



National University of Science and Technology

Think in Other Terms



Faculty of Commerce

Department of Banking

PROJECT TITLE:

An investigation of the causes of bank failures and their effects on the stability of the banking industry: (A Case of Zimbabwean 2009-2012)

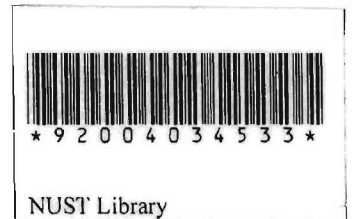
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(Honours) Degree In Banking.*

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ABSTRACT

The Zimbabwean Banking sector has been characterised by a number of bank failures which have virtually eroded confidence in the sector by different stakeholders such as depositors and investors. This instability among banks has led to fall in deposits. During the period 2009-2012, the banking sector saw the closure banks among them Genesis bank whilst Interfin was put under curatorship. The study therefore sought to ascertain the causes of bank failures in Zimbabwe during the period 2009-2012, the lessons that could be drawn from these bank failures, and the possible solutions that could be recommended to policy makers and the banks themselves. The researcher employed an exploratory research design which was used in the final analysis. The researcher used judgemental sampling where the researcher used her judgement to come up with a sample which was representative of the target population. The findings revealed that Zimbabwean banking failures were a result of recklessness and fraud, adverse macro environmental factors, poor corporate governance in banks, political interference, under capitalization of banks, high ratios of non-performing loans, bank runs, weak banking supervision, inadequate banking laws and deviation from core banking business into riskier non-banking activities. The conclusions found out that the Zimbabwean bank failures are systematic as they affect even the functions of other areas of the economy as much as the failure of one bank has a negative impact on the performance of another bank. Also the research concluded that a lot is to be done by the regulatory authority to strengthen the banking industry since it is still vulnerable to more failures in the future if nothing is done about the current bank failures. The researcher recommended that the regulatory authority work hand in hand with banks to restore public confidence in the economy and the banking sector as well as recapitalising the reserve bank so as to strengthen the banking industry wholly.

