

**An investigation of the determinants of deposit mobilization and their impact on
lending by commercial banks in Tanzania**

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Commercial banks in an economy stand as one of the major media through which surplus funds are channelled to deficit spenders. While individuals with surplus funds save with banks or other financial institutions, those with deficits borrow from these financial institutions. So it can be seen that commercial banks in their roles of deposit mobilization and lending are of paramount importance to the economy of any country. This study investigated the determinants of deposit mobilization in commercial banks, whereby interest rates, credit squeeze and expenditure on advertising were used to test the validity of the statement that, among other determinants of deposit mobilization, these too have an impact on deposits.

The study employed a quantitative approach to analyse the data whereby multiple regression was used to regress deposit (as dependent variable) on interest rates, credit and expenditure on advertising as independent variables. Data was analysed using the SPSS programme.

The results indicate that loans largely affect deposit mobilization. The movement between interest rate and deposit was found inversely related, and hence the impact of interest rate on deposit depends on the specific type of deposit. Similarly there is a positive relationship between advertising and total deposit.