



Faculty of Commerce

Department of Accounting and Finance

THE IMPACT OF CAPITAL STRUCTURE ON BANK PERFORMANCE

BY

GWYNNETH N. GUMBO

L0140306U SUPERVISOR: MR M. NCUBE

**A RESEACH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF BACHELOR OF
COMMERCE HONOURS DEGREE IN ACCOUNTING AND FINANCE AT
LUPANE STATE UNIVERSITY**

MAY 2018

ABSTRACT

The objective of this research is to examine the relationship between capital structure and performance of commercial banks in Zimbabwe. Panel data was collected from secondary sources mainly financial statements of banks, RBZ statements and ZIMSTATS. The study was carried out on a sample of nine (9) commercial banks which were operating in Bulawayo over five (5) years ranging from 2012 to 2016. The performance variables used in the study were Capital adequacy ratio (CAR), Return on Equity (ROI) and cost to income ratio (CITR). Data collected were analyzed using panel regression models on EViews 8 in order to determine if there is any significant relationship between capital structure and the financial performance of these commercial banks. Long-term debt to total assets ratio (LTDTA) and short-term debt to total assets ratio (STFTA) were used as independent variables. The finding of the analysis indicated that there is no significant influence between the capital structure and the financial performance of Zimbabwean commercial banks