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The Challenges Affecting the Regulation and Supervision of Banks in Zimbabwe

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Abstract: The article explores various challenges that are negatively affecting the regulation and supervision of banks in the Zimbabwean financial sector. Such challenges include the adoption of poor bank supervisory approaches, poor bank risk management systems, chronic liquidity problems, poor corporate governance practices, regulatory arbitrage, poor technology in the banks, lack of adequate staff with the relevant expertise in banks, poor cooperation between banks and other relevant authorities, poor capitalisation, poor regulatory approaches, political problems, economic instability and the lack of sufficient financial resources to effectively enforce the Zimbabwean banking laws. The relevant laws include the Banking Act 7 (Chapter 24:20) of 2011, the Microfinancing Act 3 (Chapter 24:29) of 2013, the Bank Use Promotion and Suppression of Money Laundering Act 2 (Chapter 24:24) of 2004, the Deposit Protection Corporation Act (Chapter 24:29) 7 of 2011, the Moneylending and Rates of Interest Act (Chapter 14:14) 9 of 1930, the Reserve Bank of Zimbabwe Act (Chapter 22:15) 5 of 1999, the Building Societies Act (Chapter 24:02) 20 of 1965 and the People's Own Savings Bank of Zimbabwe Act (Chapter 24:22) 18 of 1999. It is hoped that the relevant authorities will adopt appropriate measures to curb the aforesaid challenges. Accordingly, the article provides some recommendations that could be utilised by the relevant authorities to enhance the regulation and supervision of banks and related financial institutions in Zimbabwe.

Keywords: challenges; regulation; supervision; financial institutions; financial sector

1. Introductory Remarks

The effective regulation and supervision of banks and related financial institutions are crucial for the proper functioning and stability of any financial sector. It is against this background that this article explores various challenges that are negatively affecting the regulation and supervision of banks in the Zimbabwean financial sector. Such challenges include the adoption of poor bank supervisory approaches, poor bank risk management systems, chronic liquidity problems, poor corporate governance practices, regulatory arbitrage, poor technology in the banks, lack of adequate staff with the relevant expertise in banks, poor cooperation between banks and other relevant authorities, poor capitalisation,

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poor regulatory approaches, political problems, economic instability and the lack of sufficient financial resources to effectively enforce the Zimbabwean financial and banking laws (Ncube, 2022, pp. 71-88). These laws include the Banking Act 7 (Chapter 24:20) of 2011 (Banking Act, see sections 4A-4B; 5-15; 29; 36 & 40; 45-52; Ncube, 2022, pp. 71-88), the Microfinancing Act 3 (Chapter 24:29) of 2013 (Microfinance Act, see sections 2; 4; 6; 10; 11; 17; 19 & 21-34; Ncube, 2022, pp. 71-88), the Bank Use Promotion and Suppression of Money Laundering Act 2 (Chapter 24:24) of 2004 (Bank Use Promotion Act, see sections 2-32), the Deposit Protection Corporation Act (Chapter 24:29) 7 of 2011 (DPC Act, see sections 2-13), the Moneylending and Rates of Interest Act (Chapter 14:14) 9 of 1930 (Moneylending and Rates of Interest Act, see sections 2-8), the Reserve Bank of Zimbabwe Act (Chapter 22:15) 5 of 1999 (RBZ Act, see sections 6-7 & 14-24), the Building Societies Act (Chapter 24:02) 20 of 1965 (Building Societies Act, see sections 3-34) and the People's Own Savings Bank of Zimbabwe Act (Chapter 24:22) 18 of 1999 (POSB Act, see sections 3-47). Consequently, it is hoped that the relevant authorities will adopt appropriate measures to curb the aforesaid challenges. Accordingly, the article provides some recommendations that could be utilised by the relevant authorities to enhance the regulation and supervision of banks and related financial institutions in Zimbabwe (Muorwel & Vincent, 2020, pp. 1-20; Mushoriwa & Moyo, 2019, pp. 1-3). This could further enable the regulatory and enforcement authorities to effectively curb bank failures and maintain financial stability in the Zimbabwean financial sector and financial markets.

2. Methodology and Limitations of the Study

No empirical research methods are employed in this article. A qualitative and doctrinal research method is adopted. Accordingly, the relevant Zimbabwean banking law statutes and policies on the regulation and supervision of banks are analysed. The research also relied on journal articles, textbooks, case law, legal encyclopaedias, conference papers, international instruments, legislation and other relevant sources. Thus, both primary and secondary sources on banking law were examined. Relevant court judgements and related legal instruments on bank regulation and supervision in Zimbabwe were further discussed. The article does not utilise and/or employ comparative studies. Therefore, interdisciplinary and interjurisdictional studies are beyond the scope of this article. Tables, diagrams, figures and other related empirical study materials are not utilised in this article since it is purely a legal and doctrinal study.

3. Overview Challenges Affecting the Regulation and Supervision of Banks in Zimbabwe

3.1. The Adoption of Poor Bank Supervisory Approaches

There are various regulatory authorities that directly and indirectly deal with the different aspects of the regulation and supervision of banks in Zimbabwe. These regulatory authorities include the Reserve Bank of Zimbabwe (RBZ), the Ministry of Finance, the Deposit Protection Corporation (DPC), the Securities and Exchange Commission of Zimbabwe (SECZ) and the Insurance and Pensions Commission (IPC). Notably, the RBZ is mainly responsible for the regulation and supervision of banks in Zimbabwe. However, the RBZ and other regulatory authorities have to date struggled to promote public investor confidence in banks and related financial institutions in the Zimbabwean financial sector (Saal, Lindgren

& Garcia, 1996, pp. 136-148). This follows the fact that there have been very poor bank supervision measures adopted by the RBZ. As a result, the RBZ has largely failed to effectively and adequately supervise all banks giving rise to a variety of challenges such as rampant financial crime, bank failures and institutional corruption (Saal, Lindgren & Garcia, 1996, pp. 136-148). The RBZ adopted a very poor regulatory and supervisory framework which merely places all bank supervisory responsibility on itself. This appears to be imposing more responsibilities on the RBZ since it is also required to formulate a good monetary policy and promote a viable financial sector and economic stability in Zimbabwe (Saal, Lindgren & Garcia, 1996, pp. 136-148). Accordingly, this is a flawed approach because the RBZ should be solely focused on its role to formulate and implement a robust monetary policy to maintain the stability of the local currency and promote financial stability in Zimbabwe. The flawed approach has culminated into the poor enforcement of banking laws and poor supervision of banks and related financial institutions in the Zimbabwean financial sector (Saal, Lindgren & Garcia, 1996, pp. 136-148). The policy makers should have statutorily and expressly empowered an independent regulatory body to oversee the regulation and supervision of banks and related financial institutions in Zimbabwe. This could have removed the bank regulatory and supervisory burden on the RBZ and improved public investor confidence and financial stability in the Zimbabwean financial sector and financial markets. The approach could also minimise conflicts of interest between the RBZ and multiple bank supervisory authorities. An independent regulatory body could also minimise and/or combat political interference which stifles the effective prudential regulation and supervision of banks and impede bank soundness (Dudchenko, Goncharenko, Didenko & Olejarz, 2020, pp. 342, 345-358; Bodellini, 2021, pp. 341, 345-376; Greenbaum, Thakor & Boot, 2019, pp. 353-441; Spong, 2000, pp. 6-269).

The RBZ has struggled to enhance both micro and macro prudential regulation of banks and related financial institutions giving rise to poor financial stability in the Zimbabwean financial sector and financial markets. Furthermore, the RBZ has grappled with supervisory accountability and excessive bureaucracy in taking good regulatory decisions to enhance prudential regulation and soundness of banks. This is directly exacerbated by the lack of sufficient independence on the part of the RBZ (Stiglitz, 1993, pp. 19, 20-52; Benston, 2000, pp. 186-202; Singh & LaBross, 2011, pp. 1, 3-30; Dragomir, 2010, pp. 38-300). The other contributing factor to these flaws is that the RBZ and/or the Zimbabwean government seem to have adopted the so-called capital market liberalisation which entails the lessoning of government and regulatory restrictions in a bid to attract foreign direct investment (FDI) (Neanidis, 2019, pp. 77, 79-93; Altavilla, Boucinha, Peydró & Smets, 2020, pp. 1, 3-44; Ozili, 2018, pp. 462, 465-483; Llewellyn, 2000, pp. 69-109). Consequently, some banks took advantage of the eased controls on currency exchange and banking regulations to engage in risk complex offshore and financial crime activities such as money laundering, hoarding and illegal black market trading. The RBZ has often failed to timeously detect troubled banks that are facing financial challenges before they collapse. Such banks are sometimes allowed to continue operating to the detriment of their unwitting customers when they eventually collapse. Moreover, it appears both the RBZ and the government do not have any adequate policy for saving and/or bailing out troubled banks. Thus, the poor supervision of banks by the RBZ has caused many banks that could have been saved to collapse without receiving any financial support timeously (Saal, Lindgren & Garcia, 1996, pp. 136-148).

It appears that the RBZ's supervision department merely focuses on suspected high risk matters while neglecting the supervision of banks and related financial institutions. This has negatively affected the soundness of banks and caused a number of them as well as related financial institutions to collapse.

Therefore, it is submitted that the RBZ should be statutorily obliged to provide adequate supervisory oversight to all the banks and related financial institutions to combat bank failures in the Zimbabwean financial sector (Saal, Lindgren & Garcia, 1996, pp. 136-148; Nhavira, Mudzonga & Mugocha, 2013, pp. 85). In this regard, it should be noted that the RBZ has in the past received some technical assistance from the International Monetary Fund (IMF) to, *inter alia*, enhance its bank supervisory oversight measures (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 85; also see Saal, Lindgren & Garcia, 1996, pp. 136-148, for related comments). This was previously used to improve the RBZ's bank supervisory oversight, especially between the early 1990s and 2020. However, the RBZ is no longer consistently following the technical assistance from the IMF and as such, it is largely missing out on international best practices and recent international regulatory techniques and trends on banking regulation and supervision. Thus, the RBZ has currently developed a very poor bank supervisory and regulatory framework. Its current bank supervision measures and strategies are not robust enough to curb bank failures (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 85; also see Saal, Lindgren & Garcia, 1996, pp. 136-148, for related comments). Consequently, the RBZ should revamp its supervisory measures and consider to start effectively following the technical advice from the IMF and the World Bank, especially on aspects such as bank licencing measures, risk-based on-site examination measures, adequate information sharing and off-site surveillance (Dhliwayo, 2015, p. 6). This could enable the RBZ to enhance the application of its risk-based bank supervision measures so as to timeously detect systemic risks and related challenges affecting banks. The RBZ should also effectively utilise its memoranda of understanding with various local and regional bank supervisory and regulatory bodies to enhance cooperation, coordination and information sharing between banks and such bodies (Dhliwayo, 2015, pp. 15-16).

3.2. Poor Bank Risk Management Systems

The RBZ has struggled to adopt robust bank risk management measures since the late 1990s to date, owing to many factors such as institutional corruption, lack of adequate infrastructure and lack of appropriate technological systems (Muorwel & Vincent, 2020, pp. 1-20; Mushoriwa & Moyo, 2019, pp. 1-3). For instance, the RBZ is still conducting most of it surveillance and supervision of bank activities manually. As a result, the RBZ has at times failed to timeously detect unscrupulous trading activities that are conducted through banks on the Zimbabwe Stock Exchange (ZSE). This is compounded by the fact that the ZSE is still conducting manual trading and settlement systems (Mpofu & Matsika, 2013, pp. 2-41; Dhliwayo, 2015, pp. 15-16). Thus, the lack of technological developments and the non-use of appropriate technological systems have impeded the bank regulatory and oversight role of the RBZ, giving rise to many bank failures and systemic risk challenges. The poor supervision of banks, particularly in 2004 was mainly caused by the separation of the licencing and supervision functions between the RBZ and the Ministry of Finance. It is submitted that prior to 2004, the licencing of banks was initially enforced by the Ministry of Finance while prudential supervision was enforced by the RBZ, contrary to the principles of effective banking supervision and international best practice (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85, for related comments).

It is submitted that the RBZ failed to provide adequate bank risk management systems because it had ceased to effectively conduct its functions as a lender of last resort which is vital for, *inter alia*, curbing capitalisation challenges and systemic risks (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga &

Mugocha, 2013, pp. 1-85, for related comments). Consequently, the RBZ failed to save many banks that were affected by insolvency and/or liquidity challenges from collapsing. Moreover, the DPC Act does not adequately provide for the utilisation of deposit insurance schemes to protect bank customers against losing their banked monies and savings (see sections 2-13 of the DPC Act). Thus, both the DPC and the RBZ are not doing enough to promote financial stability by adopting robust risk management measures to adequately protect all bank depositors and/or creditors of banks (see sections 2-13 of the DPC Act). Therefore, there is little or no public confidence in banks and related financial institutions in the Zimbabwean financial sector.

The RBZ failed to timeously detect banks that engaged in excessive risk transactions and illicit over-trading activities until they collapsed, especially the period between 2000 and 2020. For instance, illicit trading on the black market, market abuse and money laundering activities that were not detected by the RBZ and the SECZ reduced the profitability of banks and contributed to many bank failures in Zimbabwe since the late 2000s to date (see sections 6-7 & 14-24 of the RBZ Act; sections 2-13 of the DPC Act & sections 2-8 of the Moneylending and Rates of Interest Act; Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85, for related comments). This is exacerbated by the lack of appropriate policies and robust risk management measures on the part of the RBZ and the SECZ to detect and combat systemic risks and bank failures (see sections 6-7 & 14-24 of the RBZ Act; sections 2-13 of the DPC Act & sections 2-8 of the Moneylending and Rates of Interest Act; Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85, for related comments). The RBZ has so far failed to detect and combat bank operational risks that often culminate in huge losses in many banks that are affected by challenges such as poor internal risk management systems, fraud, illicit black market trading and other systemic risks. Accordingly, the RBZ should seriously consider revamping its bank risk management measures to develop a strong culture towards systemic risk detection and the combating of bank failures in Zimbabwe (Nyoka, 2015, pp. 8-17). The RBZ should also adopt adequate measures to curb poor credit risk management in the Zimbabwean banking sector to enhance financial stability and prevent bank failures. This approach will combat practices such as illegal insider lending, speculative lending, poor credit policies and black market trading by all banks and related financial institutions (Nyoka, 2015, pp. 8-17). The RBZ should further adopt adequate bank credit risk management measures to curb profit losses in banks which triggers bank failures. This will promote financial and economic stability in the Zimbabwean financial sector so as to create a conducive environment for both individuals and banks to conduct their business activities optimally. The adoption and proper use of bank risk management policies by the RBZ will empower banks to carefully conduct their businesses without restricting access to credit for legitimate financial activities, which give rise to financial exclusion (Nyoka, 2015, pp. 8-17).

The RBZ should robustly supervise banks to promote prudential regulation and sound credit risk management practices (Nyoka, 2015, pp. 8-17). Moreover, the RBZ should actively encourage banks to provide training to their staff to enable them to effectively assess, detect and manage credit risks. The RBZ should also encourage banks to adopt adequate credit policies that align with sound lending practices and international best practices. It should further provide financial education and financial literacy awareness programmes to equip financial customers so that they can make sound and informed financial decisions.

3.3. Chronic Liquidity Problems

It is important to note that between 1980 and1989, the Zimbabwean financial sector was utilising controls for interest rates, prices, foreign exchange and credit services in a bid to curb inflation. Unfortunately, this approach impeded both the financial sector and economic growth initiatives of the government and other relevant stakeholders (Mpofu & Matsika, 2013, pp. 2-41; Dhliwayo, 2015, pp. 15-21). Thereafter, the financial sector was liberalised between 1990 and 1999 to remove stringent requirements for trade, entry, foreign currency, credit services, prices and interest rates in order to, *inter alia*, promote the establishment of more financial institutions, especially indigenous banks and/or black owned companies (Mpofu & Matsika, 2013, pp. 2-41; Dhliwayo, 2015, pp. 15-21). Nonetheless, the liberalisation of the financial sector and the economy resulted in an unprecedent increase in inflation and enormous fiscal deficits on the part of the RBZ and the government. Consequently, Zimbabwe started to experience severe liquidity challenges since the late 1990s to date (Mpofu & Matsika, 2013, pp. 2-41; Dhliwayo, 2015, pp. 15-21).

The Zimbabwean economy started to contract and its cumulative growth declined by about 40% during the period between 2000 and 2008. For instance, the Zimbabwe National Statistics Agency (ZIMSTAT) indicated that there was severe hyperinflation of about 231,000,000% in August 2008 (Mpofu & Matsika, 2013, pp. 2-41; Dhliwayo, 2015, pp. 15-21). Several banks, companies and other financial institutions were grossly affected by the liquidity crises and they collapsed between 2000 and 2008. In response to this, the government introduced the multicurrency regime between 2008 and 2009, in an attempt to curb the various liquidity challenges that were prevalent in the Zimbabwean financial sector. The multicurrency regime was aimed at aiding banks and other related financial institutions that were struggling to provide affordable long-term credit due liquidity challenges that had eroded public investor confidence in the financial sector, the RBZ monetary policies and government economic policies during the period in question (Mpofu & Matsika, 2013, pp. 2-41; Dhliwayo, 2015, pp. 15-21). However, both the Zimbabwean financial sector and the economy have been negatively affected by liquidity challenges since the inception of the multi-currency regime to date. Accordingly, banks and other financial institutions experienced chronic liquidity challenges owing to various factors such as poor FDI, illicit externalisation of funds, illicit financial flows, net export deficit challenges and hyperinflation between 2008 and 2020 (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). As a result, about six banks were put under curatorship and later their licenses were cancelled by the RBZ (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). Moreover, a number of commercial banks, deposit taking microfinance institutions and non-deposit taking micro-finance institutions were negatively affected by liquidity challenges owing to poor bank supervision by the RBZ during the same period. During the same period, many banks did not have enough cash giving rise to long queues of people who were seeking to withdraw their monies from the banks. There was little or no foreign trade and related economic activities and this led to a poor GDP. For instance, the GDP contracted by about 40% according to the Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) Working Paper of 2012 (Dzomira, 2014, pp. 75-80; Mpofu & Matsika, 2013, pp. 1-2). The collapse of many banks could have been worsened by the fact that no provision under the RBZ Act expressly empower the RBZ to provide appropriate interventions to bail out banks that are affected by liquidity challenges (sections 6-7 & 14-24 of the RBZ Act; Dzomira, 2014, pp. 75-80; Chinjova & Zinhumwe, 2019, pp. 150-153).

It is also submitted that the unofficial adoption and use of the United States (US) dollar as a medium of exchange and local currency without the approval and backing of the US treasury contributed to the liquidity challenges in the Zimbabwean financial sector (Dzomira, 2014, pp. 75-80; Chinjova & Zinhumwe, 2019, pp. 150-153). Accordingly, the Zimbabwean treasury does not get any funding or support from the US treasury and government to back its use of the US dollar in Zimbabwe. This refers to the so-called dollarisation liquidity challenges which culminated into a severe lack of FDI that affected the economy, banks and other financial institutions since 2009 to date (Chinjova & Zinhumwe, 2019, p. 152; Dzomira, 2014, pp. 75-80). These challenges were also worsened by the fact that the RBZ was not able to effectively perform its role and functions as the lender of last resort due to severe liquidity constrains and lack of sufficient resources, especially between 2009 and 2021 (Chinjova & Zinhumwe, 2019, p. 152; Dzomira, 2014, pp. 75-80). It appears that the dollarisation of the Zimbabwean economy brought some financial stability but it crippled the RBZ because it was unable to perform its key functions such as formulating monetary policy, issuing notes and coins and acting as lender of last resort, giving rise to severe liquidity problems for the RBZ, banks and other financial institutions. The RBZ, banks and other financial institutions struggled with recapitalisation challenges and they were unable to effectively finance their capital expenditures in line with the US dollar which was utilised as local currency since 2009 (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). The RBZ was unable to provide short term financial instruments to commercial banks and related financial institutions in the Zimbabwean financial sector between 2009 and 2021 due to various capital flow and liquidity challenges (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). Consequently, most banks and related financial institutions were liquidated and the Zimbabwean economy's real Gross Domestic Product (RGDP) contracted by about 47.3% between 1999 and 2010 (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21).

Due to chronic liquidity crisis, the public lost confidence to invest in the Zimbabwean economy and financial sector. The ongoing political and economic instability also worsened the systemic risk profile of Zimbabwe making it unsafe and less attractive to both local and foreign investors. As a result a number of individuals, financial institutions and investors started to transfer their monies and investments outside Zimbabwe in a bid to protect such monies and investments against hyperinflation and corruption (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). Illicit financial flows were rampant and most investors left the country. The overall net export performance declined and there was a severe shortage of foreign currency which made banks and other financial institutions to be unable to provide loans and credit to their financial customers (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). Many small and medium-sized enterprises (SMEs) and small companies failed to access funding and credit for their businesses from banks and the RBZ (sections 2-8 of the Moneylending and Rates of Interest Act; sections 6-7 & 14-24 of the RBZ Act). Consequently, the RBZ and government should adopt adequate measures to combat illicit trade, illicit financial flows, corruption and hyperinflation. This could revamp the banking sector and empower banks to recapitalise and adopt sound prudential bank regulation and supervision measures. Furthermore, the RBZ and the government should adopt appropriate economic policies that promote the efficient export of goods and services so as to increase foreign currency inflows and FDI.

3.4. Poor Corporate Governance Practices

Zimbabwe has grappled with the enforcement of sound corporate governance practices in the private and public sectors of its economy since 2003 to date. Most financial institutions such as banks and companies do not have adequate corporate governance measures (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). It is submitted that the boards of directors and senior managers of many banks and related financial institutions do not have robust corporate governance and systemic risk management measures to combat challenges such as corruption, illegal insider loans, illicit financial flows, illicit trading and bank failures (Kwenda & Matanda, 2015, pp. 55-64; Mpofu & Matsika, 2013, pp. 1-2; Dhliwayo, 2015, pp. 15-21). There are numerous flaws affecting the enforcement of good corporate governance measures in most banks and related financial institutions in Zimbabwe. For instance, most banks and related financial institutions do not have adequate transparency on their operations and this has negatively affected the financial integrity and financial stability of the entire financial sector. There is severe lack of transparency and accountability of banks regarding their operations and corporate decisions. Moreover, negative determinants such as nepotism and political influence have contributed to poor corporate governance and bank failures in Zimbabwe.

Most banks in Zimbabwe do not have adequate measures to curb conflicts of interest and this affects the enforcement of good corporate governance measures. This could suggest that the board of directors of banks are not adequately preventing conflicts of interest in their banks to curb challenges such as bias and the abuse of positions by such directors for personal benefits to the detriment of unwitting depositors, shareholders and investors. For instance, the so-called 2003-2004 Zimbabwe banking crisis which saw many banks and related financial institutions being either closed or put under curatorship was mainly caused by the poor enforcement of good corporate governance measures (Dhliwayo, 2015, pp. 15-21; Kwenda & Matanda, 2015, pp. 56; Mpofu & Matsika, 2013, pp. 1-2). This gave rise to financial instability, poor public investor confidence and poor economic growth. The bank illiquidity challenges that were rampant in the Zimbabwean financial sector since the late 2000s was caused by many factors such as hyperinflation, poor economic growth, poor FDI, lack of public investor confidence, and the adoption of poor corporate governance measures. The constant economic instability and macro-economic instability made it very difficult for banks to effectively adopt and enforce sound corporate governance measures in Zimbabwe (Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). Consequently, the RBZ published its Corporate Governance Guidelines in 2004 in an attempt to encourage banks and other related financial institutions to adopt and enforce robust corporate governance measures consistently (Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). The 2003-2004 Zimbabwe banking crisis culminated into five banks being placed under curatorship while two were liquidated and only four were rescued through the Troubled Bank Fund (Dube & Murahwe, 2015, pp. 759-771; Sun, Makosa, Yang, Yin, Jachi & Bonga, 2021, pp. 643-664; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). The aforesaid challenges were mainly caused by the adoption of poor corporate governance measures on the part of the affected banks. Therefore, the RBZ and policy makers should consider introducing adequate measures to improve the regulation and supervision of banks such as the adoption and use of good corporate governance practices, obliging banks to have sound disclosure and transparency requirements, and obliging all relevant directors to consistently comply with their fiduciary duties. The RBZ should adopt and robustly enforce adequate bank supervision and regulatory policies. It should also require banks to comply with the provisions of the Zimbabwe National Code of Corporate Governance of 2015 (Corporate Governance Code). This approach could enhance corporate governance and increase transparency in banks to combat systemic risks and other economic and fiscal risks (Dube & Murahwe, 2015, pp. 759-771; Sun, Makosa, Yang, Yin, Jachi & Bonga, 2021, pp. 643-664; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17).

The RBZ should ensure that all banks, companies and related financial institutions consistently comply with the Corporate Governance Code and other international best practices on corporate governance (See chapters 1-9 of the Corporate Governance Code; Dube & Murahwe, 2015, pp. 759-771; Sun, Makosa, Yang, Yin, Jachi & Bonga, 2021, pp. 643-664; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). Most banks have many challenges regarding the role, composition and accountability of their boards of directors, giving rise to their poor compliance with the Corporate Governance Code and other international best practices on corporate governance to curb systemic risks and bank failures. This is exacerbated by the fact that the Corporate Governance Code does not adequately provide adequate remedial measures and/or penalties that could be imposed on non-disclosure and poor transparency by banks and related financial institutions (see chapters 1-9 of the Corporate Governance Code). The Corporate Governance Code does not adequately deal with challenges affecting the ownership structure and the functions of shareholders in complying with the basic principles of corporate governance (see chapters 1-9 of the Corporate Governance Code; Nyakurukwa, 2022, pp. 549-567). Accordingly, the Corporate Governance Code should be revamped to enhance corporate governance in banks and other financial institutions in Zimbabwe. This approach could improve bank regulation and supervision to combat bank failures and effectively promote depositor protection and deposit insurance (see chapters 1-9 of the Corporate Governance Code; Foya & Changunda, 2019, pp. 100-115; Dube & Murahwe, 2015, pp. 759-771; Sun, Makosa, Yang, Yin, Jachi & Bonga, 2021, pp. 643-664; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17).

3.5. Regulatory Arbitrage and Poor Regulatory Approaches

Although Zimbabwe has made some commendable efforts to regulate banks and related financial institutions, various flaws have marred the effectiveness of such efforts. For instance, the policy makers enacted the Banking Act (see sections 4A-4B; 5-15; 29; 36 & 40; 45-52; Ncube, 2022, pp. 71-88), the Microfinancing Act (see sections 2; 4; 6; 10; 11; 17; 19 & 21-34; Ncube, 2022, pp. 71-88), the Bank Use Promotion Act (see sections 2-32) and the DPC Act (see sections 2-13 of the DPC Act). Nonetheless, the provisions of all these statutes are either flawed and/or inadequately enforced to curb systemic risks and bank failures. Furthermore, the operations of most banks, asset management companies and other financial institutions are not consistently supervised by the RBZ. This has somewhat contributed to the poor regulation of banks and related financial institutions in Zimbabwe.

The policy makers also enacted the Moneylending and Rates of Interest Act (sections 2-8), the RBZ Act (sections 6-7 & 14-24), the Building Societies Act (sections 3-34) and the POSB Act (sections 3-47) in a bid to, *inter alia*, control interest rates, curb financial crime and promote access to credit and public investments for all financial customers. However, the provisions of these statutes do not expressly empower banks and related financial institutions on how to increase access to credit and promote financial inclusion for all financial consumers. Most banks and related financial institutions are struggling to consistently review their financial risk and credit requirements (Foya & Changunda, 2019, pp. 100-115; Dube & Murahwe, 2015, pp. 759-771; Sun, Makosa, Yang, Yin, Jachi & Bonga, 2021, pp. 643-664; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). The RBZ is struggling to provide adequate regulatory oversight on banks and other similar financial institutions regarding the lawful use of fintech products such as mobile money and other digital financial services. In addition, there is no independent regulatory body that is statutorily empowered to robustly provide regulatory oversight on banks and other similar financial institutions. This and other flaws have contributed to financial instability and financial exclusion of the poor and low income earners who are unable to access financial services in the formal financial sector (Olubukola, Matowanyika, Makurumidze, Bhebhe & Sifile, 2021, pp.118-128; Foya & Changunda, 2019, pp. 100-115; Dube & Murahwe, 2015, pp. 759-771; Sun, Makosa, Yang, Yin, Jachi & Bonga, 2021, pp. 643-664; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). The current regulatory framework under the Banking Act (see sections 4A-4B; 5-15; 29; 36 & 40; 45-52; Ncube, 2022, pp. 71-88), the Microfinancing Act (see sections 2; 4; 6; 10; 11; 17; 19 & 21-34; Ncube, 2022, pp. 71-88), the Bank Use Promotion Act (see sections 2-32), the DPC Act (see sections 2-13), the Moneylending and Rates of Interest Act (sections 2-8), the RBZ Act (sections 6-7 & 14-24), the Building Societies Act (sections 3-34) and the POSB Act (sections 3-47) does not effectively regulate innovative financial technologies such as mobile money and mobile banking giving rise to systemic and financial risks on the part of financial consumers. The adoption of poor enforcement mechanisms such as banking regulations and penalties has resulted in more financial crimes and non-compliance on the part of banks (Chitimira & Mokone, 2020, pp. 102-109). For instance, between 2003 and 2006, financial institutions such as the Barbican Bank Limited, CFX Bank Limited, CFX Merchant Bank, Intermarket Banking Corporation Limited, Intermarket Building Society, Intermarket Discount House, Royal Bank of Zimbabwe Limited, Time Bank Zimbabwe Limited and Trust Bank Corporation Limited were placed under curatorship by the RBZ for non-compliance and other regulatory challenges. In addition, Barbican Asset Management, First National Building Society, Century Discount House and Rapid Discount House were liquidated during the same period (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85). Therefore, there is a need for robust bank regulation to restore public investor confidence in the Zimbabwean financial sector. The policy makers should enact adequate provisions to enhance bank regulation, financial stability and the soundness of all banks in the financial sector in order to promote financial inclusion (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85, for related comments; Nhavira, Mudzonga & Mugocha, 2018, pp. 10-86). The policy makers should further enact provisions that are less complex to protect all financial consumers against monopolistic exploitation by banks and other financial institutions. The Banking Act and the RBZ Act should be amended to enact provisions that adequately deal with different types of financial instruments such as insurance, banking and securities through systemic, prudential and business conduct regulation. It is submitted that Zimbabwe should not rely on the silo-based approach of bank regulation and supervision (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85, for related comments; Nhavira, Mudzonga & Mugocha, 2018, pp. 10-86). Instead, Zimbabwe should consider introducing a robust macroprudential regulation of banks and related financial institutions so as to provide macroeconomic trends assessments and promote prudential soundness of banks and related financial institutions (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85, for related comments; Nhavira, Mudzonga & Mugocha, 2018, pp. 10-86). The RBZ should revamp its Troubled Bank Resolution Framework to effectively and timeously provide pragmatic measures to rescue troubled banks and related financial institutions in order to combat bank failures and financial instability (Dhliwayo, 2015, pp. 1-21; Nhavira, Mudzonga & Mugocha, 2013, pp. 1-85).

A poor regulatory framework under the Banking Act (see sections 4A-4B; 5-15; 29; 36 & 40; 45-52; Ncube, 2022, pp. 71-88), the Microfinancing Act (see sections 2; 4; 6; 10; 11; 17; 19 & 21-34; Ncube, 2022, pp. 71-88), the Bank Use Promotion Act (see sections 2-32), the DPC Act (see sections 2-13), the Moneylending and Rates of Interest Act (sections 2-8), the RBZ Act (sections 6-7 & 14-24), the Building Societies Act (sections 3-34) and the POSB Act (sections 3-47) has somewhat contributed to bank failures, erosion of public investor confidence and financial instability in the Zimbabwean financial sector. This is exacerbated by the lack of specific overarching legislation that provides separate prudential regulation and market conduct regulators (the twin peaks model) (Chitimira & Mavhuru, 2024, pp. 1-33). It is hoped that the adoption of the twin peaks model will curb ongoing bank illiquidity challenges, economic instability, bank failures and other regulatory failures in the Zimbabwean banking sector (Chitimira & Mavhuru, 2024, pp. 1-33; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17).

3.6. Political Problems and Economic Instability

Zimbabwe has struggled with hyperinflation, political problems and economic instability since the late 1990s to date (Kavila & Le Roux, 2017, pp.131-166; Chitimira & Mavhuru, 2024, pp. 1-33; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). These challenges have negatively affected the regulation and supervision of banks in Zimbabwe. Put differently, it appears that there is some causal nexus between political and economic instability and the banking regulatory challenges such as banking failures, bank illiquidity problems, poor bank supervision and other systemic risks. Thus, the bank failures and other bank regulatory challenges in Zimbabwe could have been directly and/or indirectly caused by economic and political instability. There is some interconnection between negative political interference and poor bank regulatory decision-making in the Zimbabwean banking sector. It appears that political interference has sometimes affected the regulation and supervision of banks by the RBZ, giving rise to bank failures and bank illiquidity crises (Chipere, 2020, pp. 313-323; Kavila & Le Roux, 2017, pp. 131-166; Chitimira & Mavhuru, 2024, pp. 1-33; Gumbo, Njerekai, Murungu & Damabaza, 2020, pp. 1-17). These challenges have led to poor economic growth, an increase of illicit non-performing bank loans, lower bank deposits and bank illiquidity challenges. Political interference could further result in conflicts of interest and inefficiency of affected banks, and this eventually affects financial intermediation and payment systems of the RBZ (Compaoré, Mlachila, Ouedraogo & Sourouema, 2020, pp. 2-33; Chipere, 2020, pp. 313-323).

The lack of sufficient political independence on the part of the RBZ has negatively affected its proper regulation and supervision of banks and related financial institutions. Consequently, there has been a number of bank failures, bank illiquidity problems and poor financial stability in the Zimbabwean financial sector since the late 1990s to date. This could suggest that the RBZ, banks and other related financial institutions in Zimbabwe are not consistently complying with the Basel Committee on Banking Supervision (BCBS)'s core principles for effective banking regulation and banking supervision which require bank regulators and bank supervisors to be independent from any political interference (Makuyana, 2016, pp. 376-385; Compaoré, Mlachila, Ouedraogo & Sourouema, 2020, pp. 2-33; Chipere, 2020, pp. 313-323). The RBZ has to date struggled to comply with the regular Financial Sector Assessment Program requirements of the IMF and the World Bank owing to negative political interference and other bank regulatory flaws. Political interference has severe long-term negative effects on economic growth and financial stability in the Zimbabwean banking sector. For instance, there has been poor economic growth owing to, inter alia, an inefficient banking sector that is marred by bank illiquidity challenges, poor public investor confidence and bank failures (Makuyana, 2016, pp. 376-385; Compaoré, Mlachila, Ouedraogo & Sourouema, 2020, pp. 2-33; Chipere, 2020, pp. 313-323; Kirikkaleli & Kayar, 2023, pp. 1-16). Therefore, it is hoped that policy makers will adopt appropriate measures to curb political interference in order to ameliorate its negative effect on bank regulation and bank supervision in the Zimbabwean banking sector. The Zimbabwean policy makers and the RBZ should abandon the so-called "wait-and-see" approach and adopt a pragmatic approach to bank regulation and supervision which promotes the robust and independent prudential regulation of banks. This approach will help to entrench the autonomy of banks, develop proper credit policies and develop adequate internal controls to curb the illicit use of insider loans, nepotism and/or political interference by bank officials.

3.7. Poor Technology and Lack of Adequate Staff with the Relevant Expertise in Banks

The RBZ and other banking institutions have grappled with the adoption and utilisation of technology to curb financial crime activities such as money laundering, fraud, insider trading and market manipulation (Ncube & Chitimira, 2020, pp. 130-148; Kurauone, Kong, Mago, Sun, Famba & Muzamhindo, 2020, pp. 300-319). For instance, the RBZ and other banking institutions have struggled to utilise technologies such as artificial intelligence (AI), automation and machine learning to enhance the provision of their day to day financial services and financial products (Kirikkaleli & Kayar, 2023, pp. 1-16; Makuyana, 2016, pp. 376-385; Compaoré, Mlachila, Ouedraogo & Sourouema, 2020, pp. 2-33; Chipere, 2020, pp. 313-323). This has negatively affected the banks and related financial institutions' ability to timeously detect and combat financial crimes and systemic risks so as to enhance their operations and regulatory decision-making activities.

The lack of appropriate technology in banks and related financial institutions could suggest that they are unable to extend their reach beyond traditional geographical boundaries and provide their financial services to rural areas and informal settlements. Accordingly, the RBZ should create digital platforms and empower banks to leverage appropriate technology to provide their financial services, including cross-border transactions and international remittances to all financial customers, especially those that reside in rural areas and informal settlements (Mukoka, 2020, pp. 36-43; Kirikkaleli & Kayar, 2023, pp. 1-16; Makuyana, 2016, pp. 376-385; Compaoré, Mlachila, Ouedraogo & Sourouema, 2020, pp. 2-33; Chipere, 2020, pp. 313-323). The RBZ and policymakers should further adopt appropriate measures that obliges banks and related financial institutions to promote cybersecurity and data protection in order to enhance the use of mobile money, mobile banking and digital payments systems in the Zimbabwean financial sector. The RBZ should consistently ensure that banks comply with the relevant anti-money laundering laws and promote the use of regulatory technology such as AI, chatbots, automation and machine learning to effectively detect and combat financial crimes and systemic risks. Moreover, the RBZ and banks should cooperate with innovative fintech companies to maximise financial technology benefits in detecting and combating financial crimes and systemic risks timeously.

Moreover, the banks and related financial institutions have struggled to effectively conduct their functions due to lack of sufficient staff with the relevant skills and expertise. Thus, the efficiency and integrity of the Zimbabwean banking sector is somewhat marred by a severe shortage of staff with the relevant skills and expertise, particularly in digital banking, risk management and the enforcement of fintech regulatory tools (Mukoka, 2020, pp. 36-43; Kirikkaleli & Kayar, 2023, pp. 1-16; Makuyana, 2016, pp. 376-385; Compaoré, Mlachila, Ouedraogo & Sourouema, 2020, pp. 2-33; Chipere, 2020, pp. 313-323). This is caused by a number of factors such as brain drain, economic instability, political instability and rapid technological advancements. Many skilled persons in the banking sector have migrated to other countries seeking better jobs and economic stability. Consequently, many unqualified individuals are being utilised by banks in Zimbabwe.

Therefore, the lack of skilled personnel impedes the banks and/or related financial institutions' ability to adapt to new technological challenges and opportunities in the Zimbabwean financial sector. This has led to various challenges such as financial instability, poor financial crime detection, lack of public investor confidence and poor economic growth. Moreover, the status quo is worsened by the chronic economic instability that is constantly characterised by hyperinflation and currency fluctuations, giving rise to low public investor confidence in the banks and related financial institutions. As a result, it has become very difficult for banks and related financial institutions to attract and retain persons with the relevant skills and expertise. This is exacerbated by the fact that the advent of fintech, digital banking technologies and financial products such as mobile money require banks to have adequate staff with the relevant expertise to deal with different aspects such as cybersecurity, data analysis, and other digital banking technological functions. In this regard, the banks and related financial institutions should consider introducing training programs to equip their employees with the relevant skills and specialised expertise.

3.8. Lack of Sufficient Financial Resources and Poor Capitalisation

Most banks in Zimbabwe have been affected by poor capitalisation since the late 1990s to date (Machirinani, Shoko, Shoko, Dube & Nyoni, 2020, pp. 17-39; Mukoka, 2020, pp. 36-43; Kirikkaleli & Kayar, 2023, pp. 1-16; Makuyana, 2016, pp. 376-385; Compaoré, Mlachila, Ouedraogo & Sourouema, 2020, pp. 2-33; Chipere, 2020, pp. 313-323). The poor capitalisation challenges have been mainly caused by the failure of banks to have sufficient financial resources to conduct their businesses effectively and be able to pay their debts when they are due. Many banks are not making sufficient profit and they are also failing to access other financing options such as debt, loans or equity due to hyperinflation and economic challenges in Zimbabwe. The poor capitalisation of banks and related institutions are caused by various factors such as the adoption of poor macroeconomic policies by the RBZ, the failure of banks to raise funds and/or obtain credit, the failure of banks to get permanent capital rather than short-term capital and the adoption of flawed risk management policies.

Despite some recent improvement in the Zimbabwean banking sector, some banks have faced capitalisation problems that are caused by high non-performing loans (NPLs) which are negatively affected by the ongoing economic challenges (Machirinani, Shoko, Shoko, Dube & Nyoni, 2020, pp. 17-39; Mukoka, 2020, pp. 36-43; Kirikkaleli & Kayar, 2023, pp. 1-16; Makuyana, 2016, pp. 376-385; Compaoré, Mlachila, Ouedraogo & Sourouema, 2020), pp. 2-33; Chipere, 2020, pp. 313-323). Thus, bank failures are still being caused by poor capitalisation and the reliance on high NPLs. In this regard, the RBZ should provide adequate minimum capital requirements for banks in accordance with the international best practices to enhance the liquidity of banks. The RBZ should also adopt adequate measures to discourage the use of NPLs and help banks to improve their lending and financial intermediation.

The RBZ and banks have struggled to have sufficient resources to conduct their day to day businesses effectively. Precisely, the RBZ has to date struggled to conduct its bank supervisory duties and to fulfil its lender of last resort functions owing to, *inter alia*, economic volatility, informal nature of the economy, low public investor confidence and bank illiquidity challenges. Likewise, the banks are struggling to issue loans, cash and comply with the international regulatory and supervisory standards of the BCBS (the so-called Basel II and Basel III bank regulatory and supervisory standards). Some banks have also struggled to hire sufficient persons with the requisite experience, skills and expertise due to severe lack of adequate financial resources. This has exposed banks to operational risks such as cybersecurity, compliance challenges, financial losses and reputational damage. Many banks have also struggled to access finance and provide financial services to all financial consumers, especially in remote and rural areas, giving rise to financial exclusion. The lack of adequate resources has further impeded financial innovation, digital banking and other fintech activities in Zimbabwe, making it very difficult for banks to innovate and compete fairly with other financial institutions at local and international levels. The RBZ, policy makers and/or the government should adopt appropriate measures to empower banks with sufficient resources to invest in education and training programs that equip their employees with the relevant expertise and skills. The RBZ, policy makers and/or the government should further adopt appropriate measures to create a conducive and stable economic environment that attracts skilled persons to work in the banking sector and promote FDI in the Zimbabwean financial sector.

3.9. Poor Cooperation Between Banks and Other Relevant Authorities

The RBZ oversees the regulation and functions of banks and other financial institutions in Zimbabwe. Therefore, it is expected that banks should cooperate and collaborate with the RBZ and other relevant authorities to promote and maintain financial stability and financial integrity in the Zimbabwean financial sector (Sethi & Acharya, 2020, pp. 50-75; Machirinani, Shoko, Shoko, Dube & Nyoni, 2020, pp. 17-39; Mukoka, 2020, pp. 36-43; Chipere, 2020, pp. 313-323). The aforesaid cooperation and collaboration is vitally important for the adequate regulation and supervision of banks and related financial institutions in order to combat financial crimes such as money laundering, naked short selling, market manipulation, insider trading and corporate fraud. In this regard, the RBZ adopted the Banking Regulations of 2020 in a bid to enhance the regulation of banks and require mobile network operators (MNOs) to register their mobile money services. Nonetheless, the banks have sometimes failed to effectively cooperate and collaborate with the RBZ's Bank Supervision Division. This has caused the RBZ to struggle to monitor banks and other related financial institutions in order to ensure compliance with the RBZ Banking Regulations of 2020 and the provisions of the Banking Act (see sections 4A-4B; 5-15; 29; 36 & 40; 45-52; Ncube, 2022, pp. 71-88), the DPC Act (see sections 2-13), the Moneylending and Rates of Interest Act (sections 2-8) and the RBZ Act (sections 6-7 & 14-24).

There is somewhat poor cooperation and collaboration between banks, the RBZ and other enforcement authorities and this has negatively affected the detection, investigation, prevention and combating of systemic risks and financial crimes such as money laundering, terrorist financing, naked short selling, market manipulation, insider trading and corporate fraud in the Zimbabwean financial sector. Banks have also failed to consistently cooperate and collaborate with the RBZ and other regulatory authorities to promote financial inclusion, especially for the poor and low-income earners. For instance, banks have grappled to promote financial inclusion by providing financial products and services such as mobile money. Some banks have struggled to collaborate with MNOs to offer mobile money services in the rural areas to increase financial inclusion among the poor, vulnerable and low-income earners (Tipedze, Ngirazi, Mutenga & Satande, 2020, pp. 91-103). The RBZ has not been able to effectively collaborate and cooperate with other central banks, local banks and key role-players such as financial intermediaries, the Southern African Development Community (SADC) Payment System Oversight Committee (PSOC), the Bankers Association of Zimbabwe, the National Payment System Department and the Financial Traders Association of Zimbabwe so as to improve the safety and efficiency of the payment and settlement systems.

More still need to be done to empower banks in Zimbabwe to effectively maintain correspondent relationships with other international banks to facilitate international transactions in different currencies between different countries (Buigut, 2015, pp. 690-700; Tipedze, Ngirazi, Mutenga & Satande, 2020, pp. 91-103). The RBZ has at times failed to cooperate and enforce recommendations of the IMF and this has weakened its bank supervisory functions as well as its enforcement of the Basel III liquidity standards. The current poor collaboration and cooperation between banks, the RBZ and other role-players negatively affects financial stability, economic growth, public investor confidence and the prevention of systemic risks in the Zimbabwean banking sector. More political will and cooperation are needed between banks, the RBZ, policy makers and other regulatory authorities to promote the provision of sound financial services and consumer protection in the Zimbabwean banking sector.

4. Concluding Remarks

The article has unpacked several gaps, flaws and challenges that are negatively affecting the regulation and supervision of banks in the Zimbabwean financial sector. As stated above, these gaps, flaws and challenges include the adoption of poor bank supervisory approaches, poor bank risk management systems, chronic liquidity problems, poor corporate governance practices, regulatory arbitrage, poor technology in the banks, lack of adequate staff with the relevant expertise in banks, poor cooperation between banks and other relevant authorities, poor capitalisation, poor regulatory approaches, political problems, economic instability and the lack of sufficient financial resources to effectively enforce the relevant financial and banking laws (Buigut, 2015, pp. 690-700; Tipedze, Ngirazi, Mutenga & Satande, 2020, pp. 91-103; Sundaresan, 2008, pp. 3-122). In light of these challenges, the RBZ should statutorily provide adequate supervisory oversight to all the banks and related financial institutions to combat bank failures in the Zimbabwean financial sector (Saal, Lindgren & Garcia, 1996, pp. 136-148; Nhavira, Mudzonga & Mugocha, 2013, p. 85). Another option is for policy makers to enact new provisions in the Banking Act to expressly empower an independent regulatory body to oversee the regulation and supervision of banks and related financial institutions in Zimbabwe. This could remove the bank regulatory and supervisory burden on the RBZ in order to improve public investor confidence and financial stability in the Zimbabwean financial sector and financial markets while curbing conflicts of interest between the RBZ and other bank supervisory authorities (Nhavira, Mudzonga & Mugocha, 2013, p. 85; Chitimira & Ncube, 2021, pp. 91-121). The independent regulatory body could help to combat political interference which stifles the effective prudential regulation and supervision of banks and impede bank soundness in the Zimbabwean banking sector.

The RBZ should adopt robust supervisory measures and effectively follow the technical advice from the IMF and the World Bank, especially on aspects such as bank licencing, risk-based on-site examination measures, adequate information sharing and off-site surveillance (Kozińska, 2022, pp. 1749-1768). Moreover, the RBZ should effectively utilise its memoranda of understanding with other local and regional bank supervisory and regulatory bodies to enhance cooperation, coordination and information sharing between banks and such bodies.

The RBZ should carefully adopt adequate bank risk management policies to empower banks to conduct their businesses without restricting access to credit for legitimate financial activities in order to promote financial inclusion. The RBZ should also encourage banks to adopt adequate credit policies that align with sound lending practices and international best practices.

The RBZ and government should adopt adequate measures to combat illicit trade, illicit financial flows, corruption and hyperinflation in order to revamp the banking sector and empower banks to recapitalise and adopt sound prudential bank regulation and supervision measures. Furthermore, the RBZ and the government should adopt robust economic policies that promote the efficient export of goods and services so as to increase foreign currency inflows and FDI.

The RBZ and policy makers should provide adequate measures to improve the regulation and supervision of banks such as the adoption and use of good corporate governance practices, obliging banks to have sound disclosure and transparency requirements, and obliging all relevant directors to consistently comply with their fiduciary duties. Moreover, Zimbabwe should robustly provide macroprudential regulation of banks and related financial institutions so as to provide macroeconomic trends assessments and promote prudential soundness of banks and related financial institutions (Brau & Woller, 2004, pp. 1-28). The RBZ should revamp its Troubled Bank Resolution Framework to effectively and timeously provide pragmatic measures to rescue troubled banks and related financial institutions in order to combat bank failures and financial instability.

Policy makers should adopt appropriate measures to curb political interference in order to ameliorate its negative effect on bank regulation and bank supervision in the Zimbabwean banking sector. The Zimbabwean policy makers and the RBZ should abandon the so-called “wait-and-see” approach and adopt a pragmatic approach to bank regulation and supervision which promotes the robust and independent prudential regulation of banks. The RBZ should consistently ensure that banks comply with the relevant anti-money laundering laws and promote the use of regulatory technology such as AI, chatbots, automation and machine learning to effectively detect and combat financial crimes and systemic risks. The RBZ, policy makers and/or the government should adopt appropriate measures to empower banks with sufficient resources to invest in education and training programs that equip their employees with the relevant expertise and skills. The RBZ, policy makers and/or the government should further adopt appropriate measures to create a conducive and stable economic environment that attracts skilled persons to work in the banking sector and promote FDI in the Zimbabwean financial sector.

The RBZ should effectively collaborate and cooperate with other central banks, local banks and key role-players such as financial intermediaries, the SADC PSOC, the Bankers Association of Zimbabwe, the National Payment System Department and the Financial Traders Association of Zimbabwe so as to improve the safety and efficiency of payment and settlement systems. Lastly, more political will and cooperation are needed between banks, the RBZ, policy makers and other regulatory authorities to provide sound financial services and consumer protection in the Zimbabwean banking sector.

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