



**FACULTY OF COMMERCE**

**DEPARTMENT OF BANKING**

**Effects of capital levels on Commercial Bank performance (1997-2012)**

**BY**

**KARASA NYASHA**

**REGISTRATION NUMBER N011 3456 C**

**SUPERVISOR: MR C. MHLOPHE**



\* 9 2 0 0 4 0 3 4 5 2 0 \*

NUST Library

*Dissertation submitted in partial fulfilment of the requirements of the Master of Science  
Degree in Banking and Financial services*

LIBRARY  
NATIONAL UNIVERSITY OF SCIENCE  
AND TECHNOLOGY  
P.O. BOX 346 BULAWAYO  
ZIMBABWE

*August 2013*

DATE	ACCESSION	CLASS No.
9/12/13	SC 13/491	H9170 '8 KAR

## ABSTRACT

Capital is a quantum of fund, which a financial institution should have and plan to maintain in order to conduct its business in a prudent manner. The major objective of the study was to determine the effect of capital levels on commercial bank performance. The secondary objectives were to identify how capital structure influences commercial bank performance and to establish determinants that influence the level of capital held by commercial banks. A quantitative research design was adopted. Panel data was used over a period of sixteen years from 1997-2012. Data was primarily obtained from secondary sources, that is, Reserve Bank of Zimbabwe publications, IMF publications and commercial bank publications. The study was based on six commercial banks. The study revealed that the relationship between capital levels and bank performance (ROE) is positive but not significant. Return on Assets (ROA) and Total financing (equity) were the most significant variables that influence the level of capital held by commercial banks. The study concludes that there is a positive relationship between capital levels and commercial bank performance. Banks are recommended to hold more equity capital to enhance their profitability as it will enable them to enjoy economies of scale. Future researchers are encouraged to investigate elements of the macro and micro environment to identify factors that have a major impact on commercial bank performance in Zimbabwe.