Faculty of Commerce

Department of Accounting and Finance

LIQUIDITY CRISIS AND ITS IMPACT ON THE FINANCIAL PERFORMANCE OF FIRMS IN THE MANUFACTURING SECTOR OF ZIMBABWE

BY

SEHLULE MADIWA MOYO

L0151111G SUPERVISOR: MR B. DLAMINI

A RESEARCH 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 study sought to assess liquidity crisis and its impact on the financial performance of firms in the manufacturing sector of Zimbabwe. The study adopted a quantitative research paradigm and adopted an exploratory design in which 40 questionnaires were distributed to the employees of the manufacturing companies. Statistics were also taken from Zimbabwe Stock Exchange (ZSE) website and Zimbabwe Statistics Agency. Data was gathered using both primary and secondary sources. The study used the Statistical Package for Social Scientists (SPSS version 22) and Microsoft Excel to analyse data. The research findings revealed that the main causes of liquidity crisis in Zimbabwe were poor export performance, poor corporate governance practices, corruption and externalization of funds. The study found that liquidity crisis had a less significant negative relationship with the financial performance of the manufacturing firms. It was deduced from the study that the percentage increase in liquidity crisis results in the decrease in the financial performance of manufacturing firms by 44%. Recommendations were made from the study, it stated that government, consumers and manufacturing firms should work together to ease financial crisis. The study also recommended that the government should prioritize the enactment of laws that will deal with reduction of the import bill. It also recommended that a further study should be done on the analysis of measures to improve export performance aiming at easing liquidity crisis in Zimbabwe.