ROLE OF OIL PRICES & INTERNAL DETERMINANTS OF BANK PERFORMANCE: CASE OF PRIVATE COMMERCIAL BANKS OF PAKISTAN

MARIAM NADEEM

43502

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Supervisor – Student Meeting Record

S#	Date	Place of Meeting	Topic Discussed	Signature of Student
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APPROVAL FOR EXAMINATION

Candidate's Name: **Mariam Nadeem** Registration No.: **43502**

Thesis Title: **ROLE OF OIL PRICES & INTERNAL DETERMINANTS OF BANK PERFORMANCE : CASE OF PRIVATE COMMERCIAL BANKS OF PAKISTAN**

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HoD's Signature: ______________ Date: ______________

Dedication

I dedicate my dissertation work to my family and many friends. A special feeling of gratitude to my loving parents, and my teachers Sir Muhammad Asif and Sir Mubashir whom words of encouragement and push for tenacity ring in my ears. I also dedicate this dissertation to my many friends who have supported me throughout the process. I will always appreciate all they have done.

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Abstract

Purpose: The objective of this research is to examine the role of oil prices and liquidity risk, CE, GDP and inflation on the BP of commercial banks of Pakistan.

Methodology: Financial statements and annual reports were used for data gathering of the bank-specific indicators and variables of 15 private commercial banks in Pakistan from 2006 to 2021. World Development Indicator (WDI) database of the World Bank was used to collect yearly data on GDP and inflation while Data of crude oil prices were gathered from the West Texas Intermediate (WTI) database. The study has used correlation analysis, cointegration analysis, Hausman test and pooled OLS analysis based on random-effect estimation were employed for data analysis using EViews 9.

Findings: The results showed that oil price has a positive but statistically insignificant effect on bank profitability. Liquidity risk has a positively significant effect on bank profitability. Cost-efficiency has a negatively significant effect on bank profitability. Economic growth has a negative but statistically insignificant effect on bank profitability. Lastly, inflation has a negatively significant effect on bank profitability.

Limitations: The study did not consider any moderating variables due to lack of empirical and theoretical evidence. Specifically, transaction cost theory has been used for theoretical underpinnings while other theoretical aspects were not taken into consideration for perspective-taking. The study has considered only commercial banks of Pakistan and has not taken Islamic banks for specific and generalized outcomes of a particular banking segment.

Implications: Banks should empower their policies and easy their procedures that encourage investors to large-scale deposits and that is somehow reduce their liquidity risks. Discouraging risky loans and lending to businesses that have weak credit rating history or drowning industrial trends of such companies and enterprises. Keeping an eye on the global crisis and financial constraints to developing countries, commercial banks of Pakistan should primarily focus on mitigating their liquidity risks to maintain their operations and forgoing strategies in the larger and longer perspective.

Keywords: *Liquidity Risk, Profitability, Macroeconomic Indicators, Private Banks, Pakistan.*

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