



Lupane State University
Building Communities through Knowledge

Faculty of Commerce

Department of Accounting and Finance

**AN ASSESSMENT ON THE ADHERENCE TO LIQUIDITY RISK
MANAGEMENT PRACTISES BY NEWLY ESTABLISHED FINANCIAL
INSTITUTIONS IN ZIMBABWE**

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**A RESEACH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
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ABSTRACT

The paper was aimed on the assessment of the adherence to liquidity risk management practices by newly established financial institutions in Zimbabwe. The study focused on financial institutions which commenced operations from 2008. The study however assessed three newly established financial institutions which qualified in the set criteria. A three-year period commencing from 2015 to 2017 was used in this assessment. This study goes a long way in assessing whether these institutions follow the liquidity risk management practices set by the BCBS. In achieving the objectives, a panel survey and a quantitative research design was adopted. Ratio analysis was used in conjunction with the statistical One Sample T-Test from the SPSS package.

The study was compelled by the need to address the needs of various stakeholders in relation to the adherence to liquidity risk management practices by newly established financial institutions. The results show that newly established financial institutions are very weak in terms of following the best practices set by the Basel Committee on Banking Supervision (BCBS). The liquidity risk that is faced by the newly established financial institutions continues to grow in intensity with the passage of time. Financial institutions are struggling to attract long term stable deposits and as such they rely on short term on demand deposits to fund increases in assets. Financial institutions are thus challenged to come up with strategies to increase long-term deposits and also revise their assets growth plans. The conclusions drawn from the methodology and results indicate that newly established financial institutions do not adhere to liquidity risky management practices