DEPARTMENT OF ADMINISTRATION SCIENCES

BS ACCOUNTING AND FINANCE

FINANCIAL RISK MANAGEMENT PROCEDURE A DILEMMA ON FINANCIAL PERFORMANCE OF BANKS IN DEVELOPING COUNTRIES (A CASE STUDY OF PAKISTAN COMMERCIAL BANKS)

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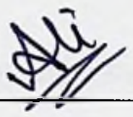
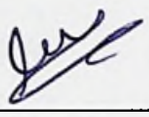
I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

Student'sSignature: 

Student's Signature: 

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ABSTRACT

This study suggests examining the influence of CR (CR), MR (market risk) and LR (liquidity risk) administration on the performance of commercial banks in Pakistan. The research proposal for this study was based on a comprehensive analysis of secondary data obtained from various sources, including SBP publications on banking sector surveys, official website and the KSE. The study utilizes pooled regression analysis to assess the influence of CR, MR and LR administration on two performance indicators. The findings of this study indicate an inverse relationship between CR, market risk, liquidity risk administration and bank performance. The analysis of total return on assets (ROA) reveals that variable such as inflation in Pakistan, interest rate in Pakistan (IR), total debt to total asset ratio (TDTA), total debt to total equity ratio (TDTE), total equity to total assets (TETA), and loan to deposit ratio (LAR) significantly affect ROA. Regarding return on equity (ROE), the DAR variable exhibits negative insignificance, while the DER and EAR variables demonstrate a positive influence. The LAR, INF and INT variables have an insignificant influence on ROE. Furthermore, the LAR and INT variables have a negative influence, while the INF variable has a positive influence on the dependent variable in this model.