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DETERMINANTS OF MANUFACTURING FIRM CAPACITY UTILISATION IN ZIMBABWE UNDER MULTI CURRENCY SYSTEM

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ABSTRACT
The study investigates the determinants of manufacturing firm capacity utilization in Zimbabwe under the multi-currency system. Quarterly secondary data from 2009 to 2017 obtained from ZIMSTATS, RBZ, CZI and World Bank was analysed using the Fractional Regression Model. Loan advancement to manufacturing sector, power supply and level of imports, exports, broad money supply and inflation were the explanatory variables of the study. The findings of the study revealed that the inflation, exports, power supply and loan advancement to manufacturing sector have significant positive impact on capacity utilization. The study also showed that there is negative significant relationship between capacity utilization and imports and broad money supply which contributed to a low manufacturing sector growth over the years. Recommendations based on the findings include the substitution of imports with locally manufactured products, that the government to invest in provision of reliable and adequate power. The financial system should prioritize the provision of loans to the manufacturing sector and the central bank has to prioritize foreign currency allocation to the requirements of the manufacturing sector.