THE IMPACT OF BANK LENDING ON MANUFACTURING SECTOR PERFORMANCE IN ZIMBABWE (2009-2013).

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ABSTRACT

The study investigates the impact of bank lending on manufacturing sector performance in Zimbabwe. Times series data covers a period of 5 years from 2009-2013 on monthly bases were employed and tested using Ordinary least Squares (OLS). The Augmented Dickey Fuller (ADF) unit root test confirmed the stationarity of all variable at first difference and the diagnostic test were performed to check the goodness of fit of the model and findings of the study shows that bank loans and exchange rate significantly affect volume of manufacturing index. The study establishes that there is positive relationship between commercial bank loans and volume of manufacturing index. The study also found a negative relationship between manufacturing index and exchange rate. The causality test indicate that commercial bank loans cause manufacturing sector index, therefore as bank loans increase manufacturing output increases.