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Inflation and Its Effects on the Performance of Barclays Bank Zimbabwe

by

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APPROVAL

INFLATION AND ITS EFFECTS ON THE PERFORMANCE OF BARCLAYS BANK ZIMBABWE

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In accordance with Daystar University policies, this thesis is accepted in partial fulfillment of requirements for the Master of Business Administration degree.

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DECLARATION

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I declare that this thesis is my original work and has not been submitted to any other college or university for academic credit.

Signed:_____Date:_____

Judith Njobo

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DEDICATION

This work is dedicated to my husband Ngonidzashe, my sons Tinayeishe and Anashe for the love and support. For all the sacrifices you made. It is also dedicated to my mother Mrs. Njobo for her constant encouragement and prayers.

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LIST OF ABBREVIATIONS AND ACRONYMS

ICT	Information Communication Technology
IMF	International Monetary Fund
BBZ	Barclays Bank Zimbabwe
RBZ	Reserve Bank of Zimbabwe
GNP	Gross National Product
US	United States
NMB	National Merchant Bank
ZABG	Zimbabwe Allied Banking group
MBCA	Merchant Bank of Central Africa
ZDB	Zimbabwe Development Bank
ATM	Automated Teller Machine
CPI	Consumer price index
PPI	Producer price index
QTM	Quantity theory of money

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ABSTRACT

This study sought to find out whether inflation affected the performance of Barclays Bank Zimbabwe in terms of financial performance, lending practices, recruitment practices and compensation for its staff. The objectives of this study included: finding out how inflation affects Barclays Bank Zimbabwe's performance; assessing the impact of inflation on the recruitment and compensation practices of Barclays Bank Zimbabwe and ascertaining how inflation affects Barclays Bank Zimbabwe's lending practices. The study was a case study and used questionnaires, interviews and content analysis to gather data. A sample size of 45 was selected using quota sampling and the response rate for the questionnaires was 68.2% and for the interviews, the response rate was 85.71%. Data was analysed using SPSS and Microsoft office excel. Pearson's correlation coefficient was used determine the relationship between two variables that is inflation and salaries. Coefficient of determination was also used to establish the ration of explained variation to total variation. The study findings were presented in form of tables and figures and found out that inflation affected BBZ performance. As part of the findings, the study found out that the recruitment practices were affected by inflation as well as compensation for BBZ employees. Though the bank had access to a pool of vast talents, this was at a higher cost and as inflation increased, so did the salaries and wages of the employees. The variations observed between the salaries offered at BBZ and inflation were 99% caused by variations in inflation rates and 1% was caused by other factors. Lending rates were also affected by inflation since the bank itself

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did not have the money to continue lending and customers could not afford to take loans due to the high lending rates imposed by the bank. Hyperinflation also led to decreased financial performance for the bank due to the constant increases in salaries and wages, decreased investment, reduced lending, increased recruitment costs and a poor operating environment in the country.

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