FACTORS AFFECTING CREDIT RISK OF BANKING SECTOR IN PAKISTAN

BY

MOIZ AHMED   **60105**

MUHAMMAD SAAD   **60120**

MOAZZAM ASLAM   **59844**

A Project submitted to Department of Management Studies, Bahria Business School, Bahria University – Karachi Campus, in partial fulfillment of the requirement for BS A&F Degree

BS (ACCOUNTING & FINANCE)

FALL-2022

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PROJECT APPROVAL STATEMENT

APPROVAL FOR EXAMINATION

Candidate's Name: Moiz Ahmed   Registration No.: 60105

Candidate's Name: Muhammad Saad   Registration No.: 60120

Candidate's Name: Moazzam Aslam   Registration No.: 59844

Project Title: Factors Affecting Credit Risk of Banking Sector in Pakistan

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at x% that is within the permissible limit set by the HEC for the FYP. I have also found the thesis in a format recognized by the Department of Management Sciences.
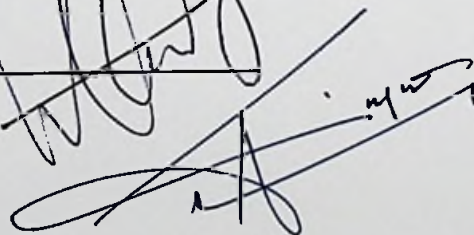
Supervisor's Signature: Date: 21 - 2 - 2023

Supervisor's Name: Sir Muhammad Asif
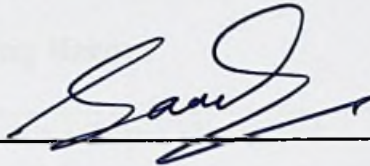
HOD's Signature: _____   Date: 24/02/23

Declaration of Authentication

I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

Student's Signature: _____

Student's Signature: _____

Student's Signature: _____

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ABSTRACT:

PURPOSE:

This study aims to examine the relationship between internal control and credit risk in Pakistani commercial banks from 2002 to 2021. Additionally, the study will consider various bank-specific characteristics and macroeconomic factors and how they influence credit risk in these banks: Total credit to total deposit, Total earning to total asset, Net interest margin, Equity to total asset ratio, TIER 1 Capital & Total Assets (TA). By using the dataset of 11 Pakistani commercial banks.

METHODOLOGY:

This research has been designed with a systematic process to ensure its trustworthiness. To verify the findings of the study, secondary data has been analyzed using empirical, quantitative methods.

FINDINGS:

This study shows that there are Inflation rate & Bank Size variables are directly influencing, and GDP & Unemployment rate variables are inversely influencing the credit risk of the banking sector in Pakistan.

ORIGINALITY:

This Study measures the factors affecting the credit risk of banking sector in Pakistan using NIM, TC to TD, Cost Inefficiency, Total Assets, Equity to Total Asset, TIER 1 Capital & Bank Sector Development as variables. This study also uses macro-economic variables like Inflation Rate, Unemployment Rate, GDP & Bank Size.

KEYWORDS:

Bank Sector Development, Credit Risk Management, Bank Competition, Credit Risk & Bank Size.