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THE EFFECTS OF DEPOSITS MOBILIZATION ON FINANCIAL PERFORMANCE IN COMMERCIAL BANKS IN RWANDA. A CASE OF EQUITY BANK RWANDA LIMITED

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ABSTRACT: This study is about to establish the effects of deposit mobilization on the bank financial performance in commercial banks in Rwanda. A case study of Equity bank Rwanda limited. Deposits are an indispensable tool commercial banks use to enhance its profitability through advancing deposits mobilized to its customers in form of loans which make in return interest to commercial banks. The lending activity is made possible only if the banks can mobilize enough funds from their customers. Specific objectives of this study are to determine the effect of marketing strategies on the financial performance of commercial banks in Rwanda, to establish the effect of interest rate changes on the financial performance of commercial banks in Rwanda and to determine the effect of banking technology introduced on the financial performance of commercial banks in Rwanda. The target population for the study was the bank managers involved in deposit mobilization namely the marketing team and the branch management team in Equity bank Rwanda. The research used a census to study a population of 27 staff. The main source of data was the primary and secondary data. The documentary method, the questionnaire as research instruments were used to get the data needed for the research. Data were processed by use of descriptive statistics after editing have been done. The computer software SPSS version 20 was used as a device to accommodate analysis. Pearson and Spearman's correlation analysis was used to test the nature of relationship. The findings indicated that majority of the respondents (85%) confirmed that the brand name of the Equity Bank is recognized in the public this has made able overcoming challenges mostly facing high competition with other banks. The marketing strategy used made the bank to increase in terms of customers and it has led to the increase in deposits over the years. The findings also indicated that a positive change in deposits interest rate affects the level of deposits received and later on the profitability of the bank. The study revealed that the introduction of innovative banking technology has led to the increase in deposits at a low cost as opposed to the usual way of getting deposits through term deposits and made financial services accessible in the unbanked people. This also made the ROA, ROE, net profit increasing due as the loans volume increases. The statistical correlation revealed that there is a positive relationship between deposits mobilization and financial performance of commercial banks in Rwanda, the case of Equity Bank. The study recommends the bank to develop other strategies towards marketing and mobilize more deposits as they are indispensable tools towards the profitability of the bank.

KEYWORDS: Deposit Mobilization, Financial Performance, Commercial Bank, Marketing Strategies, Banking Technology, Deposit Interest Rate.

INTRODUCTION

Background of the study

The role of banks in a financial market is that of a financial intermediary, which makes use of loan and deposit services to effectively channel the idle funds of the general public into valuable production and other investment projects helping people to reach their goals. It enables people to save for the future, invest in profitable business opportunities and to protect themselves against unpredictable shocks. The recent developments in banking technology have transformed banking from the traditional brick-and-mortar infrastructure of staffed branches to a system supplemented by other channels like Automated Teller Machines (ATM), credit/debit cards, internet banking, online money transfers, etc. Access to such technology, however, is still restricted only to certain segments of the society. The sector has been growing rapidly, with consumers benefitting from the very large increase in outreach—over 100 new physical service locations over the last five years, as well as Automated Teller Machines (ATM) and card products and the newly introduced agency banking model. (MINECOFIN, 2012)

The growth of any economy depends on capital accumulation, which in turn depends on investment and an equivalent amount of savings to match it. Two key issues for developing countries are how to stimulate investment and increase the level of saving to fund increased investment. To gain a strong understanding of Rwanda's practices, a survey was conducted by Access to Finance Rwanda (AFR), clearly indicating the accessibility, affordability and usage of financial instruments in the country. The survey revealed that 72 percent of Rwandan adults are financially included -42 percent are formally served (22.8 percent by commercial banks and 19.2 percent by nonbank formal institutions and 58 percent use formal financial mechanisms. This is a great leap when compared to 2008 where more than half (52 percent) of Rwandan adults were financially excluded. (FinScope, 2012)

According to Bello (2005), banking system is the backbone of financial intermediation through the mobilization and channeling of financial resources. Banks in performing their pivotal role in the economy, facilitate financial settlement through the payment system, influence money market rates and provide a means for international payment. The sector mobilizes funds from the surplus-spending units into the economy and by on-lending such funds to the deficit spending units for investment, banks in the process increase the quantum of national savings and investment (Mordi, 2004)

Commercial banks as well as the sector in general do depend on customer's deposit to advance its clients. According to Sharma (2009), the bank credit and bank deposits are very closely related with each other that they represent, roughly speaking, two sides of the same coin, the balance sheets of banks. With regard to the question whether loans make deposits or deposits make loans, two kinds of answers have been given for the puzzle. Banks, the world over, thrive on their ability to generate income through their lending activities. The lending activity is made possible only if the banks can mobilize enough funds from their customers. Since commercial banks depend on depositor's money as a source of funds, it means that there are some relationships between the ability of the banks to mobilize deposits and the amount of credit granted to the customers. Thus, the main function of financial institutions of mobilizing funds from the surplus economic agents to the deficit economic agents is put to test in order to generate economic growth. However, the efficiency of performing this function depends on the level of development of the financial system. The finance literature provides support for the

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argument that countries with better/efficient financial systems grow faster, while inefficient financial systems bear the risk of bank failure. (Kasekende, 2008)

Mohan (2012), Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable act or to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The success of the banking greatly lies on the deposit mobilization.

Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The success of the banking greatly lies on the deposit mobilization. Performances of the bank depend on deposits, as the deposits are normally considered as a cost effective source of working fund. There are different types of deposits, with different maturity pattern carrying different rates of interests. Deposit mobilization is depending on the cost of deposits. Mobilization of deposits for a bank is as essential as oxygen for human being. To enhance profitability, banks take steps to minimize the expenditure and are forced to mobilize low cost deposits. (Sylvester, 2010)

In the present context banks' performance is measured on several indicators, including the deposit mix and the quantum of low cost deposits in the mix among others. In the present era of competition and with the emergence of private and multinational banks, an ideal mix of deposits is a must to survive. Since the interest paid on deposit forms a big burden on bank, the mobilization of low cost deposits, like current account and savings bank deposit is the urgent need for the bank. Banks borrow and lend, they borrow money by accepting deposits from the public including members of the bank. Deposit mobilization is the chief source of funds to undertake lending operations, for profitable operation, the amount of deposits is very important. The banks should introduce various deposits schemes to attract the public to deposit. It is the size of the deposits that largely decides the lending potential of a bank. (Rajeshwari, 2014)

Ultimately the goal of financial sector development and increased financial inclusion in Rwanda is to improve the lives of Rwandans. The premise is that access to secure savings products and other financial services will better enable the poor to build financial security, manage financial shocks, and invest in education, health, housing and income generating opportunities – the cumulative effect being poverty reduction through greater participation in economic activities (Finscope, 2012). The sector is dominated by commercial banks as it is now composed of ten (10) commercial banks, four (4) microfinance banks, one (1) development bank and one (1) cooperative bank. The commercial banks dominated the sector controlling 81.2% of the sector's total assets (BNR, 2014)

Although Equity Bank started its operations in October 2011 in Rwanda .Equity bank has grown very fast, started business on registration in 1984. It has evolved from a building society, a microfinance institution; to now the all include Nairobi stock exchange, Uganda securities exchange and Rwanda stock exchange public listed commercial bank. With over 8 million accounts, accounting over 57% of all bank accounts in Kenya, equity bank is the largest bank in the region in terms of customer base and operates in Uganda, south Sudan, Rwanda and

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Tanzania. Equity bank continues to receive both global accolades for its unique and transformational model.

The bank is credited for taking bank services to the people through its accessible, affordable and flexible service provision. It has now five branches in Kigali City main branch, Nyarugenge branch, Nyabugogo branch, Remera branch, Kicukiro branch and six upcountry namely Muhanga branch, Musanze branch, Rubavu branch, Rwamagana branch, Rusizi branch and Huye branch.

Problem Statement

Banks, the world over, thrive on their ability to generate income through their lending activities. Since commercial banks depend on depositor's money as a source of funds, it means that there are some relationships between the ability of the banks to mobilize deposits and the amount of credit granted to the customers. For the purpose of achieving self-sufficiency there is the need to improve ways of mobilizing domestic deposits. Records indicate that large chunk of deposits are lying idle under pillows and in bamboos in the rural areas being left out of the banking stream (Rutherford, 2000). Therefore commercial banks should increase ways to approach and mobilize the huge deposits lying in the unbanked people to maximize and maintain their portfolios.

In Rwandan financial sector, according to Finscope survey Rwanda 2012, 28 percent of the population is still excluded from financial services and this does not mean that they are unable to save the issue is to mobilize these peoples by explaining them the importance and benefits related to savings. The banks must have adequate deposits to meet the lending volume required by the public and at the same time maintain extra cash for withdrawals by depositors. The bank cannot achieve this, if there are no clear strategies of mobilizing more people to make deposit and do savings.

The cash reserve is a component of liquidity reserves which measure the ability of the bank to meet its expected withdrawals and recurring withdrawals. The withdrawals made from the reserves are oddly-offset against new deposits which the banks should continuously mobilize. The inability to get sufficient deposits could result in negative fund situation. The level of deposits growth also indicates the bank's performance in relation to customers' satisfaction on interest payout and services rendered.

The FinScope Rwanda study, (2012) has also indicated that at least half of the population aged 16 and above had never heard of the basic financial concepts such as savings accounts, current accounts, interest, debit cards, or ATMs. Seventy-five percent of the population lives in rural areas, where levels of financial illiteracy are higher than in urban areas. This has created an underserved segment of financial sector which should be educated and mobilized and provided with access to finance.

OBJECTIVES OF THE STUDY

General objective

The general objective of this study is to determine the effects of deposits mobilization on the financial performance of commercial banks in Rwanda especially in equity bank Rwanda ltd.

Specific objectives

The specific objectives of the study are the following:

- 1. To determine the effect of marketing strategies on the financial performance of commercial banks in Rwanda.
- 2. To establish the effect of interest rate changes on deposit the financial performance of commercial banks in Rwanda.
- 3. To determine the effect of banking technology introduced on the financial performance of commercial banks in Rwanda.

Research questions

The research questions this project will be attempting to answer are the following:

- 1. What is the effect of marketing strategies on the financial performance of commercial banks in Rwanda?
- 2. What is the effect of interest rate changes on financial performance of commercial banks in Rwanda?
- 3. What is the effect of banking technology introduced on the financial performance of commercial banks in Rwanda?

LITERATURE REVIEW

Introduction

In the part of literature review, the researcher has reviewed the available theoretical literature and previous empirical research on matters concerning deposit mobilization and financial performance of banks. This chapter includes the following sections: theoretical review, empirical review, the conceptual framework, and the critiques of existing literature, the summary and the research gaps.

THEORETICAL REVIEW

Bank led theory

Bank-led model offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees. The bank is the ultimate provider of financial services and is the institution in which customers maintain accounts. Retail agents have face-to-face interaction with customers and perform cash-in/cash-out functions much as a branch-based teller would take deposits and process withdrawals. Virtually any outlet that handles cash and is located near customers could potentially serve as a retail agent. Whatever the establishment, each retail agent is outfitted to communicate electronically with the bank for which it is working. The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal

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that reads cards. Once an account is established or loan approved, the customer goes to the retail agent to conduct all or certain financial transactions. The retail agent checks the customer's identification documentation and processes the transaction, debiting the customer's and crediting the payee's bank account if it is a purchase or a transfer of funds between accounts. Unless the transaction is merely a transfer of funds, cash is either deposited to or withdrawn from the retail agent's cash drawer. An electronic record of the transaction is either routed directly from the retail agent to the bank or is handled by a payment processing agent that settles the transaction between the customer's account and the payee's account. (Lyman, Ivatury & Staschen, 2006).

The bank led theory is related to the study as it focus on how financial institution like bank deliver their financial services through a retail agent, where the bank develops financial products and services but distribute them through a retail agents. This can be a way of mobilizing deposits commercial banks use as a new model to increase financial inclusion and facilitate the transaction especially in the areas where the bank is not present. This model facilitates the banks to raise its deposits and lead to financial performance.

Diffusion of innovations theory

Diffusion of innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread through cultures. Rogers (2003), argues that diffusion is the process by which an innovation is communicated through certain channels over time among the participants in a social system. The origins of the diffusion of innovations theory are varied and span multiple disciplines. The four main elements of diffusion are the innovation, communication channels, time, and the social system. Diffusion is a special type of communication, in which the messages are concerned with a new idea. It is this newness of the idea in the message content of communication that gives diffusion its special character

This process consists of a series of actions and choices over time through which an individual or an organization evaluates a new idea and decides whether or not to incorporate the new idea into ongoing practice. This behavior consists essentially of dealing with the uncertainty that is inherently involved in deciding about a new alternative to those previously in existence. It is the perceived newness of the innovation, and the uncertainty associated with this newness, that is a distinctive aspect of innovation decision making (Rogers, 2003)

This theory is related to the study as it presents the process of newness and implementation of innovation. Deposits mobilization is a new model of approaching savers through marketing and financial inclusion and come up with new techniques which were not been used by traditional banking, it is perceived and communicated through channels and the social system facilitates its adoption. In mobilization of deposits new innovation has to be applied and make convincing the savers to make deposits.

Empirical review

This section provides the relevant empirical review related to the study of deposit mobilization and financial performance in commercial banks. According to Gockel and Brow (2007), Bank Deposit is money placed into a banking institution for safe keeping. Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The deposit itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability

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rather than to the actual funds that are deposited. A Bank Deposit is generally made when opening an account or in the course of routine business or personal transactions that involve placing funds with the bank for future use. Bank deposits can be made in a number of different ways. The most direct way is to walk into a bank or a bank branch in which you hold an account. Bank deposit is done by filling in a Bank Deposit slip with the particulars of your account and the amount of money you wish to deposit. Bank Deposits can be made via wire transfer, as well as through a direct deposit plan from employers in many cases.

According to Kazi (2012), in banking sector, deposit mobilization is a scheme intended to encourage customers to deposit more cash with the bank and this money in turn will be used by the bank to disburse more loans and generate additional revenue for them. The main business for banks is accepting deposits and granting loans. The more the loans the banks disburse the more profit they make. Also, banks do not have a lot of their own money to give as loans. They depend on customer deposits to generate funds for granting loans to other customers.

Traditionally, customers of banks walk to the banking premises to deposit money. This method of savings mobilization is not able to mop up enough savings. The World Development Report, (2008), in response to the problem of inability to mobilize enough savings, many banks has devised mechanisms of generating savings. Among the mechanisms for savings mobilization identified by bank's include moving from shop to shop to collect daily deposits, sending agents to economic zones to mobilize savings, among others. It is evident that the bank uses a number of mechanisms to mobilize savings. Apart from the traditional of mobilizing savings where customers walk to the bank to save, there are other ways through which the bank mobilizes savings. In addition, the bank moves from shop to shop to collect deposits. This mode of mobilizing savings is done through special arrangement with the customer. Customers who qualify must have a high sales turnover.

According to Laura, Alfred, Sylvia(2009), to mobilize more deposits, financial institutions offer a range of savings products that are tailored to their particular clientele. They offer the widest variety of specialized savings products, so that their customers have a choice between immediately accessible, liquid products, or semi-liquid accounts or time deposits with accordingly higher interest rates. Simple and clear design of basic savings products enables depositors to easily select the product that best suits their needs. The simple and transparent design of the savings products also enables staff to administer them with ease, reducing administrative costs.

According to Tanzi, (2013), Fiscal policy relates government revenue to its expenditure. In most developing countries, taxation is the main source of government revenue and the effectiveness of which rests on its ability to generate required revenue and support investment Taxation is often defined as "the levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities. Ali-Nakyea, (2008) said that, no specific reward is gained by the tax payer. The money collected is used for the common good of the citizenry -for the production of certain services, as aforesaid, which are considered to be more efficiently provided by the State rather than by individuals e.g. maintenance of law and order at home, and defense against external enemies, etc..

According to Katang and Ntui (2008), in the most basic terms, commercial banks take deposits from individual and institutional customers, which they then use to extend credit to other customers. They make money by earning more in interest from borrowers than they pay in interest to those whose deposits they accept. They are different from investment banks and

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brokerages in that those kinds of institutions focus on underwriting, selling, and trading corporate and municipal. Therefore one of the most important ways leading to financial performance is the effective use of deposit mobilized extended to customers as generation of interest.

Prasantha (1997), in his doctoral dissertation titled, "Performance of Public Sector Commercial Banks", has evaluated the performance that performance by selecting certain parameters like deposit mobilization, analysis of advances, credit deposit ratios, interest spreads, employee productivity, customer services, profit as a percentage of working funds etc. It has been brought out that there is a gradual increase in the percentage of profit on the working funds due to deposit mobilization.

Conceptual Framework

Below are indicated independent and depending variables included in the research topic deposit mobilization and financial performance of commercial banks in Rwanda. The conceptual framework interlinks independent and dependent variables as depicted in the figure below:

Independent variable

Dependent variable

Deposits Mobilization

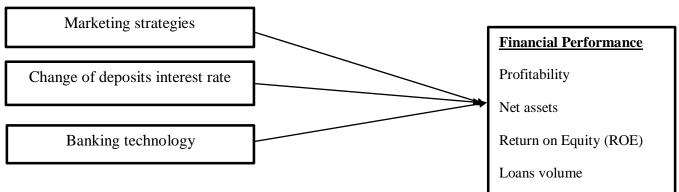


Figure 2. 1 The conceptual framework

Banks Financial performance

Performance Measures are quantitative or qualitative ways to characterize and define performance. They provide a tool for organizations to manage progress towards achieving predetermined goals, defining key indicators of organizational performance and Customer satisfaction. Performance Measurement is the process of assessing the progress made towards achieving the predetermined performance goals. Guest *et al* (2003) defined performance as outcomes, end results and achievements (negative or positive) arising out of organizational activities. They argued that it is essential to measure strategic practices in terms of outcomes. These outcomes vary along a continuum of categories such as: financial measures (Return on Asset, Return on Equity, turnover, Profitability).

Critiques of the existing literature relevant to the research topic

From the literature review presented above, it has been learnt that, deposits mobilization impacts on financial performance of banks. Many researchers have worked on the impact of deposits mobilization on financial performance of banks. There is literature concerning deposit

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mobilization. Sylvester (2010), deposits mobilization is considered a key tool in financial performance of bank, particularly for commercial banks. He argued also those evaluations of the role of deposits mobilization in financial performance of banks generate mixed results. Though most of them are supportive the role of deposits mobilization in financial performance of banks, they are insufficient, on the side of appropriate ways of mobilizing more savings, hence the researcher needs to apply it in the context of commercial banks and to analyze other strategies of deposits mobilization that are not considered in the above literature.

Summary

Like other institutions, bank's financial performance depends on several elements including working funds they use in day to day activities. Banks as institutions whose main activities and functions are to accept deposit in forms of saving from their customers, they have maintain the certain level of liquidity and advance the rest wisely otherwise, the use of micro loans can bring totally poverty, if it is not used without knowledge on it. Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different factors of the economy. The success of the banking greatly lies on the deposit mobilization. Performances of the bank depend on deposits, as the deposits are normally considered as a cost effective source of working fund. There are different types of deposits, with different maturity pattern carrying different rates of interests. Deposit mobilization is depending on the cost of deposits. Mobilization of deposits for a bank is as essential as oxygen for human being. To enhance profitability, banks take steps to minimize the expenditure and are forced to mobilize low cost deposits.

Research gap

The researcher is interested in deposit mobilization and financial performance of banks, the related research has not taken into consideration the deposit mobilization factors together with the performance of commercial banks and how it can be improved as means of increasing their financial performance. After having observed the gap in this area of research, the researcher conducted the research on the effects of deposits mobilization on the financial performance in commercial banks in Rwanda most specifically for Equity Bank Rwanda ltd.

METHODOLOGY OF THE STUDY

Introduction

This chapter discusses research methodology which the researcher used in the process of data collection .It includes the research design, the target population, sampling method and sample size, data collection procedures and data analysis method.

Research design

Manheim and Rich (1995), define study research design as a plan of the study that organizes observations in such a way as to establish a sound logical basis for casual influence. The author also added that it is a plan of action adopted by researcher in carrying out the research. This study adopted descriptive and quantitative method to obtain data useful in evaluating present practices and providing a basis for decision making. According to Mugenda and Mugenda

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(1999), descriptive research is a process of collecting data in order to test hypotheses or to answer questions concerning the current status of the subjects in the study. A descriptive study determines and reports the way things are. Descriptive research is used to describe characteristics of a population or phenomenon being studied.

Quantitative method addresses research objectives through empirical assessments that involve numerical measurement and analysis. The quantitative methods of data analysis can be of great value to the researcher who is attempting to draw meaningful results from a large body of qualitative data (Mwituria, 2012).

Target Population

Grinnell and Williams, (1990) define population as totality of persons or objects, which the study is concerned. The term population simply means possible people from whom information can be obtained. The target population of a study constitutes the group of persons, objects or institutions that defines the objects of the investigation (Patton, 2002). The population of this study consists of equity bank managers in charge of deposit mobilization namely the marketing team and the branch management's team. The marketing and the branch management team are composed by 5 and 22 staff respectively. The branch management team selected is composed by the branch manager and the operations manager at each branch.

Table 3.1: The target population

Groups	Number of branches Number of staff /department		Total	
Marketing	1	5	5	
Branch management	11	2	22	
Total			27	

Census Method

The total population studied in this research was 27 staff of equity bank Rwanda ltd. Due to the fact that the number of the population is affordable to be covered, a census method was used. A census method is a study that obtains data from every member of a population. (Sekaran, 2003). The researcher studied all the population which is the total number of staff directly deals with deposits mobilization for equity bank Rwanda being 27 staff.

Data collection instruments

The researcher used different instruments to collect data namely reports review, questionnaires. As noted by Mwituria (2012), a questionnaire is a written or printed form used in gathering information on some subject or subjects consisting of a list of questions to be submitted to one or more persons. The questionnaire were open and close ended question administered to the management staff of equity bank and the direct people involved in deposit mobilization.

Data collection procedures

The researcher got secondary data from annual financial performance and desktop results both published and unpublished documents relating to the present study. The dependent variable relied notably on the secondary data generated from the financial statements to be given from

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Equity bank. The researcher used the questionnaire to collect primary data. The questionnaire distributed by the assistant and used a drop and pick method. The variables on which primary data were collected include the deposit mobilization and financial performance of commercial banks in Rwanda, the determinants and strategies of increasing deposits.

Pilot study

As observed by Wiersma (1985), the aim of piloting is to help identify misunderstandings, ambiguities and useless or inadequate items in the instruments. The questionnaire was piloted before it was administered to the respondents. The researcher randomly picked five respondents across all the departments and interviewed them using the questionnaire. Corrections and adjustments were made where necessary on the questionnaire. Piloting enables a researcher to make corrections and adjustments (vogt, 1993).

Validity of instruments

Validity of the instruments was ensured by consulting with different departmental heads. In this perspective, ahead of designing the final questionnaire, the researcher conducted a pilot test to predict accurately the effectiveness of this survey instruments. According to Lovell and Lawson (1970), validity depends upon judgment of experts who after examining the contents decide what they think it measures.

Reliability of instruments

A reliable instrument is the one that consistently produces the expected results (Mulusa, 1990). Reliability was increased by precise identification of the data required and repeated review of instruments by knowledgeable evaluators and filed test on appropriate population. Through pilot inconsistencies were corrected to enhance the reliability of the research instrument.

Data Processing and analysis.

Creswell (2005) defined data analysis as a process which involves drawing conclusions and explaining findings in words about a study. The analysis of data was descriptive. Nachmias and Nachmias (2004) noted that descriptive statistics enables the researcher to summarize and organize data in an effective and meaningful way. They provide tools for describing collections of statistical observations, reducing information to an understandable form. The analysis of the data generated from the financial reports were graphically represented, the ones listed under sample structure and size. This is intended to show the nature and extend of mobilizing deposits and the healthy nature of commercial banks financial performance. The inferential statistics were used to test the nature of relationship.

RESULTS AND DISCUSSION

Introduction

This chapter presents the data findings on the effects of deposits mobilization on the financial performance of commercial banks in Rwanda. It presents results from qualitative and quantitative analysis on the data collected from questionnaires and secondary sources.

Background information

The respondents' general information includes gender and level of experience.

Gender of the respondents

The study findings (figure 4.2) revealed that 77% of the respondents were male and 23% were female. The respondents picked for this study were at the management level. The result then implies that the managerial position of Equity bank Rwanda is dominated by male. This is not in harmony with global trend where both gender should fairly represented at the management level. The figure 4.2 shows the gender of the respondents.

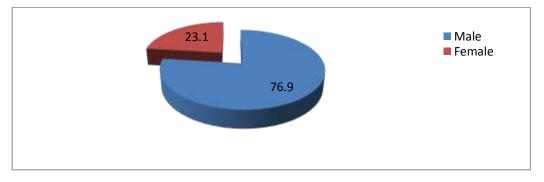


Figure 4.2: Gender of the respondents

Experience of the respondents

The findings indicate that the majority of the respondents have experience of between 6 to 10 years (54.2%) while only 37.5% have experience of less than 5 years. Those with the experience between 11 to 15 and above 15 years of experience have the equal percentage (4.2%). The findings thus indicate that the majority (54.2%) of the managerial team in Equity bank as far as deposit mobilization is concerned have sufficient experience. This gave the researcher confidence that the respondents were experienced enough such that their views and opinions based on the questionnaire will not be out of experience. The figure 4.3 summarizes the experience of the respondents in banking:

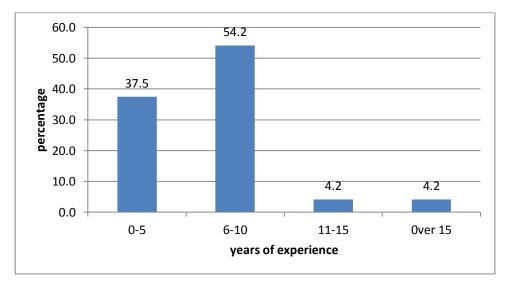


Figure 4.3: Experience of the respondents in banking

Effect of marketing strategies on the financial performance

In trying to report the findings of this variable, the study used advertisement, specialized saving products introduced in the bank as means of mobilization of deposits and other marketing tools.

Advertisement of new products

The study sought to determine whether the bank advertises new products and the results are shown in the figure 4.4. The findings (figure 4.4) show that (57.7%) of the respondents confirmed that bank advertises new products and services introduced on the market and only 42.3% of the respondents mentioned that there is no advertisement. As the newly introduced bank on the market, it increased the efforts in advertising in order to gain the market share. This has confirmed that Equity Bank does the advertisement of new deposits products introduced into the market. The figure 4.4 summarizes the view of the respondents on the advertisement of new products.

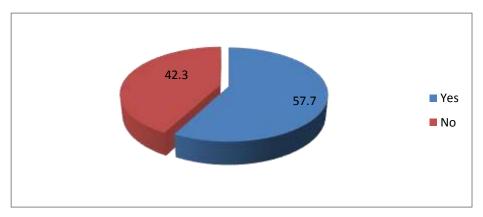


Figure 4.4: Advertisement of the new deposits products by the bank

Kinds of advertisement mostly used

The study sought to determine the advertisement method mostly used to inform customers on the new products introduced on the market. The results are shown in figure 4.5. The findings indicate that the kind of advertisement mostly used is the outdoor (56.3%), brochures and flyers (25%) and billboard (18.7%). From the respondents' views, it is evidenced that other kind of advertisement such as newspapers, telemarketing, public and social media are not used in Equity bank.

The findings agree with the study done by Hellmann et al. (2010), entitled deposits mobilization through financial restraints, which revealed that the outreach/outdoor strategy is likely to be an advantageous approach towards marketing in commercial banks in four regards: first, it draws more of the unbanked into bank branches. Second, it offers them a set of services better designed to meet their needs. Third, it is better structured to help the unbanked become traditional bank customers. Fourth, it is also likely to be more profitable for banks, making them more willing to implement it. The bank take advantage into advertising using the outreach method as it is the more advantageous. In the selection of media, target market is determined and the media that reach this target easily and cheaply is preferred.

The other strategies were rated unused in Equity Bank for the marketing strategy depends on the nature of service and the price customers are willing to pay. This agrees with Lawal (2014)

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who assessed that marketers depend on insights from marketing research, both formal and informal, to determine what consumers want and what they are willing to pay for.

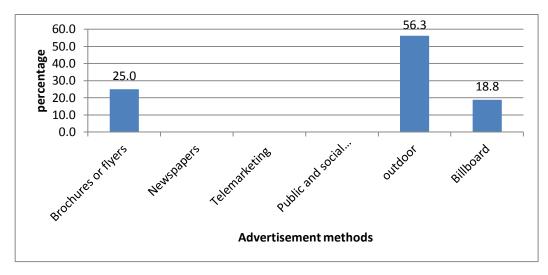


Figure 4.5: Kinds of advertisement mostly used

Deposits mobilization strategies used by Equity bank

Respondents were asked to determine the usage of deposits mobilization strategies in Equity bank. According to the findings, the respondents recognized the use of bank agencies where bank branches are not accessible and this highly and frequently used at the rate of 100%. The respondents confirmed that moving from door to door to collect daily deposit is high and frequently used at rate of 70%. The respondents said that broadening variety of specialized savings products and outreach strategy are used highly and frequently used at the rate of 40%. This has therefore confirmed the use of agency banking is the most commonly used in deposits mobilization. The findings are shown in table 4.2

Level of usage	Moving from door to door to collect daily deposits	Outreach strategy	Broadening variety of specialized savings products	Use of Bank agency where bank branches are not accessible
Highly used	42.31	20	12	53.85
Frequently Used	26.92	20	28	46.15
Rarely used	11.54	16	20	0
Never used	19.23	44	40	0

Specialized savings products offered by bank as means of mobilizing more deposits

The study sought to determine the specialized saving products mostly offered by equity bank favoring customers in mobilizing more deposits. The research findings show that, 96%

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confirmed that savings accounts is mostly offered as means of mobilizing more deposits ,while only 50% said that foreign currency accounts is used. The results are shown in the figure 4.6

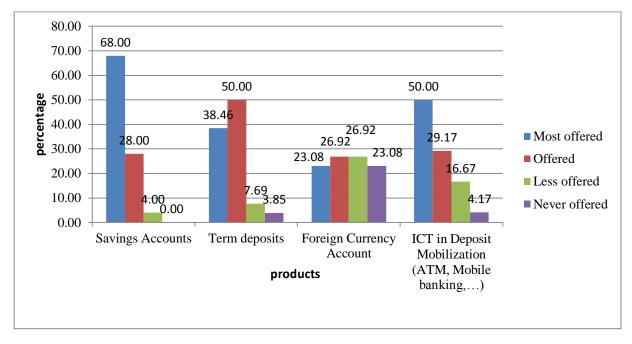


Figure 4.6: Specialized saving products offered by equity bank in mobilizing more deposits

The bank brand recognition in Rwanda.

The study sought to find the extent at which the bank's brand is recognized in Rwanda. According to the findings most of the respondents (85%) confirmed that the brand name of the bank is recognized in Rwanda. It is thus confirmed that as the brand is recognized it will positively affect the performance of the bank.

Brands are important intangible assets that significantly impact firm performance (Morgan & Rego, 2009). It is therefore ascertained that the brand recognition would affect the financial performance. The findings are indicated in table 4.3.

The brand image	Number of	
recognition	Respondents	Percentage
Highly recognized	8	30%
Recognized	15	55%
Not Recognized	4	15%
Total	27	100%

Challenges in deposits mobilization

The study sought to determine the challenges faced by equity bank in mobilizing more deposits. The finding show that the most challenge the bank encountered in deposits mobilization is

high competition with other financial institutions and this represents85.2%, while, and 7.4% of the result represent equally unstable economic conditions and difficult to reach rural areas in the collection of deposits. This indicates that the majority of the respondents strongly agreed that the bank encounter the challenge of sharing the market with other financial institutions therefore more efforts are always needed to mobilize more deposits. The table 4.4 summarizes the respondents' views.

Table 4.4:	Challenges in	deposits	mobilization	

Challenges in deposits mobilization	Number of respondents	Percentage
High competition with other financial institutions	23	85.2
No stable economic conditions	2	7.4
No sufficient instruments/infrastructures	0	0
Difficult to reach rural savers	2	7.4
Insufficient number of staff	0	0
Depositors' awareness	0	0
Total	27	100

The findings as shown in table 4.5, depicts the change made in deposits since 2011. By the year 2012 total deposits increased by 72.67%, 56.96% by 2013 and 44.29% by 2014. This increase has been achieved firstly due to the kind of advertisement used to market products and services. According to the respondents' views, all of the respondents (100%) confirmed that this strategy is used. Secondly, the strategy used to mobilize more deposits the market was also a key led to the increase in deposits. Agency banking as a new model of to reach where the bank is not accessible has been used as a tool to increase more deposits. Lastly the brand image of the bank is recognized in the public. The table 4.5 summarizes the change in deposits.

Year	Deposits received in millions Rwf	Change in Percentage (%)
2011	4,341.37	
2012	15,889.95	72.67
2013	36,919.30	56.96
2104	66,274.89	44.29

EFFECT OF INTEREST RATE CHANGES ON THE FINANCIAL PERFORMANCE

The attractiveness of the interest rate on deposits in equity bank

The study sought to determine the attractiveness of the current equity bank's interest rate applied to mobilize more deposits. Asked to judge how attractive is the current interest rate to the bank deposits, 88.5% believe that this attraction is good (competitive and highly competitive) while 11.5% did not recognize this attraction (not competitive and highly not

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competitive). This argue that the current interest rate on deposits is strongly competitive and impact on the bank deposits since customers are willing to make deposits as means of gaining competitive rates. The results are shown in figure 4.7

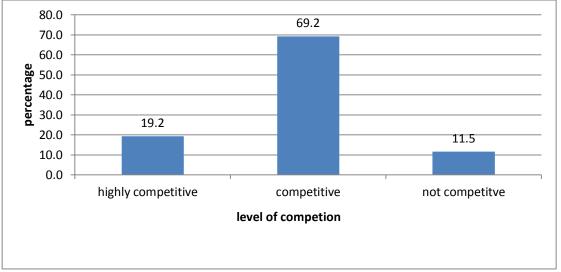


Figure 4.7: The attractiveness on the current interest rate on deposits in equity bank

Effects of deposits interest rate on the financial performance

Respondents were asked to judge whether the deposits interest rate have an impact on the bank deposits. According to the filled and returned questionnaires, the majority of the respondents (96.2%) agreed that there is a strong effect of the deposits rate on the bank deposits while only 3.8% disagreed on the effects. These results are significant with the study established by Mohan (2012), in the related study of deposits mobilization in cooperatives banks in India, examined that cooperative banks rely on individual's depositors as well as cooperative societies. Their efforts should be oriented towards the mobilization of more savings and current accounts deposits through continuous publicity, effective marketing management and providing good service to the clients. The summary is shown in figure 4.8

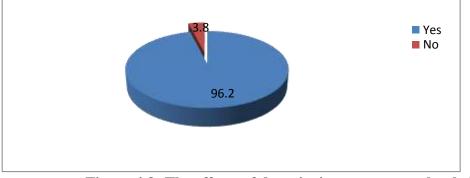


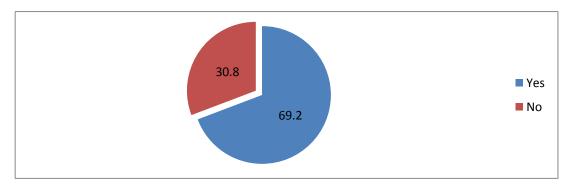
Figure 4.8: The effects of deposits interest rate on bank deposits

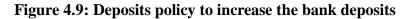
The deposits policy of the bank to increase deposits

The study sought to determine whether the deposits policy of the bank is favoring customers to increase more deposits. As shown in the figure 4.8, 69.2% agreed that the deposit policy of

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the bank are favoring savers to increase deposits with the bank while 30.8% said that policy of the bank are not favoring customers to make more deposits. From the results, it is strongly agreed that deposits policy of equity bank are favoring customers to make more deposits. The results are shown in the figure 4.9





Asked the reasons why they believe the deposits policy is favoring customers to increase deposits in the bank, 66.7 % of the respondents stated the reasons of easy of opening term deposits accounts, 22.2% stated the termination of contracts as requested by the depositor, 5.6 % stated the high interest rate paid on term deposits and 5.6% stated relatively short term deposits period. The results are also summarized in figure 4.10

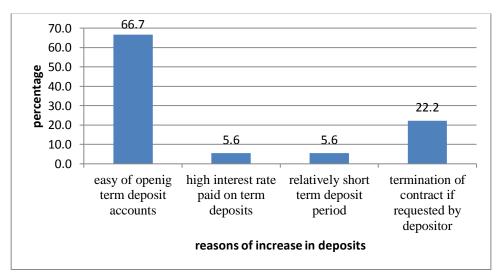


Figure 4.10: The reasons for the increase in deposits

Effects of interest rate changes on the deposits mobilized

The study sought to determine the effects of changes in interest rate on the deposits received. The findings in table 4.6 show the interest rate changes along the years and the effect made on the deposits mobilized. According to the findings, in 2013 average interest rate was 6% and this has made customers to bring more deposits. Since the majority of the respondents confirmed that Equity bank's interest rate on term deposits is competitive, and the ease in opening term deposits accounts, deposits has been increasing over the years and from these deposits, the bank has been able to extend loans and advances to customers which led to the

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increase in net interest income. The table 4.6 summarizes the change in deposits mobilized and the Net interest income

Year	Deposits mobilized in million Rwf	Average interest rate p.a (%)	Net Interest income in million Rwf	Change in Percentage (%)
2011	1	5	15.05	Tereentage (70)
	1	5		09.76
2012	96,183.29	5.2	1,214.68	98.76
2013	11541.08	6	2,587.86	53
2014	9535.54	5.1	4,645.72	44.29

Table 4.6:	Effects of interest	rate changes on	the financial	performance.

EFFECT OF BANKING TECHNOLOGY ON THE FINANCIAL PERFORMANCE

Bank accessibility in rural areas

The study sought to determine the extent at which the bank is accessible to rural savers. The findings indicate that the majority of the respondents (96.2%) agreed that the accessibility of the bank is good (highly accessible and accessible) whereas only 3.8% disagreed on the accessibility on the bank in rural areas. The results are shown in the figure 4.11.

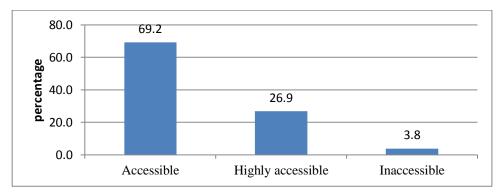


Figure 4.11: The bank accessibility in rural areas

Asked the reasons why they believe the bank is accessible and strategies used by the bank to make it more accessible and facilitate in mobilizing more deposits, the majority of the respondents (92.5%) stated that the bank is using the agency channel to mobilize more deposits as it approaches the rural and unbanked areas. The table 4.7 summarizes findings frequency of the respondents.

Strategies to mobilize deposits	Frequency	Percentage
Agency channel	25	92.5
Partnership with microfinance and S.	ACCOs 2	7.5
Using a van to collect deposits	0	0
Total	27	100

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Applied alternative banking channels

The study sought to determine the most applied alternative banking channels to mobilize more deposits, The findings indicate that 80.8% of the respondents judged that agency banking channel is the most applied alternative and 19.2% judged automatic teller machines while none judged about mobile banking and internet banking channel. The figure 4.12 summarizes the findings.

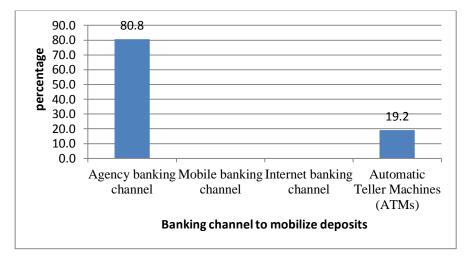


Figure 4.12: Most applied alternative banking channels

The findings is complementing the study done by Sylvester (2011) in commercial banks of Ghana where he revealed that the innovative marketing strategies currently used by commercial banks were the use of automated teller machines (ATMs) to facilitate cash withdrawals, telephone banking, networking of bank branches to speed up credit deliveries and computerization of banks to encourage interbank transactions. The agency banking model came in forms of new model of mobilizing low costs deposits and facilitates the easy access in financial services.

Effect of banking technology in mobilizing deposits

The study sought to determine the effect of banking technology on the deposits mobilization performance. One of the banking technologies used by Equity bank is the introduction of agency banking which helped to reach the unbanked areas and made the bank able to get more deposits from the niche areas. As shown in the table 4.8 more than 2 billion mobilized through agency since it was introduced in Equity bank. This has created a new model of mobilizing a low costs deposits as these deposits are made through 226,544 saving accounts opened. Without agency banking there would be no mobilization of these deposits. The table 4.8 summarizes the deposits mobilized through Agency banking by end year 2014.

	Saving Accounts Opened	Deposits Mobilized in million Rwf
2012	52,485	120.90
2013	95,514	787.46
2014	78,545	1,116.10
Total	226,544	2,024.47

Table 4.8: Account opened and deposits mobilized through agency banking

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Deposits mobilization and the financial performance

The following table summarizes how deposits mobilized have been made an effect on the interest income in the period under review. The table 4.9 shows that deposits mobilized have been increased along with the loans portfolio and this has made an effect to the interest income received. The loans disbursed depend on the amount of deposits mobilized since the bank lend from the customer's savings.

The study findings agree with those of Sharma (2009), who revealed that the bank credit and bank deposits are very closely related with each other. They represent, roughly speaking two sides of the same coin on the balance sheets of banks.

Year	Deposits mobilized in million Rwf	Loans disbursed in million Rwf	Net Interest income in million Rwf
2011	4,341.37	305.23	15.06
2012	15,889.95	12,485.29	1,214.69
2013	36,919.30	28,220.76	2,587.87
2104	66,274.89	47,639.16	4,645.72

Table 4.9: Deposits mobilized, loans and interest income

Deposits mobilized through Term deposits

The table 4.10 depicts the deposits mobilized through term deposits. Most of the term deposits are fixed between 10 and 12 months which give a surety to the bank to advance at least up to the fixed period. Within 2013 and 2014 the bank has mobilized deposits mostly through term deposits. These kinds of deposits are used to extend loans and advances to customers however the fact that they are fixed at a certain period, a fixed interest rate is paid hence they are expensive. The table 4.10 shows deposits mobilized through term deposits.

Table 4.10: Deposits mobilized through term deposits (in million Rwf)

Period					Total Deposits
(months)	2011	2012	2013	2014	mobilized
Up to 3	0.00	0.00	2,046.33	3,154.31	5,200.64
4 to 6	0.00	15.98	956.00	627.92	1,599.89
7 to 9	0.00	0.00	4.20	2.51	6.71
10 to 12	1.00	906.35	7,596.07	4,565.09	13,068.51
Beyond 12	0.00	3.85	938.46	1,185.71	2,128.03
Total	1.00	926.18	11,541.07	9,535.54	22,003.80

Deposits and Net profits growth

The table 4.11 shows the deposits and net profit growth. Between 2011 and 2012 there was a great variation in deposits and net Loss as the bank was starting and operated only for few months in 2011. This has made the bank to decrease its profit by 83% but recorded the significant increase in deposits of 73%. After the introduction of agency banking in 2013, the

bank created other different new pool revenues and mobilizing deposits which made the bank to breakeven and the increase in its profit by 181%.

	DEPOSITS	variation	NET PROFIT	variation
	(in million		(in million	
	Rwf)		Rwf)	
2011	4,341.37		-292.06	
2012	15,889.95	73%	-1,690.34	83%
2013	36,919.30	57%	-1,050.67	-61%
2014	66,274.89	44%	1,291.48	181%

Table 4.11 Deposits and net profit growth

The financial performance of a bank is measured by the profitability, the return on Equity, Return on Assets and the level of loans disbursed. Table 4.12 shows that the return on Equity (ROE) and the Return on Assets (ROA) changed from negative to positive which tend to give returns to the investors. The negative value can be explained by the facts that the bank started its operations by late 2011 in Rwanda, it took some years to set up and breakeven, and this has made the ROA and ROE to be negative in the first two years but increasing as the net profit was also increasing although negative. A significant increase was made by 2013 and 2014 where the bank acquired the new model of technology aiming at reaching the bottom society. This has made deposits and the loan book increasing significantly. Table 4.12 summarizes their performance.

Year	DEPOSITS	LOANS	NET PROFIT	TOTAL ASSETS	OWNERS EQUITY	ROA	ROE
	(in million Rwf)						
2011	4,341.37	305.23	(292.06)	12,020.96	6,717.66	(0.02)	(0.04)
2012	15,889.95	12,485.29	(1,690.34)	24,196.89	5,027.32	(0.07)	(0.34)
2013	36,919.30	28,220.76	(1,050.67)	48,111.88	7,127.34	(0.02)	(0.15)
2014	66,274.89	47,639.16	1,291.48	88,786.44	18,419.06	0.01	0.07

 Table 4.12: Deposits mobilization and bank performance

Previous studies (Christophe & Arthur, 2013) depicted the Return on Equity (ROE) as a central measure of performance in the banking industry, which is used to allocate capital inside and across divisions. ROE could be a good performance measure if the measurement and disclosure of risks led to a perfect adjustment of the level of bank equity. However, the extreme focalization on ROE may drive managers to take higher risks, in an industry where complexity and opacity considerably alter the ability of outsiders to observe them accordingly.

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CORRELATION TEST BETWEEN DEPOSITS MOBILIZATION AND FINANCIAL PERFORMANCE

Correlation between marketing strategies and the financial performance

The table 4.13 depicts the correlation between marketing strategies and the financial performance. Pearson's correlation is 0.79 and Spearman's correlation is 0.82. These tests show that there is a strong positive correlation between marketing strategies and the financial performance. Therefore there is a positive effect of the marketing strategies on the financial performance.

Table 4.13: Correlation test between marketing strategies and the financial performance.

		Value	Asymp. Std. Error ^a	Approx. Sig.
Interval by Interval	Pearson's R	0.79	0.18	.173 ^c
Ordinal by Ordinal N of Valid Cases	Spearman Correlation	0.82 27	0.204	.339°

Correlation between interest rate changes and the financial performance

The findings as shown in table 4.14, indicate that Pearson's correlation is 0.770 and Spearman's correlation is .800 therefore there is a strong positive correlation between interest rate changes and the financial performances. The results agrees with the study established by Tafirei et al.(2014) in their study on analyzing the relationship between Banks' Deposit Interest Rate and Deposit Mobilization: Empirical evidence from Zimbabwean Commercial Banks (1980-2006), showed that The correlation coefficient for deposit rates is 0.771615 indicating that ceteris paribus a 1% increase in Deposit Rates leads to a 0.771615 increase in bank deposits and hence the strong relationship between deposits interest rate and the financial performance.

Table 4.14: Correlation test between interest rate changes and the financial performance

		Value	Asymp. Std. Error ^a	Approx. Sig.
Interval by Interval	Pearson's R	0.77	0.253	.225 ^c
Ordinal by Ordinal	Spearman Correlation	0.8	0.3	.200 ^c
N of Valid Cases		27		

Correlation between banking technology and the financial performance

The table 4.15 shows the test of relationship between banking technology introduced by and the financial performance. Spearman's and Pearson's correlation are 0.510 and 0.450 respectively. Hence there is a positive effect of banking technology introduced by Equity Bank,

and the financial performance. The related study conducted on E banking as one of the components of banking technology on the financial performance among the commercial of Kenya, indicated that Mobile deposits has encouraged the culture of savings especially among low income earners and there is a strong relationship between E banking and the financial performance(Josiah &Nancy,2012).

Table 4.15: Correlation test between ba	nking technology and	d the financial performance
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		Value	Asymp. Std. Error ^a	Approx. Sig.
Interval by Interval	Pearson's R	0.45	0.223	.225°
Ordinal by Ordinal N of Valid Cases	Spearman Correlation	0.51 27	0.22	.200 ^c

The findings agree with Dancan (2012) who assessed in commercial banks in Kenya using the regression coefficient and revealed that there is a positive relationship between Deposits Ratio and ROE and there is also a positive relationship between Deposits Ratio and ROA. However prominence insights were not provided on the net profit and total assets growth.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary of research findings, exposition of the findings, conclusions, policy recommendations based thereon, proposes various strategies for further research on the effect of deposits mobilization on the financial performance of commercial banks in Rwanda. The findings are summarized in the line of objectives of the study as described in chapter one of this research project.

Summary of the findings

The findings have shown that there is an effect of marketing strategies on the financial performance of commercial banks in Rwanda. In one of the commercial bank taken as a case study, the findings shown that, the fact that majority of the respondents(85%) confirmed that the brand name of the bank is recognized in the public, this mean that there is a trust and confidence to the bank which attract the customers to increase deposits of money in the bank. The research findings also revealed the main challenge the bank faces is high competition (85.2%) but despite the challenge with other banks as confirmed by most of the respondents, through the designing of a special saving products and advertisement mostly the outdoor strategy, the bank was able to increase its deposits as well as customers.

The increase in the number of the customers as well as deposits, led to the performance in deposits as the bank was able to disburse more loans to customers which attracted more interest on loans disbursed hence increase in net income. The statistical correlation revealed that Spearman's is 0.82 meaning that there is a significance positive relationship between marketing strategies and deposits mobilization performance.

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The research findings indicated that the majority of the respondents believe that a positive change in deposits interest rate of Equity Bank has a big impact on mobilization of more deposits from customers. This was confirmed by the increase in deposits mobilized through term deposits over the years. The study revealed that the majority of the respondents (96.2%) believed in the positive effect of deposits interest rate on bank deposits against 3.8%. Through the offering of the relatively competitive interest rate, the easy of opening and/or closing of the term deposits the bank has been able to increase in deposits base by 93% from 2011 to 2014. The statistical test revealed that Spearman's correlation is 0.80 meaning that there is a strong positive correlation between interest rate changes and the deposits mobilization performance of commercial banks in Rwanda.

The study established the effect of banking technology introduced on the financial performance. By introducing the new model of technology, Equity Bank has been able to create a new channel of mobilizing low cost deposits, more than Rwf 2 billion was mobilized so far. The majority of the respondents (96.2%), confirmed that due to the bank accessibility in rural areas, as a result of increasing in the number of agency banking in the country, this facilitated the easy access of financial services. The fact that deposits mobilized through term deposits are expensive, the strengthening and streamlining of agency banking model have set the bank to the above average standard as the later are of the low costs. The statistical correlation revealed that Spearman's correlation is 0.510 which is significant to prove the positive relationship between banking technology and the financial performance.

The study also established the effect of mobilized deposits on the financial performance of commercial banks in Rwanda case of Equity Bank Rwanda .The financial performance of banks is measured by the profitability, the return on equity, the return on assets, loans volume, etc. In the line of determining the effect of mobilized deposits on the financial performance, the study shown that the increase of deposits led to the loans volume increase along the years, the Return on Asset (ROA) and Return on Equity) ROE equally increased from negative to positive which means the good return to investors. A significant increase has been made in the year of 2013 and 2014 where the deposits and the loan book increased significantly which also led to the increase in net profit.

CONCLUSION

From the findings of this study, it can be concluded that the deposits mobilization positively affects the financial performance of commercial banks in Rwanda case of Equity Bank Rwanda. The findings indicated that the marketing strategies used can be one of the tools to mobilize more deposits. Deposits play a vital role in the financial performance and sustainability of a bank and it is an indispensable factor in which loan disbursements and revenue generations are based.

The findings also indicate that a positive change in deposits interest rate affects the level of deposits received and later on the profitability of the bank. The study revealed that the introduction of innovative banking technology has led to the increase in deposit mobilized at low cost. One of the banking technologies adopted by Equity Bank Rwanda is the agency banking. This made the easy access of financial services in the unbanked people and mobilized the low costs deposits as opposed to the usual way of getting deposits through term deposits. The deposits mobilized have a direct effect on the financial performance of commercial banks in Rwanda.

RECOMMENDATIONS

In order to increase deposits mobilized in commercial banks in Rwanda, the management of Equity Bank Rwanda should design other innovative marketing strategies which can increase the level of low cost deposits such as use of mobile van bank in collecting deposits. The Management of Equity Bank Rwanda should put in place strategies that focus on unbanked population since they represent a significant number of customers left out which can build trust on and sustain its performance once they are included in the financial sector. The study also recommends strengthening and streamlining the agency banking channel as it facilitates the collection of deposits in rural areas where there is no presence of commercial banks. The banks should also offer competitive rate on deposits as mechanism of mobilizing more but at the same time balancing with the interest paid on them, use different channels of making advertisement of the existing and new product offered to the customers, do the campaign of awareness on agency banking in order to build the trust of customers by studying and minimizing challenges faced by people using this channel. The banks should put in place strategies aiming at improving deposit mobilization policy in order to attract more customers and also ensure that there is an effective and efficient policy of converting deposit mobilized into loan in order to gain the interest paid on the deposits.

AREAS FOR FURTHER STUDIES

The study recommends that future studies should take a holistic view of factors influencing the deposits mobilization and the financial performance in financial sector by comparing commercial banks and micro finances. In order to enhance the performance in the whole financial sector, the same study can be studied in micro finances to see whether the same strategies applied in commercial banks can also be applied in micro finance.

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