(Appendix-A2)

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THE IMPACT OF DIGITAL BANKING ADOPTION ON THE PROFITABILITY OF COMMERCIAL BANKS IN PAKISTAN

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(Appendix-A3)

FINAL THESIS APPROVAL SHEET

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Abstract

To adopt a rigorous quantitative paradigm, a balanced panel set of 110 institutional observations was carried out across 10 different commercial banks, which was examined over a period of 10 years. This study analyzes how digital banking adoption impacts the profitability of commercial banks in Pakistan from 2015 to 2025. The reason this period was selected is to see an impact on the increase in digital banking channels before the pandemic hit and after the pandemic. The research relies on a quantitative data approach to collect data from different banks. By looking at financial ratios like ROA, ROE, CAR, bank size, number of mobile application users, ATM, and number of debit cards, the study presents a clear understanding of exactly how the expansion of digital banking has impacted commercial banks. To ensure the reliability and validity of the empirical results, several diagnostic tests were performed using STATA. The study uses capital adequacy ratio and bank size as control variables to ensure statistical validity and control for variations. The empirical results show that the number of mobile application users has a significant negative effect on ROA. ATM and debit cards show no significant impact on profitability. Meanwhile, the CAR emerged as the strongest positive determinant of financial performance for both ROA and ROE. The research concludes that commercial banks are in a digital transition phase and the cost of setting up digital banking is growing faster than the financial benefit.

Keywords: Digital banking, profitability, ROA, ROE, Capital Adequacy Ratio