ASSESSMENT OF FACTORS THAT DETERMINE DEPOSITS MOBILIZATION IN TANZANIAN FINANCIAL INSTITUTION

A CASE OF TANZANIA POSTAL BANK

BY

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Dissertation Submitted to School of Business in Partial Fulfilment of the Requirement for The Award of Master's Degree in Business Administration (Corporate Management) of Mzumbe University

2013

DECLARATION

I, **Shaban Telatela,** declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University on High Learning Institution for a similar or any other degree award.

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I wish to thank my MBA colleagues, particularly all of them for their company and co-operation that I enjoyed in the course of my studies and, particularly, during the writing of this dissertation.

DEDICATION

This work is dedicated to my wife Wilhelmina, My sons David and Daniel Telatela

ABSTRACT

The aim of this study is to examine factors influencing deposits mobilization in financial institutions in Tanzania, a case of Tanzania Postal Bank lake Zone. Specifically the study evaluated the impact of information communication technology, banks goodwill, varieties of services rendered and bank's location on deposit mobilization.

This case study employed a quoter sampling technique, where 120 customers and 40 bank staff were sampled. However, the study captured 105 customers' respondents and 40 bank officials from the four branches of Tanzania Postal bank in Lake Zone were interviewed as representatives in this study.

The results from the analysis of both customers and bank officials' revealed that information communication technology, varieties of services offered and location of the bank are among the most important factors to facilitate deposit mobilization. Also its the hypothesis have a positive impact on deposits growth were strongly supported by the results of this study. Regression results were presented, where t-statistics and standard deviation were used to support and cement the professional arguments.

From the study, recommendations are made on improvement on the use of information communication technology in financial institutions to allow more utilization of electronic money and credit cards. The study recommends also to commercial banks to design a way to make neglected semi-urban and rural population to get the banking services, and outsourcing some of the operational activities like mobile phone banking and Automated Tellers Machine (ATM) for easing deposits mobilization and saving unnecessary expenses. The study also recommends that bank should increase deposit interest rate to attract more deposits in the banks after consultations with central bank.

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ABBREVIATIONS AND ACRONYMS

ATM	-	Automatic Teller Machine
BoT	-	Bank of Tanzania
GDP	-	Gross Domestic Product
ICT	-	Information Communication Technology
NBC	-	National Bank of Commerce
POS	-	Point-of-sale
POSB	-	Post Office Savings Bank
TP&TC	-	Tanzania Posts and Telecommunications Corporation
TPB	-	Tanzania Postal Bank
TPOSB	-	Tanganyika Post Office Savings Bank
TZS	-	Tanzania Shillings

CHAPTER ONE

INTRODUCTION OF THE STUDY

1.0 Introduction

Deposit mobilization is among of the corner stone of the banking business. Banks and financial institutions are striving to mobilize deposits as a fundamental objective and basis of its operations. Without enough deposits banks and financial institutions might fail on achieving their business targets. Deposit mobilization in Tanzanian are increasingly becoming agenda in banking industry, the agenda is worth noting at times when the number of banks and financial institutions are increasing both chasing for deposit for their survival. Deposit for banks is savings from the public, people deposit funds for emergence cases, source of capital investments and to balance future consumptions.

Banks and financial institutions uses deposit as source of funds for loans and investments which are core business for their income and wealth. The study is significant for financial sector as it touches factors influences deposit mobilization which is in turn stimulates the country investments This study was carried out to assess deposit mobilization in banks. This chapter begins with an introduction, background of the study, statement of the problem, research objectives, research questions, significance of the study and ends up with the way the study is organized.

1.1 Background of the Problem

The theoretical underpinning greater liberalization in the banking industry was to create competition in commercial banks that attract deposits mobilization to be used to provide credits to the private sector (Laurenceson and Chai, 2003). A liberalized banking sector, on the other hand, sees banks competing with one another for deposits, putting upward pressure on the deposit rate of interest and thus increasing the quantity of deposits mobilized (Hellman, et al. 2000).

Mobilizing deposits domestically is crucial in many developing countries. Domestic funds provide a cheap and reliable source of funds for development, which is of great value in developing countries, especially when the economy has difficulty in raising capital in international markets. Yet, in many developing countries, there is a considerable amount of savings that are not intermediated through the formal sector. In particular, there exists a significant savings potential in the rural and/or semi-urban sector in many developing countries (Adams 1978, Vogel 1984).

However, deposits mobilization is affected by self-fulfilling prophecies. If policy makers assume that certain people or institutions are too poor to save, and then implement policies that severely limit their access to deposit facilities, one should not be surprised when few deposits are mobilized. It goes without saying that individuals must have easy access to deposit services to facilitate deposit mobilization. Potential depositors are highly sensitive to the transaction costs that are imposed on them by deposit takers, especially the time and distance involved in making small deposits (Demirgüç and Detragiache, 1998).

In Tanzania banks have been trying to attract customers to open bank accounts and making deposits so that banks may have sufficient funds to offer credits. Table 1.1 indicates that since 2000, all demand deposits, time deposits, saving deposits and foreign currency deposits have been increasing over time. This indicates that banks have been making efforts to attract customers to make enough deposits in the banks. The table shows total deposit for all banks in Tanzania.

Table 1.1 Categories/Types of Deposits (Cumulative deposits in Million TZS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Demand Deposits	176,006.5	239,591.2	284,980.1	342,741.6	463,428.1	585,238.5	690,178.5	707,478.7	1,138,110.1
Time Deposits	57,140.6	67,764.1	91,477.3	106,031.1	119,724.3	167,609.5	191,912.6	203,226.2	249,143.8
Savings Deposits	121,090.3	147,384.9	173,606.1	229,162.9	264,488.0	348,418.8	442,719.0	553,906.1	664,420.6
Foreign Currency Deposits	148,058.8	175,284.6	215,680.1	255,113.1	312,824.4	412,279.9	489,078.6	671,880.3	800,238.3

Source: Bank of Tanzania (2011)

Since most of the banks in many developing countries have been privatized, factors that affect deposits mobilization are important for the success not only to the financial institution but also to the entire economy. Several socio-economic and political factors are said to determine deposit mobilization in financial institution. Among the specific factors include: interest rates, marketing strategies, loans granted, financial regulations or terms and conditions of the bank, per capita income, Gross Domestic Product (GDP), seasonal influences, level of competition in the industry, Information Communication Technology (ICT), efficiency, inflation, security and safety in banks, quality of services rendered, varieties of services offered, location of the bank, bank's image and bank's deposit composition (Rose and Fraser, 1988).

Many previous studies in Tanzania (Mauki, 2004; Maje, 1981; Bamanyisa, 1986 among others) tried to investigate the way interest rates; expected inflation and cost of advertisement affect deposits growth in commercial banks.

This study intended to analyze, among other factors, the effect of ICT, location of the bank, varieties of services offered and bank's image in deposit mobilization.

1.2 Tanzania Postal Bank

As part of the Financial Sector Reform Programme, Tanzania Postal Bank (TPB) was established by the Tanzania Postal Bank Act No.11/1991 as amended by Act No.12 of 1992. This bank became operational as a separate entity from the then Tanzania Posts and Telecommunications Corporation (TP&TC) from 1st March 1992 with its own Board of Directors and Management. It was established as a successor to the Tanganyika Post Office Savings Bank (TPOSB), which was established by the Post Office Savings Bank Ordinance of 1925 and became operational in 1927[1].

The creation of this new bank took into account its strengths and particularly the advantage of canvassing the masses both in urban and rural areas[2].

The TPB Act that was passed by the Parliament addressed itself to some of the basic problems, which were besetting TPOSB performance. Among others, it provided for a legal framework that made it a corporate body[3].

The objectives and functions of Tanzania Postal Bank are: to mobilize local savings and to promote the savings habits of the population, to provide in accordance with the provisions of the Banking and Financial Institutions Act of 1991 adequate and proper banking services and facilities throughout the United Republic, to mobilize resources by accepting deposits, floating bonds, debenture and other monetary instruments subject to the provisions of the Act.

1.3 Statement of the Problem

In the last fifteen years, Tanzania has been experiencing competition in banking industry; new local and foreign banks are being registered, while the existing players are seriously busy trying their level best to position themselves better in the market. Each commercial bank is using its own strategies to penetrate and win the market (BoT, 2009).

[1] http://www.zoomtanzania.com/TanzaniaPostalBankTPB
[2] ibid
[3] ibid

My, personal observation as a bank staff and an analysis of various banks reports has shown that local banks are automating the operations and foreign banks are coming up with new automated ways of offering services. Moreover almost all commercial banks and financial institution are concentrating not only in urban area but specifically in prime areas. More often banks are launching new products and re-launching existing ones with new features and management of financial institution are seriously involving themselves in social activities which build and strengthen the banks image.

However, the previous studies in Tanzania seem to put less emphasis on whether new features launched (varieties of services), establishment of branches and new outlets in prime areas, use of advanced information communication technology and good image of the bank have any influence to deposits mobilization in financial institutions. Given the importance of financial institutions deposits growth on economic development the observed trend of deposits in Tanzania for the past nine years, this study intended to find out the effect of information communication technology (ICT), varieties of services, location and image in deposits mobilization in Tanzania.

1.4 Research Objective

The main objective of the study was to factors that determine deposits mobilization in financial Institutions in Tanzanian banks. Specifically the study intended:

i. To assess the extent into which information communication technology determine deposits mobilization,
ii. To assess the extent into which location of the bank determine deposit mobilization,
iii. To assess extent into which varieties of services offered determine deposit mobilization
iv. To assess the extent into which bank's image determine deposit mobilization.

1.5 Research questions

The following were the research question as per research objectives.

i. How does Information Communication Technology (ICT), location of the bank,variety of services offered by banks,and bank's image determine deposit mobilization?

1.6 Research Hypothesis

The following hypotheses were tested:

i. Information Communication Technology does affect deposit growth.
ii. Banks location has positive effect on deposits growth.
iii. The varieties of services offered have positive impact on deposits growth
iv. The bank goodwill has a positive impact on deposit growth.

1.7 Significance of the Study

Deposits mobilization is important in any economy as it determine the level of credit to be offered. Therefore, factors influencing deposit mobilization are very important to any financial institution. The findings from this study is essential because it gives insights and contribution to the players in the banking industry as the results from customers response are drawing up the importance of one factor over the other so that players should put more weight and hence improve ways of mobilizing deposits which has a greater impact on lending, the core source of income in banking industry. Also assist policy makers to set appropriate policies that can attract customers to make enough deposits in banks.

The findings of this study may additionally be used in other related studies as empirical findings, especially those evaluating factors that determine deposits mobilization in financial institutions. The study form an empirical base on the extent of ICT, banks location, varieties of services offered and the bank image on deposits mobilization in the academic arena, thus suggesting possible measures to banks basing on those factors.

1.8 Scope of the study:

The study was mainly be restricted to Tanzania Postal Bank and focused few customers and employees at Lake Zone branches. The reason for this scope is being that, Lake zone branches contribute about 30% of deposit of the bank, and the case study approach narrows the subject

under the study to a manageable within the framework of the researcher's ability to provide in-depth information.

1.9 Limitations of the Study

The main limitations of study were from the following:

i. Data Confidentiality constraints

Some of the information were treated confidential by the respondents under the study, thus the researcher faced difficult to access such kind of data. In this regard, the researcher used the available information in order to complete the research study.

ii. Financial constraints

The researcher being self sponsored in the programme, experienced financial constraint. In this regard the researcher looked into the alternative ways to obtain additional financial sources in order to complete the study.

1.10 Organization of the research

The study is divided into six chapters. Chapter one is an introduction which presented background information, an overview of financial institutions banks' deposits in Tanzania, research problem, research objectives, research questions, significance of the study and conceptual framework. Chapter two discussed both theoretical and empirical literature on deposits worldwide and Chapter three covered extensively on the methodology of the study. Chapter four covered data and finding presentation, chapter five covered data analysis and discussion and chapter six is for conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents literature review on theories, concepts and models on deposit mobilization, empirical studies related to this study and the conceptual framework.

2.1 Theoretical Literature Review

This research is grounded on Resource Based theory**,** Resources are the inputs or the factors available to a company which helps to perform its operations or carry out its activities.

A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian 1992),

The company ability to earn a rate of profit in excess of its cost of capital depends upon two factors, the attractiveness of the industry in which it is located and its establishment of competitive advantage over rivals. The Major category of resource Financial resource, Physical resources, Human resources, Technological resources, Reputation and organization resources.

Banking industry depends mostly on deposit from their customers to manipulate into corporate profit. Deposits mobilization is important in any economy as it determine the level of credit to be offered. Therefore, factors influencing deposit mobilization are very important and resources to banks. Factors like ICT, Varieties of services, Location of the banks, banks image, and Government financial regulation are important to be managed in order for the banks to become competitive in the market. The resource-based view is based on the idea that the effective and efficient applications of all useful resources that the company can muster helps determine its competitive advantage .

2.2 Financial Institutions

Financial institution is an institution which designated to provide financial services for its clients or members. There are three major categories of financial institutions namely depositary institutions, contractual institutions and investment institutions.

Depositary institutions include institutions which accept and manage deposits such as commercial banks, credit unions, trust companies, and mortgage loan companies. A deposit account includes savings account, current account, or other type of bank account that allows money to be deposited and withdrawn by the account holder. According to Kalo (2003), these transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the bank and represents the amount owed by the bank to the customer. Some banks may charge a fee for this service, while others may pay the customer interest on the funds deposited.

Factors that affect deposits mobilization are important for the success not only to the financial institution but also to the entire economy. Several socio-economic and political factors are said to determine deposit mobilization in financial institution. Among the specific factors include: interest rates, marketing strategies, loans granted, financial regulations or terms and conditions of the bank, per capita income, Gross Domestic Product (GDP), seasonal influences, level of competition in the industry, Information Communication Technology (ICT), efficiency, inflation, security and safety in banks, quality of services rendered, varieties of services offered, location of the bank, bank's image and bank's deposit composition (Rose and Fraser, 1988).

2.2.1 Information Communication Technology (ICT)

Information Communication Technology (ICT) is among of resources to the bank that determines competitive intensity and therefore attractiveness of the bank. ICT need high fixed costs, and qualified professional employees to run it hence become barriers to new entrants. These recent technological changes have profound implications for bank costs, employment and profitability. In future, customers will have less need to enter a bank building, and the need for brick-and-mortar branches will decline as future needs will be met mainly by electronically transferring information rather than by requiring people to move from one location to another. The banker's principal function will be one of providing the necessary equipment and letting

customers conduct their own transactions. This development implies fewer but more highly skilled bank employees and more equipment. Heavy investment in computers and money machines will result in sustains fixed costs, requiring a large volume of transactions and favoring the largest banking organization.

At a given level of income, the incentives to hold a growing proportion of wealth in a financial form are conditioned by the relative risks and returns of financial assets, which may be implicit or explicit, pecuniary or otherwise. In this regard, factors such as inflation and the transaction costs as associated with, say, a savings account can be viewed as negatively related to the demand for deposits since they tend to reduce the real returns of the asset (Meyer, 1985).

2.2.2 Varieties of services offered

Varieties of services offered by the bank increases availability of substitutes hence likelihood that someone will switch to a competitive service. Therefore varieties of service offered by banks are physical resources to deposit mobilization.

In recent decades, however, Commercial Banks have significantly expanded their offerings of financial services to consumer and units of government around the world. The result is the emergence of a financial institution that has been called a financial department store because it satisfies the broadest range of financial service needs in the global economy (Rose, 1996).

2.2.3 Location of the bank

Location of the bank is an organizational resources, Most banks has positioned themselves on strategic area concentration in towns .Well positioned bank derive forces that determine the intensity of competitiveness in rivalry.

The accessibility of a banking office to the household is relevant for at least two reasons: first, in offering deposit services to the community, the household's opportunity set is broadened in that the option to save/hold financial assets is made available; and secondly, when accessibility improves convenience and reduces the resources expended in conducting bank transactions, the incentive to save with the bank is increased. Thus, transaction costs can be expected to play a crucial role in influencing the rural household's demand for financial services. Conceivably, there

is some threshold level of transaction costs at which it becomes beneficial for even a low income household to convert part of its cash/ or commodity stocks into bank deposits (Levine, 1997).

2.2.4 Banks image

Banks image is determined by among other thinks reliability, responsiveness, assurances and empathy make reputation of the bank.

According to Kalo (2003), banking industry development is seen as a means of increasing efficiency in financial intermediation. This can be achieved by increasing competition a factor that Economists appreciate as a powerful source of efficiency, a principle that applies to financial sector as well as any other industry. In the financial sector, increased competition has historically brought reduction in cost of intermediation, diversified source of finance and reduces capital (Laurenceson and Chai. 2003).

Commercial Banks today are the principal channels for government monetary policy. Central banks implements policies to affect interest rates and the availability of credit in the economy mainly through altering the level and growth of reserves held by banks and other depository institutions. Commercial banks are the most important source of consumer credit, (i.e. loans to individuals and families) and one of the major sources of loans to small businesses. Also commercial banks are major buyer of debt securities issued by government (Rose, 1996).

2.3 Definition of Deposits

Bank deposits are claims on banks that are either transferable or are "other deposits." Transferable deposits consist of deposits that are exchangeable on demand at par without restriction, or penalty, and directly usable for making payments by check, direct debit/credit, or other payment facility (Mauri, 1983). These are the amount deposited in an account, that are paid interest, typically at below-market interest rates, that do not have a specific maturity, and that usually can be withdrawn upon.

Money kept at a bank, microfinance institution by the public, institutions, organizations, co-operatives, etc is known as deposits. Among the variety of traditional deposits, saving deposit is one of the basic components for credit operation. One of the objectives of saving deposits

particularly for the poor (urban, rural) is to promote thriftiness and develop the culture of saving (Soyibo and Ogunkola. 1996).

2.4 Importance of Savings Deposit

i. For Saving Clients(customers)

According to Mauri, (1983) saving is a source of funds to meet emergence cases to expand business and to balance future consumption, Provides security for loans and increases the chance of obtaining loan, builds self confidence, enables self empowerment and self financing for investment and avoid paying exorbitant interest rate in the formal sector, Generates income and ensure safe custody of money. Deposit builds financial discipline, management skill and fosters long-term planning, It is also used for investment and as a means of capitalizing their business, Helps as alternative of responding to an immediate need of cash without diverting fund from the business, Protects from consuming working capital itself in case of emergency and Channels fund into productive activities rather than to use it for consumption, Creates rapid and flexible access to cash for emergency and investment opportunities

ii. For Financial Institutions

Also Mauri (1983) stated the importance of savings deposits to financial institution Is potential for source of loanable fund or capital, Provides cash collateral or guarantee for portfolio protection and facilitate screening of clients for loan, Is a source income through an interest rate, builds good financial management, improves financial discipline and Strengthen the relationship between the clients the community and the institution

Given the importance of deposits in any economic growth as discussed in the theoretical background, the study will identify whether ICT, bank's location, varieties of services and bank's image have influence in deposits mobilization, hence draw up policy implication on how to adopt them with respect to the importance of each variable. This will enable banking institutions to collect enough deposits that will be used in wealth creation, hence influencing investment growth.

2.5 Empirical Literature Review in Tanzania

Bamanyisa (1986) conducted a research on savings mobilization by financial superstructure and found out that the growth of financial savings in Tanzania is adversely affected by un-conducive financial regulation, structure of rate of interest payable on savings deposits, forgeries, inefficiency, financial development policies and inflation. And among other variables, interest rate payable on savings deposits was found to be one of the factors that affect the level of savings in Tanzania.

Bamanyisa (1986) also noted that, "Financial regulations as they are adopted by country, constitute an important factor in the mobilization of savings, because the nature and extent to which they are applied may deter people from banking with established financial institutions. For example of such regulations in Tanzania include ceilings put on deposit withdrawals, such as seven days notice in the event of withdrawing an amount above Tshs.10,000 from saving account in the National Bank of Commerce (NBC) and withdrawals of Tshs.1,000 a week in the Tanzania Postal Bank (POSB). Such limitation on withdrawal facilities serves as disincentive to existing and potential savers in that they are discouraged to step up their savings. Also Bank of Tanzania (BoT) regulation which requires the expatriates to own no other accounts than current accounts limits the extent to which the superstructure can increase savings from them".

Bamanyisa (1986) looked on negative side of deposit mobilization, what makes people not bank more with commercial banks and pointed out weakness and bottlenecks. This study will look on the other side, what makes people to deposits in banks, therefore investigating factors, behind that determine deposit mobilization in Tanzanian banks.

Mauki (2004) hypothesized loans, interest rates and cost of advertising among others as the determinants of deposit mobilizing in commercial banks. Among of the independent variables used, interest rate and cost of advertisement were found to have the positive relationship with total deposits, although interest rate was found to be statistically insignificant deposit mobilization. The implication of the study is that banks should not aim to increase deposits through raising interest rate on deposit, but rather the amount to be charged should depend on the type of deposit.

Maje (1981) on the other hand dealt basically with determinants of savings that are income, real rate of interest and expected inflation. Therefore Maje (1981) considered income, real rate of interest and expected inflation as independent variables, while saving deposits was treated as dependent variable. She attempted to quantify the role of financial intermediation in savings mobilization in Tanzania for the period of 1966-1974. She wanted to see if financial intermediation enhances savings in Tanzania as it has been supported by other studies done in other countries. Her empirical findings indicated that savings are significantly influenced by income and financial intermediation. She also found that income is an important determinant of savings and financial intermediation in Tanzania influences the income generating process.

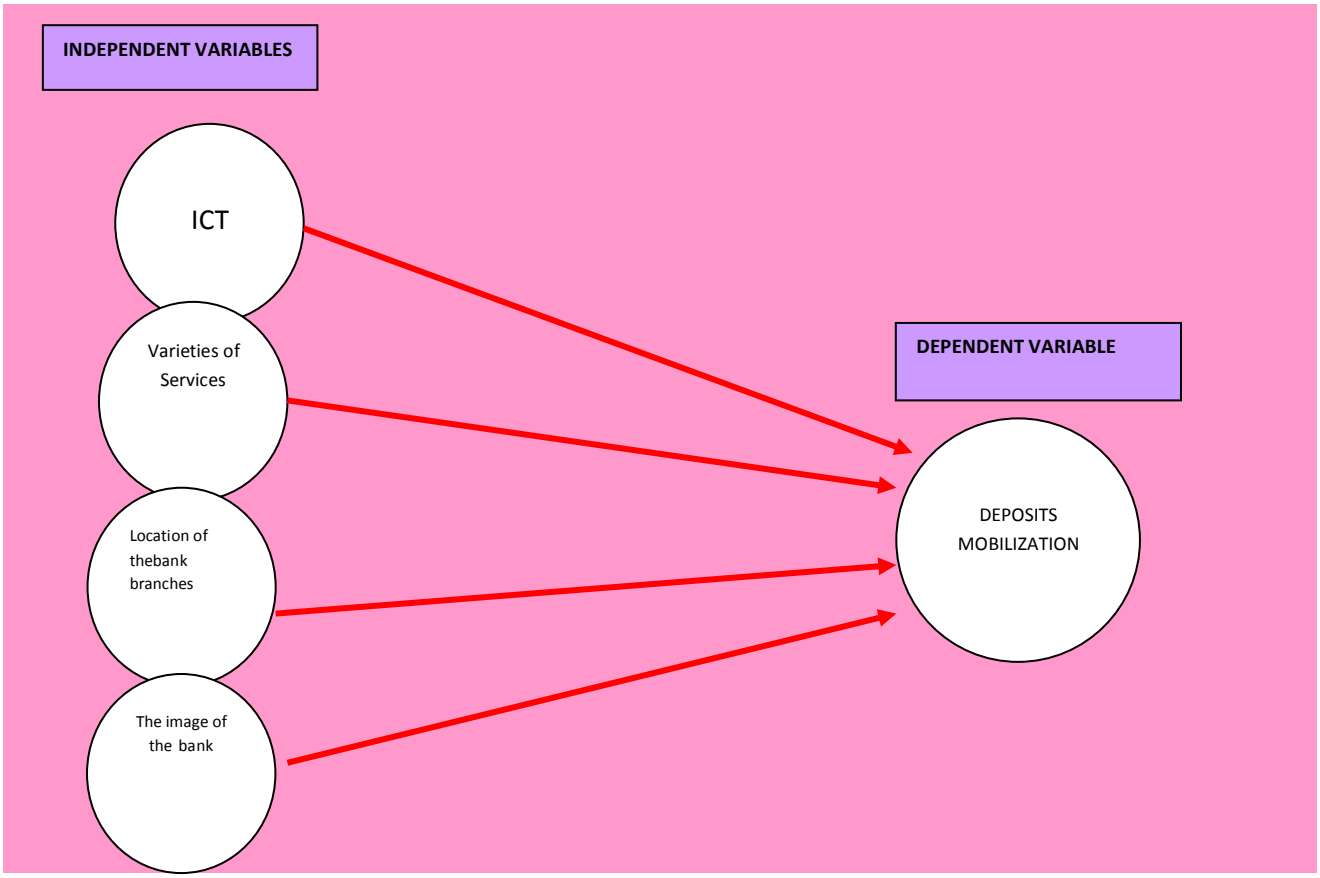
In view of the above observations in relation to deposit mobilization, none of the researchers in Tanzania studied the influences of ICT, location, varieties of services offered and bank image, thus, this study evaluated the influence of these variables on deposits mobilization.

2.6 Conceptual Framework

Deposit mobilization is a deliberate effort by relevant organ vested that right by central bank. It is normally not brought about by a single variable but rather an interaction of various networks of different variables and factors. Among the specific factors include: interest rates, marketing strategies, loans granted, financial regulations or terms and conditions of the bank, per capita income, Gross Domestic Product (GDP), seasonal influences, level of competition in the industry, Information Communication Technology (ICT), efficiency, inflation, security and safety in banks, quality of services rendered, varieties of services offered, location of the bank, bank's image and bank's deposit composition (Rose and Fraser, 1988).

The conceptual framework of these variables is a guide to this research and shows how they determine deposit growth in commercial banks. Four variables were selected while assuming other variables remain constant during the research.

Figure 2.1 Conceptual framework



Source: Researcher own developed research model, (2013)

2.6.1 Description of the reseach model

The identified variables include dependent and independent variables as follows:

2.6.1.1 Dependent Variable

Looking into the problem statement and the objectives of the research it clearly shows that the dependent variable is "deposits increase" resulting from deposits mobilization

2.6.1.2 Independent variables

Identified variables that are responsible in the deposits mobilization can be viewed into four dimensions: information communication technology, varieties of services offered, location of the bank and bank image.

Information communication technology: Technological capability is a term used to encompass the system of activities, physical systems, skills and knowledge bases, computers usage that create a special advantage for work simplification (Curtin, Panphil and Boneventure 2008). Technological capability that resulted from the application of information communication technology simplifies customers' service in the bank, like quick deposits, and other bank services. This attracts more customers not only to deposits but also new customers to join the bank due to quick services provided.

Banking today is passing through a technological revolution. Computer terminals and high speed information processing are transforming the industry, stressing convenience and speed in handling routing transactions like making deposits and paying for purchases. Most of the new technology is designed to reduce labor and paper costs, making the banking industry less labor intensive and more capital intensive (Rose, 1996).

ICT has played a big role in banking services transformations from manual and semi manual service provision to customers to modern ways. The study done by Andrew (2004) on "ICT factors for performance improvement in banking services in Tanzania", revealed that there is an increase in work morale to employees in the working environment, increased business without increasing number of employees, improved customer services and satisfaction on the service rendered. Customers are now satisfied with the services offered at the banking. From increase in customer satisfaction, deposits are mobilized automatically; more people are attracted to take their money to the bank. The convenience of getting the services 24 hours has triggered the public to build more trust and confidence with banks, which they were scared of not getting them after working hours.

Varieties of service: Varieties of services means provision of a wide range of services by the bank. This enables the bank customers to enjoy various services under one roof which to them may be perceived as convenience and cheap.

Cost of attracting customer funds has been increased in recent years by the tendency of the bankers to expand their services in an effort to offer their customers "one stop" financial

convenience (Rose, 1996). Commercial banks are busy and serious day and night in trying to find and come up with new products for their esteemed customers. It is considered to be among the strong weapon and tool marketers use in selling their bank to customers by showing and demonstrating different services to them so that they can bank with them.

Wilson (2003), Furst, Lang and Nolle (2008) described that in many cases variety of services has positive correlation in increased customer attraction. On the contrary, Strassman (2006) and Dos-Santos (2003) show that additional services do not necessarily contribute positively attraction of customers. Such works dispute that the estimated marginal benefits are less that the estimated marginal costs; that for each additional dollar spent in increasing services, the marginal increase in measured output was only eighty cents. Brynjolfsson and Hitt (2006) noted that most of such results from researches account for what he referred to as the 'economic theory of equilibrium'. This means that increased customer attraction is not necessarily a byproduct of increased spending in variety of services.

Location of Bank: Easy accessibility of banks has an impact on customer recruitment. Banks that are allocated particular city centers do attract customers to join hence easy to make deposits.

It has been learned from the experience and observation that banks are opening their offices and branches not only in urban areas but also concentrating in strategic areas. The major cities are fully provided with varieties of options of banks while rural areas are deprived with the services. Of recent SACCOS and Micro finance programs are coming up to provide near bank services to rural dwellers. Local and Foreign banks are coming with their strategies to get social license by involving in different activities which build banks image in the society (Marcel, 2001).

Different empirical studies on location of firm and its contribution to its growth in various countries have been conducted over the past years. Various scholars such as Wilson (2003), Freund, and Roth (2007), Radeck, Wenninger and Orlow (2007), O'Sullivan (2000) and others have been engaged in continuous discussion on the positive impacts originated from the physical locations of different enterprises. Such studies have revealed the positive correlation between physical locations of enterprises and its performance.

Bank's image: Customers may choose to join bank due to banks perceived experience and its support to the community. If the bank image in terms of performance is good, then customers will join the bank and make deposits due to trustfulness.

Bank's image/quality is determined by among other things reliability, responsiveness, assurance and empathy. Savers are concerned with safety of their funds, recurring cases of forgeries, theft and loss of funds in financial institutions and Commercial banks in that case tend to cause fear and panic to current and potential depositors, (Soyibo and Ogunkola, 1996).

Some other researchers such as Loveman (2004), Lichtenberg (2005) and others have worked on correlation of image and performance of firms. Loveman in his work complied data from the Management Productivity and Information database. He discovered that the firm's image made no significant impact to the output of manufacturing firms. Lichtenberg in his work obtained his data from yearly surveys conducted from the eighties to the nineties by computer world magazines. Using the Cobb Douglas production function as his theoretical framework, he estimated a positive correlation between firms' image and the productivity of firms. In addition, the International data Group (IDG) usually compiles on a yearly basis, details of expenditures made by firms to bust up the image.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This research was carried out a detailed and critical review of the existing literature. It gathered all relevant evidence on the factors that need to be taken into account when evaluating factors determining deposits mobilization.

3.1 Research design

This research was a descriptive survey and primary information were gathered from the respondents through open ended questionnaires. Secondary information were gathered from various bank reports. During the study, a systematic research process was followed stage by stage. The stages were sampling techniques, data collection and data analysis.

3.2 Area of the study

The research was carried out at Tanzania Postal bank Lake Zone branches namely: Mwanza branch, Shinyanga branch, Musoma branch and Bukoba branch. These four branches contributes about 30% of total deposit of the bank, and the case study approach narrows the subject under the study to a manageable within the framework of the researcher's ability to provide in-depth information.

3.3 Unit of analysis

Customers and Staff of Tanzania Postal Bank were analyzed in this study. Since deposits come from customers' saving, it was of great importance to obtain their views and opinions about deposit mobilization. The customer category earmarked for this study was individual personal customers as were considered to be influenced by some factors which are the objectives of this study.

3.4 Population of the study

The population of study was the active savings customers of Tanzania Postal Bank Lake Zone who were approximately 5000 and staff who were 40. The branches were Musoma, bukoba, Shinyanga and Mwanza.

3.5 Sample size

The sample of this study was taken from the customers and Staff of the four branches of Tanzania Postal Bank i.e. Mwanza Musoma, Shinyanga and Bukoba. The plan was to select 120

customers. The basis for choosing this number is in accordance with Dillman (2000) and Hill et al. (2003) that, a sample size of 100 and above is sufficient to present good concise research findings when the population contains a large number of units. However, all 40 staff of TPB Lake Zone were included into the study because all were considered to perform key functions significant to this study.

3.6 Sampling technique

Quota sampling technique was applied in this study whereby each branch was considered as a sub-group. From the sub group purposive technique was used to select customers' respondents and bank staff. Purposive sampling technique was used because the researcher wanted information from the customers having accounts with respective bank branches under study. This enabled the researcher to include all key managers of the bank because were perceived as key recourse persons responsible in designing and setting strategies of the bank.

3.7 Data sources and collection procedures

This study employed two main data sources namely primary and secondary sources:

3.7.1 Primary Data

Primary data are described as those items that are original to the problem under study. This undertaking access and generate primary data from respondents sampled for the study. Primary data are necessary in order to get relevant, original and reliable first hand information about the problem under study. Questionnaire was the major tool of capturing the primary data because of its advantages over the other methods and its efficiency or ability to capture more information from the source (Kothari, 1992). Questionnaire was used because it can be analyzed more scientifically and objectively than other forms of research also simplify collection of information from large number of people in short time.

3.7.2 Secondary Data

These are accounts offered by the second part, those who did not actually see the object or event but obtained information and provided descriptions of what they learned (Mason & Bramble, 1997). They are usually seen as text that is produced much later than the events being studied, offering an interpretation and conversion of the primary data into an account that may be consulted by others (Mertens, 1998). Different publications from Tanzania Postal bank branches under study (Annual and monthly reports), BoT Economic bulletins – Quarterly reports, annual reports as well as the economic and operation reports were used to capture secondary data, However, secondary data were used where necessary to supplement primary data. Various reports used to capture the number of customers in four branches and past deposit trend of the branches and the banking industry as a whole.

3.8 Data Analysis

Questionnaire was analyzed using Statistical Package for Social Scientists (SPSS). A descriptive part involved the use of frequency tables and pie charts as well as cross tabulations of variables of interest was presented in the discussion of the results.

3.9 Testing hypotheses

T-statistics and probability values were used to test the level of significance on each variable (information communication technology, varieties of services offered, banks goodwill and bank location) on increase in deposits using the results from questionnaires. The cut of point which was considered to be significant was 10%. This determined the importance of each variable over the other basing on the model developed.

CHAPTER FOUR

FINDINGS PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents the research findings. It aims at covering the factors that determine deposits mobilization in Tanzania financial institution, the case of Tanzania Postal Bank Lake Zone. The study has been carried out by finding information from different people using various means of fact finding. This was done through using questionnaire.

4.1 Analysis of Respondents

Table 4.1 shows the response rate for respondent i.e. the TPB customers responded by 87.5 percent and TPB Staff responded 100 percent. This implies that all out of 120 sample size of the TPB customers given questionnaire, 105 customers responded and they filled questionnaire forms correctly to make it valid for analysis. Also all 40 TPB Staff given questionnaire forms completed it correctly and valid. However, in this study non valid and non responded questionnaire forms were not analyzed in this study.

Table 4.1 Response rate for respondent

	Sample	**Responded**	**Non-Responded**	**Response Rate**
TPB customer	120	105	15	87.5%
TPB Staff	40	40	0	100%

Source: Research Findings (2013)

The study captured the customer respondents from their respective branches of banking. Table 4.2 below shows that 30 (28.57 percent) of the customer respondents were captured from Mwanza Postal Bank branch, 27 (25.71 percent) from Shinyanga Postal Bank branch, 25 (23.81 percent) from Bukoba Postal Bank branch and 23 (21.90 percent) from Musoma Postal Bank branch. The researcher expected to capture equal number of respondents from each branch.

However, due to some factors beyond his control such as refusal and incompleteness of the responses some respondents were reluctant.

Table 4.2 Customer Respondents' Branch Distribution

Branch	Frequency	Percent	Cumulative Percent
Mwanza	30	28.57	28.57
Shinyanga	27	25.71	54.29
Bukoba	25	23.81	78.10
Musoma	23	21.90	100
Total	105	100	

Source: Research Findings (2013)

It was the interest of the researcher to determine the customer respondents' occupation so as to link it with the influence of opening an account with TPB. Table 4.3 below shows that 54 (51.43%) of the respondents in this category were self employed while 51 (48.57%) were employed. This pattern indicates that entrepreneurs, small and medium enterprises proprietors are more attracted to the banking services which in turn enhance deposit growth within banking industry.

Table 4.3 Customers' Occupation

	Frequency	Percent	Cumulative Percent
Employed	51	48.57	48.57
Self employed	54	51.43	100
Total	105	100	

Source: Research Findings (2013)

The relationship between level of education and banking attributes, the researcher wanted to know the level of education of the customer respondents. It was his assumption that, the higher the education the larger the banking interest within the individuals. However, table 4.4 below reveal different pattern as following: 43 (40.95 percent) of the customer respondents had secondary education level, followed with 27 (25.71 percent) of the customer respondents with diploma level of education, followed with 23 (21.90 percent) of the customer respondents with degree and higher education and finally 12 (11.43 percent) of the customer respondents with primary education. Despite the assumption of the researcher might be true, the pattern might be equivalent to the education pattern in the society.

Table 4.4 Customer Respondents' Education Level

Education level	Frequency	Percent	Cumulative Percent
Primary	12	11.43	11.43
Secondary	43	40.95	52.38
Diploma	27	25.71	74.29
Degree and higher education	23	21.90	100
Others	0	0	100
Total	105	100	

Source: Research Findings (2013)

The study also solicited from the customer respondents the duration of their accounts with TPB. The reason being that, the researcher wanted to determine the growth of deposits through duration of accounts held by the customers. Table 4.5 shows that, the group was dominated by 36 (34.29 percent) of the respondents with accounts of more than 12 months to 24 months of duration, followed by 31 (29.52 percent) of the respondents with accounts of more than 24 months of duration, followed by 24 (22.86 percent) of the respondents with accounts of more than 6 months to 12 months of duration and lastly, 14 (13.33 percent) of the respondents with accounts of less than 6 months of duration. This pattern indicates that despite the deposits growth might has influential factors the number of new entrance of customers seems to be less than the existing customers.

Table 4.5 Customer's Account Duration

Duration	**Frequency**	**Percent**	**Cumulative Percent**
Less than 6 months	14	13.33	13.33
More than 6 months to 12 months	24	22.86	36.19
More than 12 months to 24 months	36	34.29	70.48
More than 24 months	31	29.52	100
Total	105	100	

Source: Research Findings (2013)

On the other hand the researcher captured the TPB Staff respondents in equal number from each branch. Table 4.6 shows that from each branch there were 10 (25 percent) of the respondents. It was assumed by the researcher that, 10 key respondents closely working on customer service and accounts opening sections were enough to give an overview of the deposits mobilization strategies of the TPB.

Table 4.6 Staff Respondents' Branch Distribution

Branch	Frequency	Percent	Cumulative Percent
Mwanza	10	25	25
Shinyanga	10	25	50
Bukoba	10	25	75
Musoma	10	25	100
Total	40	100	

Source: Research Findings (2013)

4.2 Key finding presentation on factor affecting deposit mobilization.

Findings of this study were based on statement of the problem drawn and these research questions as the means of achieving the study objective. Two categories of respondents participated in this study. This included Tanzania Postal Bank customers and Tanzania Postal Bank Staff.

4.2.1 Influence of ICT on deposit mobilization (Responses by Customer Respondents)

There were two questions in Appendix 1 soliciting information from customer respondents regarding influence of ICT on deposit mobilization. Table 4.7 shows that all respondents in this category accepted that ICT influenced deposit mobilization.

Table 4.7 Influence of ICT on Deposit Mobilization

	Frequency	Percent	Cumulative Percent
Yes	105	100	100
No	0	0	100
Total	105	100	

Source: Research Findings (2013)

Customer respondents were asked whether they were encountered any problem when using ATMs. Table 4.8 below shows that all respondents i.e 105 (100%) rejected to have encountered any problem when using ATMs. This indicates that TBP customers are happy with ATMs services provided by the bank.

Table 4.8 There is a problem on using ATMs

	Frequency	Percent	Cumulative Percent
Yes	0	0	0
No	105	105	100
Total	105	100	

Source: Research Findings (2013)

4.2.1.1 Introduction of Information Communication Technology (Computerization) has influenced deposit mobilization in TPB (Responses by Staff respondents)

Staff respondents were asked to respond on the likes of five scales namely strongly disagree, disagree, indifferent, agree and strongly Agree on responding to the propositions regarding introduction of Information Communication Technology (Computerization) has influenced deposit growth in TPB Table 4.9 summarizes the results.

Table 4.9 Introduction of Information Communication Technology (Computerization) has influenced deposit growth in your bank branch

	Mwanza	Shinyanga	Msoma	Bukoba
Strongly Disagree	0%	0%	0%	0%
Disagree	0%	0%	0%	0%
Indifferent	0%	0%	0%	0%
Agree	0%	0%	100%	100%
Strongly Agree	100%	100%	0%	0%
Total	100%	100%	100%	100%

Source: Research Findings (2013)

Staff respondents were also asked to indicate ICT related service identified to have influenced customer to join TPB. Table 4.10 shows that, 12 (30 percent) of the respondents in this category indicated introduction of ATMs service and networking of branches were mostly influence customers to join TPB. 9 (22.50 percent) of the respondents in this category indicated quick service at counters was the second factor which influenced the customers and 7 (17.50 percent) of the respondents in this category indicated that proper records of information was also influenced customers to join TPB.

Table 4.10 ICT related service identified to have influenced customer to join TPB

	Frequency	Percent	Cumulative Percent
Introduction of ATMs	12	30	30
Networking of branches	12	30	60
Quick service at the counters	9	22.50	82.50
Proper records of information	7	17.50	100
Total	40	100	

Source: Research Findings 2013

4.2.2 Influence of Bank Branch location on deposits mobilization

Customer respondents were asked to respond on the Likert of five scales namely strongly disagree, disagree, agree, strongly agree and indifferent on responding to the propositions regarding influence of bank branch on deposits mobilization and growth. Table 4.11 summarizes the results.

Table 4.11 Influence of Bank Branch location on deposits mobilization and growth

	Mwanza	Shinyanga	Msoma	Bukoba
Strongly Disagree	0%	0%	0%	0%
Disagree	0%	2.94%	31.82%	20.83%
Indifferent	12%	11.76%	54.55%	50%
Agree	84%	23.53%	13.64%	25.00%
Strongly Agree	0%	61.76%	0%	4.17%
Total	100%	100%	100%	100%

Source: Research Findings 2013

In relation to the above responses, the respondents in the category of customers were asked whether bank products/services meet their demand. Table 4.12 shows that, all respondents accepted that they are satisfied with the TPB services.

Table 4.12 Bank Products/services meet customers' demand

	Frequency	**Percent**	**Cumulative Percent**
Yes	105	100	100
No	0	0	100
Total	105	100	

Source: Research Findings 2013

Also customer respondents were asked to select among of the options which influenced them to open account with TPB. Table 4.13 shows that 45 (42.86 percent) of the respondents in this category were influenced by business requirement, followed by 40 (38.10 percent) who were influenced by their employers. 15 (14.29 percent) were influenced by their own initiatives and 5 (4.75 percent) were influenced by bank. This pattern is exactly the same to the respondents' occupation pattern. Interestingly, despite of the attractions to deposits mobilization by bank and with all advertisement done by the bank; very small number of customers is influenced by the bank to consume bank's services.

Table 4.13 Influence for opening bank account with Postal bank

	Frequency	Percent	Cumulative Percent
Self initiative	15	14.29	14.29
Employer's influence	40	38.10	52.38
Friend's/family influence	0	0.00	52.38
Business requirement	45	42.86	95.24
Bank's influence	5	4.76	100
Total	105	100	

Source: Research Findings 2013

Lastly the customer respondents were asked whether deposit mobilization has influential factors. Table 4.14 shows that, all respondents accepted the proposition that, deposit mobilization had influential factors. That is to say customers believe that, they were influenced to deposit their money in the bank. It is not just naturally that they deposit their money in the bank, rather is something which they do because of some factors.

Table 4.14 Deposit mobilization has influential factors

	Frequency	Percent	Cumulative Percent
Yes	105	100	100
No	0	0	100
Total	105	100	

Source: Research Findings 2013

4.2.2.1 Location of your bank branch has influenced customers to bank with TPB (Responses by Staff respondents)

Staff respondents were asked to respond on the likes of five scales namely strongly disagree, disagree, indifferent, agree and strongly on responding to the propositions regarding location of your bank branch has influenced customers to bank with TPB. Table 4.15 summarizes the results:

Table 4.15 Location of your bank branch has influenced customers to bank with TPB

	Mwanza	Shinyanga	Msoma	Bukoba
Strongly Disagree	0%	0%	0%	0%
Disagree	0%	0%	0%	0%
Indifferent	20%	30%	10%	30%
Agree	70%	70%	90%	70%
Strongly Agree	10%	0%	0%	0%
Total	100%	100%	100%	100%

Source: Research Findings 2013

4.2.3 Varieties of services offered by the bank has influenced customers to bank with TPB (Responses by Staff respondents)

Staff respondents were asked to respond on the likes of five scales namely strongly disagree, disagree, indifferent, agree and strongly on responding to the propositions regarding varieties of services offered by the bank has influenced customers to bank with TPB (Table 4.16 summarizes the results:

Table 4.16 Varieties of services offered by the bank has influenced customers to bank with TPB

	Mwanza	Shinyanga	Msoma	Bukoba
Strongly Disagree	0%	0%	0%	0%

Disagree	0%	0%	0%	0%
Indifferent	0%	20%	10%	20%
Agree	70%	60%	90%	70%
Strongly Agree	30%	20%	0%	10%
Total	100%	100%	100%	100%

Source: Research Findings 2013

4.2.4 Image of TPB branch has impact on deposit growth

Staff respondents were asked to respond on the likes of five scales namely strongly disagrees, disagree, indifferent, agree and strongly on responding to the propositions regarding image of TPB branch has impact on deposit growth (Table 4.17 summarizes the results:

Table 4.17 Image of TPB branch has impact on deposit growth

	Mwanza	Shinyanga	Msoma	Bukoba
Strongly Disagree	0%	0%	0%	0%
Disagree	0%	0%	0%	0%
Indifferent	0%	0%	0%	0%
Agree	70%	60%	90%	70%
Strongly Agree	30%	40%	10%	30%
Total	100%	100%	100%	100%

Source: Research Findings 2013

CHAPTER FIVE

FINDINGS DISCUSSION

5.0 Introduction

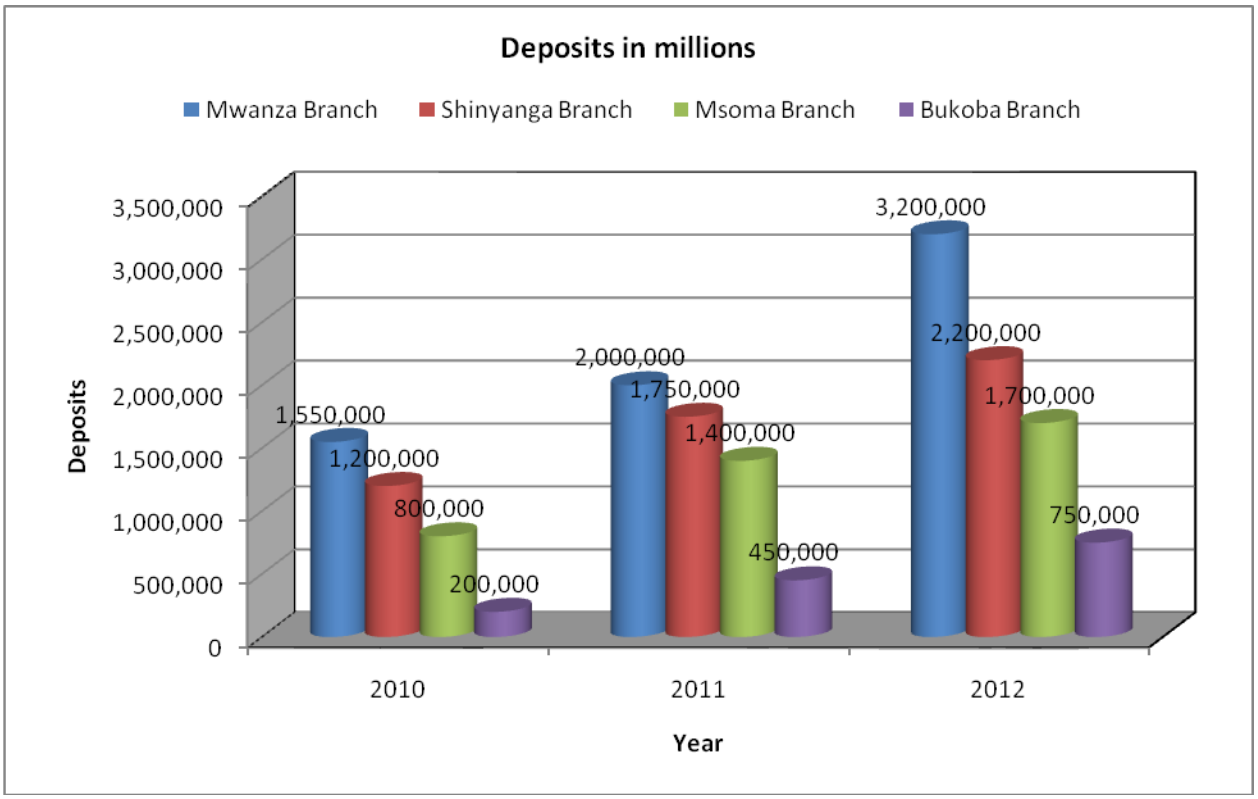
This chapter discusses the major results and conclusions of both statistical and descriptive information derived from both primary and secondary information. While secondary data were collected using the information from bank's publications and documents, primary data captured through questionnaires of both bank officials and customers were presented and discussed through frequencies and charts. Four branches of Postal Bank in Lake Zone were sampled; of which were Mwanza branch, Shinyanga branch, Musoma brach and Bukoba branch.

5.1 Discussion of the results from secondary data

5.1.1 Comparisons of deposits between banks

Deposits in Postal Bank in Lake Zone show an increase trend in all four branches under the study. The Mwanza branch was found to be the leading branch in deposits over all other three branches since 2010. It was followed by Shinyanga branch, Musoma branch and Bukoba branch. Prime location of these branches could have contributed to growth of deposits in the branches. At the same time the business attraction in the four region whereby there is an increase of business movement because of several business attractions such as gold mines, diamond, fish from Lake Victoria and agricultural products are among of the most reasons for the branches to enhance deposits in orderly (Figure 5.1).

Figure 5.1 Comparisons of deposits between branches

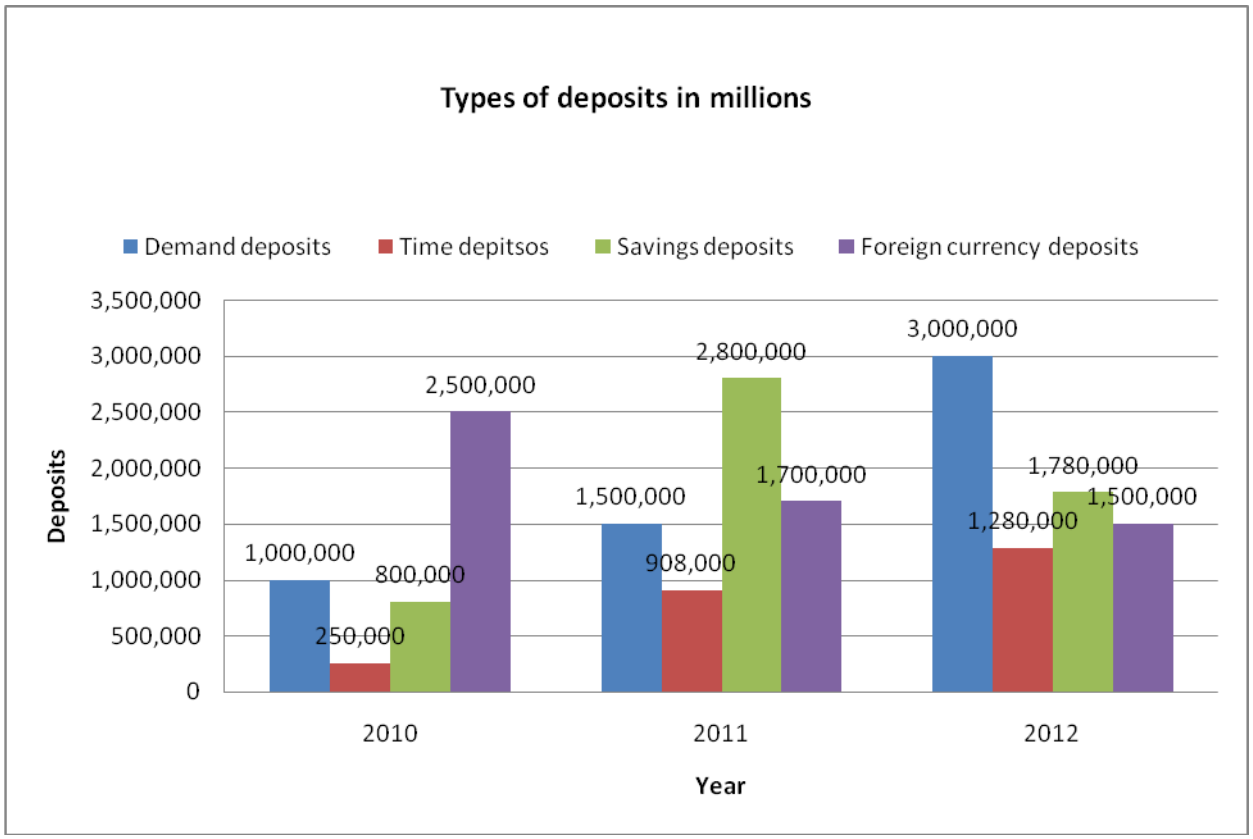


Source: Postal Bank, 2012

5.1.2 Types of Banks deposits

In Tanzania Postal Bank, deposits are in four major forms, namely, demand deposits, saving deposits, time deposits, and foreign currency deposits. Generally, of the four deposits, demand deposits seem to be the leading in Postal Bank Lake Zone over time. It was followed by foreign currency deposits and saving deposits. Time deposits was observed to be the last preferred method by depositors mainly due to low rate of interest offered compared to longer period over the deposits and rate of inflation. The fact that since 2008 and 2009 when the world was faced with global financial crisis, the exchange rate in Tanzania became very erratic and the effect has yet affecting the inflation in Tanzania. Being such a case, businesses in Lake Zone were highly affected and hence, people could not get enough foreign currencies therefore foreign currency deposits dropped. This can be seen clearly in the two years of 2010 and 2011 where foreign currency deposits had fallen (Figure 5.2).

Figure 5.2 Types of Banks deposits



Source: Postal Bank 2012

5.2 Discussion of the results from customer's questionnaires

5.2.1 General Observations

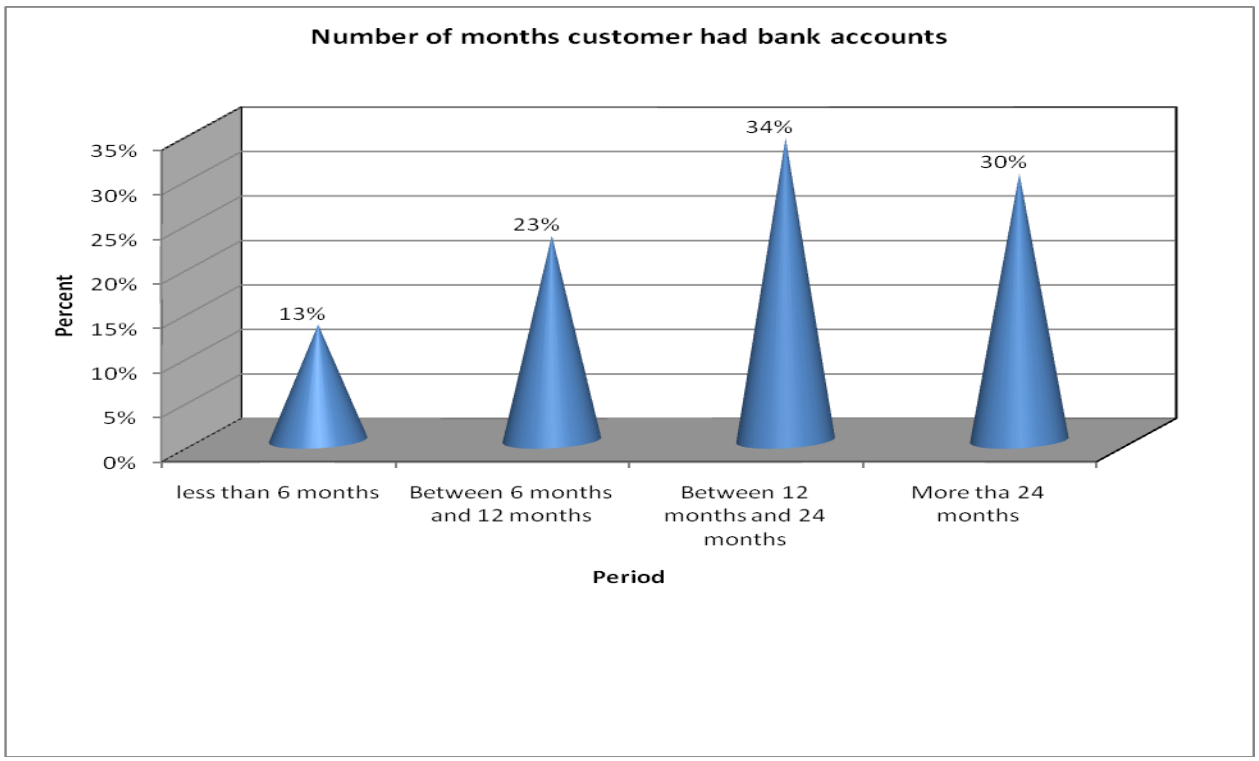
Discussions of the results were based on the research findings in chapter four. Though other information discussed might not reflect directly in the hypothesis, they are used as supplementary information to strengthen the study.

The research interviewed 105 (87.5 percent) out of 120 sampled customers from four Postal Bank branches of Lake Zone, with different numbers of representation of bank's customers. About 49 percent of the interviewees were employed while 51 percent were self-employed. Most

of the respondents were observed to have secondary education of which 86 percent were those self employed customers.

While about 34 percent of the bank customers interviewed hold the account in their respective branch between 12 months to 24 months ago, 30 percent and 23 percent hold more than 24 months and between 6 months to 12 months respectively. New customers with less than 6 months comprised only about 13 percent of interviewees because of less information they have about the bank operations (Figure 5.3).

Figure 5.3 Number of months the customer has bank account

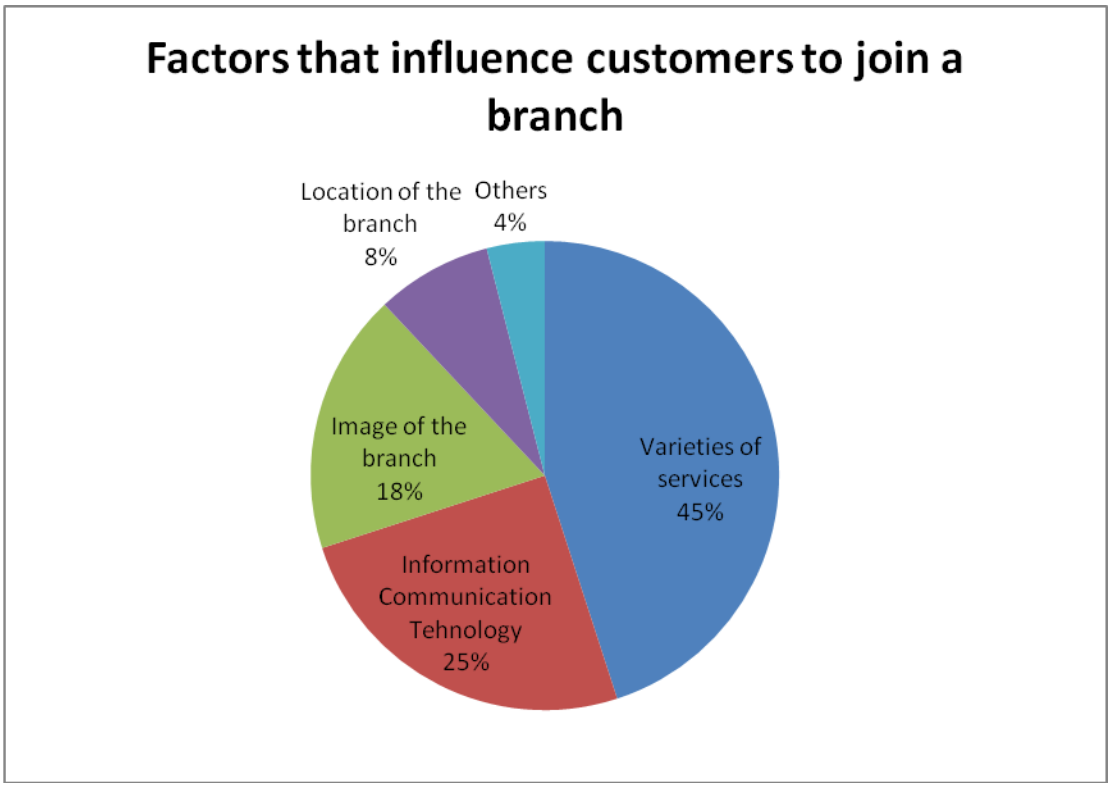


Source: Research Findings 2013

The observation from the results shows that factor that influenced customers to join different branches differ from one customer to another. The most influential factor which was strongly agreed by most of the customers interviewed, that caused the customers to join the branch was the varieties of the services offered by the branch which comprised about 45 percent. It was

followed by the level of information communication technology or computerization of the branch of about 25 percent, while the image of the branch was 18 percent. The last ranked factor was the bank/branch location near the working/business premise, 8 percent and other factors 4 percent (Figure 5.4).

Figure 5.4 Factor that was strongly agreed to influence customers to join the bank



Source: Research Findings 2013

Therefore varieties of services offered by branches in one way or another played a great role in influencing most customers to join the branch. However, business requirement, friend/family, employers' influences and self initiative have a part to open the account in the branches.

5.2.2 Hypotheses testing

The hypotheses were tested based on the equation developed in the research methodology. Where frequencies, from all branches, show different trends, data were treated separately to run the regression in order to see the results of each branch. However, where frequencies looks the same, say both with strong agreement on a certain variable, regression was run on combined data.

The T- statistic is an important test amongst the several tests of significance developed by statisticians (Kothari, 2000). The test is, in fact, a technique through the use of which it is possible for all researchers to (i) test the goodness of fit; (ii) test the significance of association between two variables, and (iii) test the homogeneity or the significance of population variance (Kothari, 2000).

The test is therefore applied when the individual observations of sample are independent which means that the occurrence of one individual observation/event has no effect upon the occurrence of any other observation/event in the sample under consideration (Kothari, 2000). In this regard, all hypotheses attempts to test whether there is significant relationship between the independent variables and dependent variable.

In this study, a computed result were compared with test statistics and if the computed result will fall under the rejection, then the conclusion will be that there is a significant relationship between independent variable and dependent variable at 5% degree of freedom. If computed results fall under the acceptance region, then the conclusion will be to accept the hypothesis, meaning that there is no relationship between the variables. The two variables are completely independent and neither of the variable can have an impact to another variable.

Hypothesis One: Information Communication Technology do influence deposit mobilization

The large proportion of the respondents strongly agrees on the influence of information technology on the improvement of the services rendered to customers. However, some of the

respondents were indifferent that information communication technology has impact on improvement of customers' services. The results from the analysis indicates that the role of information communication technology on customers' services and customers' bank indicate that about 90 percent of the respondents from Mwanza branch and 75 percent from Shinyanga branch identified as an important factor for service improvement rendered to customers. This was also observed to Musoma branch where 80 percent of the customers interviewed ranked the same as those of Mwanza branch on the influence of information communication technology on improvement of services. At the same time more than half of customers from Bukoba branch supported the effect of information technology on improvement of services rendered to customers compared to past period when the technology was not very sophisticated.

A t-statistics test from the regression equation presented in the research methodology was conducted to show if information communication technology influence deposits mobilization. Results of the test revealed that the information communication technology has a positive and significant impact on deposits mobilization and growth. The relationship was statistically significant as it was supported by the high coefficient of t-statistics of 5.16 (with probability = 0.02231) (Table 5.1). Not only that but also the coefficient of standard deviation of 0.21 was very low, indicating that the influence of the information technology is not far away from the growth in deposits.

Table 5.1 T-statistic test on the influence of information communication technology on the mobilization

Mean	Std. deviation	Standard Error Mean	t-statistics	Probability
0.87	0.21	3.17	5.16	0.02231

Source: Research Findings 2013

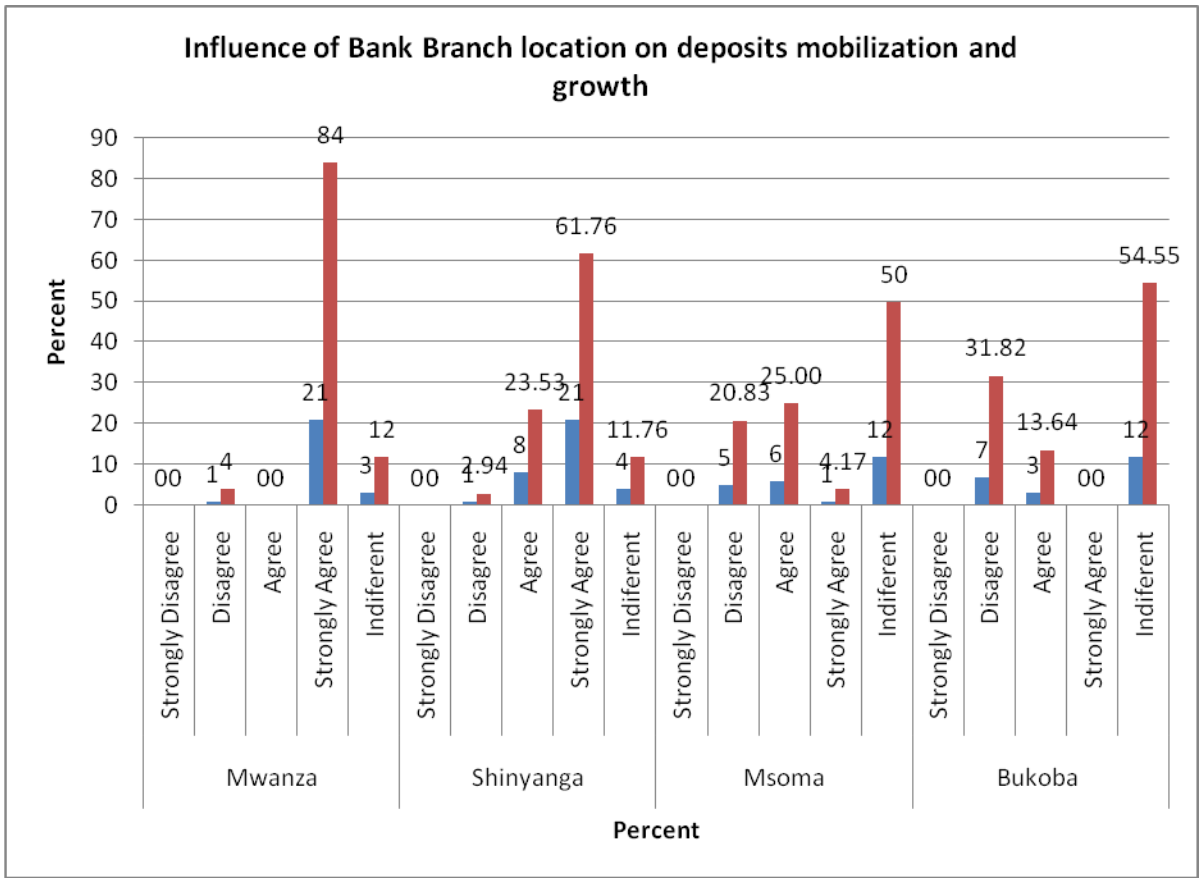
Therefore, the hypothesis that information communication technology does have positive effect on deposits growth was not rejected in this study.

Hypothesis Two: Banks branch location has positive impact on growth of deposits

Banks are hesitating to open branches in rural/ remote areas with strong reasons of cost overweighing the benefit. The cost for running the unit in rural/remote area are said to be high, while at the same time level of saving are low. Also location in town/city centers has great impact in deposit mobilization and growth, especially in busy and strategic corners (Marcel, 2001)

The results from customers interviewed from Bukoba branch and Musoma branch reveal that bank location was not a strongly factor which influences deposits mobilization. More than half of the customers interviewed were indifferent about this factor. On the other hand, the results from Mwanza and Shinyanga branches show that 73 percent (average) of the customers interviewed strongly agree on the influence of bank location on the deposits mobilization (Figure 5.5).

Figure 5.5 Influence of Bank Branch location on deposits mobilization and growth



The t-statistics from Postal Bank Lake Zone data show the positive and significance relationship between location of the bank/branch and deposits mobilization as it was proved by high coefficient of t-statistics of 3.32 (with probability = 0.04012) (Table 5.2). Also the low coefficient of standard deviation of 0.77 indicates that the influence of the bank location is not far away from the deposits mobilization.

Table 5.2 T-statistic test on the influence of bank branch location on the deposits growth

Mean	Std. deviation	Standard Error Mean	t-statistics	Probability
1.92	0.77	6.03	3.32	0.04012

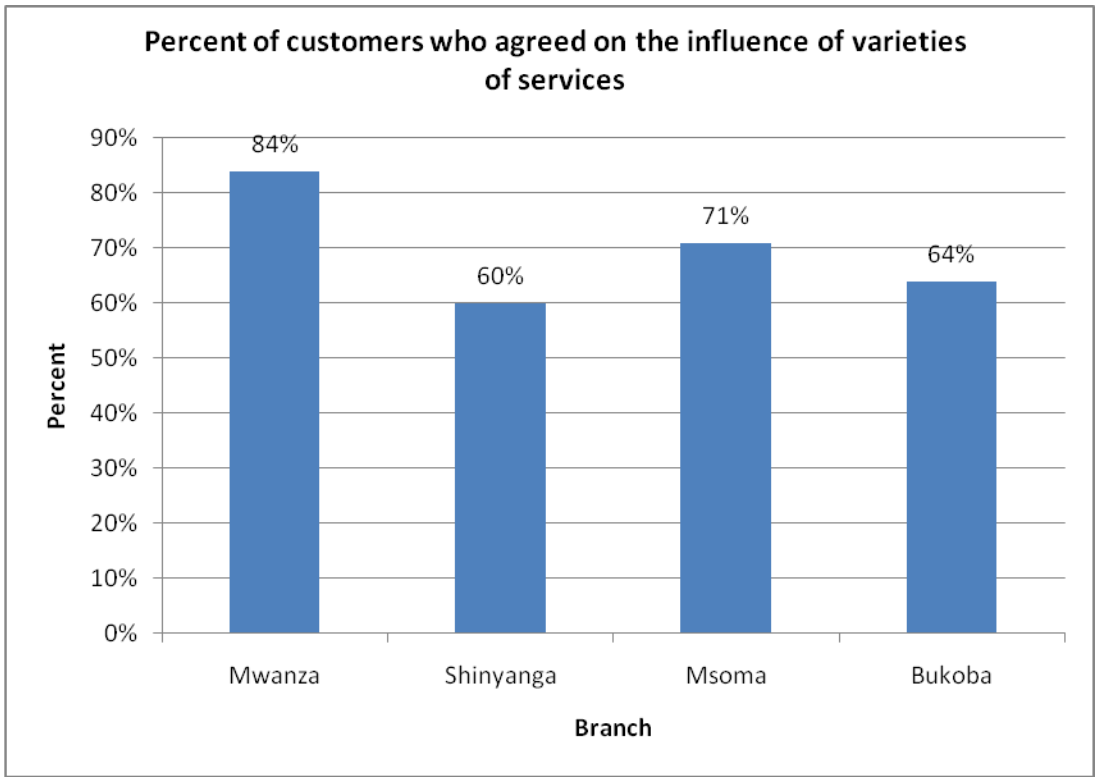
Source: Research Findings 2013

Therefore, the hypothesis that banks/branch location has positive impact on deposits growth was not rejected. The strategic location of most branches of commercial banks including Postal Bank in prime and busy business areas may explain the significance of bank locations on deposits growth.

Hypothesis T-three: The varieties of services offered have positive impact on deposits Mobilization and growth

The observation from respondents interviewed from 105 customers of Postal Bank Lake Zone branches showed that varieties of services offered by these branches attracted more customers to join their branches, hence was identified to be an important factor in influencing branches deposits growth. Large proportion of the respondent interviewed from all branches pointed out that variety of services offered attracted most of them to join the branches hence, leading to deposits growth. About 84 percent of customers from Mwanza branch strongly agreed in the influence of varieties of services on deposits mobilization and growth, while 60 percent of customers from Shinyanga branch also strongly agreed on the importance of that factor. At the same time Musoma and Bukoba branches customers strongly agreed the importance of varieties of services on deposits mobilization and growth as indicated by 71 percent and 64 percent respectively (Figure 5.6).

Figure 5.6 Percentage of customers who strongly agreed on the influence of varieties of services offered on deposits mobilization and growth



Source: Research Findings (2013)

The empirical findings from the combined data for all branches indicated that the relationship between varieties of services offered by the Postal bank and deposits mobilization and growth is positive and significant at 1% level of significance as it is shown by the high t-statistics coefficient of 13.18 (with probability value = 0.00612). In addition, the low coefficient of the standard deviation of 0.26 also indicated that that the deposits mobilization and growth does not deviate far away from the varieties of services offered (Table 5.3).

Table 5.3 T-statistic test on the influence of varieties of services offered on the deposits growth for all 4 branches

Mean	Std. deviation	Standard Error Mean	t-statistics	Probability
3.13	0.26	1.65	13.18	0.00612

Source: Research Findings (2013)

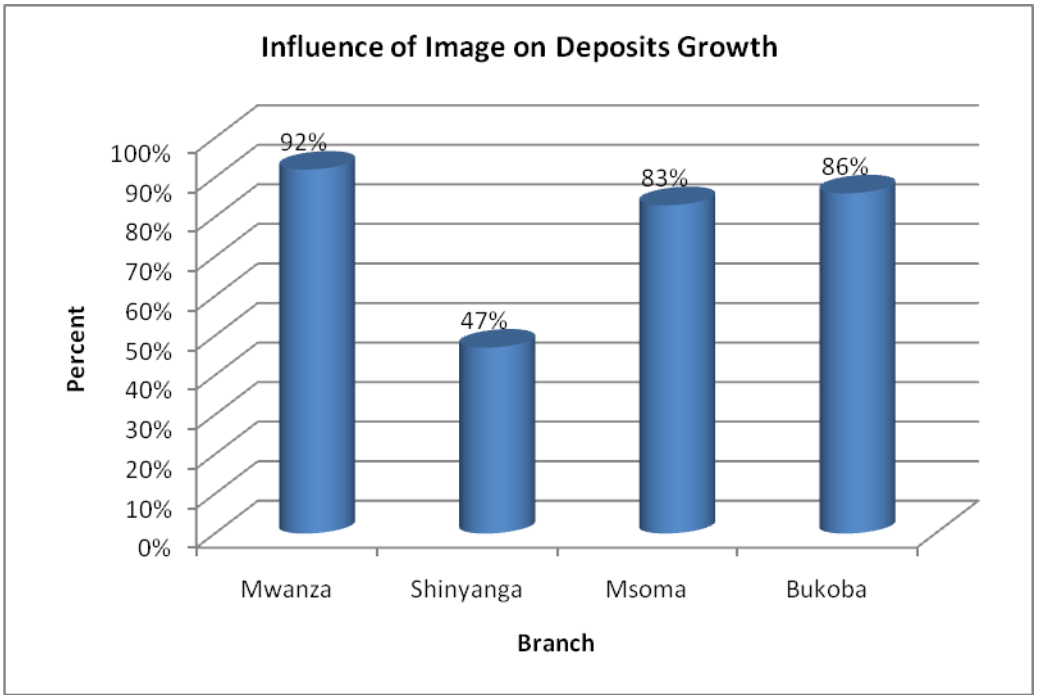
Therefore, the hypothesis that the varieties of services offered have positive impact on deposits mobilization and growth was not rejected in this study as it was hypothesized.

Hypothesis Four: The bank (image) goodwill has positive impact on deposits mobilization or growth

Generally, most of customers, deposits in the bank branches that is trustworthy in terms of performance and success in their operations. When customers need services from commercial banks branches they expect to get service any time he/she need. That creates a good image to the bank, hence attracting more customers and bank deposits growth.

However, the comments on the influence of bank goodwill on deposits mobilization showed mixed results. More than three quarter of the respondents interviewed from Mwanza, Shinyanga and Musoma branches agreed on the important of image of the bank branch in deposits mobilization. At the same time, large percent of the respondents from Bukoba branch were indifferent on the important of image of the bank in deposits mobilization as they showed a mixed trend in the role of good image of the bank in deposits growth (Figure 5.7)

Figure 5.7 Percentage of customers who agreed on the influence of bank goodwill on deposits mobilization and growth



Source: Research Findings (2013)

In carrying out the statistical analysis, the results from both all four branches indicated the positive and significant relationship between these two variables. The coefficients of the t-statistics of 2.21 corresponding probabilities of 0.06910 suggest the positive and significant relationship between bank goodwill and deposits mobilization or growth for bank branches (Table 5.4).

Table 5.4 T-statistic test on the influence of varieties of services offered on the deposits mobilization for Postal Bank

Mean	Std. deviation	Standard Error Mean	t-statistics	Probability
2.13	0.92	3.15	2.21	0.06910

Source: Research Findings (2013)

Therefore, the image in terms of performance and success of the bank was identified as very important factors which attract more customers and deposits growth.

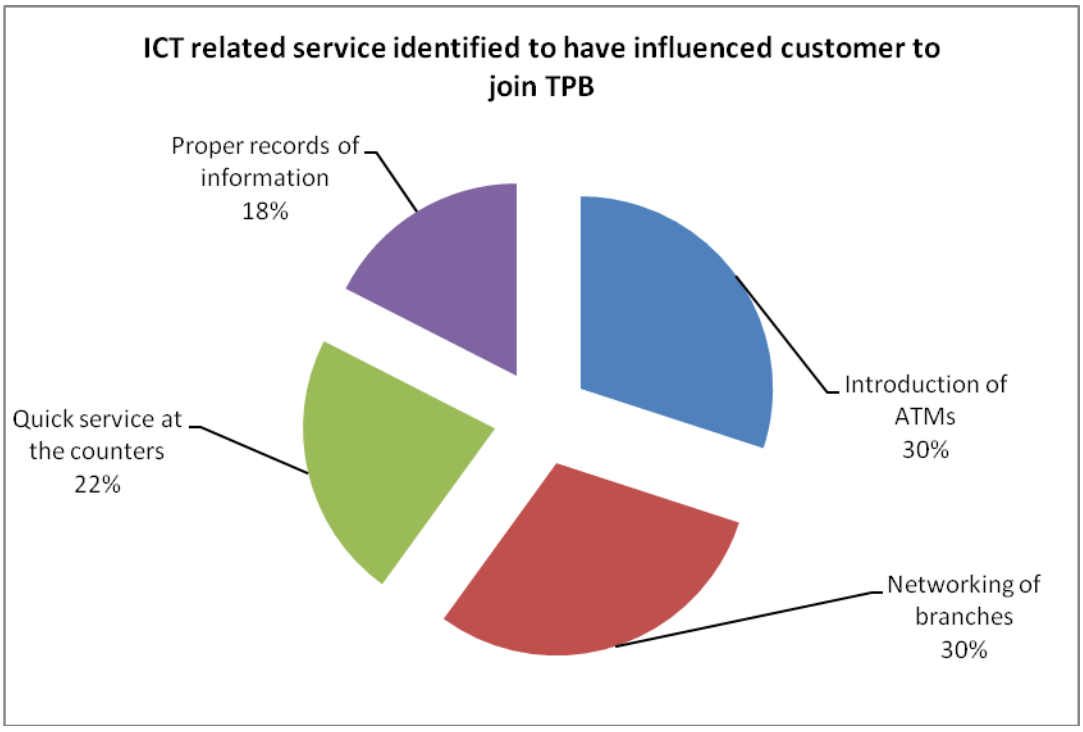
5.3. Discussion of the results from Bank officials' questionnaires

Bank officials' are those who may have much information on how different factors influences deposits mobilization and growth in their respective banks branches. Therefore key staff were interviewed through questionnaire to collect information as it was stated in the research methodology, and the following are the results:

i. Information Communication Technology do influence deposit mobilization and growth

The results investigated from all four banks branch officials reveal that, introduction of information communication technology termed as computerization was strongly supported by a larger proportion of respondents interviewed that has influenced deposits mobilizations and growth for all their branches under this study. Most of the services identified by bank officials as influential factors were usage of ATM as pointed out by about 30 percent of the respondents. Also 30 percent of the respondents mentioned networking – that a customer may deposit or transfer money to one bank branch and withdraw to another branch easily. 22 percent of the respondents mentioned the quick services at the counter (customers take short time at the bank), and 18 percent of the respondents mentioned the proper records of information (Figure 5.8). As it was revealed also from bank customers' results, technology smoothen transaction and operation. Also technology is associated with varieties of services offered, hence attracting customers and deposits.

Figure 5.8 ICT related service identified to have influenced customer to join TPB

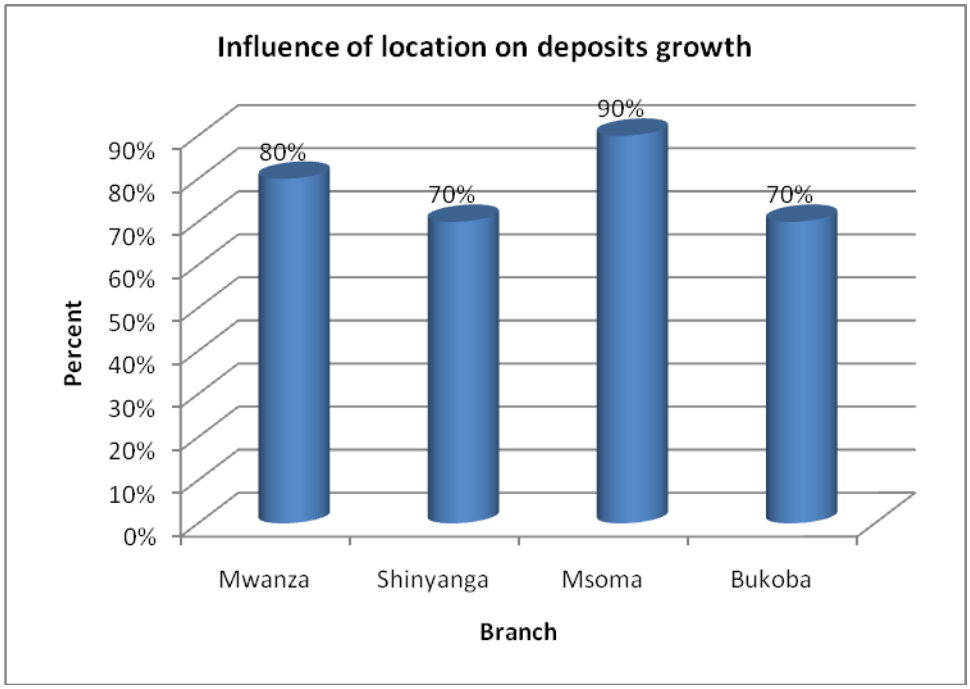


Source: Research Findings, 2013

ii. Banks branch location has positive impact on deposits

Bank officials from all four branches affirmed that the location of the bank/branch is an important factor influencing customers to join the bank and hence deposit growth. 80 percent of the staff from Mwanza branch strongly agreed on the influence of bank location on deposits mobilization, 70 percent from Shinyanga, 70 from Bukoba and 90 from Musoma (Figure 5.9).

Figure 5.9 Percentage of branch staff who agreed on the influence of bank location on deposits mobilization and growth



Source: Research Findings (2013)

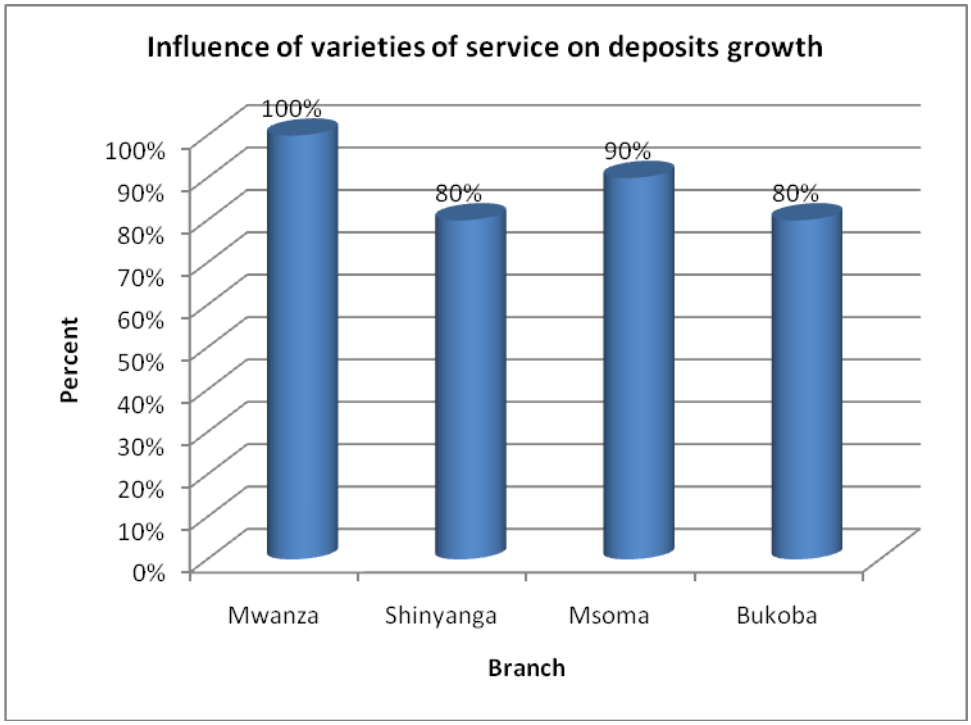
Most of reasons given out by the respondents were that, most of people do not normally need to go far to open the bank accounts and deposits money from their premises; hence banks allocated at the city centers and other centers where there is high population will obviously receive many customers and high deposits. Bank officials are the one who know the number of customers joining and depositing in their banks in different locations; hence their results may be based on, in this study.

iii. The varieties of services offered have positive impact on deposits mobilization and growth

The majority of the bank officials interviewed also agreed with customers views that, varieties of services offered by the bank influences customers to choose to bank their money. It was strongly supported the interviewees from all four Postal Bank branches staff under this study. Varieties of

the services offered by the bank were therefore mentioned as one of the factors which better positioned the bank branch than other competitor bank branches. Varieties of services normally gives an opportunity to customers to get whatever service he/she needs, hence attracting more customers and deposits (Figure 5.10).

Figure 5.10 Percentage of Staff who accepted the positive impact of varieties of services offered on deposits mobilization



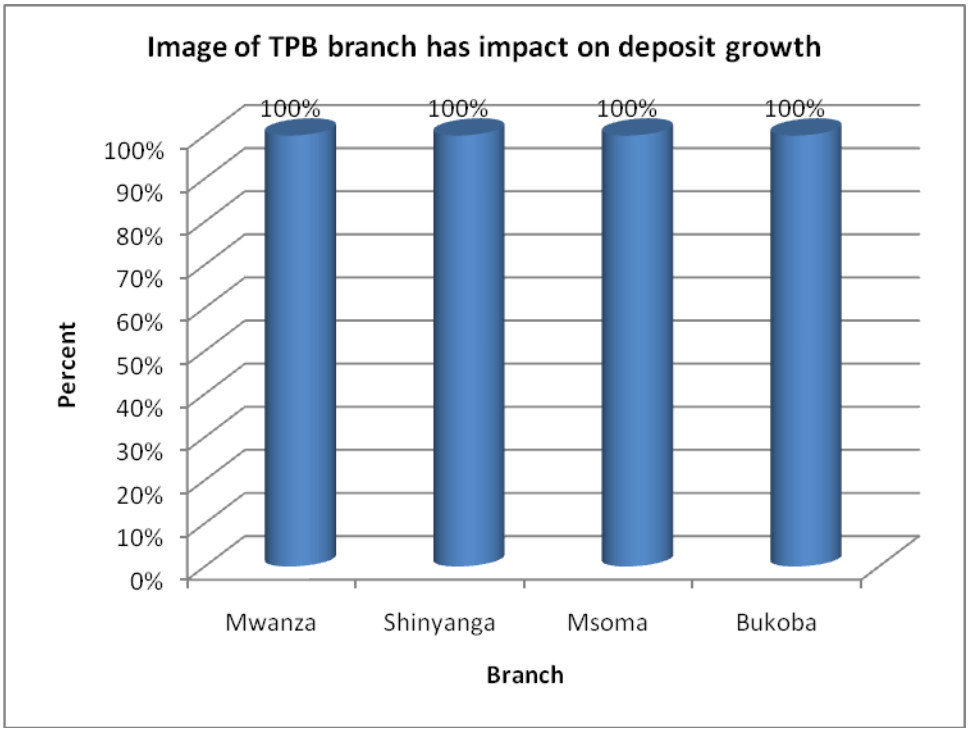
Source: Research Findings (2013)

iv. The good bank goodwill has positive impact on deposits mobilization

The image of the bank represents the out and in side of the bank operations, in term of performance and success. Most people look on the operations and direction of the bank for performance judgment. A large percent of the respondents generally agreed that the image of the bank has an impact on deposits mobilization and growth as it was strongly supported by all bank officials' interviewed from all four branches.

Normally performance of the bank branch does position a branch in a good image to the society. Good performance in their daily operation in terms of good services, annually performance report on revenue and profit generate competent of staff and other influential factors play an important role in attracting customers and deposits towards that branch (Figure 5.11).

Figure 5.11 Image of TPB branch has impact on deposit growth



Source: Research Findings (2013)

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6 .0 Introduction

This chapter highlights the conclusion, implications, recommendations, limitation and suggestions for further studies.

6.1 Summary

The aim of this study was to examine factors influencing deposit mobilization in Tanzania Postal Bank, Specifically the study assess the effect of information communication technology in deposits mobilization, evaluated the contribution of location of the bank on deposit mobilization, examined the effect of varieties of services offered on deposit growth (cross-selling of financial services) and assessed the relationship between bank's image and deposit mobilization. The key findings are summarized as follows:

6.2.1 Influence of ICT on deposit mobilization

Several factors were measured to determine the Influence of ICT on deposit mobilization. The large proportion of the respondents strongly agrees on the influence of information technology on the improvement of the services rendered to customers. Results of the test revealed that the information communication technology has a positive impact on deposits mobilization and significant impact on deposit mobilization. The relationship was statistical significant as it was supported by the high coefficient of t-statistics of 5.16 with probability of 0.02231.

6.2.2 Influence of Bank Branch location on deposits mobilization

The results from Mwanza and Shinyanga branches show that 73 percent (average) of the customers interviewed strongly agree on the influence of bank location on the deposits mobilization. The t-statistics results also show there is positive relationship between location of

the bank/branch and deposits mobilization as it was proved by high coefficient of t-statistics of 3.32 with probability 0.0401.

6.2.3 Varieties of services offered by the bank has influenced customers to bank with TPB

Large proportion of the respondent interviewed from all branches pointed out that variety of services offered attracted most of them to join the branches hence, leading to deposits growth. The t -statistics results also show the relationship between varieties of services offered by the Postal bank and deposits mobilization is positive and significance as it shown by high t-statistics coefficient at 1% level of significance as it shown by high t-statistics coefficient of 13.18 with probability value 0.00612.

6.2.4 Image of TPB branch has impact on deposit growth

More than three quarter of the respondents interviewed from Mwanza, Shinyanga and Bukoba branches agreed on the important of image of the bank branch in deposits mobilization. The t-statistics results also show the positive and significant relationship between image of the bank branch and deposits mobilization. The high coefficient of t-statistics of 2.21 with probability of 0.06910.

6.3 Conclusion

The aim of this study was to examine factors influencing deposit mobilization in Tanzania Postal Bank, Specifically the study examine the effect of information communication technology in deposits mobilization, evaluated the contribution of location of the bank on deposit mobilization, examined the effect of varieties of services offered on deposit growth (cross-selling of financial services) and assessed the relationship between bank's image and deposit mobilization.

The study employed a sample survey technique, where 120 customers and 40 were sampled. However, the study captured 105 customers' respondents and 40 bank officials from the four Bank branches in Lake Zone were interviewed as representatives in this study. Both primary and secondary information were used in this study. Primary data through questionnaires was

analyzed using Statistical Package for Social Scientists (SPSS version 16.0). The results were presented using frequencies and figures and descriptions were used to discuss the impact of each independent variable on dependent variable.

The key technical argument is that, given the above, among other factors, the industry is experiencing substantial growth in deposit from the public when compared with the past, despite the fact that, interest rate on deposits offered by commercial banks being very low compared to high lending rate. Several research questions were advanced in the light of this argument. The variables include ICT, location of the bank, varieties of services offered, and bank's image has positively influenced deposit mobilization. In the course of analysis, this study used both qualitative and quantitative methods of analysis.

The results from the analysis of both customers and bank officials' questionnaires revealed that information communication technology is one of important influential factors in deposits mobilization. Products like ATM services, Visa Cards, and Internet banking were identified as some technological services developed recently due to high level of technology experienced by commercial banks in Tanzania.

The introduction of information communication technology was found to have positive impact on deposits mobilization. The positive impact of information communication technology on deposit growth was strongly ranked by all four Postal Bank branches as among factors used to influence deposits mobilization.

Therefore technological improvement, which produces varieties of services, was again strongly emphasized in this study. Even a t-statistics test from the regression results show that the relationship was positive and significant. Therefore the hypothesis that information technology do influence deposit mobilization was not rejected in this study.

It was observed also that Tanzania Postal Bank offers varieties of services to customers that in turn have a chance to attract more customers to join the bank and hence deposits mobilization. The hypothesis that varieties of services offered determine deposits mobilization was strongly supported by both customers and bank officials from the branches under the study.

Despite differences observations in the argument on the impact of bank location on deposits mobilization between customers and bank officials, the study concludes that the location of banks/branch is also one of the factors that influence deposits mobilization.

The results from both customers and officials with regards to the influence of banks' branch goodwill to the mobilization of deposits it was found that there is positive and significant relationship between these two variables. The coefficient of the t-statistics of 2.21 suggest the positive and significant relationship between bank goodwill and deposit mobilization. Therefore, the image in terms of performance and success of the bank was identified as very important factor which may attract customers and deposits.

6.4 Recommendations

In the light of the findings of the study, there are recommendations that can be drawn from this research:

i. The Tanzania Postal bank like any other Financial institutions need to increase deposit interest rate after consultations with the central bank that is high than the rate of expected inflation in order to attract more deposits in the bank. If the inflation rate is high than deposits rate, it means that a customers will get a negative net deposit rate at the end of the year. This may discourage depositors to deposits in Postal bank, thus finding other opportunities where to invest the money.

ii. Tanzania Postal bank should review and redesign loan procedures applicable to their linkage programs, introduce new financial products, and devise new ways to address the

needs of poor borrowers. These revisions should be target to simplifying loan procedures, accepting collateral substitutes, and accepting the informal status of NGOs. This will allow more customers to join the bank, borrow and deposits with less restrictions.

iii. Improving information communication technology like high level of networking, easier transfer of funds will lead the bank to perform. On Information communication technology (ICT), Banking today is passing through a technological revolution. High speed information processing are transforming the industry, stressing convenience and speed in handling routing transactions like making deposits and paying for purchases. New technologies have to be designed such a way that it reduce labor and paper costs. Tanzania Postal bank and other commercial banks need to be fast and efficient to track and monitor operational expenses by activity, manage credit risks, manage liquidity requirements, and control fraud through new technological advancement. The computerization allows fast access to information on balances within each activity of the bank.

iv. Tanzania Postal bank, other commercial banks and other financial institutions should regularly monitor the working of the linkage and disseminate the information among all related institutions and personnel. They should accord a place of importance to this work, and publicize its achievements regularly through their own publications as well as through the media.

v. Tanzania Postal bank and other commercial banks, with the help of bankers' associations, other regulatory bodies and central banks should establish a mechanism for periodic dialogue and consultation with individual customers, governmental organizations and NGOs in order to assess their needs, solve emerging problems, and build an understanding of the successful conduct of banking. The recommendations and review of performance standards is an appropriate task for such consultative processes. This will attract more customers to join and influences deposits growth.

vi. Tanzania Postal bank need to create forums for exchange of experiences among other banks engaged in linkages, for consolidation and strengthening of the system. Sharing information among commercial banks not only will make experience sharing, but also will strengthen communication and sharing information on credit provided to particular bad debt customers. Also different commercial banks have different staff with different skills. Sharing information will enable some commercial banks to benefit from other commercial banks in terms of skills and knowledge.

vii. Tanzania Postal bank staff should attend regular training and orientation programs designed to impart knowledge about linkages; their concerned personnel at all levels should be involved in this deposits and credit sensitization process.

viii. It would be very important for Tanzania Postal bank to collaborate with other companies in the setting up and outsourcing some of the operational activities like ATM machines for easing deposits using the machines and saving unnecessary expenses

ix. Tanzania Postal bank should now start using Agency to offer services in remote areas, the move will help to reach the unbanked population hence increases deposit.

6.5 Suggestion of areas for further studies

This study centred on examining factors influencing deposits mobilization in Tanzania Postal branches of Lake Zone using 105 banks' customers and 40 banks' officials. This sample was very small to make a strong conclusion based on the results obtained. Studies that cover the entire country with a very large representation are strongly suggested. The study also discussed only four factors that might affect deposits mobilization. These include, information communication technology, location of the bank, varieties of services offered and bank's goodwill. Therefore, studies that include more variables that affect deposits mobilization are suggested for further studies.

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APPENDIX 1

QUESTIONNAIRE FOR BANK CUSTOMERS

Dear Sir/Madam;

This questionnaire is a guide on research on "**Factors influencing deposit mobilization in Postal Banks in Tanzania**". You are humbly asked to spend a few minutes of your valuable time to respond to questions provided in this questionnaire. You are hereby informed that the answers will be treated as confidential and will be only used for academic purpose only. Please do not write your name.

SHABAN TELATELA

INSTRUCTIONS

Please answer all questions, fill in blanks, which are left open, put a tick for the situation, which appeals to you in a space provided. *Your cooperation is highly appreciated.*

1. Are you customer of which Postal Bank branch?
    - ☐ Mwaza Branch
    - ☐ Shinyanga Branch
    - ☐ Msoma Branch
    - ☐ Bukoba Branch

2. What is your occupation?
    - ☐ Employed

- ☐ Self employed

3. What is your level of education?
   - ☐ Primary Education
   - ☐ Secondary Education
   - ☐ Diploma
   - ☐ Degree and higher education
   - ☐ Other (Specify)_____

4. How long have you been with a Postal bank account
   - ☐ Less than 6 months
   - ☐ More than 6 months to 12 months
   - ☐ More than 12 months to 24 months
   - ☐ More than 24 months

5. What were the factors behind your choice of the Postal bank branch?

1- Strongly Disagree, 2- Disagree, 3- Indifferent, 4 - Agree, 5- Strongly Agree (Please cycle the number best represent your opinion)

a)	The level of ICT/computerization of the bank branch	**1 2 3 4 5**
b)	Bank branch located near your working/business office	**1 2 3 4 5**
c)	Varieties of services offered by the bank branch	**1 2 3 4 5**
d)	The image/quality of the Bank branch	**1 2 3 4 5**
a)	Other factors(Specify please) _____	

6. Do you think the bank has been able to attract more customers through the use of computers in terms of deposits mobilization?
   - ☐ Yes
   - ☐ No

Give your views

……
……

8. Are there any problems you encounter when using ATMs?

- ☐ Yes
- ☐ No

Explain……...

9. Are the banks products/ services offered meeting your needs?

- ☐ Yes
- ☐ No

Explain how ……

If your answer is No, Are they of poor quality?

- ☐ Yes
- ☐ No

10. Why did you open account with your Postal bank branch?

- ☐ Self initiative
- ☐ Employer's influence
- ☐ Friend's/ family influence
- ☐ Business requirement
- ☐ Bank's influence
- ☐ None of the above

11. Generally deposits mobilization has some influential factors

- ☐ Yes

☐ No

Thank you for your cooperation.

APPENDIX 2

QUESTIONNAIRE FOR POSTAL BANK OFFICIALS

Dear Sir/Madam;

This questionnaire is a guide on research on "**Factors influencing deposit mobilization in Postal Banks in Tanzania**". You are humbly asked to spend a few minutes of your valuable time to respond to questions provided in this questionnaire. You are hereby informed that the answers will be treated as confidential and will be only used for academic purpose only. Please do not write your name.

SHABAN TELATELA

INSTRUCTIONS

Please answer all questions, fill in blanks, which are left open, put a tick for the situation, which appeals to you in a space provided. *Your cooperation is highly appreciated.*

1. Which Postal Bank branch you are working?
   - ☐ Mwaza Branch
   - ☐ Shinyanga Branch
   - ☐ Musoma Branch
   - ☐ Bukoba Branch

2. Please circle the number, which best describes how much you agree with the following statements

   1- Strongly Disagree, 2- Disagree, 3- Indifferent, 4 - Agree, 5- Strongly Agree.

   i. Introduction of Information Communication Technology (Computerization) has influenced deposit growth in your bank branch **1 2 3 4 5**

Please mention ICT related services influenced to bank with TPB?

……

……

……

ii. Location of your bank branch has influenced customers to bank with you

1 2 3 4 5

Please explain how?

……

……

……

iii. Varieties of services offered by the bank has influenced customers to bank with you **1 2 3 4 5**

Please explain how?

……

……

……

iv. Image of your bank branch has impact on deposit growth **1 2 3 4 5**

3. Generally deposits mobilization and growth has some influential factors

☐ Yes

☐ No

Thank you for your cooperation