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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF ECONOMICS HONOURS DEGREE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION, FACULTY OF COMMERCE, DEPARTMENT OF ECONOMICS

OCTOBER 2012
ABSTRACT

The objective of the study was to provide empirical evidence on whether there is a causal relationship between structure and performance of the banks in Zimbabwe during the period 1997 to 2011 using the SCP Modelling technique. The study used secondary semi-annual (individual bank) data from 1997 to 2011. Structure variables used in the statistical analysis are bank concentration, capital-asset ratio, loan loss provisions to total loans, cost efficiency, GDP growth rate, bank size and return on average equity as our performance variable; of four (two foreign and two domestic) of the top five banks in Zimbabwe. Data from Ministry of Finance and RBZ reports was analyzed using E-views 3.1. The Ordinary least Squares Method was used to assess the impact of structure on performance. The research found out that there is a causal relationship between the structure and performance of the Banking industry in Zimbabwe. This result means the banks’ results (performance and profitability) are determined by the structure hence more attention should be paid to enhancing a competitive structural environment. The researcher recommends the development of public policy aimed at changing the market structure to increase competition or quality of bank services; diversification of portfolios which will lowers operational cost and hence improves operational performance; reduction in the transaction cost so as to increase operational efficiency of these banks; address of the occurrence of losses on the loan portfolio; the improvement in their credit risk and operational risk management and the need for consolidation and mergers particularly among the small banks to expand their capital base in order to make them stronger and competitive.