

Deposit Growth in Commercial Banks in Ethiopia

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About the Study

Banks play an important role in economic development by bridging the gap between the surplus and deficit fund sectors. Commercial banks are financial institutions that accept deposits and make loans as their primary purpose, facilitating the flow of funds in the economy. Commercial banks often play an important role in the exchange and payment systems, lowering transaction costs and improving convenience. Commercial banks are recognized in developing economies for their critical role in enabling the economy to continue to meet the ever-increasing demand for credit. In countries like Ethiopia, where the banking industry dominates the financial sector, the bank's successful and productive operation plays a critical role in accelerating economic development.

There are three types of deposits, Current account deposits such deposits are payable on demand and are, therefore, called demand deposits. These can be withdrawn by the depositors any number of uptimes depending upon the balance in the account. Fixed deposits (time deposits) fixed deposits have a fixed period of maturity and are referred to as time deposits. These are deposits for a fixed term, i.e., period of time ranging from a few days to a few years. These are neither payable on demand nor they enjoy cheque facilities. Savings account deposits. These are deposits and its main objective is to save. Savings account is most suitable for individual households. Deposits are the foundation upon which Banks thrive and grow. They are a unique item on banks' balance sheet that distinguishes it from other types of business firms.

In today's world, the concern of bank resource (deposit) has become

one of the most important and crucial in the field of business due to the greater ineffectiveness of lots commercial banks in the world in terms of their operation and its unfortunate effect on their performance. Generally, the issue of commercial bank's deposit growth and its determinants are crucial to the financial sector of developing country like Ethiopia. Thus, this study enables banks and regulators to keep control to the issue of deposit growth which is very important to the security of their operation as well as the economy as a whole in the country. Therefore, this study examined the determinants of deposit growth of Ethiopian state owned and private commercial banks.

Deposit is one of the resources commercial banks highly motivated to mobilize and the most liquid money that is found in the treasury of banks and which is ready to be borrowed in need of the fund. Deposit mobilization is the major activities of commercial banks. According to financial resources of banking systems are naturally provided from people's deposit. The functions of commercial banks of Ethiopia is clearly stated at Art 2 sub Article 2 of the Banking Business Proclamation No 592/2000. Accepting deposits is one of the primary functions of commercial banks in Ethiopia. The commercial banks accept deposit of their customers. The customers deposit in the commercial banks to be safe and secure their many and to be free from theft and robbery. Specially, in this time people have developed culture of saving and they use even ATM method to make commerce in any super market or any other markets where such services are provided.

Therefore the commercial banks branch expansion had positive and significant effect on deposit growth of commercial banks in Ethiopia.

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