The structure and performance of Ethiopian banking industry

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Abstract

This study is aimed at evaluating the performance and structure of Ethiopian banking sector. The deposit, capital and loan performance of all commercial banks in Ethiopia from 2003/4 to 2014/15 were considered in order to investigate the structure and performance of the sector. A comparative analysis has been made to evaluate the position of public and private owned banks. Furthermore, HHI technique is used to evaluate the competition level of the industry. The performance of the sector in relation with deposit, capital and loan has dramatically increased in the periods considered. the public banks has strong domination in all the measures taken in to account with the domination of CBE which owned more than half of the market share in all aspects. Due to this fact the HHI indicated that the banking sector of Ethiopia is highly concentrated in relation with deposit, loan and capital implying that the competition level in the sector is very low.

Key words: Structure, performance, competition and HHI

1. Introduction

Banks play a crucial role for the development of a nation. It expedites investment activities which areconsidered as the back bone of development. A bank is an institution which accepts deposits from the public and in turn advances loans through creating credit. Through this function banks are vital components of the economy which takes the lions share in the development of a nation.Themereexistence ofsurplus units and deficit units does not justify the need for financial intermediaries like banks (Bain and Howells, 2003 as cited by Ebisa, 2012).

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The origin of banking sector in Ethiopia goes back to the early 1990's. It was started in the monarchial regime followed by the Derge regime in which the financial institutions were basically executing the economic plans outline by the central planning organ (Harvey, 1998). The banking sector had different structures in different regimes since its establishment. Following the demise of the Derge regime a new market economy was launched which has increased the size of the market drastically as private banks were established. According to Tesfaye (2014) since 1991 Ethiopia has been taking various liberalization measures which are intended to enhance the performance of banks in the industry. Some of the measures include lifting of the lending rate cap, allowing private owners to invest in banks, introducing new financial instruments like introducing treasury bills, inter-bank foreign exchange market and others.

The financial sector of Ethiopia is closed to foreigners though it has been opened for private Ethiopian investors.The new policy has fundamentally changed the structure and functioning of the financial sector. Due to this fundamental policy shift different private financial institutions were emerging to the market which contributed a lot for the economic growth registered in the recent past periods. Equally the role of the Ethiopia's central bank was also reformulated. Thus, financial sector reconstruction was the top item in the government's agenda (Alemayehu, 2006).

According to Admasu and Asayehegn (2014), the bankingsectorremains repressedsince the reformprocesshasbeenpainstakinglyslowandthe policy measuresimplementedsofar arenotfullyadequate.As a result, the sector is not yet competitive and efficient. However, it is strongly argued that greater competition amongdomestic andforeignbankscanbringgreaterbenefitsinthe formof improvingefficiency.Moreover, Tesfaye (2014) described that despite the reforms introduced in the sector, the financial sector still remains to be undiversified in types of ownership, market share and financial instruments. The market share of the industry is highly dominated by government owned banks.

Privatizationof thedominantstate-owned banks,free entryof foreignbanks, free market to interest rate and exchange rate and improved regulatoryandsupervisoryabilityof the

NationalBankofEthiopia has remained a debatable issue by the concerned international organizations and professionals of the sector. Hence, the structure of the banking sector still remains the main agenda of discussion despite the major changes made by the government.The government of Ethiopia has a firm stand on the matters stated since the policy of the government is rigid towards the full liberalization of the sector.

It is strongly believed and stated in banking literatures that ownership and structure matters in the performance of the banking sector; in particular, government ownership of banks is argued to be less efficient than private ownership (Bonin, 1998). Moreover, according to Boubakri (2002) excessive private ownership may limit access to credit to many parts of the society. However, it is the consensus of many individuals in the area that structure and ownership of banks has significant impact on the performance of the banking industry. Concentration of the banking industry as being an outcome of structure and ownership has its own pivotal role on the market condition of the banking industry. As to the literatures greater concentration has both positive and negative impacts on market power of the banking industry. Moreover, according to Muluneh, (2008) as cited by Ebisa (2012) Concentration inthemarketisabarrierfor thepresenceofawell-builtcompetitionandtheprevalence ofexcessiveunutilizedfinancialpotentialintheformof excessreservesandliquidityimpedesefficiency ofbanks whichneedforanimmediate attentionofpolicy makers.

As far as the determinants of banking performance is concerned, bank size as measured by total deposits (Cirelic and al-alami (1991) or assets (Smirlock (1985) is one of the variablesused in analyzing performance of the bank system. Similarly, performance is defined by the level of bank profitability measured by return on assets (ROA), Return on capital (ROC) and return on Equity (ROE). Banks as being profit oriented organizations aims to enhance their level of profit. However, according to Garcia-Herrero et al. (2009) too high profitability could be indicative of market power, especially by large banks which may hamper financial intermediation because banks exercising strong market power may offer lower returns on deposit but charge high interest rates on loans. On the contrary too low profitability, in turn, might discourage private agents (depositors and shareholders) from conducting banking activities thus resulting in banks failing to attract enough capital to operate which could imply that only poorly capitalized banks intermediate savings with the corresponding costs for sustainable economic growth. Despite many measures have been taken to enhance the performance of the sector, Ethiopian banks performance has still remained poor with substantial gaps in service delivery to private agents, particularly to the rural and lower-income population (Kefele (2008) as cited by Abdemikael (2012)).

Currently the Ethiopian banking industry is composed of 2 government banks (after construction and business bank is swallowed by the giant commercial bank of Ethiopia) and 16 private banks. All private and government banks have expanded their branch network across the country and havealready maintained2693 branches as of June 2015 as per NBE report.This paper aims to examine the structure and performance of the banking industry in Ethiopia in relation with deposit, capital and loan portfolio variables.

2. Objectives of the study

2.1. General objective of the study

- To examine the overall performance and structure of Ethiopian banking industry in line with working rules and regulations.

2.2. Specific objectives

- To evaluate the overall performance of the banking sector in Ethiopia.
- To figure out working rules and regulations which determines the performance of the sector
- To evaluate the structure of the banking industry which determines its performance
- To examine the competition level of the banking industry
- To compare and contrast the performance and structure of private and government owned banks

3. Methodology of the study

3.1. Research type

A descriptive type of research was deployed in order to address the structure and performance of Ethiopian banking industry. A detail analysis was undertaken to investigate the relationship between banking structure and performance.

3.2. Data Source and Method of Collection

Secondary sources of data that deals with the financial performance of banks were considered in order to analyze the relationship between the variables. As a result, the last twelve years data which deals with the number of branches opened and the financial data which includes deposits, capital and loan portfolio were thoroughly analyzed together with books, journals, brochures and magazines which are pertinent to the area. As a result the time series data that clearly describe deposit base, capital, loan portfolio and the overall performance of the banks were compiled.

3.3. Method of Data Analysis

Descriptive statistics tools were used to analyze the data collected from secondary sources. The researcher has chosen descriptive statistics mainly because of its simplicity and clarity to draw inferences. The basic variables related with the structure and performance of the banking industry was thoroughly analyzed. Moreover, to find out the competitive level of the industry HHI model was used. The model helps to identify the concentration level of the industry.

4. Results and discussion

The results obtained in the course of investigation are fully described in the next part. The data collected were analyzed using descriptive statistics and the necessary inferences were drawn. To further identify the causality of the variables further investigation and comparative analysis among the different banks were undertaken.

To address the competitive level of the bank, the market share of the bank in line with their branch expansion were analyzed through HHI. The share of the bank to the total deposit and loan market were determined and related consequences were investigated in detail through the model. A comparison wasmade among the different banks considering their market share.

4.1. Branch expansion trend of the industry

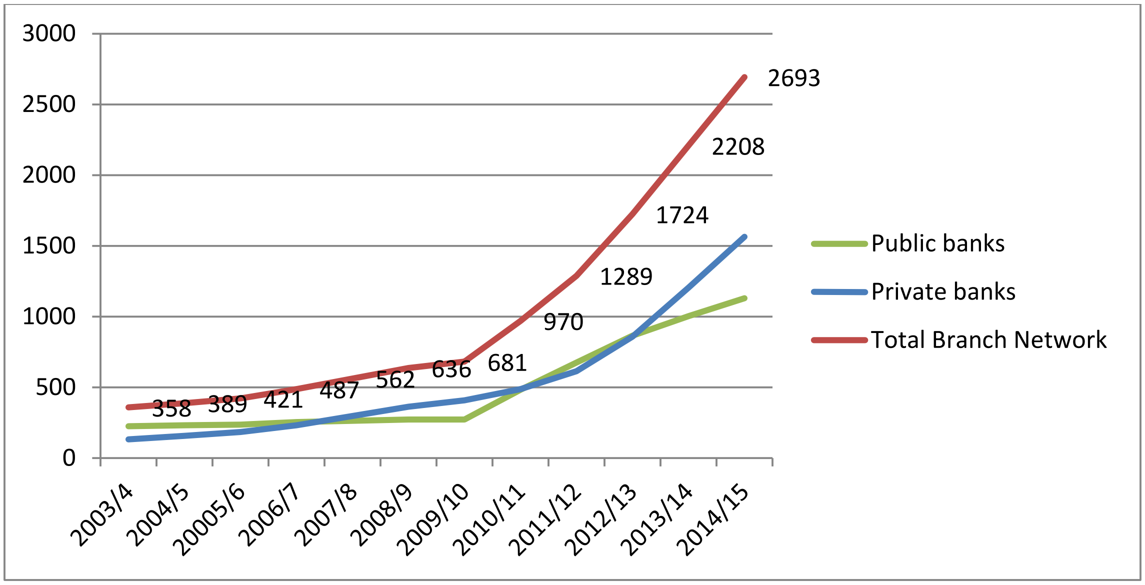
Branch banking is the most prevalent banking system in most countries of the world. Similarly the Ethiopian banking industry is also characterized with the expansion of branches to reach the unbanked part of the society and to enhance accessibility. As per the directive of NBE a bank is required to obtain prior authorization from the national Bank of Ethiopia to open a branch office.Before commencing operation a bank authorized to open a branch shall ensure that the bank's relevant policy and procedure manuals, and NBE directives are distributed to appropriate staff members of the branch to be opened; and ensure that the branch is adequately guarded. Under the supervision of the central bank both public and private banks have been expanding all over the country and the expansion is becoming aggressive in the recent periods. The branch expansion trend of the industry is depicted below.

Table 1: Branch network of the banking industry

	Branch Network									
	2003/4	2004/5	20005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/1
Total Public Banks	225	232	236	255	264	273	273	483	675	866
Total Private Banks	133	157	185	232	298	363	408	487	614	858
Grand Total Banks	358	389	421	487	562	636	681	970	1289	1724
Growth rate		8.60%	8%	16%	15%	13%	7%	42%	33%	34%

Source: NBE reports

Graph 1: Branch growth trend of the banking industry



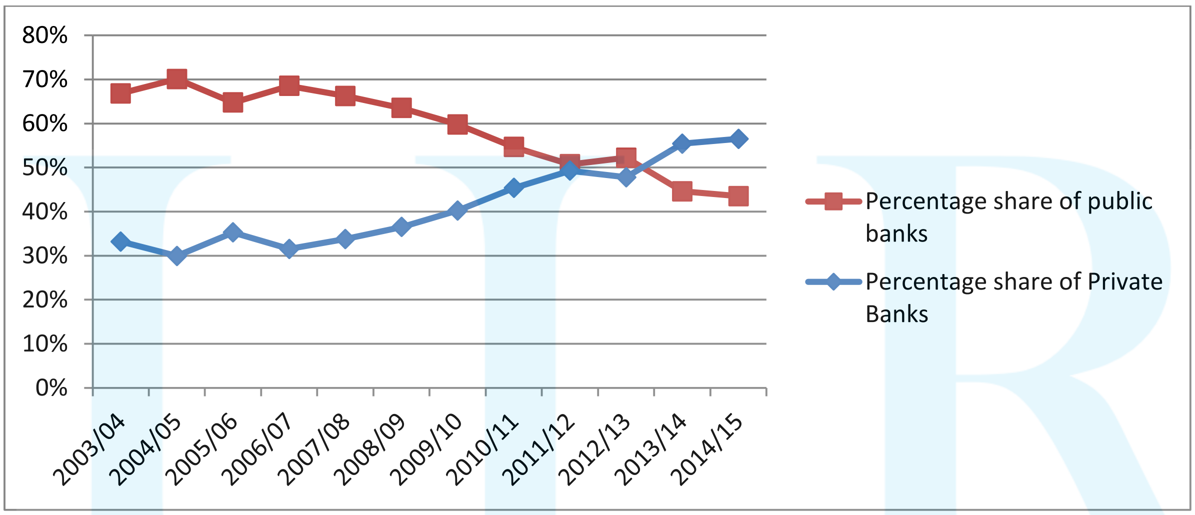
Source: NBE reports (2003/04-2014/15)

As indicated above the total number of branches reached 2693 in the year 2014/15 which was 358 in the year 2003/04. The major number of branches was owned by public banks until 2013/14. However, after the stated period the number of branches owned by private banks has surpassed the branches owned by the public banks.CBE has taken the major share of the total bank branches. But its share has declined in the recent periods with the expansion of private banks. The total branch network of the industry has been grown continually and the maximum growth rate was registered in the year 2010/11 where a growth rate of 42% was registered and the minimum growth rate of 7% was registered in the year 2009/10.

4.2. Total capital of the banking sector

The total capital of the banking sector reached Birr 31.5 billion at the end of 2014/15 which was higher by 10 fold compared to 2003/04. As evidenced in the graph beneath, the share of public banks capital from the total capital of the industry has continuously declined with the increment in the capital of private banks. The share of public banks capital has reached to 43% during 2014/15 from 67% in 2003/04. Though the share of public banks has declined in the recent periods, CBE and DBE alone has covered 41% of the total capital of the industry. The capital of private banks is minimal and the highest percentage goes to Awash and Dashen bank at an equal percentage share of 8% as of 2014/15. Similar with branch network, public banks are dominant and owned the highest share of the industry's capital. However, the capital growth rate of private banks is higher than public banks due to their significance number since public banks are only 3. The share of public and private banks from the total capital of the industry is depicted in the graph beneath.

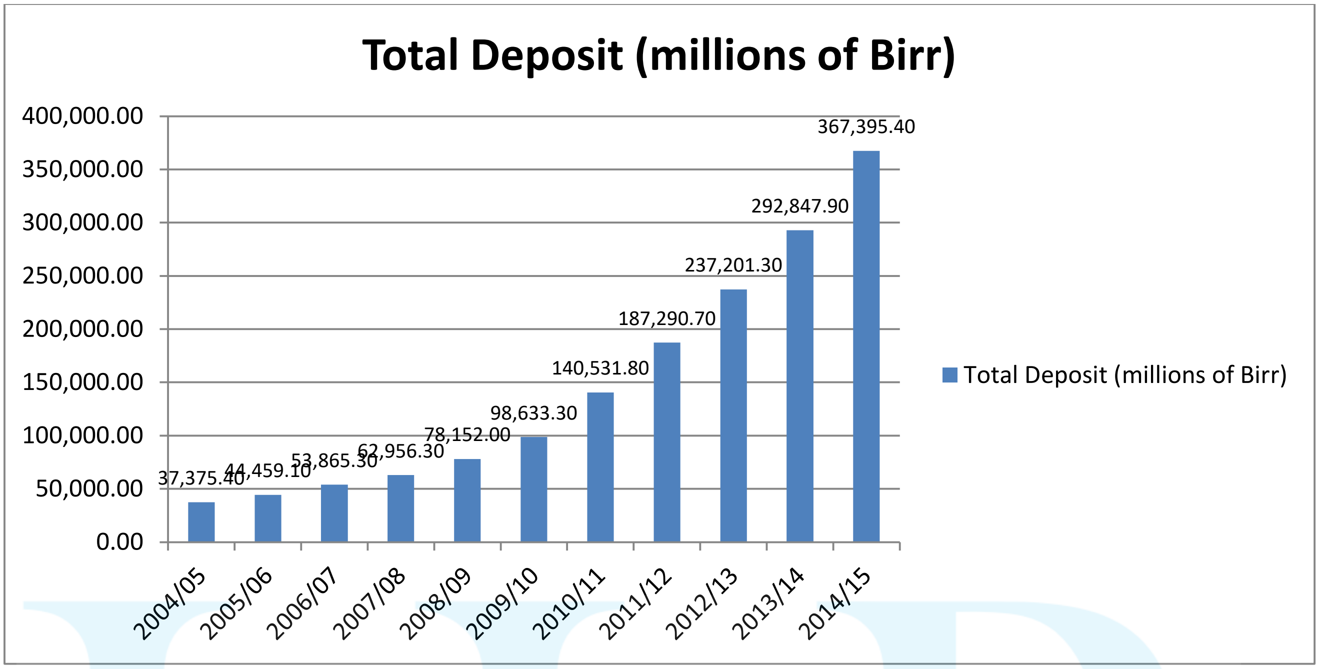
Graph 2: Capital position



Source: NBE reports (2003/04-2014/15)

4.3. Deposit performance

Graph 3: Deposit performance in millions of birr



Source: NBE reports (from 2004/05-2014/15)

As it is evidenced from the above diagram, the amount of deposit mobilized by commercial banks has continuously increased in all the periods taken in to consideration. The total deposit mobilized has reached to birr 367.3 billion in the year 2014/15 from 37.3 billion birr in the year 2004/05. Hence, it is simple to deduce that the amount of deposit mobilized by all banks has increased drastically during the study periods. Public banks have taken the lion's share of the deposit mobilized during the periods though their number is minimal as compared with the private banks. Wide branch expansion of CBE, the dominant public bank, contributed for the domination of public banks in all banking operation in general and deposit mobilization in particular. From the total deposit of the industry, the share of CBE is highly significant.

With regard to the type of deposits is concerned, demand deposit was taking the major share of the total deposit until 2012/13. However, during the last two years of the study period saving deposit has covered the major share of the total deposit mobilized. When we examine the year 2014/15 deposit performance demand, saving and time deposit has covered 41%, 47.5% and 11.5% of the total deposit. The detail is depicted in the table beneath.

Table 2: Types of deposit in millions of birr

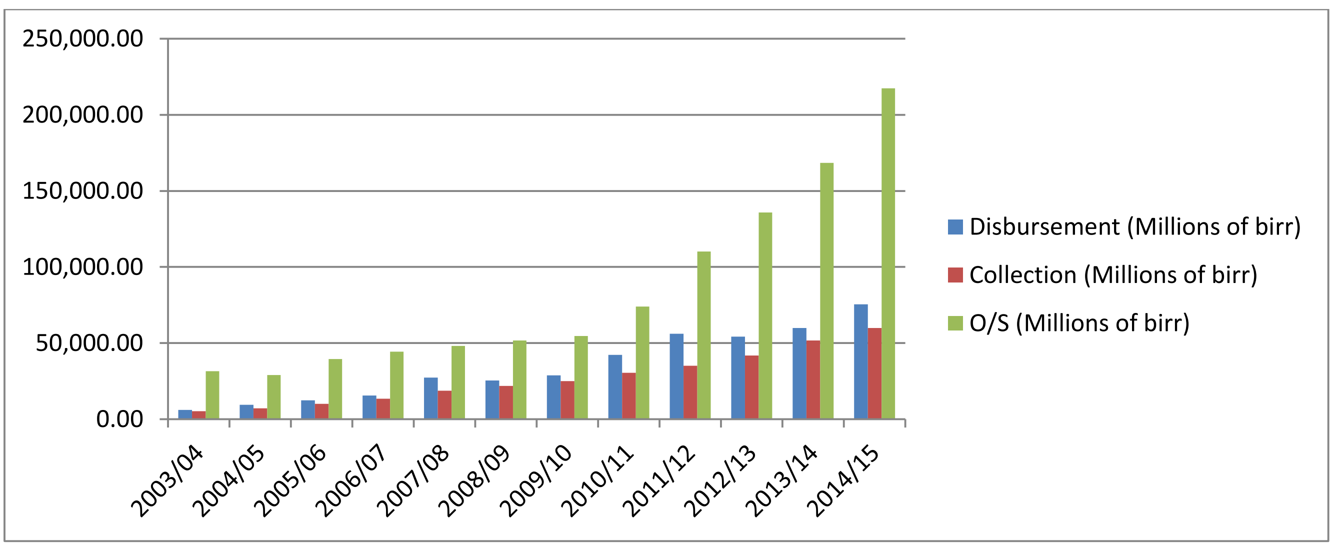
Year	Demand	Savings	Time	Total
2004/05	17,778.10	17,312.70	2,284.60	37,375.40
2005/06	21,264.10	20,488.20	2,706.80	44,459.10
2006/07	26,267.60	23,718.80	3,878.90	53,865.30
2007/08	29,742.00	29,482.20	3,732.00	62,956.30
2008/09	37,267.30	37,153.30	3,731.40	78,152.00
2009/10	46,149.00	48,049.90	4,434.40	98,633.30
2010/11	70,842.40	64,528.70	5,160.60	140,531.80
2011/12	92,254.80	82,494.60	12,541.30	187,290.70
2012/13	116,143.60	106,288.60	14,769.20	237,201.30
2013/14	128,788.10	145,824.30	18,235.40	292,847.90
2014/15	150,451.50	174,712.30	42,231.70	367,395.40

Source: NBE annual reports

4.4. Loan performance

Banks as their primary function channel the deposit mobilized from the surplus unit to the deficit unit or to the productive area. With the objective of undertaking their primary function, banks in Ethiopia are channeling the deposit mobilized from the public to the different sectors of the economy. The sector is providing loans to individuals, firms and the government.

Graph 4: Loan disbursement, collection and outstanding



Source: NBE annual reports (2003/04-2014/15)

As can be seen in the diagram above loan disbursement, collection and outstanding balance has increased progressively in all the periods taken in to consideration. Total disbursement, collection and outstanding has reached to birr 75.4 billion, 60 billion and 217.3 billion respectively in the year 2014/15 from birr 6.2 billion, 5.2 billion and 31.5 billion respectively in the year 2003/04. The outstanding loan balance in the year 2014/15 is seven folds than the outstanding balance of the year 2003/04. As a result, it is simple to deduce that the banking sector is playing a pivotal role in supporting the national economy through injecting the required fund.

Table 3: Loan portfolio by ownership

Year	Public			Private		
	Disbursement	Collection	O/S	Disbursement	Collection	O/S
2003/04	2,676.50	2,657.90	25,248.90	3,535.10	2,574.70	6,348.60
2004/05	4,775.10	3,656.90	21,414.80	4,657.90	3,489.10	7,611.70
2005/06	5118.4	5143.8	28396.3	7283.5	5034.3	11234.9
2006/07	6306.3	6822.7	29792.3	9252.7	6666	14525.2
2007/08	15,447.50	9,493.00	31,666.60	11,807.00	9,296.20	16,575.20
2008/09	12,782.30	10,368.80	33,912.80	12,694.70	11,596.70	17,720.80
2009/10	13,939.30	10,168.00	33,394.60	14,965.80	14,898.80	21,297.50
2010/11	21,955.80	11,987.80	47,924.80	20,252.00	18,560.40	26,046.60
2011/12	36,949.20	18,479.90	75,250.10	19,152.90	16,707.60	34,950.50
2012/13	33,249.70	22,935.50	91,173.40	21,001.80	18,884.70	44,656.50
2013/14	38,937.90	26,127.50	114,664.00	21,027.50	25,617.20	53,691.10
2014/15	41,913.20	27,982.10	141,751.20	33,567.80	32,032.20	75,617.00

Source: NBE reports (2003/04-2014/15)

As evidenced from the above table the share of public banks towards loan disbursement and outstanding balance is higher than those private banks in all the periods taken in to account. However, the collection performance of private banks has got better improvement and exceeds public banks in the last review period. The share of CBE from the total public banks loan performance is significant and covered the major portion of the industry's loan portfolio. The share of private banks to the total disbursement of the industry has declined in the recent periods as evidenced in the table above. The share of private banks started to decline or the share of public banks started to increase on wards 2008/09. The reason for the decrement on the private banks share is the lending restrictions formulated by the supervising organ so as to control inflation. Besides, reserve requirements have been also raised with the same reason of curving inflation. With regard to collection private banks were performing better than public banks in the review periods.

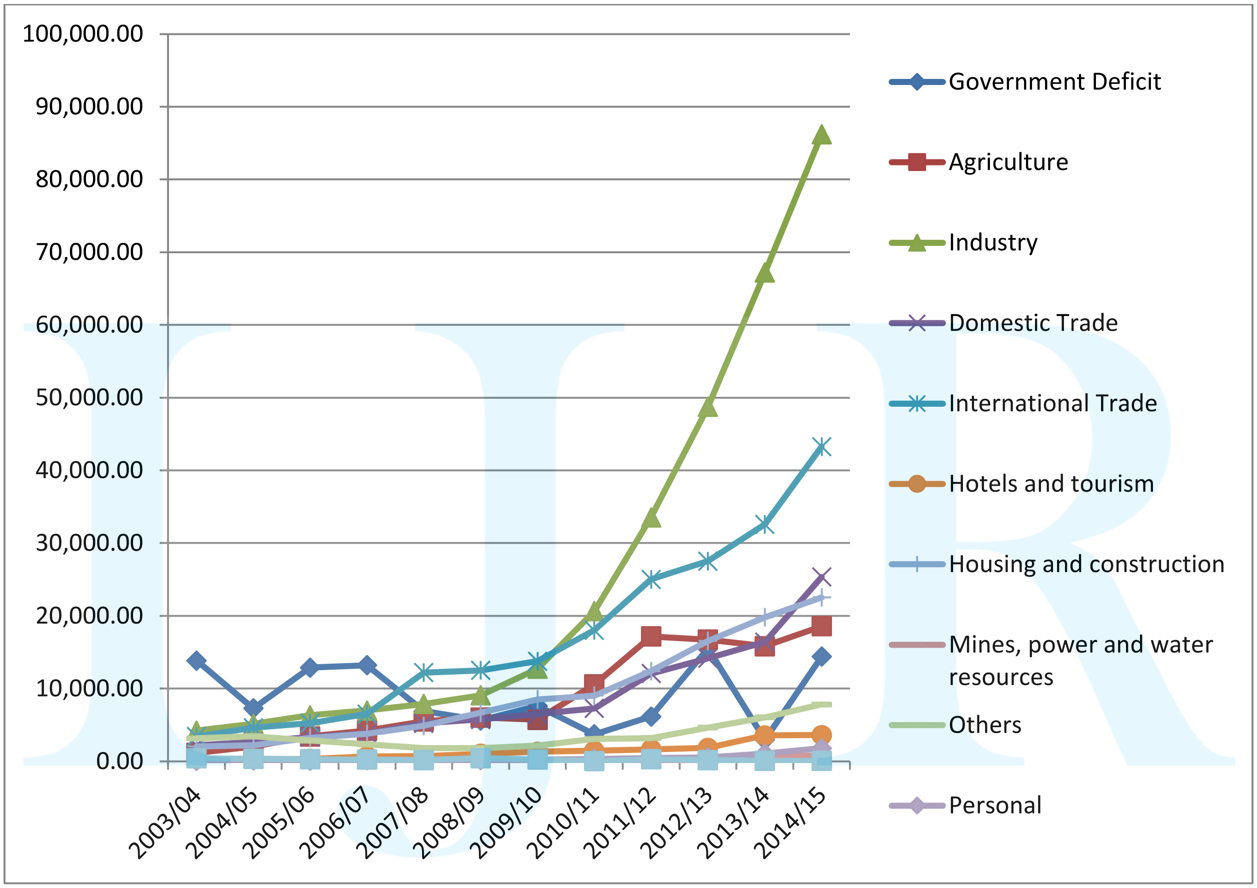
Table 4: Loans and advances by borrowers

Loans and advances by borrowers (Outstanding balance in millions of birr)							
Year	Central Government	Public Enterprises	Cooperatives	Private & Individuals	Inter-bank Lending	Total	Total less Inter-bank Lending
2002/03	10,577.60	1,364.20	456.6	738.5	15,262.30	28,399.10	27,942.50
2003/04	13,847.60	2,227.20	414.2	513.5	14,595.20	31,597.60	31,183.40
2004/05	7,277.50	3,175.30	1,081.20	17,152.40	340.2	29,026.60	28,686.40
2005/06	12,880.10	3,017.40	1,848.80	21,610.00	274.9	39,631.20	39,356.30
2006/07	13,214.90	3,263.10	2,025.00	25,513.40	225.7	44,242.20	44,016.40
2007/08	6,902.00	8,732.60	3,161.10	29,269.60	176.5	48,241.80	48,065.30
2008/09	5,628.80	8,170.80	3,364.50	34,041.90	427.5	51,633.50	51,206.00
2009/10	7,600.10	8,535.10	3,876.40	41,539.00	66.3	62,292.20	62031.3
2010/11	3,719.10	13,687.90	8,377.50	51,893.10	12.9	77,690.50	77,677.50
2011/12	6,145.60	27,694.90	13,750.20	68,479.10	276.4	116,346.10	116,069.70
2012/13	15,369.00	40,888.60	12,219.70	82,558.20	163.3	151,198.90	151,035.60
2013/14	12,967.30	53,703.70	12,664.70	101,920.70	65.9	181,322.40	181,256.40
2014/15	14,401.30	69,841.60	13,850.70	133,618.10	57.8	231,769.50	231,711.70

Source: NBE reports (2003/04-2014/15)

With regard to loan ownership is concerned, it is clearly evidenced from the above table that the major portion of the outstanding loan was interbank lending followed by central government loan at the beginning of the review of periods. The loan granted to the private sector was significantly minimal. The amount owed to public enterprises and cooperatives was also minimal. However, during the recent review periods private sector loan has drastically increased and covered 57.6% of the total outstanding loan portfolio as of 2014/15 while public enterprises covered 30% of the outstanding loan portfolio. Central government, cooperatives and interbank lending has covered 6%, 5.9 % and 0.5% respectively of the total loan outstanding in the recent review period. Interbank lending has declined progressively in all the periods taken in to consideration. However, central government loan balance has been fluctuating with a minimal margin. In general, the outstanding loan in the banking sector reachedto 231,769.50at the end of 2014/15 which was eight folds over the balance in 2002/03.

Graph 5: Loan portfolio by economic sector



Source: NBE reports (2003/04-2014/15)

In relation with the sector distribution of the loan portfolio is concerned, the above diagram clearly indicated that the industry sector has covered 37% of the total outstanding loan portfolio in the year 2014/15 which was only 13% in the year 2003/04. No sector has been grown with a similar rate as the industry sector.Next to the industry sector international trade has constitute the second highest outstanding loan portfolio and shown a progressive increment during the review periods. The outstanding loan balance granted to the agriculturesector has shown increment in the periods taken in to account except the year 2009/10 and 2013/14 in which a slight decrement has been registered. Domestic trade and housing and construction have also constituted a significant portion from the total loan portfolio of the industry which ranked 3rd and 4th during the year 2014/15. One of the economic policies of the Ethiopian government is agricultural lead industrialization which aimed the transformation of the agriculture dependent economy to industrialization.The dramatic increment registered in the industry sector is a factual evidence for the commitment of the government towards the realization of the policy. However, the domination of government owned enterprises in the stated sector is a critical obstacle for the private sector development which is presumed as the backbone of economic development.

4.5. Competition level of the banking sector

The banking industry is becoming a little bit competitive with the emergence of private banks in the industry. Similar with other variables, the market domination is quite significant. However, when we examine the loan market share of public banks has fluctuated across the periods and reached 65% in the year 2014/15 from 80% in the year 2003/04. The domination of CBE is quite different and the loan market share has fluctuated and reached 51% in 2014/15 from its highest domination share of 66% in 2003/04. The struggle of private banks with the dominant public banks allowsto improve their market share which has reached to 35% with in twelve years from its 20% level.

Table 5: loan market share of banks

Year	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
A. Public Banks												
CBE	66%	57%	55%	51%	49%	48%	42%	46%	53%	52%	53%	51%
DBE	11%	14%	14%	13%	14%	3%	3%	2%	2%	1%	1%	1%
CBB	2%	3%	3%	3%	2%	15%	16%	16%	14%	14%	13%	13%
Sub-Total	80%	74%	72%	67%	66%	66%	61%	65%	68%	67%	68%	65%
B. Private Banks												
AIB	4%	5%	5%	6%	6%	5%	6%	5%	5%	6%	5%	6%
DB	6%	8%	8%	9%	9%	9%	9%	8%	7%	7%	6%	5%
BOA	4%	4%	5%	6%	6%	5%	6%	4%	4%	3%	3%	3%
WB	2%	3%	4%	5%	5%	4%	5%	4%	3%	3%	3%	3%

UB	1%	2%	2%	3%	3%	4%	5%	4%	4%	3%	3%	3%
NIB	3%	4%	4%	4%	4%	4%	5%	4%	3%	3%	3%	3%
CBO			0%	1%	1%	1%	1%	1%	1%	1%	2%	3%
LIB				0%	0%	1%	1%	1%	1%	1%	1%	1%
OIB						0%	1%	1%	1%	1%	1%	1%
ZB						0%	1%	1%	1%	1%	2%	2%
BIB							0%	0%	0%	1%	1%	1%
BIB							0%	0%	1%	1%	1%	1%
AB								0%	0%	1%	1%	1%
AIB									0%	0%	0%	0%
DGB										0%	0%	0%
EB										0%	0%	1%
Sub-Total	20%	26%	28%	33%	34%	34%	39%	35%	32%	33%	32%	35%
Grand Total	100%	100 %	100%	100%	100 %	100 %	100%	100%	100%	100%	100%	100%

Source: NBE reports (2003/04-2014/15) and own computation

The Herfindahl - Hirschman Index (HHI)

The degree of concentration is an ideal instrument to measure the competition level of a certain industry. Market concentration is usually measured using HHI which clearly identify the degree of completion in the market considering the size of each bank in relation with the industry. The HHI model indicates that an HHI below 0.01 is highly competitive, below 0.15 un concentrated, 0.15 to 0.25 indicates moderate concentration, above 0.25 indicates high concentration. The concentration of firms in a market is an important element of market structure and a determinant of competition. The HHI accounts for the number of firms in a market, as well as concentration, by incorporating the relative size (that is, market share) of all firms in a market. It is one of the most commonly used indicators to detect anticompetitive behavior in industries.

The overall HHI of the banks in the industry is computed using the formula

$$HHI = \sum_{i=1}^{n} (ms)^2$$

Where Ms refers to market share of individual banks and n refers the total number of banks in the industry. HHI is an important tool to identify the level of concentration since it gives more value to larger banks. The value of HHI increases when the number of banks in the industry decreases and the gap of size among banks is wider.

Accordingly, the share of each bank was computed first and the total HHI is obtained which is described below. The share of all banks in the loan and deposit market was computed and the overall HHI of loan and deposit markets in the sector were found.

Table 6: HHI of the banking industry

Year	Number of banks	HHI-Loan	HHI(deposit)	HHI-Capital
2003/04	9	0.46	0.50	0.27
2004/05	9	0.36	0.45	0.25
2005/06	10	0.34	0.44	0.21
2006/07	11	0.30	0.40	0.26
2007/08	11	0.28	0.38	0.26
2008/09	13	0.27	0.34	0.25
2009/10	15	0.22	0.33	0.23
2010/11	16	0.26	0.39	0.20
2011/12	17	0.31	0.42	0.17
2012/13	19	0.30	0.43	0.19
2013/14	19	0.31	0.41	0.15
2014/15	19	0.29	0.39	0.15

Source: NBE reports (2003/04-2014/15) and own computation

As evidenced in the table above the total number of banks in the industry has increased to 19 from 9. With the change in the number of banks and other factors, the HHI value of the industry in relation with loan, deposit and capital was fluctuated across the periods taken in to consideration. As witnessed from the table above, the result of HHI clearly indicates that the industry is highly concentrated. HHI value of loans has fluctuated during the periods and the maximum was 0.46 at the beginning of the review periods and continuously declined to reach the minimum HHI-loan value 0.22 in the year 2009/10 and started to increase again in the next review periods. However, in all the periods taken in to account except 2009/10 HHI-Loan was above 0.25 which indicates that the market is highly concentrated. Similarly, when we examine HHI- deposit, it has been fluctuated in a similar fashion with HHI-Loan which further verified the concentration of the banking industry. A relative moderate concentration has been observed in the recent periods in the capital share of the industry. Though the level of concentration was in the range of high level at the beginning of the review period, capital concentration was relatively low as compared with other concentration variables. This was happened due to the fact that public banks did not raise their capital as per their performance due to some government restrictions. Most of the concentration measures verified that competitive environment in the banking industry is not yet created.

CBE being the dominant bankowned more than half of the market share in most of the banking market parameters. Due to the domination of CBE, the nature of the banking industry is highly concentrated and CBE has maintained quasi monopoly power. CBE is experienced bank which has stayed for long periods in the industry and acquired the necessary reputation from the general public which allows it to dominate the industry.

Conclusion

The Ethiopian banking industry is closed to foreign entry and characterized with strong domination by public banks. The industry is expanding through branch expansion and the recent branch expansion trend is significant. However, the number of branches is still minimal in relation with the total population of the country.In line with the branch expansion, the capital position of the industry has also increased during the last decade and the total capital position of private banks is relatively proportionate with public banks due to capital increment restriction for government owned banks as per their performance. The loan and deposit base of banks has progressively increased. The deposit has been majorly mobilized in the form of demand and saving deposit in which the major part were mobilized by public banks with the strong domination of CBE. The amount of loan injected to the economy has also painstakingly increased similar with the deposit performance increment. The loan portfolio of the industry is majorly owned by the private sector and majorly injected to the industry sector. Though there is strong domination by public banks, the industry's support towards to the private sector is significant. The sector is highly concentrated verifying that the competition level is less. Public banks with strong performance of CBE, has dominated the deposit, capital and loan market share which makes a highly concentrated market.

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