” fund for emergencies, developing a personal financial/investment plan, starting a saving and investment program. Beyond the things they may need or want either now or in the near future, people save and invest for other reasons. One of the most important reason for people to save and invest is to provide the fund for a comfortable, financially secure retirement. (Investor education 2020)

#### **2.1.5 How to save a money**

Dave Ramsey recommends a few key principles when it comes to saving money. First, creating and following a budget. This can help you plan out where your money is going and how much can realistically save each month. Second, paying of high interest debt as soon as possible. This will help you save money in the long run and free up more of your income for saving. Third, using cash when possible. This will help you avoid overspending. Forth, saving money before spending it. This will help you build up a financial cushion that can be used in case of an emergency. Fifth, investing in yourself by taking classes or learning a new skill. This can help you increase your income and become more financially secure. Finally, he recommends having a plan for the future can help you plan for retirement or other long-term goals. By following these steps, you can save money and become more financially secure. (Dave Ramsey)

#### **2.1.6 Saving Products offered by Commercial Banks to the Population**

Although there are a variety of saving products offered by commercial banks, few of these products have been analyzed in this work and these include social group savings, children's savings, current account, fixed deposit account and saving account.

**Social Group Savings:** Here organized group of individuals put in their money for specific purpose best known to them. The money then accumulates in financial institutions; until the target of the group is reached, they withdraw the money and use it (Rajan and Zingales 1998). Some of the organized group of people to which financial institutions administer such services include religious denominations and other social, political, economic institutions among others.

Rajan and Zingales also note that minimum deposit charged by banks for this service tend to be higher than that of personal savings. However, the rate of minimum deposits depends on different financial institutions and there is no maximum limit.

**Children's Savings:** This is a special savings account for children below 18 years of age. Parents and Guardians save small amounts of money over a prolonged period into this account which enables them to pay for school fees and other needs of their children. The minimum opening balance tends to be lower than other kinds of savings though this depends on different banks. According to King and Levine (1993), the account holder can withdraw maximum of four times a year as long as the account will have a minimum balance in excess of what the commercial bank requires. This type of saving is very significant in the sense that it inculcates a savings culture for children such that when they grow up, the saving culture becomes part of their life practice (King and Levine, 1993). In most cases this saving product earns interest which is above that of normal savings account. However, financial institutions give different names to this savings.

**Current Account:** This is one of the common saving products found in commercial banks. The minimum opening balances tend to be higher than those children saving products and this is determined by individual commercial bank.

What is quite interesting about this saving product according Randhawa & Gallardo (2003) is the easiness of the account holder to have access to deposit and withdrawal facilities at his convenience. Furthermore, many individuals prefer this kind of saving product because account holders can deposit and withdraw from any of the bank's branches making its service accessibility quite interesting (Brach et al, 2002).

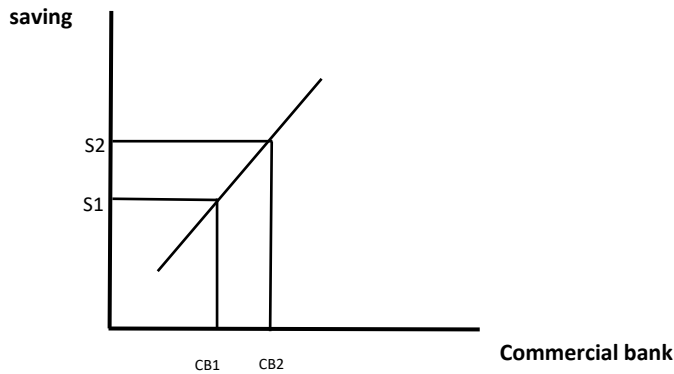
**Fixed Deposit Account:** Fixed deposit account is one of the saving products commonly offered by commercial banks. This saving product however targets some special group of people in sense that the minimum opening balance tend to be very high or perhaps higher than any other saving product (Feil,1981). Another issue that makes this saving product unique is that unless others, it has minimum term that in most cases is three months. What makes this account preferable according to Feil (1981) is that it earns higher interest as compared to other accounts and the account can be used as loan collateral by the holders. Like current account, account holders can deposit and withdraw from any of the bank's branches

**Savings Account:** As stipulated by Hendry, (1986) in saving account, individuals with little income base keep on accumulating what they earn for reasons best known to them. The minimum opening balance in most commercial banks tends to be low. The advantage of this kind of saving product is that the holders can withdraw large amounts with a notice of only one day and account holders can deposit and withdraw from any of the bank's branches. However, the account earns relatively low interest to holders and this is normally at the end of the year.

Although few of these saving products have been discussed in literature, there are a lot of saving products that different financial institutions administer; these depend on the need assessment of financial institutions. As a matter of fact, financial institutions actual benefit a lot from the saving products from their clients since they use their client's deposits to undertake some important financial investment projects and lend some of it to borrowers from which they charge Higher interests.

### **2.1.7 The Relationship between the Commercial Banks and Savings**

The interrelation between commercial banking and savings might best be analyzed through the role savings play in the expansion and advancement of those entities. It is indicated by the literature review that savings form a crucial part of commercial banks. Jarrett, and Anderson, (1989) built connection between the two by claiming that commercial banks gather and mobilize savings from surpluses units then channel it to deficits units. Thus, it is through this process in which they are highly correlated. Adams, (1997) stated that commercial banks help financial investment of customers through lending loans they pile from savings. In addition, Rajan and Zingales, (1998), analyzed the role played by commercial banks in raising savings. Thus, the money gained through withdrawing services charges might be helpful for the commercial banking developments. This may a reason for commercial banks to continue gathering more savings and accumulate capital. King and Levine (1993) established the connection between commercial banks and savings with regard to the minimum opening balance charged on clients' deposits. Obviously, minimum opening balance is related to commercial banks. Through this process, banks can earn an amount of money which can be used for the needs of the financial institution. Therefore, it can be claimed that, financial entities greatly benefit from the saving put by their customers. Thus, the amount of money earned from clients' deposits can facilitate development and expansion of commercial banks.



### 2.1.8 The Concept of Customers' Intention to Save

Saving can be defined as the portion of disposable income not spent on the consumption of consumer goods, but accumulated or invested – directly in capital equipment, by paying off a home mortgage or indirectly through the purchase of securities (businessdictionary.com). The other form of saving is through putting money aside by saving it in a bank or financial services provider, investing in a pension plan or in other forms of income, generating investments.

In recent years, economists, international organizations, and governments in developing countries have placed increasing emphasis on the mobilization of deposits, not only to increase domestic savings, to achieve sustained economic growth and development but also to strengthen domestic financial intermediaries. There is enormous variation across individuals in terms of wealth accumulated at retirement age, even among those with relatively similar lifetime incomes. Researchers have found that this variation cannot easily be explained by “chance” events (e.g., inheritances, health status) or by asset allocation choices. Instead, savings behavior, i.e., the choice to save or spend earlier in life, seems to be a much more important determinant of variation in wealth accumulation. This section highlights the concept of saving, factors determining saving and the saving continuum (Cronqvist and Siegel 2010).

### 2.1.9. Determinants of Intention to Save

Saving determining factors are generally categorized under demographic, social and economic factors. Thus, under this sub topic the highlight of the review on the relationship of age, gender, education, income and work status with saving behavior are discussed as follows.

**Age and Saving Behavior:** The cornerstone of the life-cycle hypothesis is age-related consumer heterogeneity and the prediction that saving follows a hump-shaped pattern (that is, high at middle age and low at young and old ages). Research has shown that this hypothesis is not problem-free when it comes to interpreting actual saving behavior. Lifecycle saving is not sufficient to account for the high level of aggregate wealth in industrial economies (Kotlikoff and Summers 1981). Elderly people save or at least do not dis-save as much as predicted by the life-cycle hypothesis (Deaton and Paxson 1994; Poterba 1995), and consumers appear to value bequests (Menchik and David 1983).

Some research studies such as Bovenberg and Evant (1990) shows that the higher the old aged population in the nation the lower is the saving rate in the economy. This study is inconsistent with the study of Foley and Pyle (2005) which concluded that the young and elder population saves more than the middle aged population but another study such as Attanasio (1997) shows individual's age is expected to be negatively correlated with the saving which is the older people saves less and the younger people save more.

**Gender and Saving behavior:** Empirical studies in Netherlands by Kalwij (2003), Canada by Gagnon et al (2006) and Uganda by Kiiza and Pederson (2002) shows that female households had better saving behavior than males because of the developed life style by the community and they are expected to cover the principal household consumption and costs in any social interaction where as in the other empirical study in Philippines by Bersales and Mapa (2006) shows that male households had better saving habits because the female has no power to control income even their own income.

**Education Level and Saving Behavior:** Following endogenous growth theory, education has been included as a proxy for human development, which increases the human productivity and capabilities, thereby increasing personal income as well as savings (Zhang et al. 2003). This is the indirect positive effect of education on saving through increased income. On the contrary,

Kulikov et al. (2007) found that education as a human wealth ensures employability and stability of income and, hence, it can have negative impact on saving. Education can affect saving directly through financial literacy. Higher financial literacy also will result in higher saving (Browning and Lusardi, 1996). Financial literacy enable people to know the risk and return characteristics of different financial products and it also enable them to understand the complex procedures used in accessing financial products.

**Work status and Saving Behavior:** Some empirical studies such as Sinha (1998), Muradoglu and Taskin (1996) shows that self-employed household has consistent saving because they have fear of work uncertainty in the future whereas other studies such as Mosk (2010) show that the employed household has consistent saving because of their constant income. Therefore, household work status directly affects household saving in terms of income certainty.

**Household income level and saving behavior:** Keynes (1936) developed the absolute income hypothesis. The theory posits positive relationship between absolute income and saving. Such proposition is supported by much empirical evidence. This finding is consistent with the view that saving rise after income exceeds subsistence consumption.

## 2.2 Empirical review

This section provides the relevant empirical review related to the study of role of commercial bank of Ethiopia in promoting private. According to(Gockel, Brow 2007), saving bank is money placed in to a banking institution for safe keeping. Saving bank are made to saving account at a banking institution. Such as saving accounts, checking accounts and money market accounts. The account holder has the right to withdraw is saving funds, as set forth in the terms and condition of account.

According to (Kazi ,2012), in banking sectors, saving mobilization is a scheme intended to encourage customers to save more cash with the bank and this money in turn will be used by the bank to disburse more loans and generate additional revenue for them. The main business for banks is accepting deposits and granting loans. The more the loans the banks disburse the more profit they make.

According to (Katang,Ntui, 2008), in the most basic terms, commercial banks take deposits from individuals and institutional customers, which they use to extend credit to other customers.

In related study, Gebeyeu (2014) quite interestingly found that both branch expansion and inflation have significant negative effect on private saving and investment on short term he also indicated the level of real per capital income and urbanization have significant positive effect on private saving while (Teshale ,2014) claimed that banks total deposit is positively related to income, its asset and loans ,liability and advance granted and consumer price index .However it is clear on the outset of that this study in particular did not meet the criteria of parsimony as it is obvious that deposit forms liability and liability and thus no need of introducing both together (Teshale ,2014).

Ngula((2012)found that the exchange rate between the Ghanaian credit and us dollar negatively influenced commercial bank deposit while ( Geda,2015) argued saving is negatively correlated with unstable exchange rate , a common phenomenon in developing economics which is a concern on volatility that depreciate of domestic currency as Negule argued .Negule argued that the rise in the exchange rate might lead to lower level of deposit as their money deposited in banks to substitute domestic currency for foreign currency as a better means of saving .He further claim that while inflation negatively influences saving or deposit ,deposit interest rate have a positive relationship on saving and investment (okoth etal.2013).

Most of the result, argument and synthesis presented in the previous paragraphs highlight lack of consensus and prevalence of inconsistency in the finding of various research as what factor determine the role of commercial bank on the private saving. The current research, therefore attempted to examine that the role of commercial on private saving (Beck etal, 2007).

### **Research gap**

Most of the studies focus on the factor that affect saving and saving mobilization (desinga 1995) but there are some studies conduct in the role of commercial bank in prompting private saving. (Ajak Michael 2010)

Most researchers focus on how to increase the profitability of the bank in saving mobilization rather than how to encourage peoples to save and invest, how they can save money, and identify the role of commercial bank in private saving.

As a branch as per the researcher's knowledge no study is conducted to examine the role of commercial bank of Ethiopia in promoting private saving in Gubrye branch.

## CHAPTER THREE

### **3. Researches methodology and design**

#### **3.1 Research design**

Research design is a plan, structure, and strategy of research to find out alternative tools to solve the problems and to minimize the variance. To conduct this study, the researcher would use descriptive data analysis. Descriptive statistics allow a researcher to quantify and describe the basic characteristic of a data set. As such descriptive statistics serve a starting point for data analysis allowing researchers to organize, simplify and summarize data. So this research design is appropriate to obtain complete and adequate information to the study.

#### **3.2 Research approach**

Research approaches are mechanisms of attaining research objectives. In this research a researcher uses a qualitative research approach. A qualitative research approach is an approach to gathering data about people's experience, opinions, beliefs, and behaviors. It involves collecting and analyzing information from various sources, such as interviews, observations, focus groups and surveys. This approach allows a researcher to explore concepts and experiences in more detail.

#### **3.3. Type and Source of Data**

In this study a researcher uses a primary source of data. This refers to the first-hand data gathered by the researcher herself by means of observations, experiments, questionnaire, personal interview and surveys.

#### **3.4 population and sample frame**

The study would conduct the importance of Commercial bank of Ethiopia in promoting private saving in Gubrye branch. In order to achieve the desired objective, the target population of the study would be 21. Hence a researcher uses a census method. Because the target population of the study is small and all employees have knowledge and give enough information for the study.

So, a researcher use census method of techniques to collect appropriate, accurate and enough information for the study.

### **3.5 Method of data collection**

The primary data would gather from office employee using cloth ended questionnaire and interview for manager. The questionnaire would use for the responses gather in a standardized way, so questionnaire is more objective, allow for confidentiality, which promote frankness and relatively quick to collect. The reason behind using this technique is:

- To get relevant and sufficient information.
- To get more information and minimize risk.

### **3.6 Method of Data Analysis and Interpretation**

After collecting the necessary data, it would process by editing, coding, classifying and tabulation. The collected data would be analyzed and transfer to use full information and the data analyzed by qualitative data analyze method through simple qualitative description about the role of commercial bank in promoting private saving.

## CHAPTER FOUR

### 4. ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1. Introduction

This part of the paper contains data presentation; interpretation and analysis using tables and percentage. The questionnaires were distributed to 21 respondents from the total 16 (76.19%) of the respondent was filled the questioner. That means most of the respondent is willing to fill the question. The questionnaires were distributed to employees are filled and collected back for analysis to conduct this study

**Table 4.1 Response rate**

Total population size	21
Completed and collected questionnaires	16
Response rate	76.19%

#### Demographics characteristics of the respondents (employees).

**Table 4.2 gender of employees**

Gender	Number of respondents	Percent (%)
Male	12	75%
Female	4	25%
Total	16	100%

(Source; primary data questionnaires, 2023)

As can be seen from table 4.1 from the employees 12(75 %) are male and the rest 4(25 %) are female. This indicates that from the employees of gubrye Commercial bank, males are greater than females.

**Table 4.3 Age of employees**

Age	Number of respondents	Percentage
20-30	11	68.75%
31-40	5	31.25%

41-50	0	0%
Above 51	0	0%
Total	16	100%

(Source; primary data questionnaires, 2023)

Table 4.2 Shows that 68.75% of respondent lies between 20-30 years. Around 31.25% of respondent's lies between 31-40 years. Therefore; this shows that the high percentage of respondents is lies "between" 20-30. This indicate that, this is important in order to perform routine activity effectively because employees under this age can be a productive capacity that any improvement the saving mobilization in terms of its efficiency and effectiveness.

**Table 4.4 Educational level of employees**

Educational level	Number of respondent	Percentage
12 Complete	0	0%
Diploma	0	0%
BA degree	13	81.25%
MS/MSc	3	18.75%
Total	16	100%

(Source; primary data questionnaires, 2023)

As Shown from table 4.3 .The qualification of the respondent's shows that the respondents with BA degree are about 13(81.25%) and the respondent educational qualification of MA/MSc are about 3(18.75%) and there were none respondent with the qualification of 12 complete and diploma. This shows that the highest percentages of respondents are with educational qualification of BA degree. Therefore, from this the researchers can understood that majority of employees are degree holder and some others are master's holders this shows that commercial bank of Ethiopia in gubrye branch employees are educated.

**Table 2.5 Work position of employees**

Work position	Number of respondent	Percentage
Clerk	0	0%
Accountant	13	81.25%
Auditor	1	6.25%

Manager	0	0%
Vice manager	2	12.5%
Total	16	100%

(Source; primary data questionnaires, 2023)

Table 4.4 Shows that the work position of 13(81.25%) of respondents are accountant and 1(6.25%) of respondents are Auditor, and vice manager and 2(12.5%). This shows that accountants are more among the respondents so accountants cover the majority number in this branch .This is important to increase saving mobilization because most of the customers contact with accountant rather than auditor, manager and clerks.

**Table 4.6. Provision of deposit service**

No	Question	Alternatives	No of respondent	Percent
1	Does your commercial bank give service regarding with deposit or saving money to customers?	Yes	16	100
		No	-----	---
		I don't know	-----	---
		Total	16	100

(Source; primary data questionnaires, 2023)

According to the above table, the respondents were asked whether their commercial bank were providing a deposit support private saver and the table indicates that 16(100%) of the respondents said that commercial bank give deposit service to investors and private savers. This shows that commercial bank makes crucial role in giving deposit or saving service for investors and private savings.

**Table 4.7 Level of interest rate for deposit**

Question	Alternatives	No of respondents	Percent
If your answer for the above table is yes what is your opinion about the interest rate for	High	2	12.5%
	Medium	10	62.5%
	Low	1	6.25%

depositor?	Satisfactory	3	18.75%
	Total	16	100

(Source; primary data questionnaires, 2023)

Considering the above table large percentage of the respondent 10(62.5%) show that commercial bank provides medium interest rate for their saving or deposit to customer or investor 2(12.5%) of the respondent provide high interest rate for depositor of the respondent satisfactory and 1(6.25%) respondent provide low interest rate of their saving or deposit to customers 3(18.75%) of respondents provides satisfactory deposit interest rate. This implies that large percentage of commercial bank pays medium interest rate for the deposit of investor.

If commercial bank increases the interest rate of deposit, many the investor came up with commercial bank and depose their money in the private investors. So, it is better to increase interest rate of deposit to increase private saving for private investment.

**Table 4.8 Degree of interest rate paid by the bank in comparison to other banks interest rate**

In comparison to other banks what is the degree of interest rate paid by your bank?	Number of respondent	Percentage%
Lower	3	18.75%
Medium	3	18.75%
Higher	1	6.25%
Equal	9	56.25%
Total	16	100%

(Source; primary data questionnaires, 2023)

Table 4.7 Show that 3(18.75%) of respondent responded that the interest rate paid on saving mobilizing by Commercial bank is lower than that of interest rate paid by other banks, 3(18.75%) of respondent responded that interest rate paid on saving mobilizing by Commercial bank is medium than interest rate paid on saving mobilization by other banks, and 1(6.25%) of the respondent responded high interest rate that the bank paid. the rest 9(56.25%)of the

respondent responded that the interest rate is equal determined by NBE. And there were the respondent that neither nor to the question. From this, the researchers understood that the interest rate paid by commercial banks and other banks are equal and NBE determines the highest and the lowest range of interests paid to savers.

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

Why savers save money in your bank?	Number of respondents	Percentage%
For security	7	43.75%
For emergency	4	25%
To gain interest rate	2	12.5%
For convenience	3	18.5%
Total	16	100%

(Source; primary data questionnaires, 2023)

The above table 4.8 indicates that 7(43.75%) of respondent responded that customers saving money for the purpose of security; 4(25 %) of respondents answered that they save their money for emergency purpose; 2(12.5%) of respondents answered that they save their money to gain interest; and 3(18.5%) respond the savers save their money for convenience purpose of the bank. From the above table researchers observe that the customers saving their money for the purpose of security. Deposit in banks is more secured than deposit in pocket or in house or other small financial institutions because banks are more organized and high capital in its financial activities and it is reliable by customers by those and similar factors customers deposit their money for the purpose of security. Some customers deposit their money for emergency, to gain interest rate and for convenience purpose of the bank. Also customers deposit their money in bank to withdraw their money at any time and place for emerged conditions.

**Table 4.10 Employee’s response to the number of customer increase from time to time**

Question	Alternative	Response	percentage
Is the number customer increasing from time to time	Yes	16	
	No		
Total		16	100%

(Source; primary data questionnaires, 2023)

As it's shown from the above table 16(100%) of the respondents reported that the number of customer increasing from time to time This implies that the number of customer increasing from time to time that banks concerns in promoting private saving and giving more incentive packages for customers.

**Table 4.11 Challenges of saving mobilization**

What are the internal problems that challenge saving mobilization in commercial bank?	Number of respondent	Percentage%
Low interest rate for saving	2	12.5%
Bank employees behaviors	2	12.5%
High Limitation on providing loan	5	31,25%
Lack of human resource	7	43.75%
Total	16	100%

(Source; primary data questionnaires, 2023)

From the above table show that the internal problems that challenges saving mobilization; 2(12.5%) of the respondents selected Low interest rate, 2(12.5%) were selected bank employees behavior, 5(31.25%) of the respondent choice High limitation on providing loan and also 7(43.75%) says lack of human resource .As we see from the question the bank have more influence on the lack of human resource.

**Table 4.12 External problems challenges of saving mobilization**

What are the external problems that challenges saving mobilization in commercial bank?	Number of respondent	Percentage%
Existence of competitors	4	25%
Expansion of informal saving	3	18.75%
Society educational level	5	31.25%
Individual income	4	25%
Total	16	100%

(Source; primary data questionnaires, 2023)

Table 4.11 Show that most of the respondents respond that 5(31.25 %) indicated that the major problems that challenges saving mobilization is society educational level, where 4(25%) of respondents respond that the problems that challenges saving mobilization is individual income. and the rest respondents respond that 3(18.75 %) and 4(25%) expansion of informal saving and expansion of competitors respectively. Therefore the researchers conclude that the major problems that challenges saving mobilizations are mostly affected by society educational level.

**Table 4.13 Hinder of saving mobilization**

Which challenges are the most hinder to saving mobilization in your bank?	Number of respondent	Percentage%
External	13	81.25%
Internal	3	18.75%
Total	16	100%

(Source; primary data questionnaires, 2023)

Table 4.12 Shows that the most of the respondents are respond that the most challenges problems in the saving mobilization are external problems 13(81.25%) and the 3(18.75)% of the respondent in internal problems. Therefore the researchers conclude that the most challenges that affecting the saving mobilization are external problems. The problems created by in the external

factors like existence of competitors, inflation rate, awareness of the society about saving, existence of black market, those and other similar external factors affect the banks saving mobilization as the hinder. Competitors affect the saving mobilization through increase and decrease the interest rate and the awareness of society is less about the purpose of interest rate. The other respondents agree that internal factors affect the development of saving mobilization like behavior of employees in bank, high limitation of providing loan and lower interest rate of saving.

**Table 4.14 Employee’s response to working relation with customer**

Is a bank having a good working relation with customer?	Yes	16	100%
	No		
Total		16	100%

(Source; primary data questionnaires, 2023)

As it's shown from the above table 16(100%) of the respondents reported that the bank has a good working relation with customer this implies that the bank has a good working relation with customer

**Table 4.15 Awareness of customers**

If there any awareness of creation made by your office to improve saving habit of local customers?	Number of respondent	Percentage%
Yes	16	100%
No	0	0%
Total	16	100%

(Source; primary data questionnaires, 2023)

Table 4.14 from the total respondents are responded “Yes" this indicates that the employees create awareness to the society about the saving mobilization in the bank. Which means that the

banks are create awareness to the society about saving mobilization in the Bank .Therefore, the researchers conclude is that almost the bank are create awareness to societies.

### **Analysis of Information from Interview with Manager**

As the manager of response, the Commercial bank of Ethiopia places a great role on saving and investment that means as banks are intermediaries between depositors and borrowers the bank have to increase depositors number by promoting private saving and uses that money to investors who need to borrow from the bank.

There are some factors that affect the bank in promoting private saving; most of rural people are not aware about saving then it is very difficult to mobilization about saving and investment. The low level of saving culture, high demand for loan by investors, existence of competitors are factors faced promoting private saving.

From prompting private saving banks, do many things, the main one is to take in funds-called deposits from those with money, pool them and lend them to those who need funds. This show that banks are intermediaries between depositor (who lend money to the bank) and borrowers (to whom the bank lends money).

Different incentive packages are provide by commercial bank like low interest rate to investors borrowing, higher interest rate for different segment of the society and different saving product, loan disbursement, Prize-Linked Saving(PLS) and so many.

## **CHAPTER FIVE**

### **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 internal and external factors that affect promoting private saving such as lack of awareness, existence of competitors, expansion of informal saving, individual income are found to a significant problems, which affect promoting private saving.

The relationship between savings and Commercial Bank of Ethiopia shows how the bank promotes savings products and how the bank benefits from the saving products. In so doing, issues of withdrawal charges, monthly charges, minimum balance, lending peoples savings for loans with interests, using clients' savings to facilitate their business. This means that from all these, the bank earns enormous amount of money that is used for modernizing, expanding and developing the bank. Bank of CBE create awareness to its customers in order to increase the knowledge about the police and procedures of the bank by using some methods like door to door consultant and PLS and others.

From the findings regarding the relationship between savings and Commercial Bank of Ethiopia (CBE), the researcher concluded that the two, that is, savings and commercial bank of Ethiopia are inseparable and intertwine. Hence, removing or leaving out one of it means missing them both.

Generally, commercial banks are the backbone for the country socio-economic development. Since the private investor have a significant role in the economy of the country. Commercial bank provides service as the linkage or the bridge that facilitate the way for private investor. Commercial bank also makes the private investor to be efficient and effective in the activity the undertake to be increase the income of private investors that lead them from low level living standard to the medium as well as high level standard by the help of private savers.

## **5.2. Recommendation**

Banks should offer more incentives to customers who save regularly or achieve certain savings targets. For example, they can offer cash rewards or waive account fees for customers who meet specific saving goals. And adding attractive interest rates on savings accounts to encourage private saving. By offering interest rates above the inflation rate, customers will be more motivated to save their money in the bank instead of spending it.

Banks should have to promote private saving by educating customers on the benefits of saving and the various saving options available to them. They can also provide financial literacy classes or online resources to help customers make informed decisions about their savings and also can personalize their approach to promoting savings by offering individualized counseling sessions to customers. By understanding their financial goals and needs, banks can provide them with tailored savings plans that are relevant to their unique situation. And can encourage customers to save regularly by setting up automatic savings plans. This can be done by allowing customers to set up automatic transfers from their checking account to their savings account on a regular basis.

Banks should also use targeted advertising to reach customers who are more likely to save. For example, they can use social media or email marketing to promote their savings products to customers with a history of saving. and can promote private saving by providing easy access to their savings products through online and mobile banking. Customers should be able to check their account balance, transfer funds and make deposits at their convenience, without the need for physical visits to the bank.

## REFERENCE

- Attanasio O. (1997) Consumption and saving behavior: modeling recent trends. Fiscal Studies, Institute for Fiscal Studies, vol. 18(1), pages 23-47, February
- (Dave Ramsey) “the total money maker”
- (Investor education 2020) “The basic of saving and investing” 3
- Beck et al, (2007). Factors Determinant Commercial Bank Saving.
- Browning M. and Lusardi A. (1996). Household Saving: Micro Theories and Micro Facts, Journal of Economic Literature, Vol. 34 pp.1797-1855.
- Bovenberg A.L. and Evans O. (1990) National and Personal Saving in the United States: Measurement and Analysis of Recent Trends, IMF Staff Papers, Vol. 37
- Cronqvist, H. and Siegel, S. (2010). The Origins of Savings Behavior. Available at: <http://ssrn.com/abstract=1649790> accessed May 13, 2018;
- Foley M.C. and Pyle W. (2005). Household Savings in Russia during the Transition. Middlebury College Economic Discussion Paper, No. 05-22
- Gagnon J-M., Gagnon D., and Khoury N. (2006). Determinants of Households Saving and Financing of Assets in Canada
- Gebeyu, (2014), the Role of Saving for Development and Investment.
- Kalwij A.S. (2003). Household Consumption and Savings Around The Time of Births and The
- Keynes J. (1936). The General Theory of Employment, Interest, and Money. London: MacMillan. Role of Education
- Mosk C. (2010). Japanese Industrialization and Economic Growth, University of Victoria, unpublished document;
- Kazi. M. (2012), *Promoting saving mobilization and financial inclusion*.
- Sinha D. (1998). Saving-Investment Relationship in Japan and Other Asian Countries, CJES Researcher Papers No. 98 – 5.
- Mohana et.al, (2012). Analyzing and Managing Banking Sector.
- Nassiredine et.al, (2013). Determinant of Saving in Ethiopia.

Ngula, (2012). The Role of Commercial Bank in Mobilization and Allocation of Resources for Development.

Okot, (2013). The Effect of Inflation on Commercial bank.

Teshale, (2014). Determinant of saving in Ethiopia.

Feil, D. K. (1981)." *The Bride in Bride wealth: A Case from the New Guinea Highlands,*"  
Ethnology/ Vol.20, No. 1

Rajan, R.G., and L. Zingales (1998), "*Financial Dependence and Growth;* *American*

Randhawa, B. & Gallardo, J. (2003). *Microfinance regulation in Tanzania: Implications for development and performance of the industry.* Africa region working paper.

*Hendry, D.F. (1986), "Economic Modeling with Integrated Variables', Oxford Bulletin of Economics, No.3*

*King, R.G., and R. Levine (1993), "Finance and Growth: Schumpeter Might Be Righr'Quarterly Journal of Economics 108, 3:717-737*

**APPENDEIX**  
**Wolkite University**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

Dear respondents:

This questioner is prepared by fourth year accounting and finance student in Wolkite University. 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 commercial bank of Ethiopia in gubrye 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.

**General instructions;**

No need of writing your name

1. For choose question answer by putting (√) in the boxes.
2. For open-ended question use space provided.

**I Demographic characteristics**

1. Sex: male  female
2. Age: 20-30  31-40   
41-50  above 51
3. Education level: 12 and above  diploma   
BA degree  MA/MSc

4. Work Position: clerk  manager   
Accountant  vice manager   
Auditor  Coordinators

**II General Questions: for the employee on the role of commercial bank of Ethiopia in promoting private saving.**

5. Does your commercial bank give service regarding with deposit or saving money to customer?

- A. Yes  B.  C. I do not know

6. If your answer for number “6” yes what is your opinion about the interest rate for depositors?

- A. High  B. Medium  C. Low  D. Satisfactory

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

- A. Lower  B. medium  C. higher  D. equal

8. Why savers save money in your bank?

- A. For security  B. to gain interest rate   
C. For emergency  D. for Convenience

9. Is the number of customers increasing from time to time?

- A. Yes  B.

10. What are the internal problems that challenges saving promotion in commercial bank?

- A. Low interest rate for saving   
B. Bank employees' behaviors   
C. High limitation on providing loan   
D. lack of human resource

11. What are the external problems that challenge promoting private saving?

- A. Existence of competitors'
- B. society educational level
- C. Expansion of informal saving
- D. Individual income

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

- A. Internal problem
- B. external problem

13. Is the bank having good working relation with customers?

- A. Yes
- B. No

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

- A. Yes
- B. No

15. If your answer number 15 is 'NO' what are the possible reasons?

.....  
.....  
.....

*We would like to thanks for your cooperation and for your golden time in filing this questioners*

### *Interview questions for managers*

1. What is your opinion about the role of commercial bank of Ethiopia on saving?

.....  
.....  
.....

2. What factors do you think that are faced in promoting private saving?

.....  
.....  
.....

3. What benefit does Commercial Bank of Ethiopia (CBE) get from promoting private saving?

.....  
.....

*4, what are the incentive package provided by commercial bank of Ethiopia?*

.....  
.....  
.....