



**FACULTY OF COMMERCE
FINANCE DEPARTMENT**

A RESEARCH PROJECT TITLED:

IS ZIMBABWE READY FOR THE BASEL II CAPITAL ACCORD?

BY

LOVEDAY T CHAMISA

P007 4287J

LIBRARY NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY P.O. BOX 246 BULAWAYO ZIMBABWE		
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EXECUTIVE SUMMARY

Due to the need to maintain economic stability through healthy and sound banking systems across the world, various international best practices have been put forward and adopted. The subject of the study was the Basel II Capital Accord which provides guidelines on how banks should allocate capital in line with all their risk taking activities, prescribing the role of the bank supervisors in the process as well as advocating for transparency for through enhanced market disclosure. Zimbabwe having suffered from economic instability during the past decade or so, the researcher considered it important that Basel II be implemented to assist in attaining economic stability. The major objective of the study was therefore to evaluate whether Zimbabwe as a country was prepared to embrace this best practice. This entailed assessing state of preparedness of the banks as well as the regulator, the Reserve Bank of Zimbabwe. The results of study were intended to serve as vital management information for groups such as investors, exporters and importers, borrowers, banks themselves, bank regulators (both Reserve Bank of Zimbabwe and foreign) as well as the government of Zimbabwe. The research was designed in the form of a survey of banks and the Reserve Bank of Zimbabwe. All the 21 commercial and merchant banks were targeted as well as the Reserve Bank of Zimbabwe. 15 responses (including the Reserve Bank of Zimbabwe) were however received, resulting in a default random sample. Questionnaires and interviews were used to collect primary data whilst various publications and regulatory correspondences were used as secondary data sources. Zimbabwe was found to be 50% ready on a scale of 0 to 100%, according to the researcher. The Reserve Bank of Zimbabwe was found to have done a lot of work in Basel II implementation but banks were lagging behind. As a result banks could not be said to be prepared for Basel II whilst the Reserve Bank of Zimbabwe looked 75% ready. It was therefore recommended that banks change their attitude and quicken pace of preparations and implementation of Basel II. It was also recommended that the Reserve Bank of Zimbabwe increase its oversight on banks' Basel II efforts and compel them to meet specific deadlines.