

## **Preface**

Thesis is the integral part of our degree to conduct research with a rigorous academic perspective. An imperative goal of thesis is to transform academic knowledge into practical application for better understanding of business process and to give policy orientation.

I hope that this paper will help students in better understating of financial institutions business model with changing economic situations.

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## **Abstract**

Pakistan's banking sector spread is oscillating for the last five years touch high & low in the history.

The study on the determinants of Net Interest Income in commercial bank of Pakistan (2007-2011) using meticulous set of firm- and macro-level variables to analysis variation in spread.

The study empirically examine the relationship between net interest income and variables:(i) deposits (ii) investments (iii) lending (iv) total assets at firm-level & (i) KIBOR & (iii) inflation at macro-level to understand variation in spreads.

Net Interest Income validates the efficiency & effectiveness of commercial banks and justifies it basic role of intermediary for the growth of economic activity.

The model used for analysis is least square regression model.

Our finding evidences that NII is significantly affected by dependent variables deemed in our study. The result also shows that firm-level indicators are +ve correlated & macro-variable are -ve correlated to NII.

**Keywords:** *banking spread, Net Interest Income, Inflation, and KIBOR*

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