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Evaluating Banks' Asset Liability Management Practices in Zimbabwe.

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EXECUTIVE SUMMARY

The research sought to examine and evaluate asset liability management practices in Zimbabwean Banks given an uncertain operating environment. Chapter One gave a background to the study outlining the problem area behind the evaluation. Shrinking deposit levels, punitive accommodation rates, low yielding investment assets, corporate client viability concerns, a fading interbank market, currency instability, and Central Bank interventions in the private market constituted a myriad of treasury management difficulties in the local financial system which provoked the research. The main goal was to identify current and past asset liability management shortcomings and challenges in light of an unstable market and recommend strategies in line with environmental dictates. The survey delved into how financial institutions have been able to adjust treasury exposure management (asset-liability mix) given adverse developments in the Zimbabwean financial system. Chapter Two reviewed relevant literature by analysing thoughts and assertions of scholars in the field of asset liability management. Reference to text books, journals and surveys (case studies) by other authors was made. Chapter Three gave the basis for choosing the methodology of the research. Data collection, presentation and analysis techniques, sample size and selection methods were described and justified. A qualitative approach was used where data was collected by way of structured questionnaires. Four Merchant Banks, one Discount House and the Central bank constituted the population for this survey.Purposive or judgmental sampling was used. Survey instruments included questionnaires and personal interviews. Chapter Four presented research findings in a qualitative and quantitative form to allow for ease of analysis and reference. A major element in this chapter was the analysis of findings in a bid to communicate the research output within set objectives. The evaluation showed that banking institutions had structural anomalies, inadequate risk management systems, inherent liquidity and market risk challenges and had shortcomings to effectively adjust to the dictates of a changing trading environment. It came out that the secondary market for securities in Zimbabwe subdued leaving financial institutions without tradable assets. Regulatory shifts in policy pronouncements negatively affected asset liability profiling to achieve set profitability and risk tolerance levels. The research showed that banks needed to move with the dictates of the environment and adjust strategies to ride the volatility. Chapter Five wrapped up the research exercise by summarising findings and making conclusions on each discussion area based on the objectives. A comparison of findings and literature consultations was outlined and recommendations for further research put forward. Based on the findings the researcher held the view that traditional approaches to asset liability management did not match an uncertain market as associated market and liquidity exposures set in. The survey confirmed that regulatory interventions in extreme cases often curtailed bank asset liability strategy and influenced pricing and market liquidity trends. The way forward on effective ALM was to depart from traditional balance sheet management towards dynamic asset liability profiling and riding on market swings. The survey dwelled on an evaluation of asset liability management premised on a qualitative stance. Future researchers may close the gap between a qualitative approach and a quantitative one by tackling the research problem based on models and quantitative techniques that test decision variables given a set of related fundamentals affecting such asset liability strategies.