

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



**The Impact Of Commercial Banks Development On Economic Growth In Zimbabwe From
2017-2021.**

B190554A

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE BACHELOR
OF COMMERCE (HONS) DEGREE IN BANKING AND FINANCE**

DECEMBER 2022

Release Form

Student Registration Number

B190554A

Project Title
growth in Zimbabwe from 2017-2021

Impact of commercial banks development on economic

Degree Programme
and finance

BCOM Honours Degree in Banking

Bindura University of Science Education library is hereby granted the permission only to produce copies of this project and to lend or sell such copies for private, scholarly or scientific research processes.

Approval Form

The signatories certify that they have read this research study and have ratified its submission for marking after endorsing that it follows to the departmental requirements.

.....
Student Date

.....
Supervisor Date

.....
Departmental Chairperson Date

Dedication

This research project is a special dedication to my parents, friends and all the family members who have been the source of inspiration throughout my studies.

Abstract

This research aimed at investigating the impact of commercial bank development on economic growth in Zimbabwe from 2017 to 2021. The objectives of the study were to investigate the impact of commercial banks development on economic growth in Zimbabwe, to determine the relationship between commercial banks development and economic growth in Zimbabwe, to determine if commercial banks development can help in attaining economic growth in Zimbabwe and to establish the feasibility of using the commercial banking sector in achieving economic growth in Zimbabwe. Descriptive research design was used. Secondary data from RBZ, Zimstats and World bank was also used in the study and findings were presented using graphs and tables. Findings from the study established that there is a positive relationship between commercial banks development and economic growth in Zimbabwe, and it is feasible to use commercial banks to achieve economic growth in Zimbabwe. The study concluded that commercial banks development has an impact on economic growth in Zimbabwe. The study recommended that monetary policy authorities should try and come up with policies that can better help the country to fully utilize commercial banks to speed economic growth in Zimbabwe.

Acknowledgements

Firstly, I would like to express my profound gratitude to God, the almighty, for giving me strength and protection. Secondly, my appreciation goes out to my parents for the support that they have always provided me with. Lastly, I would like to thank my supervisor, Mr. Njanike, for providing me with guidance on this project.

TABLE OF CONTENTS

Release Form	i
Approval Form	ii
Dedication	iii
Abstract	iv
Acknowledgements	v
LIST OF FIGURES	viii
LIST OF TABLES	ix
LIST OF ACRONYMS	x
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.0 INTRODUCTION.....	1
1.1 Background of the study	1
1.2 Overview of the Zimbabwean Economy.....	3
1.3 Statement of the Problem.....	3
1.4 Objectives of Study	4
To identify the impact of commercial banks development on economic growth in Zimbabwe	4
1.5 Research Questions	4
1.6 Significance of the study	5
1.7 Assumptions.....	5
1.8 Delimitation of the study	5
1.9 Limitations of the Study.....	6
1.10 Definition of terms	6
1.11 Chapter Summary	6
CHAPTER 2.....	7
LITERATURE REVIEW	7
2.0 Introduction.....	7
2.1 Theoretical Review	7
2.1.2 Schumpeterian Model of Economic Growth.....	8
2.2 Conceptual framework.	11
2.2.3 Economic growth And Development	16
2.3 Empirical Literature	19
2.4 Literature gap	25

2.5 Chapter Summary	25
CHAPTER THREE	26
RESEARCH METHODOLOGY	26
3.0 Introduction	26
3.1 Research Design	26
3.2 Research Population	26
3.3 Sampling Techniques and Sample size	27
3.5 Data Collection Methods	27
3.6 Research Model	28
3.7 Chapter Summary	29
CHAPTER 4	30
DATA PRESENTATION, ANALYSIS AND DISCUSSION	30
4.0 Introduction	30
4.1 Descriptive of Study Variables	30
4.3 Data Analysis	33
4.4 Chapter Summary	43
CHAPTER FIVE	44
SUMMARY, RECOMMENDATIONS AND CONCLUSION	44
5.0 Introduction	44
5.1 Chapter summaries	44
5.2 Summary of Findings	45
5.3 Conclusion	46
5.4 Recommendations	46
5.5 Suggestions for further study	47
References	48

LIST OF FIGURES

Figure 2.1 Changes in GDP	18
Figure 4.1 Capital.....	30
Figure 4.2 Funding Related Liabilities	31
Figure 4.3 Credit	32
Figure 4.4 Asset Liquidity	32

LIST OF TABLES

Table 4.1 Descriptive Statistics.....	34
Table 4.2 Correlation Analysis	35
Table 4.3 Variables Entered/ Removed	38
Table 4.4 Model Summary	38
Table 4.5 Anova.....	39
Table 4.6 Coefficient	40

LIST OF ACRONYMS

FDI	FOREIGN DIRECT INVESTMENT
EU	EUROPEAN UNION
RBZ	RESERVE BANK OF ZIMBABWE
CBZ	COMMERCIAL BANK OF ZIMBABWE
GDP	GROSS DOMESTIC PRODUCT
ZABG	ZIMBABWE ALLIED BANKING GROUP

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

The study investigated the impact of commercial bank development on economic growth in Zimbabwe. This chapter looks at the background of the study, problem statement, objectives, research questions, and significance of the study as well as limitations of the study.

1.1 Background of the study

Governments throughout the world are ceased with the responsibility to improve the standard of living of their people and to spur economic growth in their countries. Commercial banks play a more pivotal role in the facilitation of the economic growth. In the financial system, commercial banks remain one of the major contributors to growth through the intermediation and channeling of funds among economic agents in the economy (Marshal et al, 2015). Commercial banking sector is a subsector of the larger financial service industry which comprises of other institutions focusing on asset management, insurance, venture capital, and private equity. Banks brings together savers and borrowers by reducing the risks associated with each group through diverting some of the risk to themselves (Levine ,2005). The channeling of funds from savers to borrowers in an efficient way helps to facilitate investment in physical capital which in turn spurs economic growth. This is more significant for Zimbabwe because of the country's limited access to international capital and FDI, both of which are essential for accelerating economic growth (The herald 2017).

Commercial banks development can be viewed as expansion of financial instruments and financial intermediaries. Giovannini et al. (2013) suggests that banks development helps economic entities improve their ability to manage risks, promote innovation, and reduce information costs, thereby leading to an increase in the efficiency of allocating financial resources and investment activities, which then lead to economic growth. Nguyen (2022) suggests that countries with underdeveloped financial systems (commercial banks are part of the financial system), characterized by absence of proper channel connecting saving and investment are often faced with slow rates of economic

growth, which results in recession and macroeconomic instability. This therefore, makes it clear on how vital is the development of the banking system in any economy. Development of the commercial banking sector can be measured in different ways which includes its size and depth which takes into account aspects like money supply to Gross Domestic Product (GDP) and Bank credit to GDP and efficiency of the banking sector which take into account stability of banking sector and capital adequacy.

The debate over the role that commercial banks (a subsection of the financial sector) development play in economic growth has received much interest and controversy from researchers both in developed and developing countries. In Europe Gross, Kok, and Zochowski (2016), observed that an increase in bank capital ratio requirements caused a substantial decline in economic activity across the EU which has an adverse effect on economic growth. The decline in the economic activity may be attributed to the inefficiency being brought about by the high level of capital requirements.

Similarly, in Nigeria Abubakar and Gani (2013) established that in the long run, liquid liabilities of commercial banks and trade openness exert a significant positive influence on economic growth, conversely, credit to the private sector, interest rate spread, and government expenditure exert a significant negative influence. In South Africa Nyasha and Odhiambo (2015) established that there is a positive long-run and short-run association running between banking development and economic growth. More so, in Zimbabwe Chisunga (2015) suggested that Zimbabwean banks lend at reduced interest rates and introduce innovative products in order to entice a broader clientele and stimulate the productive sector. Stimulating the productive sector has the potential to aid economic growth through increased production.

Currently the Zimbabwean Commercial banking sector comprises of thirteen (13) banks. The total assets of Zimbabwean banking as of 31 December 2021 was ZWL762.96 Billion representing a growth of 118.24% from the previous year. The assets largely comprise loans and advances 27.61%, foreign institutions (16.22%), and securities and investments (12.17%), securities which were largely government securities. The commercial banking sub-sector accounted for 68.95% of the total banking sector loans and advances (RBZ Bank Supervision 2021). Given the highest stake that this sector has in terms of its assets there is need for it to be developed enough to facilitate

efficient allocation of resources, directing them to where they will be used to promote investment in the country, which may foster economic growth. This is so because the country is full of potential what is basically lacking is investment in both new ventures and modernising of the existing firms in the economy through retooling and use of modern equipment in various industries such as mining and agriculture.

1.2 Overview of the Zimbabwean Economy.

Zimbabwe's overall performance from 1980 to 2021 was characterized by low growth and substantial economic volatility, especially over the past two decades. Growth of the economy has been volatile, averaging just 0.1 percent per year over the past two decades, but accelerating to 3.5 percent per year since 2010. The country's growth profile followed discernible cyclical trends, characterized by the loss of formal jobs, limited investment, out-migration, and increased poverty. Periods of prosperity with commensurate higher levels of investment were followed by subsequent periods of instability, a collapse in investment, and low or negative growth. This substantial economic volatility imposed a real cost on the economy and households, and created lasting effects on growth due to damage to physical, organizational and human capital. Productivity is the ultimate driver of economic growth and living standards. Increasing productivity is essential for raising incomes and improving livelihoods. However productivity in the country has not been impressive as evidenced by low levels of economic growth. This can be attributed to certain facts which includes macroeconomic instability, limited investment in infrastructure, inefficient public services, and the misallocation of productive resources have been the key drivers of low productivity, informality, and poor trade performance. The misallocation of resources creates distortions that lead to a sub-optimal allocation of resources across firms thereby reducing aggregate productivity (The World Bank 2022).

1.3 Statement of the Problem

The Zimbabwean economy has encountered myriad challenges over the past two decades with the effect being felt right across the country. Over the period the country experienced inflationary pressures from the 1990s, shrunk domestic demand, and widespread deindustrialization in the economy which saw industry operating below its capacity and unemployment rising. All this has been as a result of lack investment emanating from lack of foreign direct investment and limited

access to foreign lines of credit which has left the country limited only on domestic investments. However the under developed nature of the country's commercial banking sector which was supposed to drive investment in the country has not helped as evidenced by low levels of savings in the economy. Failure to attract significant savings has resulted in low levels of investment in the economy and this has adversely affected economic growth of the country. Past empirical studies have not clearly reviewed much on the impact that Commercial banks development has on economic growth in Zimbabwe, as majority has been focused on the whole financial sector but not much has been directed on the Commercial banks in Zimbabwe.

1.4 Objectives of Study

1.4.1 Primary Objective

To identify the impact of commercial banks development on economic growth in Zimbabwe

1.4.2 Secondary Objectives

1. To determine the relationship between commercial banking sector development and economic growth in Zimbabwe.
2. To determine how commercial banks development help in attaining economic growth in Zimbabwe.
3. To establish the feasibility of using the commercial banking sector in achieving economic growth in Zimbabwe.

1.5 Research Questions

1. What is the relationship between commercial banking sector development and economic growth in Zimbabwe?
2. How can Commercial banks development helps in achieving economic growth in Zimbabwe?
3. Is it Feasible to use commercial banks in attaining economic growth in Zimbabwe?

1.6 Significance of the study

Zimbabwe in the past two decades has experienced economic turmoil due to different volatile situations, which have battered all sectors of the economy. The consequences of the economic meltdown, have left the nation reeling with high levels of unemployment. Due to the lack of employment, and other dire consequences of a poorly performing economy, this makes the study more crucial as it provides so much information to different groups of people.

1.6.1 to the Academia

The Study will add value to the existing literature on the relationship between the commercial bank's development and the performance of the economy.

1.6.2 Policy Makers

Study will help policymakers in Zimbabwe as they are faced with policies that are aimed at recovering the economy of the nation and specifically targeting the Banking sector. Furthermore, it will aid in formulating policies that are aimed at expanding the financial system in order to foster growth.

1.7 Assumptions

1. Real GDP was a good measure of economic growth.
2. Banking sector development is characterized by its size, depth, and stability
3. The key macroeconomic data necessary to carry out the study was readily available, accurate, and reliable.

1.8 Delimitation of the study

The study seeks to establish the causality relationship between the banking sector and economic growth in Zimbabwe. It will not look into other sectors impact on economic growth. The area of assessment will be limited to Banking institutions in Zimbabwe.

1.9 Limitations of the Study.

Various indicators are used in finance-growth literature to gauge bank and economic changes. However, there are several disputes surrounding each of the financial development metrics. Therefore, there isn't a single total measure that would be adequate to cover the majority of financial development's facets (Ang, 2008). However, the variables chosen for this study are consistent with financial development as the literature was reviewed in Chapter 2.

This study was purely quantitative. It did not consider the qualitative variables that may have affected bank developments. Furthermore the study is only limited to commercial banks only it does not consider other crucial players of the financial system

There was no monthly or quarterly data available to assess the relationship between the banking sector development and economic growth in Zimbabwe. The researcher had to use official estimates from the Reserve bank of Zimbabwe and the Zimbabwe statistical National Agency (ZIMSTAT).

1.10 Definition of terms

Banking Sector-Refers to all financial institutions licensed to receive deposits and make loans in a given country.

Economy-Refers to an area of production, distribution, and trade as well as consumption of goods and services.

1.11 Chapter Summary

This chapter highlighted the importance of conducting this research. It outlined the background of the study, the statement of the problem as well as the study objectives, and research questions, justification of the study, limitations, and delimitations were also give. The significance of the research to the academia and the policy makers was also discussed within the chapter. The next chapter in an analysis of pension funds' investments and economic development and growth literature giving a broad context to the research.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

Under this section, the researcher focuses on a summary of the literature that is accessible on the subject of how the commercial banking industry, in particular, and the expansion of the financial sector as a whole affect economic growth. The chapter includes both empirical and theoretical evidence.

2.1 Theoretical Review

2.1.1 The Modigliani-Miller Model (M&M) 1958

The Modigliani-Miller theorem was published in 1958, and a modification was made in 1963, which marked the beginning of current capital structure theory. According to the hypothesis, the capital structure's formation is independent of the firm's market value. According to the Modigliani-Miller theorem from 1958, there makes no difference to a company's market value whether its capital structure is more debt and less equity, or vice versa. The theory further demonstrates that Firms are incentivized to trade financial securities and market value and capital structure are independent of one another. In contrast, share prices and dividends are completely interdependent. The theory further ascertains that the debt-equity ratio is not of any significance to the market value of a firm as its profitability is the one that is crucial to its value, this, therefore, supports the trading of securities and assets within the trading market by banking institutions in the bid to earn some profits through trading. Trading in these securities is affected by the level of credibility that investors perceives a country to have and countries with lower levels of credibility have volatile economic growth as suggested by (Bossone 2022) .Therefore credibility that securities of a country have has an effect on its economic growth trajectory. When banking institutions trade different securities they enhance the effective allocation of capital to areas where it is most needed and at the highest possible return to them. According to Obeidat (2021), today

more than ever, corporate organizations, including commercial banks, must improve their financial performance. By implementing various policies and procedures, such as the ones that address resource allocation issues, business organizations can increase their efficiency and financial performance, which will ultimately increase the firm's market value (Bao et al 2017). They can also increase capital investments through borrowing, since more borrowing has no bearing on market value (Modigliani & Miller, 1958). Capital investment are more likely to spur economic growth in a country.

2.1.2 Schumpeterian Model of Economic Growth

The pioneer of the theory of financial development and economic growth is Joseph Schumpeter who, in his work published in 1934, recognized the role of bank credit in promoting economic development Schumpeter (1934). Schumpeter argued that economic development cannot take place naturally but would require an entrepreneur to initiate innovation to replace the old technologies, which he termed “creative destruction”. As such, for the entrepreneur to carry out his function and induce economic growth, he would require technical knowledge and banking credit to purchase goods that he will use to conduct experiments, therefore, leading to innovations and eventually growth. He further suggested that financial development contributes to economic growth through capital accumulation and technological innovations. Schumpeter (1934) argued that economic growth and development would result because of new products and improvements in the old ones that would come by because of innovation. Critical to the Schumpeterian model is the role of bank credit used to finance research and development in order to come up with cost-effective methods of production that eventually results in the increase of goods and services produced in the economy. A well-developed banking system results in diversified financial instruments and products, enable improved mobilization of savings and ensure efficient which trigger investments and realization of economic growth and increase in productivity as ascertained by Mollaahmetoglu and Akcalr (2019).

2.1.3 Patrick’s Stage-of-Development Hypothesis

The supply-leading hypothesis and the demand-following hypothesis are both included in Patrick's stage-of-development theory (Patrick, 1966). According to Patrick (1966), the relationship between the expansion of the banking industry and economic growth may change over time. Supply leading suggests that financial development play pivotal role in the attainment of economic growth through pooling resources, risk management and intermediary functions as attributed by Levine (1997), whilst on the other hand demand following advocates the unidirectional causality from economic growth to financial development. Economic growth initially would be driven by banking development; however, as genuine growth happens, this association tends to be of less significance, which drives up the desire for superior banking development. According to the theory's proponents, as banking and economic growth evolve, the supply-leading characteristics of banking development gradually deteriorate over time and are eventually supplanted by demand-following development. Cizo et al (2021) holds it that development occurs as demand following occurs at later stage of development, while supply leading occurs at earlier stage of development. He further ascertains that financial development affects economic growth for developing countries and this is the casual relationship and in the case of developed countries the relationship is opposite.

2.1.4 The hypothesis of Financial Repression

The literature credits the work of McKinnon (1973) and Shaw with formalizing the theory of financial intermediation (1973). In this regard, McKinnon and Shaw acknowledged the critical part that financial institutions play in promoting economic growth and argued that the scope and caliber of services that financial institutions offer the economy can account for the variation in that growth. According to McKinnon and Shaw (1973), if an economy has an effective financial system, growth and development can be attained through effective capital allocation. They also contend that historically, through government interventions and restrictions, the majority of developed and, more importantly, developing countries, restricted competition in their financial sectors, resulting in slow rates of growth. They came to this conclusion on the basis of the idea that lesser savings and investments can be made in an uncompetitive financial sector than they otherwise could in a competitive market.

2.1.5 Neo-Classical Model of Growth

Neo-Classical Growth theory is based on the work of Solow (1956) and Swan (1956) which is an extension of the Harrod-Domar model that was developed in 1946. Theory suggests that Labor, capital, and technology are factors in economic growth, as attributed by Solow (1956). The theory assumes that a transitory equilibrium may be reached in the economy by altering the proportions of labor, capital, and technology, neglecting any potential contribution that finance may make to economic growth. According to Solow (1956), economic growth is independent of the rate of saving and investment in the economy, and capital investments made as a result of higher savings only result in temporary growth because capital is subject to diminishing returns in a closed economy with a fixed labor supply and no technological advancement. According to Solow (1956), sustainable economic development can only be realized through technological advancement. However one of the criticisms of this model is that it does not explain how to improve the rate of technological advancement.

2.1.6 Endogenous Growth Model

The Endogenous Growth Model consists of the body of literature that opposed the Neoclassical Model of Growth. It entails that economic growth is determined by endogenous factors rather than by external forces. In this regard, the theory has two folds, one that considers economic growth to be significantly determined by investments in innovation, knowledge, and human capital, and the second one that focuses on externalities and positive spillover effects that can lead to economic growth. Central to this theory is the role that financial intermediation plays with regard to achieving economic growth. In this regard, several authors such as Levine (1997), Bencivengo and Smith (1991), and Saint-Paul (1992) have incorporated, in the Endogenous Growth Model, the role of the financial system in determining economic growth. Smith's (1991) argument centers on the efficient financial intermediation that arises when liquidity risk is adequately managed to prompt savers to invest in productive investments that can induce economic growth. This supported by Petkovski and Kjosevski, (2014) who suggested that when investments rise as a result of strong financial and banking performance, it boosts economic growth. Tariq et al (2020) further suggests that until a certain level of financial development is attained, higher financial development may

not have a positive effect on economic growth. Saint-Paul (1992) argues that a well-developed and well-functioning stock market can promote economic growth through risk sharing by businesspersons. Similar to Saint-Paul (1992), Levine (1997) puts more emphasis on the importance of stock markets in creating finance needed for investment purposes, especially in less liquid assets. Reduction in growth under this theory occurs when government expenditure deters investment by creating tax wages beyond necessary to finance their investment or taking away the saver's incentives to serve and accumulate capital expenditure as propounded by Folster and Harkeson (1997).

2.2 Conceptual framework.

2.2.1 Commercial Banking Sector

According to Dudhe (2017) a commercial bank is a particular kind of bank that offers services like taking deposits, making loans, and investing in property. The main duties of the banking industry are lending money to people and businesses and protecting the assets held in deposits. The fundamental function of all banking is the holding of financial assets, however this function has evolved significantly since the days when wealthy clients' gold coins were stored there. Banking has its roots in antiquity. The major functions and secondary functions of commercial banks can be classified into two groups. These groups are known as the functions of commercial banks. Commercial banks' main responsibilities include receiving deposits, issuing advances, and extending credit. Savings account deposits, recurring account deposits, and fixed deposits are only a few of the sorts of deposits that commercial banks accept from the general public, particularly from their clients. Through their network of branch banks, commercial banks aid in the mobilization of savings. Low-income populations in developing nations are encouraged to save by banks, which offer a variety of deposit plans to meet the needs of different depositors. They also mobilize the wealthy few's dormant savings. Banks channel funds into profitable investments by mobilizing them. So they assist a developing nation's capital formation as attributed by Dudhe (2017).

Loans and advances are offered in a variety of ways by commercial banks, including an overdraft facility, cash credit bill discounting, money at call, etc. Additionally, they provide all different types of consumers with demand, demand, and term loans in exchange for adequate security. The most important function of commercial banks is the production of credit. They do not give the borrower cash when they approve a loan for a consumer. Instead, they establish a deposit account that the borrower can use to withdraw funds. In other words, when they approve a loan, instantly produce deposits from those commercial banks, a process known as credit creation (Saini and Sindhu 2014).

Commercial banks' secondary responsibilities fall into two categories: agency functions and utility functions. The agency's obligations include the following: To receive tax refunds and revenues, collect and settle checks, dividends, and interest warrants, pay rent, insurance premiums, and other bills, engage in foreign exchange, buy and sell stocks, and act as trustee, attorney, correspondent, and executor. The utility actions are as follows: giving clients the choice to keep their items in a safe, enabling money transactions, and issuing traveler's checks, providing merchant banking services, a variety of cards, including credit and debit cards, acting as arbitrators, receiving payments for a range of bills, including phone, gas, and other utility bills, and more Sindhu and Saini (2014).

2.2.2 Defining Banking Sector Development

Banking system development, according to Levine (2005), is the process by which financial intermediaries, financial markets, and financial instruments perform well in processing information, minimizing transaction costs, and ensuring the execution of financial transaction contracts so that the financial system can perform its functions as effectively as possible. Giovannini et al. (2013) viewed financial development as a way to aid economic entities in strengthening their capacity to manage risks, encourage innovation, and lower information costs, which would then result in an improvement in the effectiveness of allocating financial resources and investment activities, which would then lead to economic growth. Traditional indicators of banking sector development include the money supply to GDP ratio, bank credit to GDP ratio, and deposit to GDP ratio, as proposed by (Levine 1997; Abubakar and Gani 2013). The majority of

the conventional metrics, however, failed to take into account the bank's branch and Automated Teller Machine (ATM) network, average loan and deposit size, return on assets, net interest margin, capital adequacy ratio (CAR), non-performing loans (NPL), and liquid assets ratio, among other factors. The depth, scale, and stability of the banking industry are thus determined by these metrics.

2.2.2.1 Bank Credit

Credit granted to both the private and public sector can be used as a proxy for the size and depth of the banking sector in measuring the banking sector development. According to John and Terhemba (2016), bank credit is the process of making money available to a customer based on some agreed terms with regards to repayment with interest. Commercial banks collect deposits and grant credit. Through granting credit banks enhance investments as they identify and fund viable business opportunities, mobilize idle savings, promote trade, provide mechanisms for hedging against risk, as well as facilitate the exchange of goods and services Odufuye (2017). Provision of credit spurs economic growth as idle resources will be invested in productive sectors of the economy. According to the RBZ (2021) the total bank loan advances of the banking sector were \$229.94 billion of this amount 68, 95 % came from the Commercial banks of the country.

2.2.2.2 Money Supply

The money supply, which is the amount of money in circulation at any given time, can be calculated by adding up all of the financial assets that have the ability to serve as a substitute for money. Borrowers from many economic sectors can get credit through the money supply at an interest rate of to finance their economic activity Omodero (2019). The cost or price of borrowing is represented by the interest component. Credit availability aids in demonstrating economic activity, which may lead to higher economic performance. Central banks around the world utilize monetary policy as a key tool to maintain economic stability and foster economic growth (Prasert et al 2015). With regard to how the amount of money in circulation affects economic growth, there are two opposing viewpoints. According to the classicists, the change in money supply will only alter price and have no impact on real demand, investment, or output because of the equation of

exchange, stability in the velocity of money, and the assumption that the economy runs at full employment. The Keynesians, on the other hand, hold that changes in the money supply may cause interest rates to rise or fall Nwoko and Ihemeje (2019). A lower interest rate will influence overall investment and boost overall income and output. This is predicated on the idea that the main factor influencing investment in a market economy is the interest rate.

2.2.2.3 Bank Capital

The banking sector's global survival and stability have been severely endangered by the recent financial crisis. This has compelled regulatory bodies in several nations to develop policies like capital adequacy. Because it reflects the soundness of the banking system, the amount of capital maintained by banks is used as a proxy indicator of banking sector development. When determining how much liquidity needs to be held back for a certain level of assets, banks and other depository institutions employ a criterion known as capital adequacy. It is believed that capital requirements have indirect impacts on the availability of lending, the risk of bank assets, and the cost of bank capital, all of which can have an impact on economic growth (Martynovaa 2015). Higher capital requirements may adversely reduce credit supply and decrease credit demand as high lending rates slows the rate down economic growth. On the other hand better capitalized banks improves commercial banks stability by reducing bank risk-taking incentives and increasing banks' buffers against losses. In Zimbabwe the minimum capital requirement is USD 30 Million as at June 30 2022 the banking sector was adequately capitalized with average tier 1 capital adequacy ratios of 18.84% and 33.87% which were above the regulatory bench mark of 8% and 12% respectively RBZ banking sector report (2022).

2.2.2.4 Bank Liquid Assets

The ability of the banking sector to fulfill its contractual obligations can be gauged by looking at bank asset liquidity, which can be used to gauge the stability of the banking industry. Bank loans provide long-term investment capital, and bank deposits, a secure and liquid form of transaction, form the backbone of modern economies' payment systems. According to the liquidity creation theory, banks convert their liquid assets into illiquid liabilities or finance their illiquid assets with

liquid liabilities to create liquidity for their customers (Berger and Bouwman,2009). Banking institutions give long-term loans using deposits and this in turn creates liquidity. In other words, the creation of liquidity results from the incompatibility between long-term (illiquid) assets and short-term (liquid) liabilities. Banks may also be able to reduce the amount of liquidity they create by increasing their cash position by issuing long-term debt. However, these banks do not create any liquidity when they purchase securities (liquid liabilities) using customer deposits (liquid assets). Growth in liquidity fuels the economy. Long-term investments can be funded by bank loans, while the foundation of modern economies' payment infrastructure—bank deposits—serves as a safe and liquid transaction medium. The measurement of liquidity creation includes both off-balance sheet and on-balance sheet banking activity in its scope.

Liquidity is of paramount importance to any banking institution as it enables banks to remain viable and the entire sector to be developed enough. Some financial institutions in the country have experienced liquidity problems that have seen them closing down. According to Chagwiza (2014) Genesis Investment, ZABG and Interfin Commercial Bank experienced some liquidity problems during the period 2011 to 2012, which resulted in them being monitored and some placed under curatorship. Genesis Investment Bank and Interfin Commercial Bank to close their doors. These banking institutions failed to get sufficient funds to meet deposit withdrawals and loans.

In Zimbabwe the banking sector prudential liquidity ratio of the banking sector stood at 62.16 % as 30 June 2022 Bank supervision annual report (2021).Commercial banks had the lion share of the total deposits of the sector with it having a massive 85.54% of all the deposits of the sector. According to the RBZ annual supervision report (2021) 69.85% of the total loans and advances came from the commercial banks. All this points to how the commercial banking sector is crucial for economic growth of the nation.

2.2.2.5 Total Funding related liabilities

One of the proxy variables used into determine the breadth and depth of the banking sector's development and the total amount of deposits available to the banks to lend to customers and advance money to the economy is total funding liabilities. In this context, total bank deposits and borrowings are included in total funding obligations. Financial intermediation by commercial

banks is significant to the promotion of investment and the development of infrastructural facilities as suggested by Manasseh et al (2021). Commercial banks enhances the supply for funds from savers to the borrowers by channeling deposits and making loans for economic agents in dire need of funds .It follows that an increase in the banks' overall funding liabilities is likely to have an indirect beneficial effect on the economy by increasing the amount of credit that banks will extend to it, which would enhance demand for basic goods and services in the economy as suggested by Paavo (2017).

2.2.3 Economic growth And Development

According to Gordon (1984) and Todaro, economic growth is commonly defined as a rise in GDP to distinguish it from development (2000). Economic growth and economic development can be separated, but they are frequently used in the same sentence. Economic development is a more complex concept that is difficult to define in strictly monetary terms, whereas economic growth refers to economic advancement, which is measured by the annual rate of growth in real terms of the output of goods and services Ajie et al (2017). Economic development, which encompasses a wider range of ideas than economic growth, is the quantifiable steady rise in a nation's per-capita output or income, as well as the growth of its labor force, consumption, capital, and volume of trade. It concerns the qualitative changes in economic demands, wants, incentives, institutions, productivity, and knowledge as stated by Jhingan (2006). With the aforementioned justifications for economic growth and development, it is clear that while an economy can increase, it cannot develop if there is inequality, poverty, or unemployment. Economic growth, on the other hand, is the increase in an economy's overall production over a specific period of time. Economic development, on the other hand, is simply growth plus change. Because GDP and GNP per capita take into account population differences, they should be used to compare the economic growth of various countries. Economic expansion and technological advancement are typically associated. Both an expansion in an economy's capacity for production and an improvement in its residents' standards of life are regarded as indicators of economic progress (Walubengo 2012).

2.2.4 Role of the Banking sector development on economic growth

A well-developed, functioning banking system supports the financial system's sound and effective operation, which fosters economic progress as ascertained by Nguyen (2022). A developed financial system should demonstrate the ease with which entrepreneurs with sound proposals can get financial resources and the assurance with which investors anticipate appropriate returns, as ascertained by Rajan and Zingales' (2002). It stands to reason that a primitive and underdeveloped banking system would make it challenging for financial markets and institutions to perform their tasks. If the banking industry is not successful in serving as a middleman for payments and money creation, for example, financial transactions may slow down and financial assets may become less liquid. Asymmetric knowledge can have a detrimental effect, just how bad credit decisions can affect the flow of capital in financial markets. All of this has an effect on the growth and development of any country's economy. Economic activity will be immediately impacted and encouraged to increase if the financial system is well-developed and capable of performing its obligations better. First and foremost, the banking system helps with better resource allocation by providing credit to the most productive businesses or investment ventures. Levine (2004) had a different take on this, arguing that improvements in the financial system make it possible to limit risk and allocate resources effectively, which may cut savings rates and risk levels and, as a result, slow economic growth.

Second, through savings and bank borrowing, the banking system enables families to prepare for and carry out prudent spending Allen and Gale (2001). Thirdly, by turning short-term liabilities into long-term investments, the banking industry provides the economy with liquidity, according to Diamond and Dybvig (1983). This activity helps savers manage their liquidity concerns while enabling the banking industry to finance long-term investment initiatives that are essential for strong economic development. Fourth, the financial system facilitates speedy capital transfers, accelerates the flow of products and services, and speeds up the payment process, all of which contribute to overall economic growth. The banking industry acts as a channel for the central bank to implement the dissemination of monetary policy and achieve its periodic policy goals under the pretext of administering macroeconomic policy. According to the RBZ (2021) 68 % of the loan

advances came from the country's commercial banking sector meaning that bank do hold a big chunk when it comes to funding different crucial industries and fostering economic growth in the country. Therefore through funding in the form of loans and advances given to different economic agents particularly those in the productive sector , the commercial banking sector can better help to foster economic growth through its Lion's share of the advances in the country.

2.2.5 Gross Domestic Product (GDP).

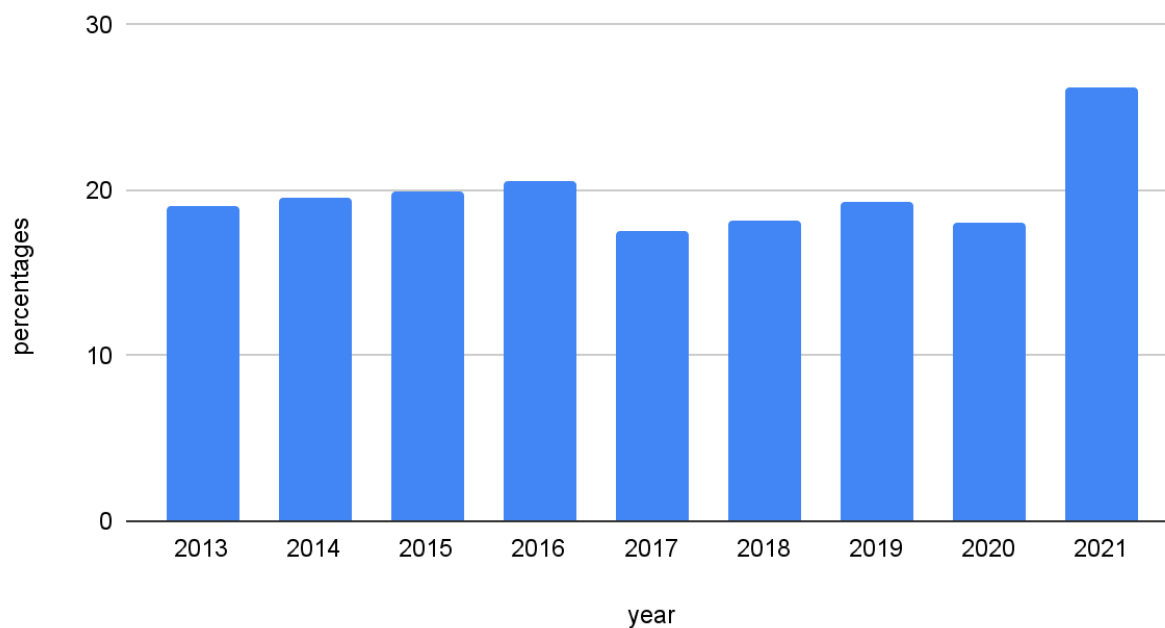
The gross domestic product (GDP) measures national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. It can be used as a proxy for economic growth in a country as it give total figure on the amount of output in terms of goods and services with were produced in a country over a specific period and time.

2.2.6 Zimbabwe GDP

The Gross Domestic Product (GDP) in Zimbabwe was worth 26.22 billion US dollars in 2021, according to official data from the World Bank. The GDP value of Zimbabwe represents 0.02 percent of the world economy. GDP in Zimbabwe averaged 7.74 USD Billion from 1960 until 2021, reaching an all-time high of 26.22 USD Billion in 2021 and a record low of 1.05 USD Billion in 1960.

Figure 2.1 Changes in GDP

percentages vs. year



Source: Trading Economics / World bank

2.3 Empirical Literature

The size and scope of the banking industry

The size and depth of the banking system and the financial sector as a whole are the frequently used indicators used to determine the relationship between financial development and economic growth as well as to establish the direction of this relationship. These indicators are used as the traditional measure of banking sector development. Broad money supply (M2) to GDP, private credit to GDP, central bank assets to GDP, private credit to deposits, deposits to GDP, etc. are some measures of the size and depth of the financial industry. However, only the two often used metrics of M2 to GDP and private credit to GDP will be taken into account for the purposes of this study.

Tilak Singh Mahara (2020) examined the impact of money supply on the economic growth in Nepal.

Numerous research have been conducted to determine how the money supply affects economic growth. Tilak Singh Mahara (2020) investigated how the availability of money affected Nepal's economic expansion. The ARDL technique is used in the study of co-integration. The Bounds test (F-version) was used to determine whether there was a long-term link between the variables. According to a study, there is a strong and positive long-term correlation between Nepal's money supply and real economic growth. The finding of causation points to a one-way relationship between the real GDP and the money supply (M2). The error correction term is discovered to be unfavorable and statistically significant, indicating that short-run disequilibrium will be corrected in two and half years.

Additionally, Pradhan et al (2014) investigated the connection between the banking industry development and expansion of the Indian economy. They among other things used the broad money supply as a gauge for the size of the financial system and the growth of financial intermediaries. According to the study, which established a positive bidirectional relationship between the broad money supply and economic growth using a correlation matrix and the Granger causality methodology, an increase in GDP can lead to a rise in the broad money supply as well as the other way around.

Akinwale et al (2019): The impact of commercial bank credit on the economic growth

Akinwale et al. (2019) used secondary data from the Central Bank of Nigeria (CBN) Statistical Bulletin covering the years 1981 to 2017 to examine the impact of bank loans on economic growth in Nigeria. Pairwise Granger Causality Techniques, Augmented Dickey-Fuller (ADF), Johansen C-integration, Error Correction Model, and other techniques were used in the study. The study came to the conclusion that bank credit to various economic sectors in Nigeria plays a vital influence in fostering economic growth. According to the report, banks should make sure that more loans go to the manufacturing and agricultural sectors in order to guarantee a positive feedback loop between bank sectoral lending and economic growth.

Similarly, a study on the link between bank loan and economic growth was conducted in Tanzania by Joseph (2020). The time series data were collected between 1993 and 2017. The causality test

and vector error correction were used in the study. According to the analysis, there is no causal connection between bank loans and economic growth. Bank loans substantially increase long-term economic growth. Policies to promote financial sector growth should be prioritized in order to increase credit availability and promote economic growth through investment in diverse economic sectors. Increasing deposit mobilization is still essential to the provision of credit by banking financial institutions due to the long-term advantages of financial intermediation.

Kolapo (2018): A study of the nexus between economic development and deposit funded bank loans issued to private-public entities.

Kolapo (2018) examined the relationship between bank deposits and loans made to the public and private sectors, as well as how these factors related to economic development in emerging nations between 1970 and 2016. The Granger non-causality test was used to determine how causal effects flow in this study, and the Ng-Perron and Augmented Dickey-Fuller Breakpoint Unit Root Tests were used to check for the presence of a unit root and to determine the order of integration of the variables (I (d) in the presence of a structural break, respectively). According to the analysis, Granger's economic growth and bank loans are related. Additionally, it was advised that the monetary authorities keep an eye on bank deposit activity to ensure that they are accelerating the development of loans to the private sector, recognizing the critical role these industries play in promoting economic growth in any developing economy, we can examine issues like lending interest rate that may threaten lending to these sectors.

The impacts of financial intermediation on economic growth in Nigeria were similarly studied by Manasseh et al in 2021. Using the Ordinary Least Squares (OLS) regression technique, the hypotheses were estimated. GDP per capita and bank deposits were used to gauge economic growth and financial intermediation, respectively. According to additional study, there is a significant and positive correlation between bank deposits and GDP per capita, demonstrating that rising bank deposits are associated with higher economic growth. We also observed that bank loans had a positive impact on economic growth.

Stability of the Banking Sector

International Monetary Fund (IMF) endorsed a set of core and encouraged financial soundness indicators (FSI) which have been continuously revised over the years (IMF, 2015). The IMF has thus developed a total of 39 indicators that are split into two groups, with 12 main or core indicators relating only to the banking sector, and the remaining set of 27 encouraging indicators relating to some other banking sector indicators as well as to households, financial markets, nonbank financial institutions, non-financial corporations, and property markets. Three of the 12 used indicators will be applied and these three include capital adequacy, asset quality, and liquidity.

Paul-Olivier Kleina and Rima Turk-Arissb 2022: Bank capital and economic activity.

Stronger capitalized banks, in the opinion of Kleina and Turk-Arissb (2022), improve financial stability circumstances and can continue to extend credit to the economy during difficult times, hence reducing negative macroeconomic impacts. Over nearly two decades, a study was conducted utilizing data from 47 industrialized and developing countries. It used a number of approaches to assess the strength and availability of a bank lending channel and a channel for financial stability. The study's findings indicated that higher capital ratios improve financial stability and boost bank lending, which ultimately has a positive effect on economic activity. According to economic theory, these effects on real GDP growth can reach a maximum of 1.25 percentage points for every point rise in capital. Their major findings stand up to a variety of sensitivity tests, proving that safer banking systems do not impede economic activity.

Using a Mixed-Cross Section Global Vector Autoregressive model for the 28 European Union (EU) economies and a sample of 42 prominent listed European banking firms, Gross, Kok, and Zochowski (2016) investigated the effect of bank capital on economic activity. According to the report, increasing bank capital ratio requirements may cause a substantial decline in economic activity across the EU.

Ahmad et al (2016): Non-Performing Loans and Economic Growth.

A good proxy for the quality of loans and advances offered by a bank is the percentage of non-performing loans to total loans. When interest and/or principal payments are 90 days or more past

due, have been capitalized, refinanced, or delayed by agreement, or when payments are less than 90 days past due, a loan is considered non-performing. However, there may be other valid explanations, such as the debtor filing for bankruptcy, which raises doubts about whether payments will be made in full as suggested by IMF (2005). NPL indicates the rate of credit default incurred by a bank. Banking institutions with high rates of non-performing loans are required to hold provisions for loan losses which may lead to their failure.

In Pakistan Ahmed et al (2016) examined the relationship between the Non-Performing Loans and the Economic Growth in Pakistan. Study considered data from the time period of 1998-2010 on annually basis. It applied the regression and concluded that there is Negative relationship between non-performing loans and economic growth in Pakistan over the period in study. It also established that non-performing loans hurts economic growth.

Morakinyo and Sibanda (2016) assessed the long-run determinants of economic growth by NPL in Nigeria. The study used the multivariate model to investigate the effect of NPL on economic growth. The results suggested there is a long-run relationship between the level of nonperforming loans and economic growth in Nigeria for a 17-year quarterly data period spanning from 1998 to 2014.

Fidrmuc, Fungacova, and Weill (2015): Effect of bank liquidity creation on economic growth.

Amadeo (2018) described total liquidity as capital existing for investment, as well as money and credit facilities at the disposal of consumers, which could be expended on goods and services. According to Nikolaou (2009) funding liquidity is defined by the Basel committee of banking supervision as the ability of banks to meet their liabilities, unwind or settle their positions as they become due, while market liquidity is defined as the ability to trade an asset at short notice, at low cost and with little impact on its price. Holding sufficient Liquid assets is of paramount importance, given that liquidity risk has the potential to cause even solvent institutions to fail, which could have an adverse effect on economic growth, it is, therefore, crucial for the stability of a banking institution as well as the financial sector as a whole.

Fidrmuc, Fungacova, and Weill (2015) investigated empirically whether increased bank liquidity promotes Russian economic expansion. Using a comprehensive and detailed dataset of Russian banks, Study measured the production of bank liquidity. In order to investigate the relationship between the generation of new liquidity and economic growth for Russian regions from 2004 to 2012, fixed effects and GMM estimations are used. The study's findings indicated that increasing bank liquidity supports economic growth. The financial crisis did not have an impact on this effect. Thus, our analysis suggests that Russia's economic growth is positively impacted by the development of the financial sector.

Similarly, Ojiegbe et al. (2016) in Nigeria investigated on the impact of bank liquidity on economic growth in Nigeria. Ordinary Least Square (OLS) regression analysis and the econometrics co-integration test was used by Ojiegbe et al. (2016) to analyze data from the central bank of Nigeria statistical bulletin for the years 1980 to 2013. According to the results of the OLS test, the study found a strong and favorable link between total bank credit ratios and economic growth in Nigeria, indicating that high bank liquidity causes banks' credit ratios to rise and, ultimately, spurs economic growth.

Studies in Zimbabwe.

Sibindi and Bimha (2014) looked at the causality of the link between the expansion of Zimbabwe's banking industry and the country's economic growth. Based on a vector error correction model, the Granger causality test was applied in this study. According to the study's findings, economic growth in Zimbabwe and the expansion of the banking industry are related over the long term. implies that economic expansion in Zimbabwe stimulates the growth of the banking industry, which is consistent with demand based on the finance hypothesis. Similarly, Chisunga (2015) examines the connection between financial development and economic growth in Zimbabwe from 1995 to 2008. The Granger causality technique was used to study the relationship between private sector lending and economic development. According to the study, private sector credit Granger causes economic growth. In order to attract a wider clientele and boost the productive sector,

Chisunga (2015) advises that Zimbabwean banks lend at lower interest rates and launch innovative products.

2.4 Literature gap

Studies done across the globe have been focused on the relationship that exists between the whole financial system development and economic growth. These studies have produced different results but there is consensus in literature on the pivotal role of the financial sector and development in regards to economic growth. Furthermore previously studies have only been limited to the relationship, but the impact of aspects like the size and scope of the banking industry and stability of the banking sector on economic growth Zimbabwe have not been thoroughly investigated. Although there are some studies done with regard impact of commercial banks development on economic in other countries, institutional differences and capital allocations variations between and within economies makes it difficult to generalize findings and thus increase the need for a Zimbabwe specific study.

2.5 Chapter Summary

This chapter focuses mostly on the literature that is relevant to various approaches to banking sector development and economic growth. The main focus of the theoretical examination was on what theory explains in relation to financial development and economic growth. The next chapter will look at the research methodology used by the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology used in the study in an effort to find the impact that the commercial banking sector development has on economic growth in Zimbabwe. Leedy (2010), defined research methodology as the use of appropriate techniques and strategies to obtain relevant data, which helps to draw true connections from real phenomena when analyzed. This chapter will cover the research design, population, sample and research instruments used to gather data during this research topic.

3.1 Research Design

McMillan and Schumacher (2001), suggests that research design is a plan for a study that sets out the activities to be undertaken, such as data collection procedures and sampling strategy in order to provide answers to the research questions. Saunders et al (2011), also defined a research design as “the general plan on how you will go about answering the research questions”. This study makes use of a quantitative approach. Descriptive research design was the most suitable for this study as it explained the relationship and cause of factors among various bank specific variables and the macro-economic variable.

3.2 Research Population.

(Castillo 2009) defined research population as a well-defined collection of objects known to have similar characteristics. A population is the aggregate of all elements, subjects, or individuals who have one or more common characteristics. Due to time and financial constraints, it is impossible to evaluate the entire population, hence a certain sample size must be taken from the targeted group in order to produce the requisite results. Population of this study comprised of secondary data from 13 commercial banks in Zimbabwe so the study referred to Reserve Bank of Zimbabwe (RBZ)

quarterly data and reports, reports from the World Bank on Zimbabwe economic update, publications from local newspapers, and publications from the Ministry of Finance and Economic Development. Study will cover period from 2017 to 2021.

3.3 Sampling Techniques and Sample size

A sample is a list of all cases from which a sample is collected in the target population (Saunders et al 2011). A sample is a list that classifies all elements of the population so that a sample can be drawn without the need to take all components of the population. In practice, most of the information obtained by researchers about any population comes from examining a small representative subject of the population. Sampling is the process of selecting units for example, people and organization from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen (Baridam, 1987). The objective is to draw conclusions about populations from samples, the study adopted inferential statistics which enabled us to determine a population`s characteristics by directly observing only a portion of the population. The study obtains a sample rather than a complete enumeration (a census) of the population for many reasons.

For the purpose of this study 13 commercial banks that contribute quarterly and yearly total amounts of their assets, credits to both private and public sector, liquidity and capital adequacy were used. GDP was used as a proxy for economic growth as it was also used by Nyasha and Odhiambo (2015) in examining the relationship that exists between banking development and economic growth in South Africa.

3.5 Data Collection Methods

3.5.1 Secondary Data

A secondary data research project entails collecting and/or reusing existing data for purposes other than the ones for which it was initially acquired. Secondary data can be gathered from a variety of

sources, including literature, industry surveys, computerized database and information system compilations, and computational or mathematical models of environmental processes.

3.5.2 Data Collection Instruments

Secondary data sources were employed for this study. The annual growth rate of real GDP was employed as a proxy for economic growth, while commercial banks development investments were represented by banks credit ,liquid assets, funding related liabilities and level of capital held by banks. The data came from RBZ, commercial banks annual reports readily available, World Bank reports on Zimbabwe's economy update, publications from the Ministry of Finance and Economic Development, Newspaper articles on Commercial banks development National Budget Statement, Zimbabwe Economic Report, textbooks and international journals on economic development and growth, and commercial banks

3.5.3 Data Presentation and Analysis

Data analysis is the process of inspecting, cleaning, transforming, and modeling data in order to highlight useful information, suggest conclusions, and support decision making. The researcher gathered quantitative data from RBZ Annual Reports and document analysis, which will be used in Chapter 4. The researcher selected data presentation technologies that were appropriate for displaying trends in Commercial Banks and linkages between commercial banks and economic growth. The regression model will be used to analyze the collected data in order to determine the link between GDP and commercial bank. With the help of the Statistical Package for Social Sciences, tables and graphs will effectively illustrate and analyze the remaining results (SPSS).

3.6 Research Model

A multiple regression model was used to show the relationship between Commercial banks development and economic growth in Zimbabwe.

$$GDP_t = B_0 + B_1 FND_t + B_2 CRE_t + B_3 CAP_t + B_4 LIQ_t + \epsilon \quad (1)$$

Where:

GDP_t – Represents Gross Domestic Product at time t ;

FND_t – Represents Funding Related Liabilities held by Commercial Banks at time t ;

CRE_t – Denotes Total Credit Extended by Commercial Banks at time t ;

CAP_t – Level of Capital held by Commercial Banks at time t ;

LIQ_t – Liquid Assets held by Commercial Banks at time t .

ϵ – Denotes the Error Term (which captures all the other variables that have an impact on GDP but were not included in the model).

When it comes to qualitative research and the social sciences, the relationship between reliability and validity is asymmetric (Hassam 2011). According to Kincheloe and McLarch (1994), the only way to ensure validity in a study is to use rigorous methodology, which strictly adheres to a set of objective procedures that separate researchers from the researched. According to Saunders et al. (2012), reliability is defined as whether data collection and analysis procedures would produce consistent results if repeated on another occasion or by different researchers'. Audited and accurate annual and quarterly reports were used to ensure the study's reliability and validity.

3.7 Chapter Summary

This chapter's main objective was to describe and explain the research methodology that was employed to conduct this investigation. The research defines the methodology as descriptive research design, examining the benefits and drawbacks, and providing information on population and sampling strategies, data gathering methodologies, and data collection devices employed. In order to guarantee that the data used is reliable, the chapter also discussed the data presentation and analysis, the research model employed, and challenges related to the variability and dependability of the data obtained. Data presentation, analysis, and discussion will be the main topics of the following chapter.

CHAPTER 4

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter aims to analyse the response and presenting the results of the research. The data obtained was found from secondary sources, the researcher used annual and quarterly reports of commercial banks and data will be presented through the use of graphs and tables.

4.1 Descriptive of Study Variables

This section was aimed at determining the trends of independent variables which were used in the study. These variables are capital, liabilities, credit and commercial banks liquid assets.

4.1.1 Capital

The study sought to give a trend of changes in commercial banks capital over the period studied.

Figure 4.1 Capital

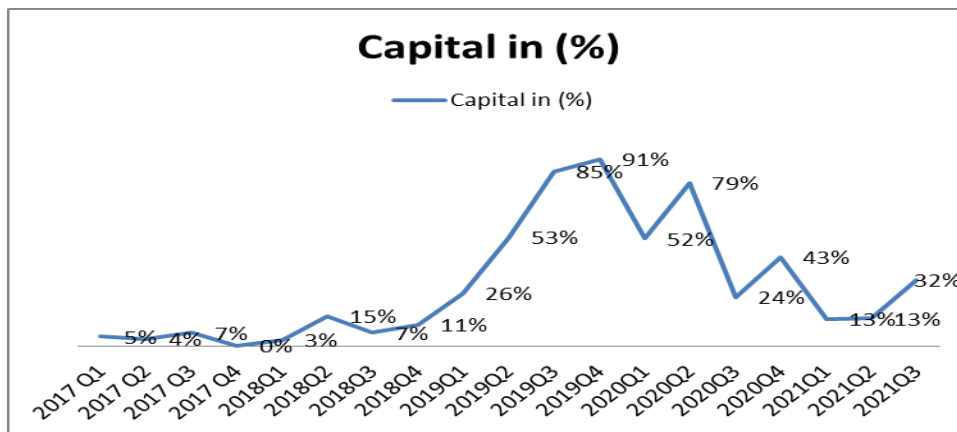


Figure 4.1 depicts a trend in percentage change of commercial banks capital level. Commercial bank capital percentage rose from 4% in the 3rd quarter of 2017 to 91% in the 4th quarter of 2019. It then dropped to 52% in the 1st quarter of 2020, rates later dropped, rose to 79% in second quarter of 2020. Commercial banks capital then declined to 13% in 1st quarter 2021, it maintained the same percentage for the following quarter before it took an increase to 32%.

4.1.2 Funding Related Liabilities

The study sought to determine the trend of changes in commercial banks Liabilities over the period studied.

Figure 4.2 Funding Related Liabilities

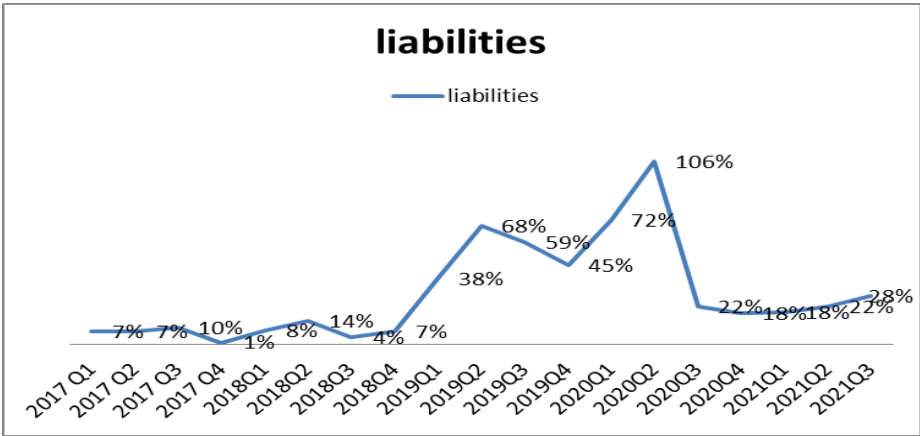


Figure 4.2 is showing trend of percentage change in commercial banks funding related liabilities per every quarter from 2017 to 2021. The lowest percentage change in commercial banks liabilities was 1% which was recorded in the 4th quarter of 2017, thereafter it took an increase to 14% in the 2nd quarter of 2018. The Commercial banks liabilities then decreased to 4% and increase to 68% in the second quarter of 2019. After the increase of the second quarter of 2019 change in commercial banks liabilities then decreased to 45% in 4th quarter of 2019 before increasing to 106% in the 2nd quarter of 2020. This increase was then followed by a decrease to 18% in the 4th quarter of 2020 and it ended with an raise to 28% in the 3rd quarter of 2021

4.2.3 Credit

Study aims to determine the trend in credits given by commercial banks to both the government and private sector over the period being studied.

Figure 4.3 Credit

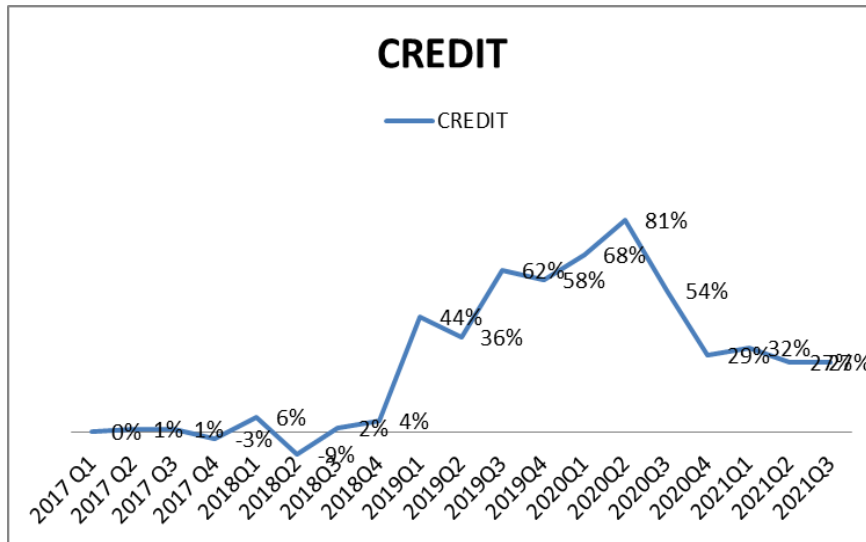


Figure 4.3 show a trend of percentage change in commercial banks credit in Zimbabwe. The highest decrease along the trend was -9% which the country experienced in the 2nd quarter of 2018, it was then followed by an of 44% which was recorded in the 1st quarter of 2019. A decrease to 36% was recorded in the 2nd quarter of 2019 and an increase to 62% was observed in the 4th quarter of 2019. The highest percentage of the trend of 81% was recorded in the second quarter of 2020. A decline to 29% was recorded in the 4th quarter of 2020 and trend for the period then ended with a decrease to 27% which experienced in the 3rd quarter on 2021.

4.2.4 Asset Liquidity

The study sought to determine the trend in changes of commercial banks asset liquidity over the period being studied.

Figure 4.4 Asset Liquidity

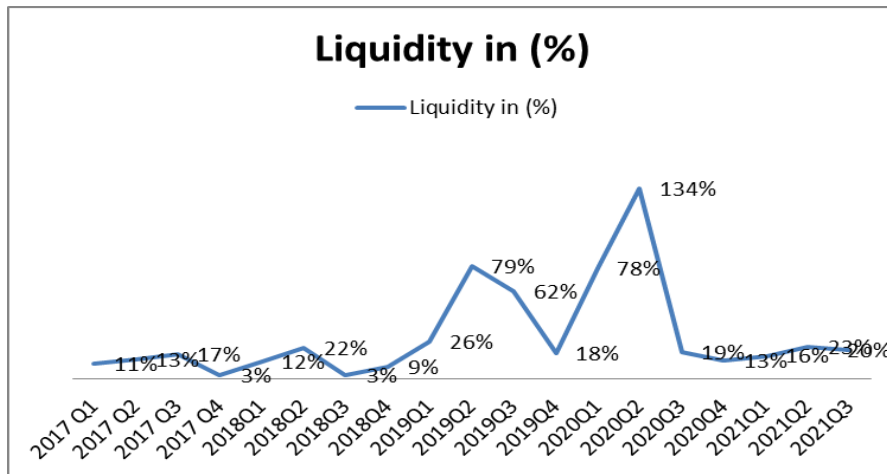


Figure 4.4 is showing trend in the percentage change in liquidity of commercial banks in Zimbabwe as depicted one the above commercial banks liquidity has been changing by different percentages of the period considered for the investigation. The trend recorded 3% in the 4th quarter of 2017 and 3rd quarter of 2018 after this an increase to 79% was experienced in the second quarter of 2019 and a decrease to 18% was experienced in the 4th quarter of 2019. The highest increase of the trend was 134% which was recorded in the 2nd quarter of 2020, the trend then ended at 20% which was recorded in the 3rd quarter of 2021.

4.3 Data Analysis

Data analysis is the process of inspecting, cleaning, transforming and modelling data with the aim of obtaining useful information to support decision making. The purpose of this study was to establish the relationship between commercial banks development and economic growth, considered the period from 2017 to 2021. The study used secondary data from the Reserve Bank of Zimbabwe annual banking supervision reports, the World bank reports on Zimbabwe economy updates, publications of the Ministry of Finance and Economic Development, National budget statements, international journals on Commercial Banks development and economic growth textbooks and newspaper articles. The study used ZWD figures to demonstrate the relationship between economic growth and Commercial banking sector development in Zimbabwe. Study was analysed using SPSS to analyse the relationship between the variable.

4.3.1 Descriptive Statistics

The descriptive analysis obtained from the studied variables over the study per are shown by table 4.1 Capital had a minimum of ZWD 1 025.00, maximum of ZWD 92 533 mean of 19 909.40 and standard deviation 28 249.94. Liabilities had a minimum, maximum, mean and standard deviation of ZWD7 080.ZWD 626 998,137 057.70 and 191163.83 respectively. Credit had a mean of ZWD 33 880, standard deviation of ZWD 51 318.79, maximum of ZWD 172 915.00 and minimum of ZWD 2 504.00. Gross Domestic Product (GDP) had a mean of ZWD 4 335.00, maximum of ZWD 273 828.00, mean of 81 744.00 and Standard deviation of 103 339.88. Liquidity had minimum ZWD 3 290, maximum ZWD 316 259.00, mean of 73 659.85 and Standard deviation of 100 562.51.

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Capital	20	1025	92533	19909.40	28249.937
Liabilities	20	7080	626998	137057.70	191163.831
Credit	20	2504	172915	33880.30	51318.790
Gdp	20	4335	273828	81744.00	103339.883
Liquidity	20	3290	316259	73659.85	100562.505
Valid N (listwise)	20				

Source: SPSS Output

Correlation Analysis

4.3.2 The relationship between commercial banks development and economic growth in Zimbabwe.

The question sought to investigate the relationship between commercial banks development and economic growth in Zimbabwe. Correlation analysis investigated the relationship between two

variables or more variables. In this study the relationship between commercial banks development variables which are capital, credit, Funding related liabilities and asset liquidity and economic growth economic which is measured by GDP. It also outlines the direction as well as how much relationship exist between these variables .The Karl Pearson coefficient of relationship was used to show the relationship that exist between dependent variable GDP and independent variables. The results of the correlation are presented in the table 4.2 below.

The second question also sought to establish if it possible to use commercial banks in attaining economic growth given the relationship that exist between the dependent variable and independent variables

Table 4.2 Correlation Analysis

		gdp	capital	liabilities	credit	liquidity
Pearson Correlation	gdp	1.000	.963	.952	.939	.953
	capital	.963	1.000	.998	.993	.995
	liabilities	.952	.998	1.000	.992	.999
	credit	.939	.993	.992	1.000	.985
	liquidity	.953	.995	.999	.985	1.000
Sig. (1-tailed)	gdp	.	.000	.000	.000	.000
	capital	.000	.	.000	.000	.000
	liabilities	.000	.000	.	.000	.000
	credit	.000	.000	.000	.	.000
	liquidity	.000	.000	.000	.000	.
N		20	20	20	20	20
	capital	20	20	20	20	20
	liabilities	20	20	20	20	20
	credit	20	20	20	20	20
	liquidity	20	20	20	20	20

Source: SPSS Output 2022

As depicted on the table 4.2 above the Capital had a Pearson correlation coefficient of 0.963, Liabilities had a Pearson correlation of 0.952, credit had a Pearson Correlation of 0.939 and liquidity had a correlation of 0.953. This suggests there is a relationship between commercial bank development and economic growth in Zimbabwe. Therefore, an increase in variables under commercial banks development is more likely to result in economic growth.

The result on capital was constant with the finding of Oliverkleina and Arissb (2022), who established that improved financial stability enables banks to extend credit to economic agents during difficult times, hence reduce negative macroeconomic impacts and enable the economy to grow. Therefore, this implies that an increase in bank capital results in economic growth as banks will now have more funds to give loans to different economic agents. On Funding related liabilities the investigation proved that they have a positive relationship with economic growth in Zimbabwe. The result is supported by the finding of Manasseh et al (2021), who established that there is a positive relationship between economic growth and bank deposits in Nigeria. This means that an increase in bank deposits in Nigeria leads to economic growth in the country, similarly an increase in deposits which are under funding related liabilities in study results in economic growth in Zimbabwe. An increase in surplus funds which will be channelled to economic agents with deficits can help in fostering economic growth in Zimbabwe.

The study established that there is a positive relationship between commercial banks liquid assets and economic growth, results were constant with theoretical expectations and also other empirical studies like Ojiegbe et al. (2016) who established that there is a favourable link between total bank credit ratios and economic growth in Nigeria, indicating that high bank liquidity causes banks credit ratios to rise and ultimately, spurs economic growth.

Under bank credit the results obtained suggested that there is a positive relationship between economic growth and bank credit, this is supported by theoretical expectations and other similar studies like Akinwale et al (2019) who observed that bank credit to different sectors of the economy plays a significant role in promoting economic growth in Nigeria. The study recommended that banks should ensure more credits flow to the manufacturing sector and agricultural sector in order to ensure a bidirectional relationship between bank sectorial credit and economic growth.

4.3.3 The feasibility of using commercial banks development in achieving economic growth.

This question seeks to examine the feasibility of using commercial banks development in attaining economic growth in the country. The correlation test result on table 4.2 were used to determine if it possible to use commercial banks development to attain economic growth basing on the result of the relation with commercial banks development variables and economic growth variable.

The positive relationship that has been exhibited on table 4.2 above between independent variables of and dependent variable signifies that an increase in all these variables is more likely to result in improved economic growth in Zimbabwe. This therefore clearly indicate that it is feasible to use commercial banks in attaining economic growth in the country. As there is a positive relationship between the variables under study. Findings are supported by Manasseh et al (2021) who established that there is a positive relationship between economic growth and bank deposits, therefore an increase in banks deposits is more likely to result in economic growth in Zimbabwe. Study also established that it is its feasible use liquid assets to attain economic growth as an increase in asset liquidity of them is more likely to result in economic growth due to the positive relationship that exist between the two. The is also supported by Ojiegbe et al. (2016) who suggested that high bank liquidity causes banks credit ratios to rise and ultimately, spurs economic growth.

Furthermore, the feasibility of using commercial banks in attaining economic growth, is further supported by the positive relationship between bank credit and economic growth. The findings of the study is further supported by Akinwale et al (2019) who established there is positive relationship between bank credit and economic growth and he went on to recommended that banks should ensure more credits flow to the manufacturing sector and agricultural sector in order to ensure bidirectional relationship between bank sectorial credit and economic growth.

Commercial banks capital has proved to be feasible to use in attaining economic growth in Zimbabwe since there is a possible relationship between these two. Result is supported by previous empirical studies like OlivierKleina and Arissb (2022) who suggested that suggested that, greater capital ratios enhance financial stability and support bank lending, which eventually has a beneficial impact on economic activity

Variables Entered/Removed

Table 4.3 Variables Entered/ Removed

Model	Variables Entered	Variables Removed	Method
1	liquidity, credit, capital, liabilities ^b	.	Enter

a. Dependent Variable: gdp

Source: SPSS Output 2022

Regression Analysis

Table 4.4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.983 ^a	.965	.956	21652.388	1.569

Source: SPSS Output 2022

R represents the quality of prediction of the dependant variable; this case GDP. A value of 0.983 indicates a good level of prediction. The R squared which is also known as the coefficient of determination that measures the goodness of fit and explains the proportion of dependent variance that can be explained by independent variable. R squared was 0.965 which implies that 96.5 of the variation of GDP is explained by liquidity, credit, capital and liabilities. This suggests that there is strong relationship between Commercial banks development and economic growth. The other cause factors are explained by other factors which are not explained in the model. The result of the investigation were in line with Abusharbeh (2017) who investigated the impact of banking industry development on Palestinian economic growth and produced a coefficient of determination (R²) of 91%. Indicating that 91% of the variations in Palestinian economic growth are estimated by the variation of banking indicators.

The results are also in line with a study which was done by Ayunku (2018) in Nigeria which produced an R² of 0.7760998 (77.6%) under this investigation two variables from this study which are bank credit and deposit were used. The 77, 6 % is the percentage that the variable used in the research explains the variation in Gross domestic product.

This study produced a Durbin Watson figure of 1.569 meaning there is no auto correction among variables used in the. The Durbin Watson is used to test autocorrelation in residuals and its bench mark for absence of autocorrelation ranges from 1.5 to 2.5. Result obtained from this study are also in line with those produced by Abusharbeh (2017) in the investigation of the impact of banking sector development on economic growth in Palestinian in which a Durbin Watson value of 2.0608 was obtained.

Anova

Table 4.5 Anova

Model	Sum of Squares	Df	Mean Square	F	Sig.
-------	----------------	----	-------------	---	------

	Regression	195871109353.419	4	48967777338.355	104.448	.000^b
1	Residual	7032388644.582	15	468825909.639		
	Total	202903497998.000	19			

a. Dependent Variable: gdp

b. Predictors: (Constant), liquidity, credit, capital, liabilities

Source: SPSS Output 2022

Study aimed to investigate whether the means of data of given variables are significantly different from one another. The above table 4.5 gives an analysis of variances (ANOVA) which was carried out in this study and results produced an F statistic of 104.448 and significant of 0.00 which is less than 0.05 level of significant and this shows that not all of the means are equal. This therefore signifies that the overall model is statistically significant at the benchmark of below 5%, meaning that hypothesis of significant linear relationship between dependent variable and independent variables are viable. The result is constant with the results which were produced by Abusharbeh (2017), in which an F test of value 0.000 less than the significant of 5% level was recorded.

Coefficient

4.3.5 How can commercial banks development help in achieving economic growth in Zimbabwe?

Table 4.6 Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error				Beta	Lower Bound

1	(Constant)	9722.481	6330.130		1.536	.145	-3769.873	23214.835
	capital	14.695	2.962	4.017	4.962	.000	8.383	21.008
	liabilities	-2.669	1.132	-4.937	-2.357	.032	-5.082	-.256
	credit	-.765	1.084	-.380	-.706	.491	-3.075	1.545
	liquidity	2.324	1.386	2.261	1.677	.114	-.630	5.277

Source: SPSS Output 2022

The main objective of conducting the significance test was to establish the if each independent variable was supposed to be part of the model , given that others are already there .The significance column in the table 4.6 from the study conducted clearly shows that the two independent variables capital and liabilities are useful in the model as both have p-values less than 0.05 which are 0.00 and 0.32 respectively, whilst credit and liquidity are less useful in the model as both have p which greater than the stipulated benchmark of 0.05 which are 0.491 and 0.114 respectively.

The findings of the study are constant with, Gross, Kok, and Zochowski (2016) who established that increasing bank capital ratio requirements may cause a substantial decline in economic activity across the EU which adversely affects economic growth in a country. This therefore implied that capital has significant relationship with economic growth.

The results from the funding related liabilities indicated that there is a significant relationship between funding related liabilities and economic growth since the results from the significance test

was 0.032 which is below 0.05. The result is constant with other empirical studies done like the one done by Manasseh et al (2021) which established that there is a positive and significant relationship between bank deposits and economic growth in Nigeria.

Furthermore, on the liquidity the results were not constant with theoretical expectations and also other empirical studies like Ojiegbe et al. (2016) who established that there is a strong and favourable link between total bank credit ratios and economic growth in Nigeria, indicating that high bank liquidity causes banks' credit ratios to rise and, ultimately, spurs economic growth.

On bank credit the research established that credit is not significant to economic growth in Zimbabwe. This is so because the significant value obtained was 0.491 which was higher than the set benchmark of test which is 0.05. This therefore implies that bank credit has no significant relationship with economic growth in Zimbabwe. The results obtained are similar to the findings of Mamman and Hashim (2014) who gathered that there was no significant relationship between bank lending and economic growth in Nigerian since the significance obtained from the study was 0.63. The implication of the result was that Nigerian banking sector showed weak capacity and low level of activities of banks to finance the Nigerian economy.

From the results obtained it is clear that Bank capital and Funding related liabilities have a significant relationship with economic growth in Zimbabwe. Therefore, these two can be useful in attaining economic growth in the country, through policies that enable critical sectors of the economy to harness and fully take advantage of these two. Bank capital can help in attaining economic growth in the country as the banking sector will be stable enough. Stability enables those in the commercial banking sector to come up with long-term investments in crucially productive sectors such as mining, manufacturing and agriculture. A good example is that of CBZ Agro-Yield which is subsidiary of CBZ holdings coming into a partnership with the government of Zimbabwe to fund maize and Soya beans production in Zimbabwe (the herald 2019). Long-term investments are more likely to result in improved production and ultimately economic growth.

Funding related liabilities can also be used to foster economic growth in Zimbabwe as they proved to have a positive and significant relationship with economic growth. This is so because funds obtained from deposits are crucial in ensuring that there is enough fund to be given to economic agent who wish to modernize and expand their operation which may result in improved output and economic growth. Manasseh et al (2021) holds it that firms borrow funds for investments in capital

goods which form part of economy's capital stock and therefore the economy growth. Therefore, households purchase consumer goods while firms buy capital goods for further production all this is paramount to economic growth. This points to how can commercial banks can be used to drive economic growth in the country as funding related liabilities which have significant relationship with economic growth since strategies and policies which are directed to fully use the potential that funding related liabilities can better help the country to drive production and demand for produced goods in the country.

4.4 Chapter Summary

This chapter presented the results and of the findings of the study based on data collected and analysed. It consisted of the data analysis and presentation and findings on the relationship between Commercial banks development and economic growth in Zimbabwe. Study also provided a trend on the changes in the independent variable over the period of study. The next chapter seeks to conclude this study, make recommendations on the study and suggested areas for further research.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION.

5.0 Introduction

This chapter presents the summary, recommendations and conclusions based on the chapter four results. The summary is summarizing all the chapters of this research. The conclusion looked at the restraints met, the discoveries and the research observations. Finally the chapter viewed at the recommendations, contributions and suggested solutions.

5.1 Chapter summaries

5.1.1 Chapter One

The chapter discussed the background of the study, statement of the problem, research Objectives and research questions. The assumptions of the study, delimitations of the study and limitations of the study were also outlined. The significance of the research to the student, country and the university was also discussed within chapter one. Key terms were also defined in this chapter.

5.1.2 Chapter Two

This chapter gave theoretical framework on Commercial banks development and economic growth. The conceptual framework of commercial banks was reviewed clearly showing the role they play in fostering the economic growth in the country. Past studies result were shown by empirical literature carried out by other researchers on the topic.

5.1.3 Chapter Three

This chapter focused on outlining and explaining the research methodology used to carry out this study. The part of the research defines the research design used as descriptive research and it gave an insight on population and sampling techniques, data collection methods and instruments of data collection used. This chapter also addressed the data presentation and analysis, research model used and issues to do with variability and reliability of data collected to give assurance that the data used is reliable.

5.1.4 Chapter Four

This chapter looked at the results and the findings of the study based on data collected and analyzed. It consisted of the data analysis and data presentation and findings on the relationship between Commercial banks development and economic growth in Zimbabwe, findings on the correlation between Commercial banks development and GDP and Findings on the feasibility to use commercial banks for economic growth in Zimbabwe.

5.2 Summary of Findings

On the study it was revealed that Commercial banks development and GDP which is a key measure of economic growth have a positive relationship and have an influence on the economic growth in Zimbabwe.

Results on correlation yield that commercial banks development is positively and highly correlated to GDP, this implies that these two move in the same direction. This so because all the independent variables bank credit, capital, liquidity and total funding related liabilities produced positive and high correlation figures of 0.939,0.963,0,953 and 0.952 respectively.

Commercial banks development can be used to foster economic growth in the Zimbabwe since all the independent variable used in the study established that there is a positive correlation with the dependent variable in the study.

The study established that banks capital and funding related liabilities have are significant to economic growth in Zimbabwe. It also established that Commercial banks credit and asset liquidity are not significant to economic growth in the country as there values of and were above the significant level of 0.05.

Study also established that 96.5 % of the movements in GDP are explained by the movements in the independent variables used in the study. The anova value was 0.00 which is below the level of 0.05 signifying the test was significant.

This study also provided that capital and total funding related liabilities are significant to economic growth in Zimbabwe. Therefore, these two can be used by monetary authorities in their bid to foster economic growth in the country. To achieve growth using these two there should be kept at

optimum level that allows the country to harness economic growth through a developed banking system the country.

5.3 Conclusion

The study found out that commercial banks impact positively on economic growth in Zimbabwe. This was established based on the results produced by the correlation test done on the study.

Study found out that commercial banks development can be used to attain economic growth in Zimbabwe as all variables used for commercial banking sector development have a positive correlation with GDP which is a measure of economic growth in the country.

Study also provided that capital and total funding related liabilities are significant to economic growth in Zimbabwe. Therefore, these two can be used by monetary authorities in their bid to foster economic growth in the country. To achieve growth using these two there should be kept an optimum level that allows the country to harness economic growth through keeping both of these at levels that can spur economic growth. Bank credit and asset liquidity are not significant as provided by the study therefore cannot be useful in fostering economic growth in the country.

Despite theoretical expectations bank credit is supposed to be significant to economic growth results produced a different view this may be as result of the fact that credit being extended to is too low to improve GDP in the country. Liquid assets are not being significant to economic growth and this can be as result of commercial banks not taking full advantage of the liquid asset to use them in fostering economic growth.

5.4 Recommendations.

In light of the above conclusions, it is recommended that monetary authorities do come up with policies and strategies that seek to ensure that commercial banks credit is channeled to the productive sectors of the economy where tangible goods are produced like the mining sector, agriculture and manufacturing. Policies should create an environment that pushes economic agents to use funds to expand their operations and bring in modern production equipment which results in improved production and in turn spurs economic growth in Zimbabwe. More commercial

banks should make sure that, they use their liquid assets invest in different sectors of the economy which are paramount to economic growth of the nation.

While capital and total funding related liabilities are of significant economic growth in the country .Monetary authorities should try and make sure that they do come up measures that seeks to establish and maintain optimum levels of these two such that maximum benefits of these two can be fully obtained in Zimbabwe.

5.5 Suggestions for further study

This study recommends that further researches be conducted on correct amount bank capital and funding related liabilities that should be maintained in the country so as to ensure that country's economy can attain maximum utilization of these two. More so, more studies should to be done to establish the reasons by bank credit and asset liquidity do not have a significant relationship with economic growth in country, establishing the reasons behind this can help in coming up with measures to try and ensure that the monetary authorities do use these two to come up with policies that can help to foster economic growth and eradicate the current problems that have been bedeviling the country for a long period of time.

References

Abubakar, A. and Gani, I.M., 2013. Impact of banking sector development on economic growth: Another look at the evidence from Nigeria. *Journal of Business Management & Social Sciences Research*, 2(4), pp.47-57.

Abusharbeh, M.T., 2017. The impact of banking sector development on economic growth: Empirical analysis from Palestinian economy. *Journal of Emerging Issues in Economics, Finance and Banking*, 6(2), pp.2306-2316.

Ahmad, M.I., Guohui, W., Hassan, M., Naseem, M.A. and Rehman, R.U., 2016. NPL and corporate governance: A case of banking sector of Pakistan. *Accounting and Finance Research*, 5(2), pp.32-41.

Akinola, M., and Mabutho, S., 2016. Non-Performing Loans and Economic Growth in Nigeria: A Dynamic Analysis. *Journal of Economics and Business* [ISSN:] 2241-424X [Volume:] 66 [Year:] 2016 [Issue:] 4 [Pages:] 61-81

Akinwale, S.O. and Obagunwa, O.T., 2019. A VECM approach towards the effect of bank credit on economic growth: Empirical evidence for Nigeria. *European Scientific Journal*, 15(19), pp.1-15.

Ameh, O., E., Ajie ,H.,A., and Isiwu George Duhu,I.,G.,2017.Impact of Contributory Pension Scheme on Economic Growth in Nigeria: An Empirical Analysis, *International Journal of Research in Humanities and Social Studies* V4●I6, ISSN 2394-6296 (Online)

Ang, B., J., 2008.A SURVEY OF RECENT DEVELOPMENTS IN THE LITERATURE OF FINANCE AND GROWTH Volume 22, issue 3. Retrieved from: <https://doi.org/10.1111/j.1467-6419.2007.00542.Banking Industry of Jordan> retrieved from: <https://orcid.org/0000-0002-2730-1415>

Bao, G., Zeng, F., & Wang, M., Study on Human Resource Allocation Efficiency Based on DEA Analysis, *International Journal of Circuits, Systems and Signal Processing*, Vol. 14, 2017, pp. 1136-1141.

Beck, T., Levine, R., 2004 Stock markets, banks, and growth: Panel evidence Author links open overlay panel, *Journal of Banking & Finance* Volume 28, Issue 3, Pages 423-442

Berger, A.N. and Bouwman, C.H. (2009), "Bank liquidity creation", *Review of Financial Studies*, Vol. 22 No. 9, pp. 3779-3837.

Chagwiza, W., 2014. Zimbabwean Commercial Banks Liquidity and Its Determinants, *International Journal of Empirical Finance*. Vol. 2, No. 2, Page 52-64

Chaitip, P., Chokethaworn, K, C., Chaiboonsri, C., and Khounkhalax, M., 2015. Money supply Influencing on Economic Growth wide Phenomena of AEC Region, *Journal of Procedia Economics and Finance*. Volume 24 pages 108-115

Chisunga, D., 2015. Causal Relationship between financial sector development and economic growth: a case of Zimbabwe.

Čižo, E., Lavrinenko, O. and Ignatjeva, S., 2020. Analysis of the relationship between financial development and economic growth in the EU countries. *Insights into Regional Development*, 2(3), pp.645-660.

Cordelia Onyinyechi Omodero (2019) .Department of Accounting, College of Management Sciences, Michael Okpara University of Agriculture, Umudike, Umuahia, Abia State, Nigeria. Effect of Money Supply on Economic Growth: A Comparative Study of Nigeria and Ghana . doi:10.11114/ijsss.v7i3.4137 URL: <https://doi.org/10.11114/ijsss.v7i3.4137>

Countries. *Economic development and Cultural change*, 14(2), 174-189.

Dudhe, C., 2017. Role Of Indian Commercial Banks In Economy Development. In *International Conference Current Economic Trends in Emerging and Developing Countries Timisoara*.

Economics, 9(1), 93-108.

Elizabeth Joseph 2020 The Effect of Bank Credit on the Economic Growth of Tanzania *Journal of Finance and Economics*, vol.8, no. 5 (2020): 211-221. doi: 10.12691/jfe-8-5-2

Fidrmuc, J., Fungáčová, Z. & Weill, L. 2015. Does Bank Liquidity Creation Contribute to Economic Growth? Evidence from Russia. *Open Econ Rev* **26**, 479–496. Retrieved from: <https://doi.org/10.1007/s11079-015-9352-1>

- Giovannini, A., Iacopetta, M. and Minetti, R., 2013. Financial markets, banks, and growth: disentangling the links. *Revue de l'OFCE*, 131(5), pp.105-147.
- Gross, M., Kok, C. and Żochowski, D., 2016. The impact of bank capital on economic activity- Evidence from a Mixed-Cross-Section GVAR model.
- Jawaid, S. T., Quadri, F. S., & Ali, N. (2011). Monetary-fiscal-trade policy and economic growth Pakistan: Time series empirical investigation. *International Journal of Economics and Financial Issues*, 1(3), 133-138.
- John, E.E. & Terhemba, I.P. (2016). Commercial bank credit and manufacturing sector output in Nigeria. *Journal of Economics and Sustainable Development*, 7(16), 189-196.
- Joseph, E., 2020. The Effect of Bank Credit on the Economic Growth of Tanzania. *Journal of Finance and Economics*, 8(5), pp.211-221.
- Klein, P.O. and Turk-Ariss, R., 2022. Bank capital and economic activity. *Journal of Financial Stability*, 62, p.101068.
- Levine, R. 2005. "Finance and growth: Theory and evidence". In P. Aghion and S. Durlauf (eds), *Handbook of Economic Growth*, Volume 1 (pp. 865–934). Amsterdam: North-Holland.
- Mahara, T.S., 2020. Money supply-economic growth nexus: Evidence from a landlocked country.
- Manasseh, C.O., Okoh, J.I., Abada, F.C., Ogbuabor, J.E., Alio, F.C., Lawal, A.I., Nwakoby, I.C. and Asogwa, O.J., 2021. Impact of financial intermediaries on Nigerian economic growth. *International Journal of Financial Research*, 12(1), pp.348-356.
- Marshal, I., Solomon, I.D. and Onyekachi, O., 2015. Bank domestic credits and economic growth nexus in Nigeria (1980-2013). *International Journal of Finance and Accounting*, 4(5), pp.236-244.
- Martynova., N, 2015.Effect of Bank Capital Requirements on Economic Growth: A Survey . De Nederlandsche Bank Working Paper No. 467, Retrieved from: SSRN: <https://ssrn.com/abstract=2577701> or <http://dx.doi.org/10.2139/ssrn.2577701>
- McMillan, J. H., & Schumacher, S. (2001). *Research in education: A conceptual introduction*. New York, NY: Longman.

Moigliani,F.,and Miller,M., H. (1958).The cost of capital,corporation finance and the theory of investment.The American Economist Review,261-296.

Nguyen ,P., 2022.The Impact of Banking Sector Development on Economic Growth: The Case of Vietnam’s Transitional Economy, Faculty of Banking. Journal of Risk and Finance Management Retrieved from <https://doi.org/10.3390/jrfm15080358>

Nwoko, N., M., and Ihemeje, J., C.(2019) .The Impact of Monetary Policy on the Economic Growth of Nigeria .An International Multi-disciplinary Journal, Ethiopia Vol. 10(3), Serial No.42,

Nyasha, S. and Odhiambo, N.M., 2015. The impact of banks and stock market development on economic growth in South Africa: an ARDL-bounds testing approach. *Contemporary Economics*, 9(1), pp.93-108.

Obeidat, M.I.S., 2021. The Validity of Modigliani-Miller Theorem at the Commercial Banking Industry of Jordan. *WSEAS Transactions on Business and Economics*, 18, pp.929-940.

Odufuye, B.M., 2017. Bank credits and its impact on Nigerian economy growth. *International Journal of Development Strategies in Humanities, Management and Social Sciences*, 7(3), pp.39-52.

Paavo, E., 2017.The Impact of Commercial Banks Development on Economic Growth in Namibia.Msc Thesis, University of Cape Town. South Africa

Patrick, H. T. (1966). Financial development and economic growth in underdeveloped

Petkovic, M. and Kjosevski, J., 2014. Does banking sector development promote economic growth? An empirical analysis for selected countries in Central and South Eastern Europe. *Economic research-Ekonomska istraživanja*, 27(1), pp.55-66.

Pradhan, R.P., Tripathy, S., Chatterjee, D., Zaki, D.B. and Mukhopadhyay, B., 2014. Development of banking sector and economic growth: the ARF experience. *Decision*, 41(3), pp.245-259.

Reserve Bank of Zimbabwe, 2021.Bank Supervision Annual Report

Reserve Bank of Zimbabwe, 2022.Bank Supervision Annual Report

Saini, P. and Sindhu, J., 2014. Role of commercial bank in the economic development of India. *International Journal of Engineering and Management Research*, 4(1), pp.27-31.

Saunders, M.N. and Rojon, C., 2011. On the attributes of a critical literature review. *Coaching: An International Journal of Theory, Research and Practice*, 4(2), pp.156-162.

Sibindi, A.B. & Bihma, A. (2014).Banking sector development and economic growth: evidence from Zimbabwe. *Banks and Banks Systems*.9 (2).51-58

Tarusarira, K., (2019 October 03).CBZ Launches Agro-Yield. *The Herald* Thorsten Beck, Robin Döttling ,Thomas Lambert and Mathijs van Dijk 2022.Liquidity creation, investment, and growth. *Journal of Economic Growth* <https://doi.org/10.1007/s10887-022-092171>

Time to set the economy on the right path (2017, January 05), *The Herald*: retrieved from <https://www.herald.co.zw/editorial-comment-2017-time-to-set-economy-on-growth-path>.

Retrieved from:URL:<http://dx.doi.org/10.19044/esj.2019.v15n19p52>

Victoria, A.(2017,November 10).Business focus: Have investment deals gone sour? <https://www.herald.co.zw/have-investment-deals-gone-sour/>