



Comparative Study between Public and Private Sector Banks in Pakistan

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ABSTRACT

The main objective of this study is to analyze and compare empirically the performance of private commercial bank, (HBL) Habib Bank Limited in comparison with Public commercial bank, (NBP) National Bank of Pakistan with respect to profitability; liquidity and credit risk & solvency measures for the period of 2010-2014.

This study presents ratio analysis such as Spread ratio, Net Interest Margin (NIM), Return on Asset (ROA), Return on Equity (ROE), Profit Expense Ratio (PER), Cash and Cash Equivalents to Total Assets, Cash To Deposit Ratio (CDR), Loan to Deposit ratio (LDR), Loan to Assets Ratio (LAR), Capital Ratio, Debt to Equity Ratio (DER), and Debt to Total Asset Ratio (DTAR). The study reveals that all results of profitability indicators present favorable positive trends for Habib Bank Limited (HBL). The results determine that National Bank of Pakistan (NBP) is less profitable than Habib bank Limited (HBL).

The results depict an overall increase in the total assets of NBP which indicates a positive sign regarding growth of the bank. Moreover total investment and gross advances of the bank follow increasing trend from 2010-2012 however the major decline in 2013-2014 indicates a decrease in the liquidity position of the bank, and the debt ratio of NBP also declined in 2014. There is increase in non-interest expenses of NBP and profit before taxation follows downward trend which affected the profitability and return on assets of bank negatively. Alternatively total equity of NBP remained consistent because of the investors' confidence on the bank.

Hence, the overall study reveals of all profitability and risk and solvency measures indicate that NBP is less Profitable, less risky and more solvent than HBL and also the operating expenses of NBP are increasing.

Profitability of NBP remained fluctuating during the period of study while liquidity measures reveal that bank is facing financial pressure due to inconsistent loans offerings. Study concludes that HBL has used their assets in more efficient and effective way in comparison to NBP asset utilization. Both banks are following conventional policy of lending and both banks should make more investment in liquid assets.

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