

Assess the Problems of Interest Rates on Deposits and Loans (A Case Study on Commercial Bank of Ethiopia, Korhay Branch)

Worku Desalegn

Lecturer at Kabridahar University, Kabridahar, Ethiopia

Collage of business and economics Department of Accounting and Finance, Kabridahar University

Abstract

This study was conducted to assess the problem of interest rate on deposit and loan of commercial bank of Ethiopia korhay branch. Bank is an organization that keeps money safely for its customers. Interest rate is the main source of income and profits for the bank. The main objectives of this research paper were to assess the problem of the interest rate on deposits and loans of banks on the profitability of the bank. To investigate the problem of interest rate on deposit and loan the researcher used descriptive type of research design and both primary and secondary data. Primary data would have been collected by interviewing the manger and questionnaires were used to collect necessary information from the employees of the institution. The secondary data was collected from journal and written documents. The study would have been analyzed both by qualitative and quantitative analyses technique. The other most important notice to understand here is there is a need of percentage computation and table for analyzing and interpreting the data assessing the problem of interest rates on deposit and loan of the bank. Based on these findings, the researcher recommended that the bank should permanent interest rate which will not affect both the bank profit and customers need.

Keywords: money, interest rate, deposit, loan and commercial bank

DOI: 10.7176/RJFA/13-23-01

Publication date: December 31st 2022

Introduction

Banking in Ethiopia dates back to 1905, when the Bank of Abyssinia was established in partnership with the National Bank of Egypt under British financial influence. The bank's promoter has been granted a fifty-year franchise (the exclusive right & privilege to conduct banking business throughout the country). This could be attributed to the slow development of business activities such as trade, and also the fact that society at the time was not well formalized through the use of banks. (Mauri, 2010).

During the command economic period, one of the monetary policy variables that was directly controlled was interest rate. Ethiopia's national bank designed the interest rate structure to discourage lending. Even during the lending deposit rate period, the private sector and public institutions, particularly cooperatives, were charged the highest interest rate on all types of loans. A bank is a financial institution that deals with money. It accepts deposits and loans and makes money by the difference in interest rates paid and charged. The interest rate is the price paid for the use of money by individuals, businesses, and governments over time. It is the bank's primary source of income and an important tool in government policy.

Deposits are funds placed in a banking institution for safekeeping. Bank deposits are made to deposit accounts at a financial institution, such as savings, checking, and money market accounts. Financial institutions pay deposit account holders interest on their deposits. A loan is an agreement in which a lender gives money or property to a borrower and the borrower agrees to return the property or repay the money at some future point in time, usually with interest. The impact of interest rates on deposits and loans on consumer spending habits is determined by a variety of factors such as current rate levels, expected future rate changes, consumer confidence, and the overall health of the economy. is likely to affect deposit and loan particularly in Commercial bank of Ethiopia. The researcher is motivated to conduct this study is that there is study conducted before by other researcher about the problem of interest rate on deposits and loans in commercial bank of Ethiopia to solve the problem but not deeply investigate and preference the give a clue for the employees about how to fulfill the preference of the customers . Customers and employers must pay interest on personal loans, home loans, and car loans. The higher the interest rate, the less money the customer has in his or her pocket. This can limit their ability to purchase goods and services, resulting in a drop in sales for businesses. When interest rates remain low, customers have more cash after making loan payments, which they can spend with businesses. Both must pay interest on their loans, so the lower the interest rate, the more they can buy. The relationship between interest rates, deposits, and loans has received little attention. While the subject has sparked much debate, no definitive agreement has been reached on the nature of how interest rates are calculated.

Statement of the problem

Ethiopia's financial sector was under government control during the socialist regime; however, following a change in economic policy in 1991, the private sector was given priority, and the government stated that it would

withdraw from the market gradually. However, the National Bank of Ethiopia continues to control the interest rate.

This study was carried out to identify the issue of financial institutions' interest rates on deposits and loans (Banks). The interest rate can affect an organization's deposit and loan. The interest rate is the percentage charged or paid for the use of money. It is charged when money is borrowed and paid when money is lent. The interest rate charged by the lender is aFor example, interest rate play a less crucial role in countries with large non monetized sectors than highly monetized economics and have less direct impact in market centrally planned than in market oriented economics. In most developing countries, the interest rate of principal importance are determined administratively, typically through legally imposed limits on lending and deposit rates. There is different research works conducted on a similar topic.

For example, Bernanke and Gertler (1995) conducted their study on the determinates of the interest rate on deposits and loans, and kifle Tesfamariam (1993) conducted their study on the impact on deposit and loan on the income and family living condition, but this study differs from the others in that it looks deeply into not only the determinate, but also into the bang beyond the factors affecting interest rate on deposit of banks, particularly investigate the e And the researcher study primarily addresses the impact of higher interest rates on deposits and loans on income and expenses. The purpose of this research paper is to identify the issue of interest rates on deposits and loans.

Objective of the study

General objective of the study

The study's main goal is to investigate the issue of bank interest rates on deposits and loans in the case of Ethiopian commercial banks, korhay branch.

Specific objective of the study

1. To estimate and analyze the various types of deposits offered by the bank.
2. Determine the types of loans available in the bank.
3. To demonstrate the effect of interest rates on the bank's deposits and loans.
4. Investigate the role of interest rates in attracting deposits and lending loans.

METHODOLOGY OF THE STUDY

3.1 Research design

A research design is a strategy for gathering and analyzing data in an economical, efficient, and relevant manner. For this study, the researcher used descriptive analysis, which is used to describe data in a descriptive research design. The descriptive survey also allows for the collection of current information, as one of the primary goals of this study is to assess the problem of interest on deposit and loan in the Korhay branch of the Commercial Bank of Ethiopia.

The researcher used mixed approaches in order to gain the benefits of both approaches, such as addressing different objectives of the study that cannot be achieved by a single method and allowing one approach to inform another. Combinations of quantitative and qualitative methods improve understanding of the phenomenon under investigation (Ker char, 2010).

3.2 Sampling Techniques and Sample Size

Purposive or judgmental sampling methods were used by the researcher, which is a non-probability sampling technique. This technique was chosen by the researcher because it allows the researcher complete freedom in selecting individuals who can provide relevant information.

There are 64 employees and 1 manager at the Commercial Bank of Ethiopia's Korhay branch. The researcher chose 20 employees from the bank using a judgmental or purposive sampling technique.

Types of data source

3.2.1 Primary data

The primary data was collected through questioners and interview.

3.2.2 Secondary data

Though secondary data the research source such as official document like, reference books and other research materials related to the course under study.

3.3 Target of population

The target populations of this study were employees and administrative body of Commercial Bank of Ethiopia, korhay branch.

3.4 Method of data collection

The primary and secondary sources of data were used to conduct this study. The primary source of data was collected through structured interviews with those concerned individuals of the organization, particularly those in the deposit and loan sections. In other cases, data was gathered through personal interviews, which entails asking people questions face to face to obtain their opinions. Secondary data was also obtained from internal organizational sources such as journals, documentary records, annual reports, magazines, and other written documents. The researcher used structured interviews to gather information from bank customers.

3.5 Data analysis and Interpretation

The data was analyzed using different methods by tabling and figure taking percentages or percentage description to compare the change deposits and loans when the interest rates has change.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

Introduction

This chapter deals with the result Analysis and discussion parts of the data. So the researcher used the sources of data which are primarily through structured questionnaires and secondary data from CBE annual report to undertake and to get necessary information. The researcher also used table, percentage, graph to analyze the data.

4.1 General information of employees

Table 4: 1 Gender composition of the respondents

Item	Description	Number of respondent	Percentage (%)
Gender composition of the respondents	Female	6	30%
	Male	14	70%
	Total	20	100%

Source: Questionnaire results, 2022G.C

Table 4: 1 depicts the gender composition of the respondents. According to table 4:1, out of the total respondents, 70% were male and 30% were females, indicating that male employees outnumber females and, on average, males are more engaged in responding to the researcher than females, indicating that the institution has more male employees than female employees.

Table 4:2 Marital status of the respondents

Item	Description	Number of respondent	Percentage (%)
Marital status of the respondents	Married	7	35%
	Unmarried	13	65%
	Total	20	100%

Source Questionnaire results, 2019 G.C

Table 4:2 shows that the marital status of the respondents; 65% were unmarried and 35% were married. Therefore, the result shows that unmarried employees greater than married ones.

Table 4: 3 Respondents age distribution

Item	Description	Number of respondent	Percentage (%)
Respondents age distribution	Below 25 year	2	10%
	Between 25-35 year	13	65%
	Between 35-45 year	5	25%
	Above 46 year	0	0
	Total	20	100%

Source: Questionnaire results, 2022 G.C

According to Table 4.3, 65 percent of employees are between the ages of 25 and 35, 25 percent are between the ages of 35 and 45, 10 percent are under the age of 25, and there is no one age above 45. According to the researcher, the organization has more employees between the ages of 25 and 35. As a result, the majority of the institution's employees are young, and nearly all of them are of productive age.

Table 4:4 Respondent's education level

Item	Description	Number of respondent	Percentage (%)
Respondents	Diploma	0	0 %
	Degree	16	80%
	Master	4	20%
	Above masc.	0	0%
	Total	20	100%

Source Questionnaire results, 2022 G.C

The respondents were divided into four groups: diploma, degree, master, and above masc. As shown in table 4:4, 80 percent of respondents had a bachelor's degree or higher, and 20 percent had a master's degree or higher. This result indicates that the majority of respondents are educated professional employees, which assists the bank in carrying out its tasks effectively.

Table 4: 5 Employees' Experience

Number of respondents	Employee experience	Percentage
4	0-2 years	20
10	2-5 years	50
6	Above 5 years	30
20	Total	100%

Source: Questionnaire results, 2022 G.C

According to table 4:5, the respondents' experience was divided into three categories: zero to two years, two to five years, and more than five years. According to the above diagram, 20% had zero to two years of experience, 50% had two to five years, and 30% had more than five years of experience. This indicates that almost all employees have more than two years of work experience.

Table 4: 6 job positions of respondents

Item description	Job positions	Managers	Employees
	Number of respondents	1	19
	Percentage	5%	95%

Source: Questionnaire results, 2022 G.C

As shown in table 4:6, 95 percent of respondents are employees of the institution, while 5 percent are managers. In general, according to the above table, employees perform 95 percent of the activities.

Table4:7 Employment condition

Item description	Respondent	Employment condition	Percentage
1	0	Temporary	100
2	20	Permanent	100

Source: Questionnaire results, 2022

From the table 4:7 shows, all employees of CBE in kebridehar Branch are permanent.

Table4.8 Factors affecting deposit and loan

Question	Response	Respondent	Percentage
Is there factors affecting the deposit and loan of bank	Yes	16	80
	No	4	20
	Total	20	100

Source questionnaire, 2022 G.C

According to table 4.8, the majority of employees (80%) said that there are factors that affect the deposit and loan, while 20% said that there are no factors that affect the deposit and loan. Researchers identified several factors influencing commercial bank deposits and loans, including interest rate, loan maturity, collateral, and payment method. As a result, the researcher concluded that there are factors influencing bank deposits and loans.

Table 4.11 Interest rates of bank

Question	Response	Respondent	Percentage
Is interest rate affect deposit and loan of the bank?	Yes	14	70%
	No	6	30%
	Total	20	100

Source questioner, 2022 G.C

According to the above table 4.11, the majority of respondents (70%) stated that interest rates affect deposit and loan, while 30% stated that interest rates do not affect deposit and loan. As a result, the researcher concludes that interest rates influence deposit and loan amounts.

Table 4.12 form of interest rate

Question	Response	Respondent	Percentage
Is the interest rate that your bank uses enough to get reasonable deposit and loan?	Yes	14	70%
	No	6	30%
	Total	20	100

Source questionnaire, 2022 G.C

As shown in table 4.12, 70% of respondents believe that the interest rate used by the bank is sufficient to obtain reasonable deposits and loans, while 30% believe that the interest rate used by the bank is insufficient to obtain reasonable deposits and loans. As a result, the researcher concludes that the bank's interest rate is appropriate for obtaining reasonable deposits and loans.

Table4.13 Relationship between interest rates and loan

Question	Response	Respondent	Percentage
Is there relationship between interest rates and loan?	Yes	17	85%
	No	3	15%
	Total	20	100

Source questionnaire, 2022 G.C

According to table4.13, 85 percent of respondents stated that there is a relationship between interest rates and loan, while 15 percent stated that there is no relationship between interest rates and loan.

Table 4.14 interest rate vs. deposit and loan

Question	Response	Respondent	Percentage
What is the relationship between interest rate and deposit and loan?	Direct	5	25%
	Indirect	12	60%
	No relation	3	15%
	Total	20	100%

Source questioner, 2022 G.C

According to the above table, 60% of respondents believe the relationship between interest rate and deposit and loan is indirect, 25% believe the relationship is direct, and 15% believe there is no relationship between interest rate and deposit and loan. As a result, the researcher concludes that interest rates, deposit rates, and loan rates are inversely related.

Table4.15 Criteria of the bank to provide loan

Question	Response	Respondent	Percentage
Is there criteria the bank used to provide loan?	Yes	15	75%
	No	5	25%
	Total	20	100%

%Source questionnaire, 2022 G.C

As shown in table4.15, 75 percent of respondents stated that the bank uses criteria to provide loans, but some (25 percent) stated that the bank does not use criteria to provide loan service. As a result, the researcher concludes that the bank employs criteria in order to provide loan services. Table 4.16 criteria to provide loan

Question	Response	Respondent	Percentage
What are the criteria of your bank to provide loan?	Character	5	25%
	Capacity	8	40%
	Capital	7	35%
	Total	20	100%

Source questioner, 2022 G.C

According to the above table, 25% of respondents describe the criteria of the bank to provide loan as character, 40% describe the criteria of the bank to provide loan as capacity, and 35% describe the criteria of the bank to provide loan as capital. As a result, the researcher concludes that the bank's loan criteria are heavily focused on the borrower's capacity.

Table 4.17 types of loan service provided by the bank

Question	Type of loan	Respondent	Percentage
What types of loan service does your bank provides?	Agricultural	3	15%
	Manufacturing	8	40%
	Personal	2	10%
	customer	7	35%
	Total	20	100%

Source questioner, 2022 G.C

According to table4.17, 15% of respondents stated that the bank provides loan service for agricultural purposes, 40% stated that the bank provides loan service for manufacturing purposes, 10% stated that the bank provides loan service for personal uses, and 35% stated that the bank provides loan service to their customers. As a result, the researcher concludes that banks provide more loan services to manufacturing and to their customers.

Table4.18 effect of interest rates on deposit and loan

Question	Response	Respondent	Percentage
Do you think interest rate has effect on deposit and loan?	Yes	20	100%
	No	0	0%
	Total	20	100

Source questioner, 2022 G.C

According to the above table 4.18, the entire respondent (100%) stated that the interest rate used by the bank has a direct impact on the bank's deposit and loan. In relation to this question, respondents were also asked "how interest rates affect deposit and loan of the bank?" The respondents' responses were that as interest rates of the bank rise, the number of borrowers falls, and vice versa.

Table 4.19 pre-condition in order to set interest rates

Question	Response	Respondent	Percentage
What are the preconditions to set interest rates?	Inflation	11	55%
	Supply money	9	45%
	Total	20	100

Source questionnaire, 2022 G.C

As stated in table 4.19, 55 percent of respondents stated that the organization considers inflation rates, and 45 percent stated that the organization considers the supply of money to set interest rates. As a result, the researcher concludes that the organization places a high priority on the inflation rate when determining interest rates.

Table 4.20 Method of protection from risk comes with providing loan

Question	Response	Respondent	Percentage
What is the method of your bank for protection of risk come with providing loan service?	Letter of credit	8	40%
	Forfeiting	7	35%
	Credit insurance	5	25%
	Total	20	100%

Source questionnaire, 2022G.C

According to table 4.20, 40 percent of respondents stated that the bank's method of risk protection is letter of credit, 35 percent stated that the bank used forfeiting method of risk protection, and 25 percent stated that the bank used credit insurance method of risk protection in conjunction with providing loan service. As a result, the researcher concludes that the bank primarily employs the letter of credit method of risk protection when providing loan services.

Table 4.21 types of collateral uses as loan guarantees

Question	Type of collateral	Frequency	Percentage
Which type of collateral your bank uses as loan guarantees?	Real estate	9	45%
	Cash secured	5	25%
	Inventory financing	6	30%
	Total	20	100%

Source questionnaire, 2022 G.C

According to table 4.21, 45 percent of respondents stated that the bank used real estate type of collateral as loan guarantees, 25 percent stated that the bank used cash secured loan type of collateral as loan guarantees, and 35 percent stated that the bank used inventory financing type of collateral as loan guarantees. As a result, the researcher concludes that the bank primarily uses real estate collateral as loan guarantees.

According to CBE primary and secondary data, the most common types of deposits are savings deposits, demand (check) deposits, and time (fixed) deposits. Savings accounts pay interest to depositors but do not have a set maturity date by which funds must be withdrawn or reinvested. When interest rates rise, it is worthwhile to save more, and it encourages people to save more. A demand deposit is a deposit that can be withdrawn on demand at any time and in any amount up to the full amount of the deposit. A checking account money order is the most common example of a demand deposit, but traveler's checks are also technically demand deposits. Checking accounts are also transaction accounts in the sense that Types of deposits, Loans and Interest of commercial Banks of Ethiopia . A time deposit is a deposit in which the depositor enters into a contract. Not to be withdrawn before the agreed-upon time period expires. If a depositor wishes to withdraw funds from an account, he or she may enter into such a contractual agreement in order to receive a higher interest rate than that of a savings account. At the moment, Ethiopian commercial banks are offering savings-type interest rates. That is, 5% of the total deposits in the banks' accounts. To assess the effect of interest rates on deposits, the researcher uses the following table, which includes different types of deposits [saving, demand, and time deposit] for the consecutive years 2020 - 2021. The tables and graphs that follow

Table 4.2.1. Deposit account categories of commercial banks of Ethiopia and the rate of interest.

Deposit	Fiscal year	Saving	Interest rate	Total
200,653,407	2020	409.766	58.3%	100%
285,7154438	2021	618.7558	59.72%	100%

Source: CBE Annual Report.

As shown in Table 4.2, the deposit rate in Ethiopian commercial banks from 2020 to 2021. The bank's saving deposit increased from 34.58 percent in 2020 to 35.03 percent in 2021. The bank's demand deposit

decreased from 59.72 percent in 2020 to 35.03 percent in 2021. (58.77 percent). And the bank's time or fixed deposit increased (5.7 percent) from 2020 to 2021. (6.1 percent). The above table concluded that the bank pays high interest on savings and time deposits but not on demand deposits, and it also shows that the interest rate on bank savings and time deposits increased from 2020 to 2021, while the interest rate on bank demand deposits decreased from 2020 to 2021.

4.2.2 Loan and Advance

The gross outstanding loans and advances of commercial bank of Ethiopia the loan includes all terms and merchandise loan, manufacture, agricultures, import and export loans building and construction, personal and transportation loan accounts the large portion followed loans. And to evaluate the impacts interest rate a different types of loans. That researcher takes the following table for the consecutive years of 2020 and 2021 commercial bank of Ethiopia.

4.2 Interest Rate

The major's source as income was interest income. Interest rate is the price of credit and determined by the supply and demand of credit. It fluctuates because of shift in demand or supply. The supply of loan able funds depends on level of deposit and the rate of the growth of banking lending. The demand from credit comes from customers business and government due to the need for public sector borrowing requirement. Interest rate tends to rise during the business cycle expansion and fall during the period of business recessions. This reflects increased demand for credit (loan able funds) during expansion and decreased during recession.

The reduction of interest rate has negative effect on both saving and time deposits. That is the lower rate of interest leads to decrease the flow of saving and time deposit. As the respondent responded that the organization can improve the quality and quantity of banking service through skilled human power and using advanced technology system. As respondent's responses that deposit is the major source of the bank. Therefore in order to mobilize deposit the bank under takes a higher interest rate in order to attract customers to deposit their money which the bank used as their resource.

Conclusion and Recommendations

Summary of finding

The following are the major points obtained during the study conducted on commercial bank of Ethiopia in kebridehar branch. To meet, come the objective of the study which determines the problem of interest rate on deposit and loan of the banks, the major source of funds for bank is deposit which is taken from individuals and business firms who are willing to hold any more deposit that they really need for their day to day payment. Among the deposit types saving deposit cover the major portion. All adjustments are done to attract potential investors and mobilize deposit. In commercial bank of Ethiopia, there is no shortage of deposit. Therefore big consideration is given only to loan section than deposit section.

The change in interest rate results change in interest margin which is the profit of the bank. Thus, the change in interest rate directly affects the deposit and loan of banks. Market of interest is established at the intersection of supply and demand for loan able funds (credit). The interest rates on different securities vary considerably.

Interest rates tend to rise during the period of business cycle expansion and falls during recessions. This directly reflects increased demand for loan able funds during expansion and decreased demand for loan able funds during recession. Change in interest rates may be rationalized in the following ways:-The lenders are entitled to a share of profit resulting from the production. Savers should be rewarded obtaining from present consumption Lenders should be receive fee for allowing someone else to borrow an asset which provided the service of liquidity

Lenders should be entitled to a risk premium because they face the risk of non-repayment. When interest rate in the economy increases banks make profit their loans and they want to attract more deposit to the volume (Negotiable order of withdrawal) for more profitable loans.

5.2 Conclusions

Observing the actual data collected by the questionnaire with different people and analyzing them point by point, the researcher is providing the following conclusions in relation to the objectives of the study.

The study basically intended to identify the problem of interest on deposits and loans of financial institutions or commercial bank of Ethiopia.

Interest rate send price signals to borrower's lender, savers and Investors for example higher interest rates generally bring greater volume of saving and stimulate the lending activity. Higher interest rates tend to reduce the volume of borrowing and capital investment and lower the volumes of borrowing and capital investment and lower interest rate stimulate borrowing and investment spending.

The minimum interest rate that is applied by different banks used is determined by national banks of

Ethiopia. Keeping this minimum rate, different banks increase the rate in order to attract customers to deposit their money which the banks use as their resources. But the increases as well as the decrease expectation are crucial for explaining how interest rate responds to changes in money supply. For example expansionary monetary policy raise interest rates and contractionary monetary policy lower interest rates.

The interest reduction was aimed to reduce the liquidity of the banks, since the deposits accepted and loan disbursed margin is big still the liquidity is increasing. The national bank of Ethiopia has failed to influence the liquidity using the direct interest rate control. These would be because of the fact that. The society has becoming familiar with the use of banking service, specially accepting deposit and to take loans, There may not be other investment opportunity, which can generate income great portion is from loan of interest rate.

The nonexistence of money and capital markets people will not have any choice but to deposit their money in bank. The bank any users are not sensitive to increase interest rate because as to me there should be fixed deposit and loan in commercial bank of Ethiopia. As mentioned above the banks deposit and loan is highly affected by the rate of interest. The deposit mobilized is not fully used to create loans. The access liquidity of the commercial banks continued to increase and pose formidable challenges to the monetary authority. On the other hand, non-significant a change has been observed in the interest rate structure of the banking system.

In addition, according to the official reports of the government agencies, the macroeconomic performance of the economy has been characterized by growth in aggregate output; relative inflation, domestic liquidity expansion, increase in resource mobilization, increase in disagreement of loans and expansion of lending by banking sector steady but slow exchange rate depreciation trade deficit and government budget deficit.

The maintenance of monetary and fiscal policies that are greater towards ensuring price stability, promotion of both domestic and foreign investment and creation of favorable macro-economic environment is prerequisites of economic growth and for sustainable development and expanding operation of banking sector.

5.3 Recommendations

In the previous sections we have seen that what are collected, from where they are collected, what are results, what they imply and what was the problem relevant to the objectives of the study in detail?. So some recommendations for concerned party should be made. Those recommendations are:-

The role of national bank of Ethiopia in the financial sector in general and in the banking institutions in particular grew following the establishment of commercial banks. The slipping way of direct control power of money supply and growth of public sectors necessitated in indirect control mechanism of money supply.

The indirect monetary instruments reserve requirement, discounting and open market operation (OMO) have little role in Ethiopia. That is the reserve requirement has little role because the commercial banks, especially commercial bank of Ethiopia has excess liquidity. So the reserve requirement has little impact on the liquidity and credit expansion. On the other hand, the discount policy as one of the monetary policy mechanism by NBE is virtually nonexistent because of the absence of security market. OMO at this stage of financial sector development in Ethiopia is difficult and also the present treasury bills market is not serving its objectives.

So the national bank of Ethiopia has to develop the financial institutions to use the direct and indirect monetary policy instruments in combination to influence the banking institutions.

The banks has to make their effort to mobilize saving and then to find their credit market and lend to investors to increase their loan disbursement the banks to start project financing. The commercial banks have to review their credit policy to improve their market share and have to improve their credit management.

As shown in the earlier section, The banks determines their interest rate on deposit and loan based on different factors, there is done in order to attract customer when there is shortage of loan by increasing the interest and not considering customers falling. When interest is wanted to be reduces because of enough resources availability. This may create a problem in order to keep customer satisfaction. The bank should permanent interest rate which will not affect both the bank profit and customers need. Generally it is possible for the researcher to recommend that the banks are at stronger side by looking their financial positions which is mainly based on interest income.

Table 4.9 services provided by the organization

Question Alternative Frequency In percent (%) What kind of service provided by your organization to its customer? Saving deposit--Fixed deposit--demand deposit--All 20100%

Source questionnaire, 2019 G.C

In table 4.9 all the respondents (100%) described that the organization provided all the above services (saving account, fixed deposit and demand deposit) for its customer. Therefore the researcher concludes that the bank provides all the above service to its customer

4.10. Tables. Service demand on the organization

Question Alternative frequency Percent (%) Which service is more demanded by customer? Saving deposit 73% Fixed deposit 42% Demand deposit 63% Time deposit 31% Total 20100%

Source questionnaire, 2019 G.C

As stated in table 4.10, 35% of respondents described that saving deposit is more demanded by their customer, 20% of respondents described that fixed deposit is more demanded by their customer, 30% of respondents described that demand deposit is more demanded by their customer, 15% of respondent described that time deposit is more demanded by their customer. Therefore the researcher concluded that saving deposit the most demanded type of service by their customer.

Reference

- Adams.J,Khan.H, Raeside.R and White.D(2007). *Research Methods for Graduate Business and Social Science Students* .New Delhi: Sage Publications Inc
- Andinet(2016). Factors determining deposit mobilization performance: In the case of private commercial banks in Ethiopia (unpublished master's thesis) .Addis Ababa University, Addis Ababa
- Babihuga, R., (2007). Macroeconomic and financial soundness indicators: An empirical investigation. IMF Working Paper, 07/115: Washington. Babouček, I. and M. Jančar (2005). "Effects of Macroeconomic Shock to the Quality of the Aggregate Loan Portfolio." Czech National Bank, Working Paper Series, no. 1, pp. 1 – 62.
- Barth, J., Lin, C., Lin, P. & Song, F. (2008). Corruption in bank lending to firms: cross country micro evidence on the beneficial role of competition and information sharing. *Journal of Financial Economics*, 91: 361-388.
- Bercoff, J., J di Giovanni and F. Grimard (2002). *Argentinean Banks, Credit Growth and the Tequila Crisis: A Duration Analysis*, (unpublished).
- Berger, A.N., R. Demirguc-Kunt, R. Levine and J.G. Haubrich (2004). Bank concentration and competition: An evaluation in the making. *Journal of Money, Credit and Banking*, 36(3): 433-451.
- Bofondi M and Ropele T (2011). Macroeconomic determinants of bank loan: Evidence from Italian banks. No.89. Boudriga A, Taktak N. B and Jellouli S (2009).Banking supervision and nonperforming loans: a cross-country analysis. *Journal of Financial Economic Policy*, 1(4), 286-318.
- Brooks, C (2008). *Introductory Econometrics of Finance*, 2nd ed., the ICMA Center, University of Reading, CAMBRIDGE University press.
- C. Brown, D.J. Mallett and M.G. Taylor (1993). *Banks: an Industrial Accounting and Auditing Guide*, (Page Bros Ltd: Great Britain).
- Cifter, A., Yilmazer, S., Cifter E (2009). Analysis of Sectoral Credit Default Cycle Dependency with Wavelet Networks: Evidence from Turkey. *Economic Modelling* 26, 1382-1388.
- Chodechai, S. (2004). *Determinants of Bank Lending in Thailand: An Empirical Examination for the years 1992 – 1996*, Unpublished Thesis.
- Collins, Ng'etich J and Wanjau K (2011). The effects of interest rate spread on the level of Non-performing assets: A case of commercial banks in Kenya. *International Journal of Business and Public Management* Vol. 1(1): 58-65.
- Comptroller's Handbook(1998). *Loan portfolio management*, Comptroller of the Currency Administrator of National Banks, USA
- Creswell, J W(2003). *Research design: qualitative, quantitative and mixed methods approaches*, Sage Publications, California, 2nd ed.
- Creswell, J. (2009). *Quantitative, and Mixed methods approaches* (3rd edition) India: Sage Publication Inc, New Delhi.
- Crowley, J. (2007). Interest Rate Spreads in English-Speaking Africa. IMF Working Paper. April 2007, 123-45.
- Daniel T. (2010). *Issues of non-performing loan: Privately owned commercial banks in Ethiopia*. Addis Ababa University.
- David Dickinson and Yixin Hou (2009).The effect of non- performing loans: A threshold Method De Nicolo, G., S. Geadah and D. Rozhkov (2003). Bridging the great divide: Poorly developed financial systems in the CIS-7 countries may jeopardize their sustained growth. *Finance and Development* 40(4): 42-45.
- Ebisa D(2012). The Effects of Post 1991 Era financial sector deregulations in Ethiopia: An Inspirational guide for agribusiness. *Basic Research Journal of Agricultural Science and Review* Vol. 1(4) pp. 81-87.
- Getahun(2014).Determinants of deposit mobilization in commercial bank of Ethiopia(unpublished master's thesis).St. Mary's University, Addis Ababa. Growth and transformation pane II (2015/16-2019/20)
- Haron, S & Azmi.N(2006).Deposit Determinants of Commercial Banks in Malaysia.Working Paper Series 009
- Hibret(2015).Determinants of commercial banks' deposit growth in Ethiopia: case study on commercial bank of Ethiopia (unpublished master's thesis) .Addis Ababa University, Addis Ababa.
- Howells.P and Bain.K(2007).*Financial Markets and Institutions* (fifth edition). Harlow: Pearson Education Limited. <https://business-finance.blurtit.com/3752912/what-is-the-role-of-advertising-in-bank-industry>
- Jaber.A and Manasrah.M(2017).The Factors That Affect To Attract Deposits in Palestinian Islamic Banks. *Asian Journal of Finance & Accounting* doi:10.5296/ajfa.v9i1.11020 pp 261-273 .
- Jhingan(1997).*Money, banking, international trade and public finance*(eighth edition).

- Katalai.L(2008). Determinants of Kenyan commercial banks deposit growth (unpublished master's thesis).University of Nairobi, Nairobi.
- Ketema(2017).Determinants of commercial banks deposit mobilization in Ethiopia (unpublished master's thesis). St. Mary's University, Addis Ababa. 54
- Kelvin A. Sergeant (2001), "The Role of Commercial Banks in financing growth and economic development in Trinidad and Tobago and the Caribbean: A Perspective From The Royal Bank of Trinidad and Tobago" Central Bank of Belize.
- Kibebe(2016).Determinants of commercial banks' deposit mobilization evidence from private commercial banks in Ethiopia (unpublished master's thesis).Addis Ababa University, Addis Ababa.
- Kumar.N and Mittal.R(2002).Banking law and practice(first edition).New Delhi.J.L Kumar for Anomal publications pvt LTD M. L.
- Mauri, (2010).Acta Universitatis Danubius. OEconomica. - Facultatea de Ştiinţe Economice. - 2014, 1(1), p. 16-25