Journal of Sustainable Development in Africa (Volume 14, No.7, 2012)
ISSN: 1520-5509
Clarion University of Pennsylvania, Clarion, Pennsylvania

MULTINATIONAL BANKS' ROLE IN ZIMBABWE'S ECONOMIC DEVELOPMENT

[1]Tendai Joseph Mabvure, [1]Michael Kamoyo, [2]Bekhisizwe Ndlovu, [1]Edson Gwangwava and [1]Faitira Manuere

[1]Chinhoyi University of Technology, Zimbabwe
[2]Barclays Bank of Zimbabwe, Corporate Banking, Zimbabwe

ABSTRACT

The purpose of the study was to analyse the role of multinational banks in sustainable economic development. The study was done after realizing that despite the presence of huge multinational banking institutions, and the positive improvements in the economy after the introduction of multiple currencies, most companies and households were still faced with liquidity challenges. Multinational banks (MNBs) are major players in the financial system of the country; however their commitment in economic development remained questionable. The paper employed multi-method approaches by combining both questionnaire survey data and aggregate firm level data mainly from secondary data sources. A case study approach was used to collect firm level data. It was found that MNBs did not contribute much in the economic development of Zimbabwe, contrary to what was found in other markets. MNBs were passive and local banks were active.

Keywords: Multinational Banks, Economic Development, Economic Growth, Sustainable Economic Development, Emerging economies, Developing Countries, Loan products, Barclays Bank.

INTRODUCTION

The scope of responsibility for financial institutions in emerging markets is widening, from environmental protection to social inclusion of underprivileged groups and consideration of other social issues, such as labour practices, protection of indigenous populations, and preservation of cultural heritage (IFC, 2007). To that effect there is growing interest on the role of multinational banks (MNBs) on sustainable economic development in emerging economies. Sustainability is now increasingly recognized as central to the growth of emerging market economies. In addition to the issues of loss of biodiversity, climate change, and various environmental pollution, banks are being called upon to address issues of poverty alleviation and equal development opportunities for all if sustainable development is to be achieved (Smits, Foreword in Bourma *etal* 2001). There is need to assess the role played by foreign banks in ensuring sustainable development particularly on the area of social inclusion, corporate restructuring, governance and providing financial resources for investment towards environmental adaptation in developing and emerging economies. MNBs should play a pivotal role in supporting private sector investments in achieving "high social and environmental standards as well as in supporting innovative business models in areas such as sustainable energy and access to finance for women" (Koskelo and Kyte, 2007) and small businesses.

Share of foreign owned banks 2009-2011 (Commercial Banks)

Following Jones (1992) multinational banks (MNBs) are banks with physical operations in more than one country. They operate as branch offices, wholly owned subsidiaries, joint ventures or strategic partnerships. Naaborg *et al* (2004), use definitions in line with those proposed by Beck *et al* (1999), and define a bank to be foreign in cases where more than fifty per cent (50%) of its shares are foreign owned. In recent years (2003/2004), financial instability arose in emerging and transition economies, while credit supply remained insufficient. To improve the quantity and the quality of the credit supply, policy makers encouraged the operations of MNBs through domestic and international policies. As at 30 June 2011 Zimbabwe had 4 foreign owned banks namely; Standard Chartered Bank and Stanbic Bank (wholly foreign owned subsidiaries), Barclays (67.7% foreign owned), and MBCA (78.5% foreign owned) [Reserve Bank of Zimbabwe (RBZ), 2011].

Table 1: Share of MNBs

Year	Jun 2009	Jun 2010	Jun 2011
Share of MNBs	26.7%	26.7%	23.5%

Source: RBZ monetary policy statements 2009, 2010, 2011.

During the period 2009 to June 2011 MNBs were about a quarter of the total commercial banks operating in the financial market in the country. Barclays Bank of Zimbabwe is one of the leading banks in Zimbabwe and has operated in the country since 1912, (Barclays, 2011). The bank was listed on the Zimbabwe Stock Exchange (ZSE) and is a subsidiary of Barclays Bank Plc, (ZSE, 2011). The bank was among the top 10 most capitalised counters on the Zimbabwe stock exchange and 21st largest company in the world (ZSE statistics, 2011). It had operations in over 50 countries and territories across Africa, Asia, Europe, North America, and South America and around 48 million customers. As of 30 June 2010 it had total assets of €1.94 trillion, the 3rd of any bank worldwide (Bloomberg, 2011). The bank has a big commercial banking network giving it presence throughout Zimbabwe, with 39 branches and 45 active ATMs, (Barclays, 2010). Barclays bank of Zimbabwe's corporate banking division enjoys close to 30% market share as it serviced quite a number of the country's listed blue chip companies (New Africa Securities, 2009). Barclays bank just like any other multinational bank operating in the country is well integrated with regional and international investors or financiers, as it is regarded as safe for doing business with. The number of commercial banks rose from 11 in the year 2000, (RBZ, 2001) to 17 as at 31 June 2011, (RBZ, 2011). The increase in the number of commercial banks played an important and active role in the economic development of the country and was considered as one facet of a wider strategy for national development (RBZ, 2003). Banking development positively predicted growth, capital accumulation and productivity improvements (Levine, 1996; Bekaert and Harvey, 1997). The development of the banking sector assisted economic development through helping economies to mobilize domestic savings to finance needed investments (Levine, 1996), providing access to global markets for the economy's business firms, expanding access to finance for small to medium enterprises (SMEs) who are the major drivers of Zimbabwe's economic activity and extending financial services to the underserved (Neuser and Kugler, 1998). Currently there are 24 registered banks in Zimbabwe (excluding Genesis

Investment Bank and Royal Bank Zimbabwe Limited) battling for meagre total deposits of just over US$ 4.00 billion (including interbank deposits).

Economic Operating Environment of Zimbabwe

Zimbabwe's economy consistently shrunk since 2000; in an atmosphere of political turmoil, capital flight, and mismanagement (Imara Edwards, 2009). The economy largely hailed for its robust and sophisticated financial system suffered a slump in rating as a result of a volatile macro-economic environment that culminated in hyperinflation, foreign currency shortages, high unemployment levels, high interest rates and other economic problems. The banking system widely viewed as a barometer and epicentre of economic activity took the hardest knock during the 2003/2004 banking crises. As a result some local banks were put under curatorship and ultimately closed (e.g. Royal Bank, Trust Bank, Barbican bank, Time Bank). However some of these banks were granted operating licences in 2009 to resume operations, with the exception of Barbican that is yet to commence operations (RBZ, 2011). Royal Bank of Zimbabwe found the going tough and surrendered its licence and closed on the 27th of July 2012(RBZ, 2012). All multinational banks operating in Zimbabwe were not affected, further proving that they upheld the principles of corporate governance, and had sound risk management policies.

Economic Developments In Zimbabwe

The economic meltdown of 2008, sought the intervention of MNBs as most local financial institutions had collapsed. Multinational banking institutions were expected to play a pivotal role in supporting economic revival and growth of the country by providing the much needed financial resources to boost capacity utilization, bring about price stability, gross domestic product (GDP) growth, employment creation in the country's productive sectors and credit/liquidity generation within the economy. Foreign owned banks were expected to lead in facilitating recapitalization of the various recovering sectors of the economy.

Instability of the Economy

After a decade of economic decline Zimbabwe adopted a multicurrency system in January 2009.The stable economic environment which accompanied the multiple currency system created a conducive business environment. The Zimbabwean economy grew by 5.7% in 2009, estimated to have grown by 8.1% in 2010 and was projected to grow 9.3% in 2011 (Ministry of Finance, 2010; RBZ, 2010, 2011). Despite the positive economic growth, financial liquidity that was needed to create demand for goods and services remained very scarce. It was for this reason that multinational banks were accused of aloof attitude towards the need to actively support the growth of the domestic economy (RBZ, 2011). In his Fiscal Policy statement in 2010 the minister of finance accused foreign owned banks of being reluctant to extend loans to productive sectors of the economy. Levine (1996) and Bekaert & Harvey (1997) pointed out that efficiency and liquidity were of paramount importance in the role of banks in promoting economic growth.

LITERATURE REVIEW

International Banking and Sustainable Development

The role of banks in contributing towards sustainable development is, however, potentially enormous, because of their intermediary role in an economy (Bouma et al, 2001). Sustainable development is about the welfare of human beings and a natural environment that does not reduce the possibilities of future generations (Smits, Foreword in Bouma *etal* 2001). Oxford University Press (1987), defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Surprisingly, the financial sector has been late to respond to the issue of sustainable development which is emerging as an important driver across all sectors in an economy (IFC, 2007).

Daly (2002) noted that there were two broad answers to sustainable development, which are utility and throughput for which banks are a vital cog. The strength of banks in contributing to sustainable development emanates from their process of financing business activities (Bouma et al 2001) through sustainable banking. Sustainable banking is about supporting the environmentally innovative and proactive firms and stimulating the lagging and reactive ones (Smits, Foreword in Bouma *etal* 2001). Banks should help those companies that are failing to integrate sustainability into their activities through tailor made financial product. Bouma et al (2001) proposed that banks through their risk assessment capabilities can influence the direction of economic growth by charging high interests on clients with high environmental risk and low interest on clients with low environmental risk. In this respect banks can be viewed as natural partners of government. Sustainability calls for the recognition that the financial sector is part of an ecosystem that comprises many sectors of the economy such as; energy, tourism and environment, mining, manufacturing, education, and telecommunications, just to name a few. Any meaningful development that is sustainable in these sectors is hinged upon the risk assessment performance of the financial sector specifically in the case of MNBs that have a bigger financial muscle. MNBs can also make an impact through corporate social responsibility on a greater scale to take care of the environment and society in a way that brings out sustainable development.

Multinational Banks and Sustainable Economic growth

The quest for sustainable development calls for MNBs in emerging and developing economies to assist the private sector to be socially and environmentally responsible by integrating social and environmental sustainability concepts, management systems, products, and services into their businesses through lending channels (IFC,2007). Foreign-owned banks played an important role in the development of the financial system of developing countries (Naaborg *et al* 2004). Denizer et al (2000) noted that private sector finance was particularly important in reducing macro-economic volatility and environmental adaptation. Levine (1996) says there is growing experience of empirical studies to suggest that the overall economic development of a country is a positive function of the development of its financial sector, especially of the banking system. Claessens *et al* (2001) further identified that organizational learning and internal coordination, quality of managerial resources and cultural proximity are vital in dictating and differentiating the development pattern of foreign banks. In developing countries, foreign owned banks were generally more efficient than domestically owned ones. More importantly, empirical studies have shown that there is a positive correlation between foreign ownership of banks and stability of the banking system (Caprio and Honahan 2000; Dages *et al* 2000) hence environmental sustainable capabilities. Sharma and Brimble(2012) noted that there was escalating evidence that formal financial sectors may importantly influence a country's economic growth. The study demonstrated that, in the case of developing countries, finance related growth opportunities may well be arbitrated by a handful of powerful international banks, which while enjoying exorbitant profits and very low solvency risks, may intentionally be driving firms away from the formal financial sector. The study recommended that international banks in the developing countries be required to become *socially* responsible corporations. Levine (1997, 2005),Guiso et al., (2004), Goldsmith (1969), King and Levine (1993), and Rajan and Zingales (1998), as quoted in Sharma and Brimble(2012) asserted that, finance positively and strongly influences growth. Although Lucas, 1988; Meier and Seers, 1984; Miller, 1988) disagree about the role of the financial sector in economic growth, as also quoted in Sharma and Brimble (2012). It has been noted in literature that the donor community finances are dwindling and therefore the Multinational banks (International banks) are expected to play a role in economic development of developing countries by closing in the gap of capital deficiency and assist firms to be economically and socially sustainable. Sharma and Brimble (2012) proves in their study that credit provided by the financial sector to the private sector may be employed in expanding capital and technology, which may enhance a country's sustainable growth and development.

The fact that Banks are also being confronted with economic sustainable development or are helping to shape it (Bouma etal, 2001, p 52) is beyond any reasonable doubt. If sustainable business is to be realized at the macro level, the stance of banks is critical. The role of banks in the economy is identified as an intermediary one, transforming money by space, term, scale and risk (Sharma and Brimble (2012) thereby creating opportunities for sustainable business through their financing policy and fee activities (in giving its customers investment advice for instance). Furthermore, it was observed that banks have an enormous comparative advantage with respect to the knowledge and information they have about various market sectors, legislation and market developments. Banks are capable of deploying these instruments and knowledge in a focused way and stimulate sustainable development. Banks needs only to have a will and vision for such a thing (Bouma *etal*, 2001). It was however, noted that a bank must attempt to substantiate its sustainable development policy without trying to meddle excessively in the entrepreneurs' business.

Credit Mobilization and Stability of the Financial Sector

The potential of foreign banks in contributing to sustainable economic development in emerging markets is demonstrated by their stability in source of credit. In the years preceding the recent global crisis, foreign bank lending to emerging economies expanded rapidly. The presence of foreign-owned banks was generally believed to have enhanced competition and aided overall financial stability (Kamil and Rai 2009). Mathieson and Roldos (2001) pointed out two related issues; whether the presence of foreign banks made systemic banking crises more or less likely to occur, and whether there was a tendency for foreign banks to "cut and run" during crisis periods an act which has a bearing on sustainable development. De Haas and Lelyveld (2002, 2003) showed on the basis of empirical analysis that during crisis periods domestic banks contracted their credit and deposit bases, whereas foreign banks did not. Committee on the Global Financial System (CGFS) (2005) highlighted that the impact of foreign bank presence on economy-wide credit allocation was one key concern raised by the host countries. One aspect was that foreign banks sought to cherry-pick creditworthy customers. Moreover, they focused on household lending rather than providing credit to a broad range of sectors. A second element was that foreign banks emphasised standardised credit evaluation over lending based on "soft" information and long-term customer relationships. Consequently, lending to small and medium-sized enterprises (SMEs) in particular was outside the scope of foreign banks in countries where such firms were not routinely subject to audit (Akerlof, 1970) yet the SMEs sector needs assistance if economic development is to be sustainable.

One major advantage with large international banks is that they are likely to have better access to global financial markets and introduce stability to the host country banking system. Countries with weak banking and fiscal institutions should benefit from the presence of foreign banks (Gros, 2003). However, the major concern is that foreign and domestic banks differ in their attitude towards client relationships. De Haas and Lelyveld (2003), highlighted that differences between foreign and domestic banks are not only related to the fact that a foreign bank subsidiary was part of an international banking organisation, but can also result from other differences in bank goals and balance sheet health.

Some banks may prefer to grant credit on a "transaction-by-transaction-basis". In that case, banks increase their credit supply to meet the extra demand for finance when the economy goes up, only to decrease loan supply when economic conditions worsen. Conversely, other banks may finance their clients "through the cycle" and will not easily cut off credit lines in case of temporary adverse economic developments. There are also some concerns that foreign banks' participation may worsen banking system stability in the host country. For example, if domestic banks are relatively inefficient, they may respond to increased competition by undertaking higher-risk activities to earn returns, and they will be forced into bankruptcy. Foreign banks may tend to take over the credit-worthy domestic customers, leaving domestic banks to serve other more risky customers and thereby worsen the profit, risks and capital position of domestic banks. Kamil and Rai (2009) highlighted that during the recent global credit crunch foreign banks were potential vehicles for spreading a crisis that originated in advanced economies into emerging markets. As their financial health deteriorated sharply, bank's global scramble for dollar liquidity and the need to deleverage balance sheets raised concerns that these bank flows could retrench significantly, disrupting macroeconomic stability in emerging markets.

There have also been concerns about the behaviour of foreign banks during periods of crisis, although recent empirical studies have shown that greater foreign bank participation was a stabilising factor during crisis periods. Demirgüc-Kunt and Detraigiache (1998), Palmer (2000), Dages *et al* (2000) & Gosh (2011), noted that policymakers have often resisted greater foreign bank presence in their economies for fear of "cherry picking". Arguments supporting a policy of openness to foreign bank participation are far from being universally accepted. The benefits for emerging markets of foreign participation in domestic financial systems were widely argued to be broad-based. Those arguments were, however, mirrored by a set of concerns over the potentially adverse effects of opening to foreign participation (Goldberg *et al*, 2000). Gosh (2011) noted that although the list of indicators found important in explaining crisis varies across studies certain results appear to be robust. In particular, rapid domestic credit expansion, large bank liabilities relative to reserves and domestic financial liberalization appear to be the key factors in determining systemic banking crises.

In part, the business focus of foreign banks reflected the absence of an adequate legal and accounting framework, which raised the cost of writing credit contracts with SMEs (Champonnois 2006). Private credit captures the loans to the private non-financial sector; in the euro area private credit is about three times as high as public credit, whereas in the developing countries private and public credits have about the same size (Beck *et al* 1999).

Allocation of Credit Resources

Naaborg *et al* (2004), found out that the speed of financial development in the transition countries of Central and Eastern Europe (CEE) has been rather slow. Foreign-owned banks have become major players in the financial system of Central and Eastern European countries; they lend more to the private sector than domestic banks do. Since 2005, foreign bank's lending to Latin America and Caribbean Countries (LAC) expanded rapidly, representing a significant source of funding for companies and households, and accounting for a significant share of banking activity in many countries by end of 2008(Kamil and Rai ,2009). Dages *et al* (2000) examined the lending patterns of domestic and foreign banks and found that foreign banks usually have a stronger and less volatile lending growth than their domestic counterparts. Weller (2000) and Kowalski (2002) showed that the participation by a greater number of multinational banks resulted in a lower credit supply by the Polish banks during the early transition phase. In Latin America, foreign bank entry played a key role in stabilising financial systems after the "tequila crisis". For instance, Mexico's post-crisis situation placed it in a position where the overall plausibility of its recovery policy would have been undercut by an unwillingness to accommodate entry by large foreign banks (Committee on the Global Financial System, 2005).

Bank's Motives for Becoming a Multinational Bank

Meng (2009) highlighted that foreign banks exhibit a mix of motives including both market seeking and following the client. Other motives are driven by competition, geographical diversification and cultural connection. Investment banks and retail banks are purely driven by seeking local market development. For corporate banks, following the clients is still important. Hellmann (1996) distinguished among three internationalisation strategies: customer following strategy, market seeking strategy, and following the leader strategy. All of those three features may contribute to the internationalisation at the same time. Bulmash (2005) highlighted that several studies argue that foreign business enhances a firm's domestic business and firm value. Butler (1999) suggested that a firm with subsidiaries abroad has more access to international capital markets. He also noted that the firm can benefit from lower tax rates and lower costs of capital abroad. He also asserted that geographic diversification can reduce business and financial risk. However, it also exposed the firm to greater political and exchange rate risk. Pomerleano and Vojta (2001), Bonin *et al* 1998 supported by Dages *et al* (2000) pointed out that the banking sector was consolidating on a global basis and the global economy is increasingly interconnected in real and financial terms. Thus, domestic banks should create alliances with global banks to provide global financial services to their customers.

METHODOLOGY

This study adopted a multi-method research approach (triangulation) that combined both aggregate level data and firm level data. This approach was also employed by Meng (2009). Firm level data was collected through the use of a case study. The case study used both primary and secondary data sources. The study was limited to one large British multinational bank (Barclays bank of Zimbabwe) in the banking industry that has an internationalization orientation and localization advantage in Africa and the Middle East. Barclays Plc is renowned for conservative and robust approach in financial services, use of modern technologies, innovative product offering and distinctive management practices that are customer-focused. In addition, they offer competitive financial services to both the public and private sectors in Zimbabwe as well as internationally.

Target population and sample

Senior management and other senior employees of Barclays bank of Zimbabwe Plc (Ltd) in the various selected departments of the bank were targeted. These included Credit Risk Director, Corporate Director, Credit analysts, Treasury dealers and other senior employees of the bank from various departments. Simple random sampling was used to select these senior staff members. The individuals were selected and used as they were expected to have useful insights, experience and adequate knowledge about the areas covered in the study. Carefully selected policy documents and other relevant publications from the RBZ, the ministry of finance, and other economic agencies were also selected to provide the information needed on this research.

Research instruments

Computerized self-administered questionnaire developed based on 18 closely identified and related questions was used. The questionnaire was computerized and self-administered and respondents e-mailed back their responses while some respondents who wanted to maintain confidentiality and anonymity sent back the hard copies of the questionnaire. The research focused on respondents from one organization and it was possible to construct a usable sampling frame from which a representative sample was selected because intranets typically serve known populations. Secondary data for this study was taken from Zimbabwe Stock Exchange (ZSE) publications and website, monetary policy statements, RBZ bulletins and website, Kingdom stock-brokers research publications and other equity researchers.

Data analysis procedure

The period covered was January 2009 to December 2011. For the questionnaires the data was analysed using SPSS software version 16. In order to determine the effectiveness of whether foreign bank participation increased or decreased the stability and availability of credit in the country, and the behaviour of foreign banks on lending after the introduction of a multicurrency system, two sets of regressions were run. The idea of the formulas used was borrowed from Haas & Lelyveld (2003). In the first one, the researcher used as dependent variables the percentage growth in total loans, of bank *i* in year *t*.

$$\Delta Growth\ in\ total\ Loans = \frac{Loan_{i,t} - Loan_{i,t-1}}{Loan_{i,t-1}}$$

In the second set, the researcher ran as dependent variables the percentage changes in the credit market share of bank *i* in year t, using the formula shown below. The idea of the formula was also borrowed from Haas and Lelyveld in (2003) when analysing foreign Banks and Credit Stability in Central and Eastern Europe.

$$\Delta in\ the\ credit\ market\ share_{i,t} = \frac{Credit\ Market\ Share_{i,t} - Credit\ Market\ Share_{i,t-1}}{Credit\ Market\ Share_{i,t-1}}$$

In this second set of regressions the researcher aimed to explain the growth of bank *i* in a particular year relative to the growth of the total banking system credit in the country in that year. Haas and Lelyveld (2003) noted that by estimating changes in market shares, in order to control for credit demand, the researcher implicitly assume that all (domestic and foreign) banks grant credit to the same market segments and customer types. This is a rather strict assumption and changes in banks' market share may therefore still partly be driven by different credit demand functions. A questionnaire was also used to extract useful information on credit mobilization and distribution to augment available secondary data sources. To find out the motives of foreign banks operating in Zimbabwe in a multicurrency era, the bank participants were asked to evaluate different questionnaire questions on a 5-point scale as also implemented by Akhtar (2001) in his research. This was intended to get information on the motives and strategies of foreign banks operating in Zimbabwe. The participants gave their opinion as to why they thought multinational banks were operating in Zimbabwe. The bank managers and other senior members were asked to rate the factors that were important for their organization as the motives for operating in Zimbabwe. The choice of the factors exhibited in the questionnaire was largely influenced by literature on multinational banking and the motives of banks. Each of the factors was rated on a scale of 1 to 5 where 1 represented irrelevant and 5 stood for most important.

RESULTS

Executives, managers, supervisors/team leaders, senior clerical, analyst of a multinational Bank were asked and the information below was generated after running the responses in the SPSS software. A total of 60 questionnaires were send out, and 42 questionnaires were returned, signifying a response rate of 70%.

Table 2: Loan products offered Bank of Zimbabwe								
	Loan products offered by Bank-Working Capital	Loan products offered by Bank-Term Loans	Loan products offered by Bank-Syndicated Loans	Loan products offered by Bank-Project Finance	Loan products offered by Bank-Trade Finance	Loan products offered by Bank-Personal Loans	Loan products offered by Bank-Credit Cards	Loan products offered by Bank-Asset Finance
Mean	1.2000	1.4000	2.0000	1.8000	1.7000	1.4000	2.0000	2.0000
Median	1.0000	1.0000	2.0000	2.0000	2.0000	1.0000	2.0000	2.0000
Mode	1.00	1.00	2.00	2.00	2.00	1.00	2.00	2.00

Source: Information Based on Study Survey

The respondents were asked about whether the bank offered loans in the form of working capital, term loans, syndicated loans, trade finance, personal loans, credit cards, and asset finance. Yes was given a code of 1 and No a code of 2. From the mode of the data it can seen that the bank was giving loans in the form of working capital, term loans, and personal loans (mostly salary based loans). The results show that the bank was not offering syndicated loans, project finance, trade finance, credit cards, and asset finance.

Table 3: Source of Funding for loans given By Banks of Zimbabwe

	What is the source of funding for these loans-Domestic	What is the source of funding for these loans-Offshore
Mean	1.2000	1.8000
Median	1.0000	2.0000
Mode	1.00	2.00

Source: Information Based on Study Survey

The loans that were being offered were either being sourced locally or from off show. The respondents had to say Yes (1), or No (2) on their responses of the source of loans. The mode of the data shows that the loans for the lending that was being undertaken by Barclays came from domestic sources and nothing from offshore.

Table 4: Sectors of Zimbabwe's Economy Benefiting from Banks

	Sectors of the economy accessing loans-Manufacturing	Sectors of the economy accessing loans-Mining	Sectors of the economy accessing loans-Agriculture	Sectors of the economy accessing loans-Tourism	Sectors of the economy accessing loans-Services/Distribution	Sectors of the economy accessing loans-Construction	Sectors of the economy accessing loans-Transport
Mean	1.0000	1.6000	1.1000	1.7000	1.1000	1.7000	1.6000
Median	1.0000	2.0000	1.0000	2.0000	1.0000	2.0000	2.0000
Mode	1.00	2.00	1.00	2.00	1.00	2.00	2.00

Source: Information Based on Study Survey

There are many sectors that should be benefitting from the presence of multinational banks. The respondents had to respond either Yes (1) or No (2) in terms of whether these sectors were being catered for. The results from the mode of the statistics show that Manufacturing, Agriculture, and Services or Distribution were getting the necessary help in terms of funding from Barclays. The Mining sector, Tourism sector, Construction sector, and Transport sector were getting little or no funding in terms of loans from the Bank.

Table 5: Segments of the Economy benefiting from lines of credit

	Segments benefiting from lines of credit being offered-Parastatals	Segments benefiting from lines of credit being offered-Multinational Corporations	Segments benefiting from lines of credit being offered-Local Corporations	Segments benefiting from lines of credit being offered-SMEs
Mean	1.8000	1.6000	1.3000	1.3000
Median	2.0000	2.0000	1.0000	1.0000
Mode	2.00	2.00	1.00	1.00

Source: Information Based on Study Survey

The segments of the economy that were benefiting from the credit loans offered by Barclays were also established. The respondents responded Yes (1) and No (2) to whether these segments were being offered credit lines. The results from the mode of the data showed that only local corporations and SMEs were getting these credit lines and the Parastatals as well as the Multinational corporations were not getting little or nothing in terms of credit lines.

Table 6: Approval of Credit lines at Barclays

Are Credit Facilities Approved Locally	
Mean	1.8000
Median	2.0000
Mode	2.00

Source: Information Based on Study Survey

Respondents were also asked whether credit lines were approved locally or abroad. What came out was that most of the credit facilities were approved abroad by Barclay's parent company, and the only ones that were approved locally are salary based personal loans.

Table 7: Involvement of local Management in Making Decisions

	Is the local Mgt empowered to make business related decisions without parent involvement-**Business Strategic Decisions**	Is the local Mgt empowered to make business related decisions without parent involvement-**New Product Development**	Is the local Mgt empowered to make business related decisions without parent involvement-**Pricing**
Mean	2.8000	2.8000	2.2000
Median	3.0000	3.0000	2.0000
Mode	3.00	3.00	2.00

Source: Information Based on Study Survey

In terms of decision making process of the local Barclays management the respondents were supposed to give responses of Yes(1), Don't Know(2), No(3). The responses from the executives, managers, analysts, and senior clerks showed that they did not know in terms of the pricing decisions, but for the business strategic decisions, and new product decisions they knew for sure that the decisions associated with that were not done locally but abroad. This may give a picture that the local management may not have a say in the day to day running of the business, such that if the parent says that no funding is going to take place, it may not happen. This may have a negative effect on the economy of a country as those who are local would be able to appreciate the problems of the nation that they are resident in.

Table 8: Pricing of loans

	Are fees, commissions, interest on loans facilities given to business customers competitively	Are fees, commissions, interest on loans facilities given to retail or individual customers competitively
Mean	4.0000	3.8000
Median	4.0000	4.0000
Mode	4.00	4.00

Source: Information Based on Study Survey

On the fees and commissions, interest rates, the respondents had to respond as, Strongly agree (5), Agree (4), Don't know(3), Disagree(2), Strongly Disagree(1), whether these were given competitively to business customers or individual customers. The respondents generally agreed that these were priced competitively by Barclays in relationship to the pricing in the market.

Table 9: Motives of MNBs Operations in Zimbabwe

	Motives of Bank for operating in Zimbabwe-**High Profitability**	Motives of Bank for operating in Zimbabwe-**Following Expansion Strategies**	Motives of Bank for operating in Zimbabwe-**Supporting local business units**	Motives of Bank for operating in Zimbabwe-**New Business Opportunities**	Motives of Bank for operating in Zimbabwe-**Risk Diversification**
Mean	3.5000	2.9000	2.5000	2.5000	3.4000
Median	3.5000	3.0000	2.0000	2.5000	4.0000
Mode	3.00[a]	2.00[a]	2.00	2.00[a]	4.00

Source: Information Based on Study Survey

Table 10: Motives of MNBs Operations in Zimbabwe

	Motives of Bank for operating in Zimbabwe-**Geographical Diversification**	Motives of Bank for operating in Zimbabwe-**Strong Competition at Home**	Motives of Bank for operating in Zimbabwe-**Cultural Connection**	Motives of Bank for operating in Zimbabwe-**International Trade Financing**	Motives of Bank for operating in Zimbabwe-**Following Existing Customers**
Mean	3.3000	3.1000	2.5000	3.3000	3.4000
Median	3.0000	3.5000	2.5000	3.0000	3.5000
Mode	3.00	4.00	1.00[a]	3.00	4.00

Source: Information Based on Study Survey

Banks have different motives for operating in a country, especially multinational banks. The motives includes but not limited to; high profitability, following expansion strategy, supporting local business clients, new business opportunities, risk diversification, geographical diversification, strong competition at home, cultural connection, international trade financing, and following existing customers. The respondents had to answer signifying whether these motives were most important(5), important(4),adequately important(3), least important(2), or irrelevant(1) to the bank. What came out was that; High profitability, geographical diversification, and international trade financing were adequately important. Risk diversification, strong competition at home, and following existing customers were important to the bank. Following expansion strategies, supporting local business clients, and new business opportunities were least important. Cultural connection motive was found to be an irrelevant motive for the bank.

Table 11: Products offered by Bank and the Bank's contributions to the Zimbabwe Economy

	Are there any products offered by your bank that are not offered by other banks	Are your bank resources and capabilities contributing to the overall economic development of Zimbabwe
Mean	1.7000	1.3000
Median	2.0000	1.0000
Mode	2.00	1.00

Source: Information Based on Study Survey

The study also identified that the bank offered homogenous products as compared with other banks, and also that the bank was to an extent contributing to the economic development of Zimbabwe.

An assessment of loan stability through multinational banks

The following analysis of the research findings was based on aggregate level data obtained from RBZ policy statements and the published financial statements of the relevant banks involved. This analysis was meant to compliment primary data findings. Where the dependent variables were the changes in growth in total loans advanced, the study found out that domestic banks' credit was growing faster than foreign bank credit.

Tables 12: Percentage Growth in total loans

Bank	**Country Zimbabwe**	**Year** **Jun 2009**	**Year** **Jun 2010**	**Year** **Jun 2011**
	Total loans advanced in the country	$263.49m	$1 108.24m	$2 347.4m
	% growth in total loans	----	320.60%	111.81%
Barclays	loans advanced by Barclays	$1.6m	$25.5m	$53.1m
	% growth in Barclays loans	----	1493.75%	108.24%
Foreign banks	loans advanced by foreign banks	$103.8m	$273.8m	$544.9m
	% growth in foreign bank loans	----	163.78%	99.01%
Domestic banks	Loans advanced by domestic banks	$159.7m	$834.4m	$1 802.5m
	% growth in domestic bank loans	----	422.48%	116.02%

Source: Own computations using figures from RBZ monetary policy statements 2009, 2010, 2011, RBZ publications, and published half year financial statements of banks concerned.

This therefore meant that domestic banks' credit growth was positively related to the improvements in growth to the country's GDP and the host country multicurrency period. Where the dependent variables were percentage changes in market shares, domestic owned banks grew their market share at a much faster rate than foreign owned banks during the multicurrency transition period. Overall, domestic banks have been able to expand their credit market share much faster when compared to foreign banks in line with the hard lending approach as opposed to soft lending approach normally practiced by foreign owned banks. In addition the study found that domestic banks increased their credit when economic growth in the host country was also increasing, in reaction to a growing credit demand.

Table 13: Percentage change in the credit market share

	Jun 2009	Jun 2010	Jun 2011
Barclays credit market share from	0.61%	2.3%	2.26%
% change in the credit market share of Barclays	--	+277%	-1.74%
Foreign banks market share	39.39%	24.71%	23.21%
% change in the credit market share of foreign banks	--	-37.27%	-6.07%
Domestic banks credit market share	60.61%	75.29%	76.79%
% change in the credit market share of domestic banks	--	+24.22%	+1.99%

Source: Own computations using figures from RBZ monetary policy statements 2009, 2010, 2011, RBZ publications, and published half year financial statements of the banks concerned.

Table 13 reveal that foreign bank institutions decreased credit to the domestic market; thus making their impact of mobilizing and distributing loan resources to the domestic market less effective. Foreign banks reduced their credit market share by a significant margin of 37.27% as at June 2010 and a further 6.07% in June 2011 as compared to their domestic counterparts who increased their credit lending market share by a significant 24.22% as at June 2010 and a further 1.99% as at June 2011. This therefore means foreign banks' credit supply was less stable than credit by domestic banks. This decline therefore support the existing empirical results which state that foreign banks turn out to be unstable sources of bank credit, especially during financial crises or during economic downturns (Mathieson and Rolgos ,2001).These findings further supports questionnaire responses that foreign banks have limited lending products and are highly selective on segments on which they advance their loans. The limited lending results in a small increase in credit being advanced to the economy. Perceived high country and political risks were suspected to be the reason behind low levels of credit being advanced. Relations of the country with key donors remained strained. Fragility of the banking system such as poor loan portfolio quality in certain domestic banks and the absence of the lender of last resort and the absence of a deposit insurance have made the foreign bank's ability to mobilize and allocate loan resources more difficult. The turmoil in international credit markets that began in mid-2008 raised questions about the level and stability of foreign banks' financing to emerging market countries. Growth in foreign banks' lending did slow rapidly after the collapse of Lehman brothers in the third quarter of 2008; this may also be the contributing factor for the rapid decline in credit market share for MNBs in Zimbabwe.

Loans/Deposit ratio

The low levels of overall loans to deposit ratios at multinational banks are a further development which is constraining the economy's recovery. As at June 2009 to June 2010 the loans to deposit ratio by these institutions with the exception of MBCA were well below international benchmark of 70-90%, however as at June 2011 these ratios had gradually risen to levels in line with international benchmark. These ratios were generally below those of domestically owned banks, and Barclays still had a ratio far below this benchmark.

Table 14: Loans/Deposit ratio

Period	Barclays Bank	Standard Chartered Bank	Stanbic Bank	MBCA Bank	CBZ Bank	FBC Bank	ABC Bank	Kingdom Bank	ZB Bank
June 2009	2%	20%	21%	69%	46%	32%	13%	77%	17%
June 2010	21%	48%	38%	105%	68%	58%	43%	139%	50%
June 2011	29%	70%	90%	68%	78%	117%	97%	122%	76%

Source: RBZ monetary policy statements 2009, 2010, 2011, RBZ publications and published half year financial statements of the banks concerned.

CONCLUSION

Domestic banks have significantly increased their credit market share while Foreign owned banks have adopted a cautious approach. It appears that home country conditions matter for foreign bank growth, as there is a significant and negative relationship between home country economic growth and host country credit by foreign banks as also noted by De Haas & Lelyveld (2003). It was noted that foreign owned banks were not actively supporting growth of the domestic economy. The low levels of overall loans to deposit ratios at those banks were a development which was constraining the economy's recovery. The credit market share of foreign owned banks since the introduction of a multicurrency system had been on the decline, which was a major concern to an economy which was desperately in need of liquidity support. Despite the challenging macro-economic environment characterized by market illiquidity, low savings and volatile deposits the current stable economic environment brought by a multicurrency system deserves to be supported and given a chance. Banks have been found to play a major role in sustainable economic development, and it is imperative that international banks play their role effectively so that today's generation and tomorrow's generation will be well catered for. The absence of MNBs in sustainable economic development will mean that there will be a gap in the ecosystem. All sectors of the economy will be derailed resulting in a slow or stagnant economic growth which is detrimental for the generations of tomorrow. MNBs should not stop their role as that will bring the economy to a standstill, which will result in the running down of the infrastructure and amenities.

RECOMMENDATIONS

The Central Bank should resume the Lender of Last Resort functions in order to instill confidence in the money market and credit markets. As liquidity improves, banks are expected to increase long-term lending to the productive sectors of the economy. Such long term financing is critical to the revival of domestic industries which need to re-equip, refurbish as well as replace obsolete machinery. There is need for the RBZ to address sluggish macroeconomic fundamentals to provide an environment favorable for investments. In particular effective and efficient controlling of inflation and interest rates would allow efficient pricing of goods and services in the market. The RBZ needs to consider integrating the local money market and international markets through a free flow of funds from banks, and other international financial institutions. Such integration would enable the economy to enjoy the synergistic benefits arising from a broadened global financial market. The government should revisit and revise its indigenization laws which have scared away investors. There should be a balance between national interests and the need to protect property rights. Government should craft policies that attract investment and at the same time preserve national aspirations. There should be a creation of a credit bureau in Zimbabwe**.** A credit bureau is critical in vetting loan and credit applications and providing the much-needed credit history to bankers and other creditors. Currently Zimbabwe does not have a credit bureau; hence it is important for government to facilitate the establishment of a credit bureau as a tentative move to addressing problems related to credit. This will bring about the much needed stability in the financial market. Multinational banks should revise their policies on lending in line with the changing market conditions, more loan products should be made available to the economy, and should benefit all the productive sectors of the economy and households. Long term development loans and infrastructural development loans should be made available to the key sectors of the economy which include mining, agriculture, manufacturing and tourism. This lending will lead to sustainable economic development in the country of Zimbabwe.

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ABOUT THE AUTHORS

Tendai Joseph Mabvure is a Finance and Investment Lecturer, Chinhoyi University of Technology, Accounting Science and Finance Department, Zimbabwe.

Michael Kamoyo is an Economics Lecturer, Chinhoyi University of Technology, International Marketing Department Zimbabwe.

Bekhisizwe Ndlovu is affiliated with the Barclays Bank of Zimbabwe, Corporate Banking, Zimbabwe.

Edson Gwangwava is an Accounting Lecturer, Chinhoyi University of Technology, Accounting Science and Finance Department, Zimbabwe.

Faitira Manuere is a Management Lecturer, Chinhoyi University of Technology, Business Management and Entrepreneurship Department, Zimbabwe.