

Zimbabwe demands lower interest rates

By [Tawanda Karombo](#)

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Three foreign-owned banks are facing increased pressure from authorities to comply with the empowerment policy and are among the top Zimbabwean banks that are adequately capitalised.

Standard Chartered, Barclays and Stanbic have adequate capital bases while a host of local banks may have to merge and consolidate operations to raise enough capital. CBZ Bank has a capital base of US\$111.79m, the highest in the banking sector, followed by Standard Chartered Bank and Stanbic Bank which have capital bases of US\$56.50m and US\$45.62m respectively.

Meanwhile all banks now have to significantly lower interest rates in line with a government directive. Interest rates will fall from 25% to just 10%

Reserve Bank of Zimbabwe governor, Gideon Gono said during his monetary policy presentation last week that the Zimbabwe unit of Barclays Bank had a capital base of US\$34.30m by the end of December. The majority of the locally owned banks have relatively lower capitalisation levels compared to those of the foreign-owned banks.

Zimbabwean banks have been facing uncertainty over the forced compliance with the empowerment policy and mounting pressure from the government for them to lower interest rates and bank charges. Banks have been charging interest rates of as much as 25% in addition to "high" withdrawal and service charges.

Gono however said "all banks should" comply with the empowerment policy although he added that the central bank was "working together with the Ministry of Indigenisation and Economic Empowerment to ensure that compliance with appropriate laws is done in an orderly manner".

The central bank and the Finance Ministry have been advocating lower indigenisation compliance thresholds for the banking sector.

"The process to indigenise the banks should, however, take cognisance of the sensitivities around the operation of the banks to restore confidence, trust and stability in the sector," Gono said.

Finance Minister Tendai Biti and Gono have confirmed that the banks and the central bank have now agreed on lowering the highest levels for interest rates.

Banking sector executives said on Friday (1 February) that interest rates are capped at 10%.

"The Reserve Bank and the banking sector came up with an agreed framework which will see a substantial reduction in bank charges," said Gono.

Although he would not provide finer details, Biti also confirmed this, telling a gathering of Zimbabwean industrialists in Harare on that although he "did not want to regulate" the banks, "there's been an agreement between the central bank and the Bankers' Association" to lower bank charges.

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