

IMPACT OF BANK SPECIFIC VARIABLES AND INTEREST CHANGES ON THE PROFITABILITY OF COMMERCIAL BANKS IN PAKISTAN

By

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A thesis presented to the Department of Management Sciences, Bahria University
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of the MBA degree



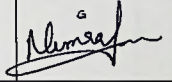

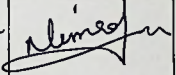
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Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
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6	4/12/15	cubicle	Data analysis,	
7	17/12/15	cubicle	Critical view, result, conclusion and recommendation.	

APPROVAL FOR EXAMINATION

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ABSTRACT

Purpose- The core purpose of this research is to carried out the impact of bank specific variables i.e. Credit Risk, Total Deposits To Total Assets Ratio, Asset Size And Interest Rate impact on the profitability of commercial banks in Pakistan. ROE and ROA are the profitability measures of commercial banks in this research.

Methodology/sample- In this study only 4 commercial banks have been selected namely MCB, HBL, Bank Al-Habib, Bank Al-Falah. 10 years data has been selected for the study i.e. from 2005 to 2014. As commercial banks play a magnificent role in the financial sector stability and financial sector is considered as a major a hub for the economy growth, monetary policy implementation and macroeconomic stability, enlightens the importance of this research. Here CR, TDR, IR and ASSETSIZE have taken as an independent variable and ROE and ROA has taken as dependent variable. 8 null hypotheses have been formulated on the basis of considering the individual effect of each independent variable on ROE and ROA, out of which 3 are rejected and 5 are accepted. For testing the result of hypotheses regression analysis have run to analyze the relationship among the variables

Findings- Findings showed that CR, TDR, IR and ASSETSIZE have negative relationship with ROE whereas CR sharing positive relationship with ROA and rest of the other variables has similar relationship with ROA as incase of ROE. Moreover at 0.05 significant levels with respect to ROE, TDR and IR have significant impact but CR and ASSETSIZE do not have significant impact. With respect to ROA, TDR has only significant impact while rest of the others doesn't have significant impact. Thus, it is concluded that the regression model formulated for ROE and ROA as a profitability measures of commercial banks do have significant and negative relationship with all the four independent variables.

Practical Implications- The outcomes of the research might help the bank's decision makers to choose the correct variables that are directly affecting the bank's profitability as well as further upbringing of the financial sector.

KEYWORDS: ROE, ROA, credit risk, interest rate, asset size, bank's profitability, total deposits to total assets ratio.

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