



**Faculty of Commerce**

**Department of Accounting and Finance**

**EFFECTS OF LIQUIDITY CRISIS ON FINANCIAL PERFORMANCE OF  
FIRMS LISTED ON THE ZIMBABWE STOCK EXCHANGE.**

**BY**

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## **ABSTRACT**

The Zimbabwe economic development has been affected by a liquidity crisis that has been affecting the country since 2009 after the multi-currency system was introduced. The research is aimed at establishing the effects of liquidity crisis on financial performance of firms listed on the Zimbabwe Stock Exchange. The study used secondary data from the published financial statements for the period 2012 to 2016. A descriptive research design was used. Quantitative data was gathered and analyzed using correlation analysis and regression analysis. The hypothesis was tested using SPSS AMOS. Liquidity crisis was measured using balance sheet liquidity as well as macro-economic factors and financial performance was measured using return on equity. It was found that liquidity crisis negatively affects the financial performance of firms listed on the Zimbabwe Stock Exchange. The current ratio was found to have a positive effect on financial performance and the debt to equity ratio a negative one while gross domestic product was found to have a positive relationship while led to the conclusion by the study that liquidity crisis have a negative effect on financial performance. The study recommends that firms listed on the Zimbabwe Stock Exchange should focus on increasing their liquidity so as to attain full performance, also reduce debt as a way of finance during this liquidity crisis since interest rates are high and it also recommends that government should focus on activities that increases the gross domestic product of the country and also increase their focus on ways to attract foreign direct investments as a way of increasing the financial performance of listed firms.