

MOBILIZATION AND GROWTH OF BANK DEPOSITS IN KENYA
AN EMPIRICAL ANALYSIS

BY

ALLAN MILTON MAENDE

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ABSTRACT

This study evaluated various ways and means of enhancing the mobilization and growth of commercial bank deposits in Kenya. In particular, the determinants of the demand for commercial bank deposits in Kenya were identified and appraised, using a myriad of descriptive, analytical and mostly empirical methodology. Time series data covering 1968-1991 was analyzed using the Ordinary least squares (OLS), Two stage least squares (TSLS) methods of estimation and Granger tests of causality. Commercial banks' branch network expansion, increased national income levels and stability within the banking industry were found to be major factors which govern the demand for commercial bank deposits in Kenya. It was established that there is a one way or unidirectional relationship between the volume of bank deposits and bank branch network expansion. Several policy implications could be drawn from these findings. Firstly a rural oriented bank branching policy, is an absolute must, in conformity with stated government strategies and plans. Secondly, commercial banks should place more emphasis in future on improved retail banking marketing and innovative methods in their sustained efforts to attract bank deposits. Thirdly, the government has the obligation to ensure that the rate of inflation is kept under control in order to promote deposit mobilization and also the growth of the banking sector. There is need for a comprehensive deposit mobilization strategy in Kenya. Such a strategy should stress on, reforms meant at ensuring the stability of the banking system, as one of its prime tenets.