



The Effect of Banking Awareness and Deposit Strategy on Banking Finance

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Abstract:

The aim of this study is to explore the effect of banking awareness and deposit strategies on banking financing. It presents a theoretical framework to achieve this goal, utilizing a descriptive methodology, followed by a causal approach based on the joint integration method for the period 2000–2020, which is informed historical data. The study has drawn several conclusions, including banking awareness, which stems from customers' trust in banks, their culture, perception of banking services, and their attitudes and behavior towards banks, all of which significantly contribute to deposit strategies. Furthermore, there exists a positive mutually reinforcing relationship between deposits in Yemeni banks and the volume of banking financing within the same banks during the study period (2000-2020). This relationship is influenced by the banking awareness variable, acting as a positive and influential factor in the increase of deposit volume and banking financing in Yemeni banks (both traditional and Islamic).

Keywords: Banking Awareness, finance banking, Deposit Strategy.

1. Introduction:

Individuals play a significant and essential role in the process of depositing their funds in banks to sustain their operations. Deposits are the primary source of bank financing and play a vital role in revitalizing the banking sector. Moreover, deposits create opportunities for providing various banking financing options, ultimately supporting economic projects within the country. One of the obstacles faced by banks that hinders the achievement of their goals is the lack of banking awareness among most segments of Yemeni society. Weak banking awareness can be a general challenge in the banking sector, resulting in a decline in the volume of bank deposits, which are the lifeline of Yemeni banks as a whole. On the other hand, deposits, being the primary source of funds for commercial banks, directly impact banking financing (loans).

The latter serves as the primary utilization of these funds, extending loans to customers to cover their financial needs and diverse investments. It also represents the main service provided by banks to their customers and simultaneously serves as the primary source of their profitability. This represents the other aspect of the problem that the current study aims to investigate. By referring to previous studies and research related to the study's problem, it's evident that they did not delve into exploring the effect of banking awareness and deposit strategies on banking financing. Despite the importance of this topic for the development of the banking market, it remains an essential issue necessitating study and research.

Consequently, the study will employ a scientific method in investigating the aforementioned problem. This method combines deductive reasoning (the theoretical conception for problem analysis and the formulation of hypotheses for verification and testing) and inductive reasoning (identifying the reality of the study's problem based on available historical statistical data). Subsequently, the study will proceed to test the formulated hypotheses.

The significance of the study arises from the expected benefits of its results. The study presents a new and dynamic field for researchers in financial and banking sciences, specifically exploring the reflective effects of banking awareness on the process of deposit attraction and its reflection on banking financing. This involves investigating strategies employed by traditional and Islamic banks in Yemen to develop their banking services market, including resource development and profit generation. Contributing to the examination of the effect of banking awareness and deposit strategies on the increase and diversity of banking financing. The study will explore the reflective influence of banking awareness on raising the volume of deposits, diversifying the financing portfolio, and consequently elevating the size of provided loans. This, in turn, contributes to banking market development. Previous studies have not fully explored this area, indicating a knowledge gap that the current study aims to address.

The potential findings of the study can provide modest guidance for banking policymakers in Yemen, individual commercial banks, and the banking sector as a whole. It can highlight the crucial role of banking awareness in deposit strategies and its reflection on banking financing. This may urge them to reconsider deposit attraction policies, reinvest deposits in appropriate and diversified financing plans, and stimulate the development of the banking market.

2. Literature Review and Hypotheses Development:

A study by (Sharhan, 2024) found a positive cointegrating relationship between deposits in Yemeni banks, influenced by banking awareness, and the volume of bank. Financing provided by the banks themselves. The study by (Imad, 2023) concluded that the low level of banking awareness has a significant impact on the actual debt ratio.

An investigation by (Al-Ajab, 2021) concluded that the expansion of credit facilities resulting from financial inclusion had a positive effect on mobilizing customer savings represented in customer deposits. A study by (Nashour, 2021) found that the Iraqi banking system has not been able to achieve a level of banking activity that contributes to attracting funds from individuals and developing the Iraqi economy due to various reasons, including individuals' lack of trust in banks, administrative complexities, delays in fund disbursement, and other factors.

A research project by (Sakuragawaa S. S., 2021) Remarkably, a one-percentage-point increase in the growth of bank credit leads to a subsequent appreciation in the growth of the housing price. A study by (Shallal, 2020) indicated that the deposits of commercial banks in Iraq did not have a significant impact on their credit over the three terms due to distortions in the economic, political, and institutional relationships among variables in the country. A study by (Fazelina, 2020) indicated that lending by private banks is procyclical while lending by state banks is countercyclical.

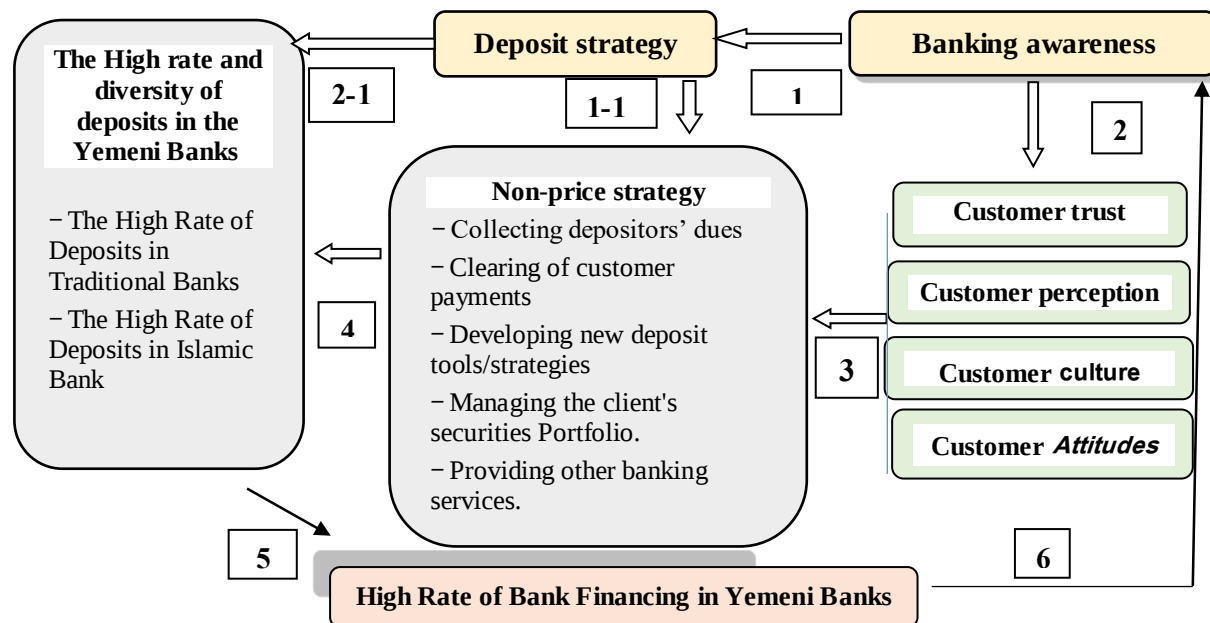
A study by (Bairagya, 2020) shows that access to credit augments the earnings of self-employed businesses. A study by (Hamad, 2019) concluded that increasing the development of banking awareness among individuals in society is a principal factor that enhances the chances of achieving banks' objectives and increasing their profits by attracting deposits and subsequently investing them in various projects.

A paper by (Saiz, 2019) under the bank lending channel, a restrictive monetary policy leads to a decline in the credit extended by banks due to a reduction in their access to loanable funds through two mechanisms: the deposit mechanism and the interest rate mechanism. In the case of a monetary tightening, the deposit mechanism works through a decrease in bank deposits as liquidity tightens. The interest rate mechanism, a study by (Gozgor, 2018) found that substantial gross credit flows are masked by underlying net credit growth at any business cycle phase. A study by (Selim, 2015) found that domestic factors are more dominant than external factors in terms of driving rapid credit growth in emerging Asia. This is particularly true for domestic monetary policy, which can play a pivotal role in managing rapid credit growth in emerging Asia. Observing the outcomes of these studies, it is apparent that none of them directly investigated the impact of banking awareness and deposit strategies as explanatory variables, and their reflection on banking financing, whether at the bank level or the banking sector level. Furthermore, previous studies neglected to examine the influence of deposit volume as an explanatory variable influenced by banking awareness on the banking financing volume in Yemeni banks.

Despite the positive impact of banking awareness on individuals and companies' deposit strategies and their size in banks, as well as the subsequent injection of these deposits into various banking financing options, these aspects have been overlooked.

Therefore, these represent gaps in knowledge that previous research did not address, and the current study aims to explore these gaps through an analytical study in Yemeni banks during the period 2000-2020.

Banking awareness is considered the essential variable that represents the dimensions of banking awareness (the interpretive concept). It is the culmination that is expressed in this study. On the other hand, the banking deposit strategy is the main concept (dependent) that requires analyzing the intermediary role relationships of banking awareness dimensions towards the banking deposit strategy and subsequently its impact on the size of banking financing in Yemeni banks.



Scheme 1: The theoretical visualization model

Source: It is prepared by the researcher based on (Sharhan, 2024)

Based on this plan, a theoretical analysis of the impact of banking awareness on the deposit strategy and its reflection on banking financing, whether at the level of individual banks or at the level of the commercial banking sector, is conducted. This framework is crucial as a theoretical foundation to achieve the objective of the study (Sharhan, 2024). This is assumed under the following assumptions:

- People retain their money away from banking institutions.
- The existence of substantial savings among individuals in society and their continuous awareness of depositing their money and regularly engaging with banks.
- Attracting and luring savings through the interest offered on these deposits in these banks and subsequently channeling them into various investments, contributing to the circular flow of income, becoming one of the key pillars of achieving economic and social development pursued by countries.
- The lack of banking awareness among individuals, investors, and companies is a fundamental problem that banks face in developing their resources and directing them towards diverse banking financing.
- The unstable conditions in Yemen have prevented regulatory authorities from implementing corrective measures, resulting in a weakened trust of individuals (the public) in Yemeni banks.
- The existence and spread of certain banking services, especially in markets and commercial areas.

Therefore, the first hypothesis of the study is that there is an intermediary role of banking awareness (across its defined dimensions in the study model) in influencing the deposit strategy, and this positively affects the size of banking financing.

The theoretical conceptual analysis will present relationships that highlight the impact of banking awareness on the deposit strategy and its reflection on banking financing. This will be explored through four key branches: customer trust with the deposit strategy, customer perception with the deposit strategy, customer culture with the deposit strategy, and customer attitudes with the deposit strategy. These branches will be elaborated as follows:

2.1 The Impact of Customer Trust in Banks on the Deposit Strategy and its Reflection on Banking Financing:

The total deposits indicator is one of the most critical indicators of the liability side in the financial position statement. It can be relied upon to predict the likelihood of financial crises or interpret changes in the volume of deposits and investment accounts. Undoubtedly, absolute and restricted participatory contracts, through which investment accounts are managed, play a pioneering and pivotal role in protecting society from financial or economic crises that may affect global financial markets. The foundation of dealing with banks primarily relies on individuals' trust in those banks, followed by the diversity and quality of the services offered, marketing strategies, interest rates on savings accounts, and other key dimensions.

The significance of banking trust cannot be denied; it captures the attention of most members of society. Weak trust in the banking sector negatively affects savers and leaves a negative impression on the sector's efficiency. When trust is absent between individuals and banks, it reinforces a culture of hoarding. Instead of transforming savings into investments through banks, savings are retained as idle funds.

Therefore, the role of banking awareness in influencing the deposit strategy in Yemeni banks focuses on enhancing banking trust and methods of utilizing deposits in various investment activities within banks. Individuals who deposit their money in banks need to have confidence that their funds are being invested properly and that there is protection for their funds, allowing them to access their accounts without problems. This awareness leads individuals to be knowledgeable about the future of their money, encouraging them to strengthen their trust in the banking sector. As a result, their ability to save money with banks becomes available. Banking awareness plays a significant role in attracting deposits and reducing hoarding by transforming those savings into money that generates returns (interest) when deposited in banks. Customer trust in banks and how to enhance it is a priority in banking operations, as it is one of the essential components of deposit attraction. When depositors choose banks that provide them with the ability and capacity to collect their dues through various means, it leads to an influx of depositors. Building customer trust in banks contributes to the development and diversification of modern banking tools, the issuance of letters of credit and guarantees, as well as lending at lower interest rates and commissions. It also encourages the promotion and advertising of various commercial activities, ensuring that the funds deposited are returned to customers promptly upon request.

In the context of protecting depositors' funds, safeguarding the safety of banking operations, and providing trust, supervisory authorities often establish institutions or bodies to guarantee deposits. This is to prevent bank runs caused by a lack of trust, which can arise from a specific crisis affecting the economy or the banking sector. The goal is to enhance trust in banks and ensure the desired outcome of the banking sector. Based on the above, the essence of the relationship between banks and depositors lies in banking awareness (customer trust in banks). The latter affects the deposit strategy in these banks, which in turn has a positive impact on increasing the size of banking financing. This positive impact leads to increased growth rates and diversified banking loan portfolios, as the increased volume of these banking deposits is distributed across various economic sectors(Sharhan, 2024).

2.2 The impact of customer perception of banking services on the deposit strategy and its reflection in banking financing:

Banking awareness, as manifested in customer perception, plays a role in influencing the development of banking services and subsequently affecting deposit attraction. Individuals tend to view banks as institutions for safeguarding and preserving their money from theft and loss rather than as financial intermediaries between savers and investors. This implies a lack of credibility in banks' management of depositors' funds, along with the good perception of the importance of the services provided by banks. Diversification and quality of banking services lead individuals to increase their banking awareness and encourage them to save money with banks.

Therefore, there is a positive relationship between banking awareness (customer perception of banks) and its impact on deposit strategy and attraction. This relationship assists counteract hoarding tendencies through the effects of banking services offered to customers. The more diversified the banking services offered, the higher the likelihood of increased interactions with banks providing such services. Furthermore, increasing the density of banking institutions by expanding the number of bank branches is a positive step towards increasing banking awareness among individuals and institutions about the role that banks play in economic activities. This can influence individuals' saving behavior and motivate them to increase their savings with banks due to proximity and availability of services, as well as the return on their savings. Increasing the number of banks within a country signifies the importance of the banking sector's role in economic activity. This sense of accessibility and potential benefits reduces hoarding tendencies, as individuals perceive their money as being put to productive use (Sharhan, 2024).

On the other hand, poor banking services provided by banks can hinder customer perception and create obstacles. Poor services can lead to a negative perception of banks, thereby affecting customer awareness and trust. The quality of services is a significant factor influencing individuals' perception of banks and their willingness to engage with them.

In conclusion, customer perception of banking services is closely tied to banking awareness and has a direct impact on the deposit strategy in banks. Improving and diversifying services and increasing the accessibility of banking institutions can enhance customer awareness, leading to increased deposits and subsequently contributing to higher levels of banking financing. Conversely, poor banking services can negatively affect customer perception and hinder deposit attraction.

A. Poor distribution and availability of banking services within a single governorate due to the concentration of most banks in markets and commercial areas.

B. Many banks struggle to meet the liquidity needs of depositors for large withdrawals in real-time. Additionally, customers often face shortages of small and torn banknotes.

C. Neglect and delays by many bank employees in serving customers due to lengthy and complex procedures, especially in current account services, such as issuing checks and other transactions.

D. Some customers receive small and torn banknotes when making large withdrawals due to the bank's policy.

E. Banks sometimes extend their primary responsibilities to provide secondary services, such as distributing pensions to retirees.

The aforementioned factors lead to the positive impact of customer perception of the banking services provided by banks on the formulation of non-price deposit strategies. This effect enhances the competitive advantages of these banks, leading to an increase in the volume of various types of deposits. This increase in deposits, in turn, reflects on the size and diversity of banking financing. This ability empowers banks to reinvest in the economy and achieve competitive capabilities, provided that their management maintains a high level of quality.

2.3 The Impact of Banking Customer Culture on Deposit Strategy and its Reflection in Banking Financing:

Banking awareness derived from customer banking culture plays a significant role in positively influencing the savings behavior of individuals. This, in turn, leads to a negative shift in individuals' spending behavior. In other words, they tend to reduce their consumption expenses to increase their savings. This behavior is rooted in the banking customer culture. It is well known that income is distributed between expenditure and savings. Therefore, the more an individual reduces their spending, the more their savings increase. These savings are the foundation for achieving economic development.

The transformation of savings into investment is made possible through the presence of advanced banking institutions. These institutions undertake the strategic role of managing deposits and mobilizing savings, directing them towards investments by granting loans (financing) to investors. This results in the conversion of investments, which positively impacts economic

activity. The banking sector, acting as an intermediary, facilitates this transformation by using appropriate and modern deposit strategies influenced by banking awareness. This process involves channeling surplus funds towards granting loans (financing) to those in need. As a result, depositors, investors, and intermediaries all benefit from additional income, leading to automatic economic growth (Sharhan, 2024).

The existence of a sophisticated banking sector capable of attracting savings through its tools, such as high-interest rates or diversified banking services known for their quality, along with customer satisfaction and trust-building measures, prompts individuals and families to allocate a portion of their income towards consuming goods and services. The remaining portion is channeled into commercial banks, which then employ these savings by granting loans (financing) to fund business sectors, enabling them to purchase investment goods and establish projects. Additionally, families contribute taxes to the government, which are used to fund public expenditures, including education, healthcare, security, and infrastructure.

Hence, banking awareness (derived from customer culture) is an essential source of attracting banking deposits and shaping deposit strategies. Banks heavily rely on these deposits to carry out their vital activities. Deposits are one of the most fertile and cost-effective resources for developing and strengthening banks, enhancing their investment and financing capabilities.

Efficient performance in banking activities is closely linked to the ability to attract savings and reduce hoarding. This is influenced by the prevalence of banking awareness and culture among society members. Thus, it is clear that this positive influence leads to increased deposit attraction and the conversion of idle hoarded funds into economically beneficial assets for both individuals and society at large. Furthermore, the culture that customers harbor towards banks has a positive impact on deposit strategies within these banks. This translates to an increased share of deposits, the bank's ability to provide banking financing, and subsequently, an increase in the volume of banking financing. In essence, this means that an increase in the capabilities of individuals' saving behavior results in higher levels of financial resources through deposits, which are diverse and enable the bank to provide a wider range of financial services. The provision of more banking financing generates more savings. In conclusion, the banking customer culture will undoubtedly affect deposit strategies within commercial banks, and this impact will be reflected in the allocation of financing within these banks.

2.4: The Positive Impact of Customer Attitudes towards Banks on Deposit Strategy and its Reflection in Banking Financing:

The bank acts as a bridge between project owners and fund holders, redistributing wealth, mobilizing idle funds, and stimulating projects. This process aims to channel idle funds into the national economy. One of the primary advantages of banking is safeguarding funds from potential risks. The process of preserving these funds leads to a decrease in their value when they are left unused and uninvested.

From this perspective, the idea emerged to utilize these funds by depositing them into savings and investment products that yield profits while maintaining the principal capital. This also contributes to providing sources of financing to execute projects, whether for individuals or companies. Financing projects is a crucial challenge in any society and economic entity (Sharhan, 2024).

To achieve all of the above, it is essential to focus on the relationship between customer attitudes towards banks. Understanding their behaviors and analyzing them is crucial, as this knowledge contributes to understanding customer behaviors and decisions regarding banking products and diverse banking services. This information aids in formulating non-pricing deposit strategies based on these attitudes, excelling in the services provided by the bank, meeting customer needs, and offering innovative services to foster success in the banking industry. This, in turn, results in increased deposit volumes, a wider scope, and the redevelopment of these deposits.

They are then injected into various forms of banking financing, which significantly contribute to profits and capital growth within banks.

Therefore, banking awareness from customer attitudes influences their behavior. Measuring customer awareness and assessing their evaluation of the banks they deal with is vital. Various internal and external factors impact customer behavior and attitudes, including trust, perception, culture, and inclinations. The decision-making process undergoes several stages, starting from information search and alternative evaluation, to the purchase process and subsequent evaluation. These factors are vital, ranging from trust, perception, culture, and attitudes.

In order to understand how customers choose the banks they deal with, it's important to study their behaviors, identify their assessment criteria, and comprehend how they make decisions. This helps banks determine critical strategies for attracting and retaining customers, ultimately leading to an increase in deposit volumes and expanding their scope. Furthermore, the emergence of banking awareness is a response to recent pressures in the banking industry, such as integration, globalization of the financial market, and the use of electronic commerce for service delivery and product creation.

Banks have responded to these developments by striving to maintain customer relationships and meet their needs. It's crucial to identify the aspects that differentiate one bank from another and recognize the role of service quality, which directly impacts customer attitudes towards banks and their loyalty to them. In addition, customer attitudes can be harnessed to build relationships with other customers from databases that allow banks to communicate effectively and in a timely manner with customers. This builds relationships in both directions, achieving reciprocal feedback that aids in developing relationships, satisfying customers, and enhancing mutual trust between banks and their customers (Kangis, 2011).

Therefore, this may positively impact the deposit strategy in Yemeni banks, enhancing their ability to attract more individual savings, develop and deposit them in various types of accounts (current, savings, term, and notice accounts). The banks will provide superior banking services with appropriate rates, including collecting customers' dues and processing payments on their behalf. They may also innovate new deposit instruments, connecting customers directly to electronic services via home and personal computers. As a result, the volume of deposits in banks will increase, the customer base of banks will diversify, and the risks of weakened financial resources for banks will diminish. Consequently, the financial capabilities of the banks will rise, leading to increased financial, competitive, and investment capacities. This not only means diversifying these capacities but also signifies the development of the bank's core financial resources and contributing to the expansion of the banking market.

The theoretical framework presented above explains that there is an effect of banking awareness towards deposit strategy, and this positively influences the volume of banking financing. Based on the theoretical framework, which is: Studying the impact of deposit volume in Yemeni banks (traditional and Islamic) on the volume of banking financing during the period from 2000 to 2020 AD, the following assumptions are derived:

- Banking awareness towards deposit strategy leads to an increase in the volume of deposits in Yemeni banks, and this positively impacts the volume of banking financing during the period from 2000 to 2020.
- Banking awareness towards deposit strategy leads to an increase in the volume of deposits in traditional Yemeni banks, and this positively affects the total banking financing for traditional Yemeni banks in the same period.
- Banking awareness towards deposit strategy leads to an increase in the volume of deposits in Islamic Yemeni banks, and this has a positive impact on the total banking financing for Islamic Yemeni banks in the same period.

Therefore, the hypotheses derived from the theoretical framework can be tested quantitatively using historical data (time series) of variables related to these hypotheses from the sample of Yemeni banks during the period from 2000 to 2020.

3. Research Methodology:

3.1. Empirical Analysis of Study Variables:

The general targeted model for estimating the study hypothesis will be presented and tested. The model is represented by the following equation:

$$\ln(y_t) = \beta_0 + \beta_1 \ln(X_t) + \mu_t \dots (1)$$

Where:

Ln: Represents the natural logarithm.

U: Represents the error term (residuals).

Y: The dependent variable, banking financing in Yemeni banks (both traditional and Islamic).

X: The explanatory variable, deposit volume in Yemeni banks (both traditional and Islamic).

The symbols for the variables of banking financing and deposits in traditional and Islamic Yemeni banks are utilized as shown in the following table:

Table 1: Variable symbols (designed by author)

Deposits in Islamic Banks	Funding in Islamic Banks	Deposits in Traditional Banks	Funding in Traditional Banks
Ln X2 _t	Ln Y2 _t	Ln X1 _t	Ln Y1 _t

Source: Prepared by researcher

The targeted model (Equation 1) will be employed to test the study hypotheses using historical data (time series) for the variables of interest. Statistical software, such as EViews, will be utilized for estimating and interpreting the coefficients of the model and conducting hypothesis tests.

The results of this empirical analysis will be discussed in the subsequent section.

Equation 1 is also referred to as the Joint Long-Run Cointegration Model, especially when it includes multiple explanatory variables. The parameter B1 (coefficient of the explanatory variable) is known as the Long-Run Cointegration Parameter. It represents the elasticity of the dependent variable, banking financing volume in the Yemeni banks under study, with respect to changes in the deposit volume.

3.2. Testing Model Stability:

To ensure the efficiency of the estimated model and its adherence to the assumptions of the Ordinary Least Squares (OLS) method commonly used for estimation, and to confirm that the estimators are indeed representing a cointegrated relationship among the model variables and are not spurious, the time series of the estimated model should be stationary. Therefore, the Johansen cointegration approach, which tests for the cointegration relationship among variables in the model (i.e., the regression model), is employed to test the implied causal relationship. This helps verify the study hypotheses proposed for testing.

In this study, the Dickey-Fuller test will be used to examine the stability of the cointegration relationship specified by the study hypotheses. The Dickey-Fuller test allows for determining whether the joint cointegration relationship implied by the hypotheses holds. The process of conducting the Dickey-Fuller test involves several steps, and the following equation is estimated:

$$\Delta \hat{u}_t = \delta \hat{u}_{t-1} + V_t \dots (2)$$

Where:

$\hat{u}_t$: The random variable obtained from estimating the long-term joint integration model represents the linear sum variable of the time series of model variables.

Δ : Refers to the change or first difference of that variable.

$\hat{u}_{t-1}$: Represents the same variable lagged by one period.

The fundamental theoretical condition for the validity of the estimated long-term joint integration model (Equation 1) is that the value of the parameter $1 - \hat{u}$ in equation 2 should be less than zero and greater than negative one. If it is greater than one or less than negative one, it implies that the long-term model estimates will be non-stationary at the level.

The statistical condition for the parameter's estimate to exceed the D-F test is that the calculated t-value surpasses the critical t-value for D.F. with a specific significance level (1% or 5%). If the calculated F-value for the estimated regression is greater than the critical value, it indicates the overall significance of the model according to the F-statistic, under the D-F test at any of the aforementioned significance levels.

The parameter δ represents the value around which the residuals or the random variable settle. If the theoretical condition is met and it is statistically significant, it implies that the time series joint integration of the model has been achieved, and it possesses stability, and the model's estimates are not spurious.

Afterward, the first differences of the time series variables are taken to estimate the short-term joint integration model, including an autoregressive error correction mechanism for the dependent variable in the short term, adjusting it to its equilibrium value in the long term. In other words, the following model is estimated:

$$\Delta \ln Y_t = \alpha_0 + \alpha_1 \Delta \ln X_t + \alpha_2 \hat{u}_{t-1} + V_t \dots (3)$$

Where:

V_t : Represents the pure random error term ($V_t = u_t - \hat{u}_{t-1}$).

Parameter α_2 can be roughly in agreement in terms of magnitude and sign with Parameter δ in the D-F test.

This parameter signifies the magnitude of the error correction term for the imbalance of the dependent variable in the short term, which can be achieved in subsequent periods towards its equilibrium value in the long term. If its sign is negative, it means that the dependent variable's short-term state is below its equilibrium state in the long term. If its sign is positive, it means that the dependent variable's short-term state is above its equilibrium state in the long term. In both cases, this variable is influenced by the change in the explanatory variable (explanatory variables) in the short term by the amount of $1 - \hat{u} \alpha_2$, towards its equilibrium level in the long term (Gujarati, 2009).

4. Results:

4.1. Model Diagnosis and Results of the First Study Hypothesis:

Model Diagnosis: The targeted model for estimation to verify the hypothesis of the study, which is related to the impact of banking awareness on deposit strategy on the increase in deposit volume in (traditional and Islamic) Yemeni banks, and its positive effect on the volume of bank financing during the period 2000-2020, can be represented by the following equation:

$$\ln Y_t = B_0 + B_1 \ln X_t + u_t \dots (4)$$

Based on this, and according to the hypothesis of the study, it is expected that the model parameters would be as follows: $B_1 > 0$, representing the magnitude of the impact of deposits on bank financing. As for the constant term, its sign cannot be predicted (it could be positive or negative).

Model Estimation (First Study Hypothesis and Testing): Using the data of total deposits and bank financing in Yemeni banks, the study sample covers a yearly time series period (2000-2020). Table 2 illustrates the results of estimating the model for the study variables. It's noted that the estimated long-term model parameters are statistically significant, and the overall significance of the regression is significant at a 5% level, with a correlation coefficient of 94%. This coefficient indicates a strong positive relationship between total deposits (traditional and Islamic) and total bank financing in Yemeni banks. Additionally, the coefficient of determination (R-squared) is 0.93, indicating that 93% of the variance in bank financing in Yemeni banks (the subject of the study) can be explained by the variance in bank deposits, under the condition of the stability of all other variables, as well as the error term.

Furthermore, the results suggest a positive impact of the independent variable on the dependent variable, with statistical significance. The calculated F-test value is 291.91, which is greater than the critical F-table value and is statistically significant at a 5% significance level. However, the D-F test parameter is stable because it is less than zero (< 0) and greater than negative one, indicating that the time series of the estimated long-term level model (the order (0) ~ 1) is stable. This parameter has high statistical significance according to the D-F test, as the calculated t-value is greater than the critical τ -table value at a 5% significance level. Moreover, the calculated F-test value is greater than the critical D-F table value at a 5% significance level. The estimated model for the first difference of the time series indicates that the estimated parameters are statistically significant according to the F-test. Importantly, the error term of the first difference model is free from autocorrelation ($d=1.89$) based on the D.W test, where the calculated d-value falls within the range $1.411 < 1.89 < 2$. Conversely, the Breusch-Godfrey (BG) test for serial correlation (Gujarati, 2009), indicates that the calculated BG value (0.281) is less than the critical X^2 -table value with 2 degrees of freedom at a 5% significance level. Additionally, the calculated P-value is greater than 0.05, indicating that the model data is free from serial correlation, making the model suitable by being devoid of first and second order serial correlation issues.

Table 2: Estimation Results of the Model and Test Data for Hypothesis 1

Cointegration Long-Term Model	Dickey-Fuller Test for Testing the Stability of the Time Series of the Cointegration Model	Error Correction Model for Short-Term Cointegration (First Difference) and Error Correction
$\ln Y_t = 0.901a + 0.196 \ln X_t$ $\tau = (.272) (17.085)$ $\text{Sig} = (0.7887) (0.000)$ $R^2 = .939, R^{-2} = .939$ $F = 291.905$	$\Delta \hat{u}_t = -0.691 \hat{u}_{t-1}$ $\tau = (-2.946)$ $\text{Sig} = (0.005)$ $R^2 = .337, F = 8.26$ $D.W = 1.838$	$\Delta \ln Y_t = 0.182a + 0.6 \Delta \ln X_t - 0.561 u_{t-1}$ $\tau = (3.35) (3.612) (-2.641)$ $\text{Sig} = (0.004) (0.002) (0.017)$ $R^2 = 0.626, R^{-2} = 0.583, F = 14.30$ $D.W = 1.89, du = 1.411^{(0.05)}$ $BG = 0.281 < X^2_{(2,0.01)} = 9.21034,$ $P = 0.8693$

The source: Data were collected from Republic of Yemen, Central Bank of Yemen, Annual Report, Various Editions.

The coefficient of the Error Correction Mechanism (ECM) variable reached approximately -0.561, which implies that the dependent variable (total bank financing in traditional and Islamic banks) is below its equilibrium state. This indicates that it could return to its equilibrium state in the next 6.7 months^(*), which is approximately 202 days (0.561×202 days). The long-term regression coefficient equation ($\ln X_t$ 0.901) indicates that a 1% increase in deposit volume in banks can lead to a 90% increase in bank financing volume (i.e., 9 out of 10). The coefficient of the ECM variable for short-term disequilibrium suggests that it can correct approximately 56% towards its equilibrium value (its value in the long term) in the subsequent period.

4.2. Model Diagnosis and Results of the Second Study Hypothesis:

Model Diagnosis: The targeted model for estimation aims to verify the hypothesis of the second study, which is related to the effect of banking awareness towards deposit strategy on the increase in deposit volume in traditional Yemeni banks. This effect, in turn, positively impacts the total bank financing during the period 2000-2020. The hypothesis is tested using the following equation:

$$\ln Y1_t = B_0 + B_1 \ln X1_t + u_t \dots (5)$$

* $0.561 \times 360 = 201.96$

Estimating the Model Data from Conventional Banks: Table 3 illustrates the results of estimating the model from an annual time series dataset covering the period (2000-2020) for the study variables. The estimated parameters of the long-term model are statistically significant, as well as the overall significance of the regression, at a 5% level of significance. The correlation coefficient reached 98%, indicating a positive relationship between the explanatory variable, the total deposits of conventional banks, and the dependent variable, the total bank financing in the same banks. The determination coefficient value was 0.97, suggesting that 97% of the variance in bank financing in conventional banks under study, which can be explained by the variance in bank deposits, holding all other variables constant. On the other hand, the results indicate a positive impact of the independent variable on the dependent variable, with statistical significance. The calculated F-test value reached 786, which is greater than the tabulated value for this test, and it exhibits overall significance at a 5% level of significance, according to the statistical analysis of this test. However, the Durbin-Watson statistic (D-F) is stable since it is greater than -1. This implies that the time series of the estimated long-term level model is stable at a lag order of 0 ~ I. This parameter holds significant statistical significance according to the Durbin-Watson test, as the calculated t-value is larger than the tabulated τ value at a 5% level of significance. In addition, the calculated F-value (11.99) is greater than the tabulated value for the D-F statistic at a 5% level of significance as well. The model is free from autocorrelation issues ($d=1.98$) based on the Durbin-Watson test. Furthermore, the estimated model for the first difference of the time series indicates that the estimated parameters are statistically significant according to the F-test. What's even more crucial is that the random error of the first difference model is devoid of autocorrelation issues ($d=1.54$), as confirmed by the Durbin-Watson test. The computed d-value falls within the range and we find that the calculated value of the Breusch-Godfrey test (BG) is 0.571, which is less than the tabulated X^2 value for 2 degrees of freedom at a 5% level of significance. Furthermore, the calculated p-value is greater than 0.05. Therefore, the model is free from autocorrelation issues in both the first and second lag orders.

Table 3: Estimation Results of the Model and Test Data for Hypothesis 2

Cointegration Long-Term Model	Dickey-Fuller Test for Testing the Stability of the Time Series of the Cointegration Model	Error Correction Model for Short-Term Cointegration (First Difference) and Error Correction
$\text{Ln } Y1_t = 0.661a + 0.93 \text{ Ln} X1_t$ $\tau = (1.556) (28.04)$ $\text{Sig} = (0.135) (0.000)$ $R^2 = .976, R^{-2} = .957$ $F = 786.02$	$\Delta \hat{u}_t = -0.762 \hat{u}_{t-1}$ $\tau = (-3.57)$ $\text{Sig} = (0.001)$ $R^2 = .426, F = 11.99$ $D.W = 1.983$	$\Delta \text{Ln } Y1_t = 0.625 \Delta \text{Ln } X1_t + 0.533 u_{t-1}$ $\tau = (5.092) (2.527)$ $\text{Sig} = (0.000) (0.021)$ $R^2 = 0.383, R^{-2} = 0.349, F = 6.64$ $D.W = 1.54, du = 1.411^{(0.05)}$ $BG = 0.571 < X^2_{(2,0.01)} = 9.21034,$ $P = 0.7518$

The source: Data were collected the Republic of Yemen, the Central Bank of Yemen, Annual Report, Various Editions.

The coefficient of the Error Correction Mechanism (ECM) variable was approximately 0.533. This implies that the dependent variable (Total Bank Financing in traditional banks) is above its equilibrium level, and it can return to equilibrium within the next 6 months, approximately 192 days (0.533×192 days). The regression equation for the long term ($\text{Ln } X1_t 0.93$) indicates that a 1% increase in the deposit volume in traditional banks can lead to a 93% increase in bank financing volume in the same banks (i.e., 93 out of a thousand).

4.3. Model Diagnosis and Results of the Third Study Hypothesis:

Model Diagnosis: The targeted model, which is estimated to verify the hypothesis of the study, suggests that bank awareness towards deposit strategy leads to an increase in the volume of deposits in Islamic banks. Subsequently, this has an impact on the total bank financing in Yemeni Islamic banks, based on the study sample during the period 2000-2020. This is tested through the following equation:

$$\ln Y_{2t} = B_0 + B_1 \ln X_{2t} + u_t \dots (6)$$

Model Estimation and Testing, Islamic Banks Data: Table 4 presents the results of estimating the model using a yearly time series spanning from 2000 to 2020 for the study variables. It is noteworthy that the estimated long-term model parameters are statistically significant, as well as the overall significance of the regression, at a 5% significance level. The correlation coefficient reached 99%, indicating a positive relationship between the explanatory variable of total deposits in Islamic banks and the dependent variable of total bank financing in Islamic banks. The determination coefficient value was 0.98, implying that 89% of the variation in bank financing within Islamic banks, which can be attributed to variations in bank deposits, is explained while holding all other variables constant, in addition to the margin of error.

On the other hand, the results indicate a positive and statistically significant impact of the independent variable on the dependent variable. The computed F-test value is 163.89, which is greater than the critical value for this test and exhibits appropriate overall significance according to statistical standards at a 5% significance level.

However, the Durbin-Watson test statistic (D-F) is stable. This is indicated by the fact that it is greater than -1, implying that the time series of the estimated model (long-term estimated model) is stable with a lag order of 1 ~I. Additionally, this parameter holds significant statistical significance according to the Durbin-Watson test, as the calculated t-value is larger than the critical τ -value at a 5% significance level. Furthermore, the computed F-value is greater than the critical value for the Durbin-Watson test, and the model is devoid of autocorrelation issues ($d=1.43$) at a 5% significance level as well.

Table 4: Results of Model Estimation - Test of Hypothesis III

Cointegration Long-Term Model	Dickey-Fuller Test for Testing the Stability of the Time Series of the Cointegration Model	Error Correction Model for Short-Term Cointegration (First Difference) and Error Correction
$\ln Y_{2t} = -0.818a + 1.02 \ln X_{2t}$ $\tau = (-2.54) \quad (40.47)$ $\text{Sig} = (0.019) \quad (0.000)$ $R^2 = .988, \quad R^{-2} = .987$ $F = 1637.89$	$\Delta \hat{u}_t = -0.653 \hat{u}_{t-1}$ $\tau = (-3.10)$ $\text{Sig} = (0.042)$ $R^2 = .324, F = 8.19$ $D.W = 1.43$	$\Delta \ln Y_{2t} = 0.837 \Delta \ln X_{2t} + 0.615 u_{t-1}$ $\tau = (10.13) \quad (3.179)$ $\text{Sig} = (0.000) \quad (0.005)$ $R^2 = 0.649, \quad R^{-2} = 0.629, \quad F = 15.81$ $D.W = 1.88, \quad du = 1.411^{(0.05)}$ $BG = 0.33 < X^2_{(2,0.01)} = 9.21034,$ $P = 0.8478$

The source: Data were collected from the Republic of Yemen, Central Bank of Yemen, Annual Report, Various Editions.

On the other hand, the estimated model for the first difference of the time series indicates that the estimated parameters are statistically significant according to the F-test. What's more important is that the random error of the first difference model is devoid of an autocorrelation issue ($d=1.88$), as confirmed by the Durbin-Watson test. The calculated d-value falls within the critical range: $1.411 < 1.88 < 2$. Conversely, the Breusch-Godfrey test for autocorrelation demonstrates that the computed BG value (0.330) is less than the critical value of the Chi-squared distribution with 2 degrees of freedom at a 5% significance level. This implies that the model is free from first and

second-order autocorrelation issues. Additionally, the P-value (0.8478) is greater than 0.05, further confirming this result.

The coefficient of the Error Correction Mechanism (ECM) variable reached approximately 0.615, indicating that the dependent variable (Total Banking Financing in Islamic Banks) is above its equilibrium position. This suggests that it could return to equilibrium within the next 7.4 months, which corresponds to approximately 221 days (0.615×221 days).

The regression equation indicates that an increase of around 1% in the volume of deposits in Islamic banks can lead to an increase of approximately 83% (i.e., 83 out of a thousand) in the size of banking financing in the same banks. The coefficient of the Error Correction Mechanism (ECM) variable suggests that a deviation from short-term equilibrium can be corrected by about 61.5% towards its long-term equilibrium value in the subsequent period.

5. Discussion of Results:

To verify the hypothesis of the first study, which examines the impact of banking awareness regarding deposit strategies on the growth of deposit volume in Yemeni banks (both traditional and Islamic) and its positive effect on the volume of bank financing during the period 2000–2020. The coefficient of the Error Correction Mechanism (ECM) variable was estimated at approximately -0.561. This indicates that the dependent variable (total bank financing in traditional and Islamic banks) is below its equilibrium level and is expected to return to equilibrium within about 6.7 months (*), which is approximately 202 days (0.561×202 days). The long-term regression coefficient equation ($\ln X_t 0.901$) indicates that a 1% increase in deposit volume in banks can lead to a 90% increase in bank financing volume (i.e., 9 out of 10). The coefficient of the ECM variable for short-term disequilibrium suggests that it can correct approximately 56% towards its equilibrium value (its value in the long term) in the subsequent period.

With regard to the second study hypothesis, which investigates the effect of banking awareness on deposit strategies in traditional Yemeni banks and its subsequent influence on total bank financing during the same period (2000–2020). The ECM coefficient was estimated at approximately 0.533. This implies that the dependent variable (total bank financing in traditional banks) is above its equilibrium level and may return to equilibrium within about 6 months (≈ 192 days). The long-term regression coefficient ($\ln X_{1t} = 0.93$) shows that a 1% increase in deposit volume in traditional banks can lead to about a 93% increase in financing volume.

The third study hypothesis concerns the role of banking awareness in deposit strategies within Islamic banks and its effect on total bank financing during the period 2000–2020. The ECM coefficient was found to be approximately 0.615, indicating that the dependent variable (total bank financing in Islamic banks) is above its equilibrium level and is expected to return to equilibrium within about 7.4 months (≈ 221 days). The regression results show that a 1% increase in deposits in Islamic banks can lead to about an 83% increase in financing. Moreover, the ECM coefficient suggests that about 61.5% of short-term disequilibrium is corrected in the subsequent period.

In summary, hypothesis testing confirmed at the 5% significance level that there is a strong and statistically significant relationship between banking awareness (in all its dimensions) and deposit strategies in Yemeni banks. This relationship has contributed to the growth of deposits in both traditional and Islamic commercial banks, thereby strengthening their capacity to expand financing activities. Furthermore, banking awareness itself is positively reinforced by the increase in financing provided to clients.

* $0.561 \times 360 = 201.96$

6. Conclusions:

We conclude that banking awareness plays a crucial role in the deposit strategy of banks and the utilization of funds in various financing activities. This is pivotal for building the foundations of the economy, which serve as a springboard for growth and development. Hence, banks are compelled to adopt methods that attract individuals by enhancing their awareness of high-quality, efficient, and cost-effective services.

Yemeni banks employ non-price competitive deposit strategies by offering superior banking services. These strategies contribute to attracting more deposits. Additionally, banks are committed to innovating and developing new deposit instruments to enhance their competitiveness in attracting individual deposits and diversifying their financial resources through innovative instruments.

It is inferred that banking awareness stems from customers' trust in banks, their culture, understanding of banking services, and their behavior towards banks. This contributes to deposit strategies and the establishment of suitable perceptions that enable banks to attract individual deposits, resulting in increased deposit volumes. Consequently, this positively impacts the volume and allocation of banking financing in Yemeni banks.

A positive and reciprocal integration is observed between deposits in Yemeni banks (both traditional and Islamic) and the volume of banking financing within the same banks during the study period (2000-2020). This relationship is influenced by banking awareness as a positive factor contributing to the increase in both deposit and banking financing volumes.

Based on the two previous conclusions, the following can be inferred:

Banking awareness towards deposit strategies in banks can lead to the growth and diversification of banking deposits, in accordance with the dimensions of banking awareness (customer trust, customer culture, understanding, and attitudes), assuming the existence of significant savings among individuals.

As long as the increase in deposit volumes in Yemeni banks has a positive impact on banking financing and its diversification, expanding financing can also have a positive impact on raising the level of banking awareness among individuals and countries, including Yemen. This holds true for both the level of banking capital within a bank and across the banking sector. If most banks focus on developing their banking strategies based on improving customer banking awareness, positive effects are likely to ensue. Finally, the study, in accordance with the previous conclusions, has addressed the research problem, which is the knowledge gap pertaining to the reciprocal impact relationships of banking awareness towards deposit strategies on banking financing in Yemeni banks, both conventional and Islamic.

Authors Declaration:

We Hereby Confirm That All the Figures and Tables in The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

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