

## FINAL PROJECT APPROVAL SHEET

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### Viva-Voice Examination

Date    /   /   

**Topic of Research:** write your own topic i.e. Risk Premium in KSE during different Market Trends... etc

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**Class:** MBA- 5(1.5 year)

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## Abstract

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This Research attempts to study the impact of Interest Rate Changes on Net Interest Income of Pakistani Banks and has therefore considered the case of National Bank of Pakistan (NBP) which is Pakistan's largest Commercial Bank in terms of Asset size. The problem statement for this Research is that whether an increase or decrease in Interest Rate necessarily leads to Increase or decrease in Banking Profit. To understand this concept it will find out the relationship amongst Interest Rate and some important factors which impact Net Interest Income like Non-Performing Loans, Deposits, Borrowings, Assets, and Advances etc.

Considering National Bank of Pakistan, the Research shows that it is very hard to say that whether an increase in Interest Rate will lead to increase in specific Asset of the Bank e.g. Investment because it is highly dependent on the Bank's Policy. As for National Bank of Pakistan we saw that the Interest Rates were increasing but at the same time Investments decreased when most people would have assumed that they would increase. This happened only because the Bank wanted to gain on Advances and it did that at the cost of Investment. With Reference to Advances, an increase in Advances provides no guarantee that Net Interest Income will increase like we saw in the case of National Bank where Advances were increasing but the Bank's Net Interest Income was decreasing only because the amount of Non-Performing Loans was rising. So because of this ambiguity this topic was taken up for Research to see the general impact of Interest Rate changes on Banking Profit.

The period taken for this study was 2005-2010. Interest Rates taken into consideration were Annual Interest Rate belonging to the month of November and the Financial Statements of National Bank of Pakistan were analyzed thoroughly to study the impact of Interest Rate Changes on important variables that affect the Bank's Net Interest Income.

## **ACKNOWLEDGMENT**

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It is a privilege to extend my thanks to ALMIGHTY ALLAH because nothing is possible in this world with out HIS assertion. We bestow all praises, acclamations and appreciation to Almighty Allah the most merciful and compassionate, the most gracious and beneficent, whose bounteous blessing enabled us to perceive and pursue higher ideals of life.

We gratefully acknowledge our supervision of Mr. Ahmer Athar, who is the teacher of the final year research project during our study of MBA at Department of Management Sciences Bahria University Islamabad, who was very kind, helpful and corporative throughout the project.

Special thanks to our parents, whose love, endless moral support, encouragement and prayers enabled us to complete this work dedicatedly. We would like to thank all the faculty members, friends and colleagues for their cooperation and healthy suggestions throughout our project.

## Dedication

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This research project is the presentation of our original research work. The work submitted in this report is the result of our own investigation, except where otherwise stated. Where ever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature, and acknowledgement of collaborative research and discussions.

The work was done under the supervision of Mr. Ahmer Athar, teacher at Bahria Institute of Management & computer Sciences.

It has not already been accepted for any degree, and is also not being concurrently submitted for any other degree.

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