

DEPOSIT MOBILIZATION & BRANCH EXPANSION DIMENSIONS- A CRITICAL ANALYSIS WITH SPECIAL REFERENCE TO DASHEN BANK ETHIOPIA”

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ABSTRACT

The rationale of this paper is to study the effect of branch expansion dimensions (government policy, population growth, location of branch and branch office rent) on deposit mobilization in the context of Dashen bank S.c. Banks' primary focus is deposit mobilization, therefore achieving the optimal level of earning deposits is critical. The researcher followed descriptive and explanatory type of research design. Quantitative research approach was adopted for the study. The rationale of using such a quantitative approach is due to insufficient resources like period and cost, to obtain the reliability result of the collected data, reducing the bias of judgment, and ratifying the research. The study was limited to the Bank's staffs in Bahir Dar district and the sample branches and head office organs was selected based on purposive sampling technique. Accordingly, primary data were collected through a survey using a structured questionnaire with a sample of 283 staffs who are serving the bank by assuming different positions. Returned questionnaire was analyzed using descriptive, correlation and regression analysis with statistical package for social sciences (SPSS.20). The finding indicates that among the four independent variables government policy is the first most significant factor that is perceived to be important in deposit mobilization of dashen bank S.C. followed by population growth, location of branch and branch office rent takes the fourth place important factor of deposit mobilization. The relationship between those independent variables and dependent variable was significant. This means that the banks' growth in deposit highly relates to branch expansion dimensions. The bank used in the study may limit the applicability of the findings to the whole bank industry in our country. Thus, the researcher suggests that further studies to examine more branches, districts and different banks in the industry not only in Bahir Dar district but also in other geographical areas throughout Ethiopia and in other service sectors to either prove or improve the findings of the study.

Key Words: Branch expansion dimensions, Deposit mobilization, Dashen Bank S.c

BACKGROUND OF THE STUDY

Worldwide financial services industry is changing rapidly and is becoming more competitive. Over the last few decades, around the world the banking sectors have gone through drastic changes in terms of financial globalization and technological competition (Khalil et al, 2014). The importance of commercial banks to the socioeconomic development of some countries cannot be ignored from both developed and developing countries banks have shown a significant role in the development and growth of economy by insuring prudent allocation of resources as well as their efficient utilization. However, the banking industry in low-income countries is generally not performing adequately.

Bank is defined as a financial institution that invests the money of its clients and investors, and works as a financial broker between the investors who have a surplus of money (depositors) and the investors who borrow these money to cover their investment needs or borrowers (Albertazzi and Gambacorta, 2010 as cited in Aladwan, 2015). The growing demand for fund from the economy forces the expansion of existing government and private banks to compete for resources to meet the growing liquidity requirement of the economy. Demand for credit, which is already high, would be expected to further increase with the continued high economic growth, which calls for an enhanced effort to mobilize resources. (Hoffmann, 2011) Defines banks as financial intermediaries between depositors and borrowers involving in the economy. Banks are differ from other types of financial institutions because they offer deposit and loan products. (Singh, 2015). The Ethiopian banking industry can be characterized as highly profitable, concentrated and moderately competitive. Banks in the Ethiopian case are competing in terms of service quality, efficiency, branch network expansions, advertising and prices put in the order of their significance (Eshete, Teshome, and Abebe, 2013).

The Ethiopian banking sector is one of the repressed and protected sectors in the Ethiopian economy that has been regulated until the regime change took place in 1992. However, the sector is only allowed to domestic investors only by inhibiting entry of foreign banks (Gezae, 2015). Moreover, the reforms introduced in the bank sector, the financial sector remains to be undiversified in types of ownership, market share and financial instruments. Despite the prevailing improvement in branch expansion,

Dashen Bank is operating under a highly regulated financial system and face internal and external problems. The founding of the study shows that the bank plays a crucial role in capital formation, human capital development and giving sectorial loans. Investment in long-term bills and expanding to the rural part of the country is also recommended to the bank to get higher market share and hence have high contribution to the economy.

Branch expansion is the increase in the number of bank branches will have an effect on getting many customers particularly those in far remote areas who are unbanked society. Branch expansion is among the main strategies of the bank. This strategy is to increase quality of service such as giving intended service within few minutes and increasing accessibility of the bank that enables to mobilize deposit and increase customers. The researcher tried to identify the success of this strategy by using branch expansion. The distribution of branches defines markets for financial services because branches are where deposits are held and loans are arranged. Branches are the most important interface between banks and their customers. Branching enables banks to diversify their loans and deposits over a wider geographical area or customer base. In order to give credit banks should collect deposit from their customers and it is generally assumed that in order to mobilize deposit having more branches in different areas is very important. Aside from collecting deposits, branch networks also generate new lending especially consumer and small business lending. While at many banking organizations credit decisions have been centralized in regional or national credit offices branches continue to serve as an initial point of contact for new consumer and small business customers (Hirtle, 2007). This study is aimed at inspecting the effect of branch expansion dimensions of Dashen Bank S.c has on the deposit mobilization of the Bank over the period since it commenced business until 2019/20 fiscal year.

1. 2 STATEMENT OF THE PROBLEM

Ethiopia has low geographic and demographic penetration of bank branches. Although the expansion of banks in terms of branching since 1995 is significant, most rural people have to travel very long distance to access bank branches. Many of the bank branches in Ethiopia are concentrated in the capital city. (Yigermal, 2017) stated that Commercial banks (both private and state owned) invest in excessive branch expansion and the total number of bank branches opened reached above 2,700 in 2015, while it was below 400 in 2004. Of these private commercial banks opened a total of 1600 branches in 2015. In addition, by 2017 several banks in Ethiopia were facing challenges from various aspects of the financial economy in the country. Problems such as

foreign exchange associated issues as well as country wide political unrest. A testament to Ethiopia's fast growing economy can be seen in the fact that despite all these problems, the banks in Ethiopia posted their highest growth rate in 6 years as well as acceleration in the expansion of bank branches.

The researcher understood that there is a gap in branch expansion since mostly it is associated with an immediate expense. As branch expansion rates increases access to the society will be high and resources can be mobilized; in return giving loan to the needy will be improved that makes good profit for the bank while improves the economy of the country. And there is also a gap in literature on the effect of branch expansion on deposit mobilization, Loan Disbursement and Profitability Mainly in Ethiopian private banks. Despite the challenges facing the Ethiopian banking industry such as the requirement from the NBE for private banks to allocate a portion of their lending on government bills and the rise of cost of renting branch offices the banks performances are encouraging and their geographical outreach growing year to year. What has the spreading out of the banking network actually meant? What changes has it brought about in the distributions of deposits, loans and profitability? Thus, To partly fill these gaps, the research is carried out on the relationship between branch expansion and Deposit mobilization, Loan Disbursement and Profitability. These are the underlying issues intended to be addressed in the study particularly taking in case of Dashen Bank Bahir Dar District. Here are the questions that emerged from the theoretical background to address the statement of the problem regarding branch expansion dimensions the following specific research questions were posed:

- ❖ What are the variables significantly influencing deposit mobilization in case of Dashen Bank S.c?
- ❖ What are the approaches need to apply to improve the deposit balance of the bank?

1.3. OBJECTIVES OF THE STUDY

- ✓ To determine the effect of government policy and population on deposit mobilization in case of Dashen Bank S.c.
- ✓ To inspect the effect of location of branch and office rent on deposit mobilization in case of Dashen Bank S.c.
- ✓ To identify the approaches to improve deposit balance in case of Dashen Bank S.c.

1.4 HYPOTHESIS

H1: There is significant positive relationship between government policy and deposit mobilization.

H2: There is significant positive relationship between population growth and deposit mobilization.

H3: There is significant positive relationship between location of branch and deposit mobilization.

H4: There is significant positive relationship between branch office rent and deposit mobilization.

2. EMPIRICAL REVIEW OF THE STUDY

Banks should retain their competitive position by mobilizing deposits and distributing them to a variety of term loans, a process known as financial performance. The more loans that are disbursed, the more profit the banks make. Because banks do not have more of their own money, bank management should devise alternate means to appeal to more clients and encourage their employees to mobilize more deposits. „To produce capital for giving loans to other clients, banks rely on customer deposits,” Kazi says (2012). The interest rate is one of the most effective criteria for deciding deposits in the banking system, according to Mohammed and Mahdi (2010) and Herald and Heiko (2009). According to Philip (1968), large deposit mobilization can be achieved by offering attractive deposit rates on bank deposits. Kibebe, G. (2016) As a result, the data for the study is collected in a heterogeneous manner. A questionnaire is used to collect primary data. The purposive sampling approach is used to collect primary data. Data from Debu Global Bank S.C. yearly reports was used as a secondary source. The study employed time series data from 2015 to 2019 for analysis utilizing the linear regression approach as secondary data. Interest rates, technology, branch expansion, and competition are the most significant factors to mobilise deposit, according to the research.

2.1. GOVERNMENT POLICY

Governments exercise power in implementing financial policies. This is manifested by setting up regulatory frameworks of United Nations Conference on Trade and Development (UNCTAD secretariat, 2014). (Spong, 2000) also affirmed that throughout U.S. history banking regulation has been a central aspect in establishing the role of banks within the financial system. Owing to government regulation, in the first half of 2017, Kenyan banks saw their income from interest drop by 16 percent and profits decline by 11 percent. If unmitigated the impact on Kenyan banks ROE could be as high as 4 to 4.5 percent (Chironga, Cunha, De Grandis and Kuyoro, 2018).

2.2. POPULATION GROWTH

According to (Gashayie and Singh, 2016) one of the sources of demand for banking services would come from population size and growth. Banking development in a country can be explained by the number of banks and bank branches in relation to total population of that country. (Hannan and Hanweck, 2008) disclosed that the increases in population contribute to the establishment of more branches in the market. It is not unreasonable to expect that the increase in the number of branches associated with the growth in population. (Chironga,Cunha,De Grandis and Kuyoro, 2018)stated that some developing countries have very large populations. For example, Ethiopia with greater than 100 million and Democratic Republic of Congo 60 with million populations represent outsized potential for banks. (Gashayie and Singh) further suggested that Ethiopia's population will reach nearly 130 million by 2030, indicating that the long term demand prospect for banking services would continue to flourish.

2.3. LOCATION OF BANK BRANCH

Selection of branch location is of strategic importance for a bank. A good branch location ensures profitability. (Monteiro, 2004) in her master thesis stated that the location of a bank branch is crucial and it depends on the bank objectives in terms of growth, market position and client segments to be reached. According to (Gunasekara and Kumari, 2018), among the factors affecting deposit mobilization depositors preference of a convenient location or region is the most important. They further added that there is a significant and positive correlation between location of a bank branch and deposit mobilization. Convenience of branch location and opening hours are crucial to capturing and maintaining public savings (Osei, 2015).Moreover, the location of bank is also found to have positive impact on profitability (Hirtle ,2007).

2.4. BANK BRANCH OFFICE RENT

Banks are concerned with costs since their profit increase if costs are kept under controlled. Branches in particular may be more or less costly to run than similar sized unit banks (Economic review, 1982). According to (Hailu, 2014), the ever increasing rental fees are making it hard for private banks in Ethiopia to expand their business. The escalating of rental fees highlights the trouble that private banks face in trying to grow the number of branches they operate throughout the country. Branch expansion is certainly expensive for conducting banking business currently in our country. Addis International Bank stated that the increasing of office rent has escalated the expenses of its Bank. It further added that the rising cost of rent and lack of suitable buildings in

business centers and unfair competition for office rent are the challenges faced to increase the branch network of the Bank (ADIB S.C. Annual Report, 2016/17). Awash Bank on its part has complained that soaring rent expenses for branch offices explains the increase in administrative and general expenses (AIB Annual Report, 2014/15). Additionally, Buna Bank disclosed that the growth in total expenses was due to significant growth in ever escalating office rent coupled with branch expansion of the Bank (BIB annual report, 2016/17). However, to overcome this problem Abay Bank has suggested that to reduce rental expenses and to resolve all problems related with not having own premise, investment in constructing own building is the best way (Abay Bank S.C. annual report, 2012/13).

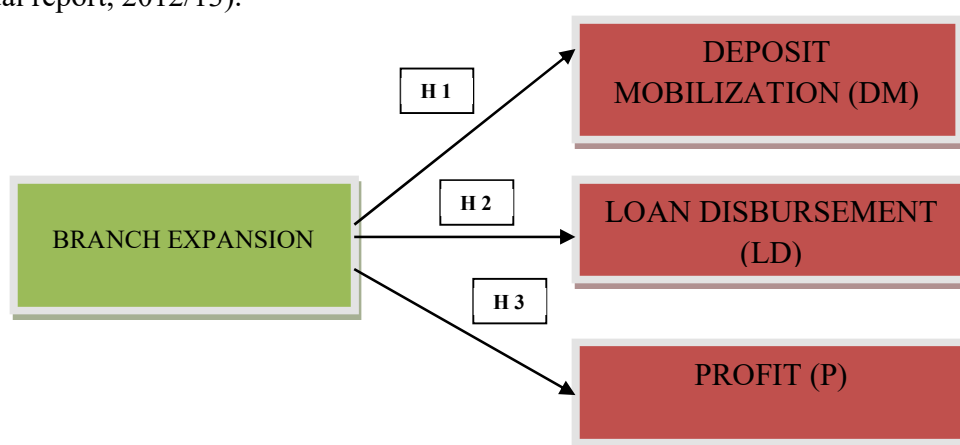


Figure 1. 1 Conceptual frame work

3. RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

In order to describe and analyze the effect of branch expansion on deposit mobilization, loan disbursement and profitability in case of Dashen bank Bahir dar district the researcher followed descriptive type of research design. These research methods are employed so as to further carry out the study and create a clear understanding about the raw data obtained into a form which helps to easily understand, analyze and interpret them as percentage and graphical illustrations. Accordingly, the relationship between branch expansion and deposit mobilization (DM), loan disbursement (LD) and profit (P) are assessed and described through a quantitative research design.

3.2 DATA SOURCES

The data source of the study was both primary and secondary data. The primary data were collected by questionnaires. Hence, the data collection method was through administering questionnaire to

Dashen Bank's selected District manager, District operation manager, Branch managers, Customer service managers, Senior Customer service officers, and frontline staff that confined with Grade I, II, III & IV Branches of Bahir Dar district. The structured close ended questionnaire is designed for the objective of gathering data about the effect of branch expansion on deposit mobilization, loan disbursement and profitability in Dashen Bank Bahir dar district. Secondary data were collected from Annual Reports and Website of the Bank. Moreover, reports and directives of National Bank Ethiopia are used as additional sources. The audited annual financial reports for the Bank from the year 2009/10 to 2019/20 G.C were the area of focuses as a source of secondary data. The other sources like literatures from various books, journals and websites also were used as a source of secondary data.

3.3 POPULATION AND SAMPLING DESIGN

Population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The study was conducted in Dashen Bank Bahir dar district and carried out among the 947 employees who work in all the forty (40) Dashen Bank branches in Bahir dar district.

Table 3. 1 Sample size

Types of branch	Number of Staff in branch
Head Office	157
Grade IV Branch	282
Grade III Branch	148
Grade II Branch	168
Grade I Branch	192
Total number of staff	947

Source: Dashen bank HR (2020)

The study determined the sample size considering the total population of the study employees who are working in the selected branches (947) and then using the formula of (Yemmane Taro1967 (Fowler, 2002):

$$\text{So the formula is: } n = \frac{N}{1+N(e)^2}$$

Where,

n=Total sample size

N=Total population (employees) in the study area

e =Precision degree/ error (5%=0.05).

Therefore,

$$n = \frac{947}{1+947(0.05)^2} = \frac{947}{1+947(0.0025)}$$

$$n = \frac{947}{3.435} = 283$$

This means 283 or more measurements /surveys are needed to have a confidence level of 95% that the real value is within $\pm 5\%$ of measured/surveyed values. For this study the researcher has been used the above formula by considering sampling technique to minimized sampling error and determined the sample size 283 from 947 employees of Dashen Bank S.c Bahir Dar Districts. The following branches are convenience and purposive sampling method to get the sampled respondents of employees of Dashen Bank in district of Bahir Dar. In the district twenty two (22) branches have been selected purposively from the different grade levels. Such selection becomes representative since there is homogeneity among the target populations.

3.4 MODEL SPECIFICATION

To study the effect of branch expansion on deposit mobilization, loan disbursement and profitability in case of Dashen Bank s.c, Bahir Dar District, the following research model has been developed. These scores will be keyed into the Statistical Package of Social Science (SPSS) version 20 and analyzed using the Multiple Regression Analysis. The model for the study is given as;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots \dots \dots + \beta_k X_k + \epsilon_i$$

$$Y \text{ (BE)} = \beta_0 + \beta_1 \text{ (DM)} + \beta_2 \text{ (LD)} + \beta_3 \text{ (P)} + e$$

Where:-

Dependent variable

BE= Branch expansion

Independent Variables

DM= Deposit mobilization

LD= Loan disbursement

P= Profitability

$\beta_0, \beta_1, \beta_2, \beta_3$, are the regression co-efficient

e = error term

The β values are called regression coefficients and are computed in a way that minimizes the sum of squared deviations. In this model there were three predictor (K) variables rather than two and four (K+1) regression weights which were estimated, one for each of the K predictor variable and one for the constant (β_0) term (Stockburger, 2003).

3.5 RELIABILITY AND VALIDITY

According to (Ernest and Zeller, 1979), Reliability concerns the extent to which an experiment test or any measuring procedure yields the same results on repeated trials. There are several different reliability coefficients. One of the most frequently used is called Cronbach's Alpha. Cronbach's alpha reliability analysis were conducted on the independent variables in order to determine the reliability of the instrument used and found to be higher than the acceptable cut-off point of 0.70. Hence, we can say that the model used in the study will be reliable.

3.5.1 VALIDITY

The instrument for this study has been reviewed for its adequacy. The questionnaires were extracted from the review of related literature which ensures content validity. In addition, in order to check the items constructed whether in line with the purpose of the study. The rules of thumb for construct validity (Hair et al., 2006) are a standardized loading. Estimates of 0.5 or higher and ideally 0.7 or higher the average variance extracted (AVE) of 0.5 or greater to suggest adequate convergent validity and a construct reliability of 0.7 or higher to indicate adequate convergence or internal consistency were suggested. Thus from the results the study data was found in the acceptable range.

4. DATA ANALYSIS AND PRESENTATION OF FINDING

4.1 CORRELATION ANALYSIS

According to (Field, 2005), a correlation coefficient is useful to summarize the relationship between two variables with a single number that falls between -1 and +1. The Bivariate correlation procedure computes the pair-wise association for a set of variables and displays the results in a matrix. It is also useful for determining the strength and direction of the association between two ordinal variables. The sign of the coefficients represents the direction of the relationship whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases the other decreases). Variables may be positively or negatively correlated.

Table 4.1 correlation coefficient analysis between Dependent & independent Variables

		BE	DM	LD	P
DM	Pearson Correlation	.901**	1		
	Sig. (2-tailed)	.000			
	N	263	263		
LD	Pearson Correlation	.840**	.899**	1	
	Sig. (2-tailed)	.005	.001		
	N	263	263	263	
P	Pearson Correlation	.757**	.860**	.561	1
	Sig. (2-tailed)	.009	.000	.514	
	N	263	263	263	263

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The analysis results from the correlation coefficient of dependent and independent variables are summarized in table 4.1. Among the three independent Variables, the DM had the highest positive correlation to the BE at 0.901 and it is significant at the 0.01 level. The correlation coefficient between BE and LD was second highest at 0.840 (significant at the 0.01 level). The correlation coefficient between BE and P at 0.757 and significant at the 0.01 level as well. The positive value of this indicates direct correlation of each other. Accordingly, the below Pearson correlation coefficients shows that the three independent variables measuring were all related with branch Expansion and all were at $p < 0.01$ level. And all the independent variables show a positive relation with the dependent variable. The correlation matrix for the all variables of this study is provided below.

4.1 ASSUMPTIONS OF MULTIPLE LINEAR REGRESSION

4.1.1 MULTI- CO LINEARITY

Checking co- linearity problem with the assumption of tolerance and the variance inflation factors (VIF) statistics is important before regressing. (Andy, 2006) Suggested that a tolerance value less than 0.1 almost certainly indicates a serious co-linearity problem. (Liu, 2010) Also suggested that a VIF value greater than 10 there is also serious co-linearity problem. Therefore, the tolerance values of the dependent variables of this research are 0.610, 0.628 and 0.737 for DM, LD and P

respectively. Likewise, the variance inflation factors (VIF) are 1.640, 1.594 and 1.357 DM, LD and P respectively. Based on the result, there was no co-linearity in deposit mobilization, loan disbursement and profitability.

Table 4.2 Collinearity coefficients

independent Variables	Collinearity Statistics	
	Tolerance	VIF
DM	.610	1.640
LD	.628	1.594
P	.737	1.357

a. Dependent Variable: BE

Source; Analysis on SPSS (20)

4.1.2 NORMALITY TEST

The other important assumption in regression analysis is also that the dependent variable should be tested for normal distribution. Normality is used to describe a symmetrical, bell-shaped curve, which has the greatest frequency of scores around in the middle combined with smaller frequencies towards the extremes (Pallant, 2005). The independent variable in this case is branch expansion. If the dependent variable is not normally distributed, there is little point in performing regression analysis because a major assumption of the model is violated. Therefore, the normal distribution test computed for the dependent variable in this case is shown by the checking mechanism to test the normal distribution of scores on the dependent variable is the kurtosis and skewness value which is computed by using SPSS. According to IBM SPSS statistics, about Skewness and Kurtosis; skewness is the measures of the asymmetric. The normal acceptable distribution of symmetric has a zero skewness value. However, the standard error greater than 2 indicates a normality problem. Kurtosis on the other hand is a measure of the extent to which observation cluster around a central point. For a normal distribution the value of the kurtosis is zero. The information in table below shows that the coefficient of skewness (0.224) and kurtosis (0.444) is not far from zero. Thus for this research, the ratio of skewness to kurtosis were checked and the result indicates that data used in the study is normally distributed.

Table 4.3 Descriptive statistics for normality

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
BE	263	2.75	4.38	3.6442	.41737	-.264	.224	-.218	.444
DM	263	2.00	4.29	2.8901	.57980	.737	.224	.376	.444
LD	263	3.00	5.00	4.1026	.53150	.066	.224	-.057	.444
P	263	1.80	3.80	2.8462	.65040	-.141	.224	-1.313	.444
Valid N (listwise)	263								

Source; Analysis on SPSS (20)

4.1.3 LINEARITY TEST

The linearity test is requirement in the correlation and linear regression analysis in good research. In the regression model, there should be a linear relationship between the free variable and dependent variable. If the value of sig. deviation from linearity >0.05 , then there is relationship between the independent and dependent variable are linearly. If the value of sig. deviation from linearity <0.05 , then the relationship between the independent variable with the dependent is not linear.

Table 4.4 ANOVA Table for linearity test

				Sum of Squares	Df	Mean Square	F	Sig.
(Combined)				1.855	5	.371	2.244	.055
BE * P	Between	Linearity		1.332	1	1.332	8.054	.005
	Groups	Deviation from		.524	4	.131	.792	.533
		Linearity						
	Within Groups			18.352	252	.165		
Total				20.207	262			

Source; Analysis on SPSS (20)

Based on the ANOVA out put on table 4.4, value sig. deviation from linearity is $0.533 > 0.05$, it can be concluded that there is a linearity relationship between the independent variables dimension with Branch Expansion.

4.2 REGRESSION ANALYSIS

One of the objectives of this research work was to examine the predictive power of independent Variables on dependent variable. Linear regression is a technique of predicting a value of some dependent variable based on the values of one or more independent variables (Marczyk, DeMatteo, and Festinger ,2005). In this study, multiple Regression analysis is used to measure the statistical effect of each individual independent variable on the dependent variable. This measurement is made by referring the value of R^2 to explain the magnitude of the effect of the independent variable on the dependent variable. Thus, the model presents how much of the variance in Branch Expansion is explained by the selected dependent variables: deposit Mobilization, loan disbursement and profitability. The equation of multiple regressions on this study is generally built on the set of variable Branch Expansion as independent variables and deposit Mobilization, loan disbursement and profitability as dependent variables.

Model specification is as follows:

$$BE = \beta_0 + \beta_1 DM + \beta_2 LD + \beta_3 P + e$$

Where: BE = Branch Expansion

β_0 = Constant Term; β_1 , β_2 , β_3 = Beta coefficients

DM = deposit Mobilization

LD = loan disbursement

P = profitability

e= error term (residual term that includes the net effect of other factors not in the model and measurement errors in the dependent and independent variables).

Table 4.6 ANOVA regressions for dependent and independent variables

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	13.468	4	2.245	36.639	.000 ^b
Residual	6.739	258	.061		
Total	20.207	262			

a. dependent Variable: DM, LD, P

b. Predictors: (Constant), BE.

Source; Analysis on SPSS (20)

The table 4.6 above presented the significance of relationship between Branch Expansion with deposit Mobilization, loan disbursement and profitability. From the statistic in the model if the value of $F > 1$ and $p < 0.05$, the model is fit to predict the effect of independent variables on dependent variable. The result of the study shown that the prediction power of the model is fit at $F\text{-value} = 36.639$, $P = 0.000$ ($p < 0.01$, $F > 1$). Therefore, the linear regression model is appropriate to this research to predict the effects of Branch Expansion on deposit Mobilization, loan disbursement and profitability.

Table 4.7 Model Summary Multiple Regression result of branch expansion on deposit Mobilization, loan disbursement and profitability.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.816 ^a	.667	.648	.24751	.667	36.639	6	110	.000

a. Predictors: (Constant) BE.

b. Dependent Variable: DM, LD, P

As shown on the table 4.7 above, the model summary indicates an overall effect of independent variable on dependent variables simultaneously 64.8% variation in deposit Mobilization, loan disbursement and profitability is explained by Branch Expansion factors (where by R square is .667 and adjusted R square is .648). The remaining 35.2 % of the variance is explained by other variables not included in this study.

Table 4.8 Unstandardized coefficients for Branch expansion dimension

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.535	.424		5.976	.000		
DM	.447	.068	.621	6.560	.000	.338	2.956
LD	.221	.067	.282	3.299	.001	.416	2.405
P	.129	.059	-.045	-.490	.005	.353	2.833

a. independent Variable: BE

As it is stated earlier in first chapter, this study aims to identify the effect level of independent variable in the prediction of the dependent variables. Thus, the strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated via unstandardized Beta coefficient. Hence, the regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable. It revealed the relative predictive power of each variable independently after the considerations of all other variables in the model were controlled. In order to determine which of the factors contributed to prediction of Branch Expansion the unstandardized regression coefficients or beta coefficients (β) were examined in (Table 4.8).

Branch Expansion contributes the most to deposit mobilization with beta value 0.447. The results suggest that Branch Expansion almost 44.7 % Contribute to deposit mobilization. The second highest value of β is loan disbursement with 0.221 which is Branch Expansion almost 22.1% contribute to loan disbursement. The third highest value of β is profitability with 0.129 which is Branch Expansion almost 12.9% contribute to profitability. In addition, table 4.8 depicts those significance levels of dependent variables are (0.000; 0.001 and 0.005 respectively) which is less than 0.05. This indicates that there is statistically significant relationship between them and the dependent variables. Therefore alternative hypotheses related to those variables are accepted.

$$\text{BE (branch expansion)} = \beta_0 + \beta_1 \text{DM (deposit Mobilization)} + \beta_2 \text{LD (loan Disbursement)} + \beta_3 \text{P (Profitability)} + e$$

$$\text{BE} = 2.535 + 0.447(\text{deposit Mobilization}) + 0.221 (\text{loan Disbursement}) + 0.129 (\text{Profitability}) + e$$

Where, BE = branch expansion DM = deposit Mobilization, LD = loan Disbursement and P Profitability

4.3 HYPOTHESIS TESTING

There were three hypotheses constructed in this study to answer the research question. Since Pearson correlation coefficient shows only the strength and direction of the relationship between variables, it is preferable to use regression analysis to test the influence of the independent variables on the dependent variables.

Table 4.9 Hypothesis results based on regression analysis

Hypothesis	Sig. level	Decision
H1: Branch expansion has a positive correlation with deposit mobilization in Dashen bank S.c, Bahir dar district.	.000 ($\beta=.447$)	Accept

H2: Branch expansion has a positive correlation with loan disbursement in Dashen bank S.c, Bahir dar district.	.001 ($\beta=.221$)	Accept
H3: Branch expansion has a positive correlation with profitability in Dashen bank S.c, Bahir dar district.	.005 ($\beta=.129$)	Accept

Source; own survey (2020)

H1: The findings resulting from studying there is significant relationship between branch expansion and deposit Mobilization ($\beta =0.447$, $p<0.05$ and $p=0.000$)

The hypothesis of branch expansion has been a positive and significant effect on deposit Mobilization, and then the alternative hypothesis is accepted.

H2: The findings resulting from studying there is significant relationship between branch expansion and loan Disbursement ($\beta =0.221$, $P<0.05$ and $P=0.001$)

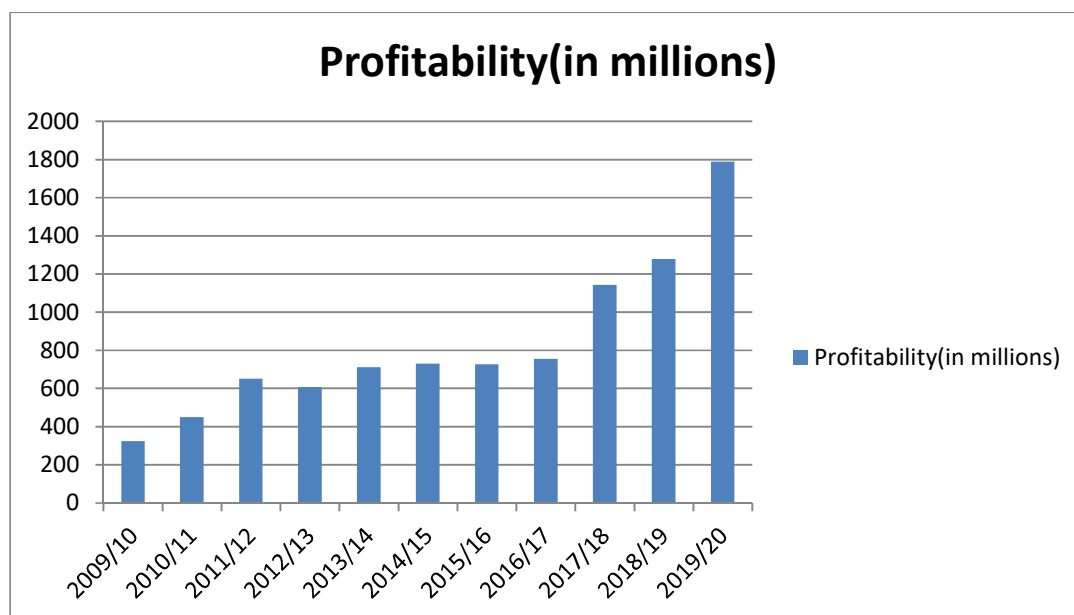
The hypothesis of branch expansion has been a positive and significant effect on loan Disbursement, and then the alternative hypothesis is accepted.

H3: The findings resulting from studying there is significant relationship between branch expansion and profitability ($\beta = 0.129$, $p<0.05$) and $p=0.005$)

The hypothesis of the branch expansion has been a positive and significant effect on profitability, and then the alternative hypothesis is accepted.

4.4. PROFITABILITY OF DASHEN BANK S.C FROM 2009/10 TO 2019/20

Dashen Bank has increased its branch network from 16 which was at the first year of its operation to 423 at the culminating of the fiscal year ended June 2020. Out of which, about forty of them are located in Bahir dar district and the remaining in different towns of the country mostly in Addis Ababa. The branch expansion of the bank has increased at increasing rate that it has opened more than hundred branches during the last three years. The expansion of branches network shows healthy growth as per the strategic plan of the Bank. Branch expansion and accessibility was one of the priorities of the board. Basically, the bank has embarked on expansion of branches across various regional states. (Annual report 2019/20). For ten straight years Dashen Bank has remained in course of profitability with a growing trend. The before tax and reserve profit of the bank for the past ten years is presented here below.

Figure 4.2 – Profit of Dashen bank 2009/10-2019/20

Source: own compilation from annual reports of Dashen bank s.c

During the financial period ended June 30, 2019/20, the bank has gained the highest ever profit before tax and reserve of Birr 1,790 million with 28.55% increment over the previous year's Birr 1,279 million. According to the message from the board chairperson on the bank's annuals report it is strongly believed that branch expansion is a key strategy for improved profitability of the Bank and will continue in the forthcoming fiscal years.(Annual report 2019/20). In general, increasing its accessibility by opening more branches year to year and giving late hour service which extended the service to 12 hours a day for six days of a week, that made the Bank a pioneer in the industry (Annual report 2019/20) has enabled the bank to increase its deposit, loan disbursement and profitability.

4.8 DISCUSSION OF FINDINGS

The objective of the study was to examine the effect of branch expansion dimensions(government policy, population growth, location of branch and branch office rent) on deposit mobilization in the case of Dashen bank S.C Bahir dar district. For this study data were collected from 263 staffs of the bank and were analyzed. The first part of the analysis was concerning with general information pertaining to staff respondents. The result indicated that majority of the respondents

were male. When it comes to age, the greater parts (47.1 %) of the respondents are between the age of 30-39 years which indicates that the bank comprises staffs of matured age which creates an opportunity for bank to further increase its branch expansion with the help of these energetic experienced population. Regarding the educational background, most of the respondents which comprises (73.39%) have degree which indicates their capability to read and understand the self administered questionnaire properly. ■

SUMMARY, CONCLUSION AND RECOMMENDATION

Based on the findings presented in the previous section and chapter of this paper, the following summary was the researcher drawn not only as Bahir dar district generally as a Dashen bank S.C. The purpose of this study was to investigate the effect of branch expansion dimensions have on deposit mobilization in Dashen bank Bahir dar district. The independent variables branch expansion dimensions(government policy, population growth, location of branch and branch office rent) is positively related with the dependent variable of deposit mobilization. In line with this, there was a considerable growth in bank branch network and deposit. The relationship between these financial performance indicator factor and branch expansion dimensions was significant. This means that the banks growth in deposit highly relates to branch expansion dimensions. To this effect, Dashen bank has opened about 40 branches during the fiscal year 2018/19 alone. The possible two factors which contributed to the growth in deposit of Dashen Bank are branch expansion and extending the working hours of most of its branches up to 12:00 o'clock. The bank opened more branches in Addis Ababa than in other parts of the country. This is mainly due to the economic center of the city. The increasing of rental price of branch office currently affects the deposit of the bank and rent expense is one of the major expenditure of Dashen bank S.c. The 27% government bill purchase does affect unconstructively the loan-able balance of the bank and subsequently its deposit mobilization.

CONCLUSION

The researcher try to concluded based on the findings presented in the previous section and summary of this paper, the following conclusions were drawn by the researcher not only as Bahir Dar District generally as a Dashen Bank S.C. There is enhance in bank branch expansion and deposit mobilization. The banks increase in deposit highly relates to branch expansion dimensions. The main issue that affects the deposit performance of Dashen bank is government policy. The

increase in the number of branches and deposit is associated with the growth in number of population. Selection of branch location is important for a bank to increase its deposit mobilization. The increasing of rental cost of branch office affects the deposit of the bank and rent expense is one of the major expenditure of Dashen bank S.c. Generally, the researcher concluded that, the results of the study indicated that branch expansion dimensions(government policy, population growth, location of branch and branch office rent) is important for growth of the Bank as it is positively influences deposit mobilization. In addition to this, there was a considerable growth in bank branch expansion and deposit. The relationship between these financial performance indicators and branch expansion dimensions was significant. This means that the banks' growth in deposit are highly related to branch expansion dimensions (government policy, population growth, location of branch and branch office rent).

Based on the results of the analysis and the conclusions drawn in the previous sections, the following measures are the researcher recommended to be considered by Dashen Bank S.c or any interested parties that suppose the study is worthwhile. Since branch expansion has positive and significant effect on total deposit of commercial banks, Dashen bank should keep on expanding further its branches in order to increase its deposit. If Ethiopia follows its current rate of growth, its population will double in the next 30 years, hitting 210 million by 2050. (<http://worldpopulationreview.com>). Therefore, the bank has to work out a means to benefit from this potential source of wealth. The bank must have adequate branches and deposits to meet the growing demand for loan that result from the increase in population. It cannot achieve this if there are no clear and farsighted strategies and planning prudently for the future to mobilize more deposit and urging people to do savings. Location is one of the most important issues when it comes to requiring the services of a bank. Customers do care about the location of branches of a given bank and prefer banks with the shortest distance. Thus, banks should form a convenient and dense network of branches for their customers. People are in diverse places during the day and they should be able to find a nearby branch not only close to their homes but also close to where they work, shop, recreate and so on. Certainly proximity of branches increases the number of customers who will deposit their money in each branch. So, the Bank does open enough branches in the areas that can enable it to tap the resource that the area offers. Then, it is advisable if the Bank considered opening more branches there and makes good use of it.

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