

IMPACT OF PRIVATIZATION ON BANKING SECTOR OF PAKISTAN



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EXECUTIVE SUMMARY

Privatization is a catchall term for the transfer of Operating and/or Financial control of State Owned Enterprises to the private sector. It is a process where by the activities of enterprises that were once performed or operated by the government and its employees are performed, managed or owned by private business and individuals. The present thesis specifically examined the case for privatization of banking sector in Pakistan, which aimed to see impact of privatization on banking companies before and after they had been Privatized. To conduct the research Muslim Commercial Bank (MCB) and Allied Bank Limited (ABL) had been studied. Allied Bank Limited has witnessed and experienced all political, economic, financial and technological changes, which have taken place in the south Asian Region since it was incorporated in 1942 at Lahore. It was first bank owned by employees. About 51% of banks share has been privatized. Muslim commercial Bank was incorporated in 1947 and has an edge over other local banks, as it was the first privatized bank. About 81% of bank shares are owned by private sector. The focus of analysis was to compare the Financial and Operating performance of MCB and ABL before and after privatization with the intention to see weather they improved or not and draw lessons for the authorities for future course of action. Questionnaire method is used in order to conduct the survey to obtain the opinion of employees about privatization. For this purpose employees of four banks has been chosen. Financial and operating performance is evaluated with the help of different financial ratios and techniques i.e. ratio analysis, horizontal or common size analysis, vertical or index analysis and operating ratio analysis. With the help of questionnaire, financial and operating analysis it has been observed that

privatization of banks leads toward higher level of efficiency both from financial and operational points of view as except few accounts and ratios over-all performance of both banks increases after privatization. Thesis concluded that government decision to privatized banks was correct and in the end it is recommended that government should continue its policy to privatize banks and make it as early as possible.

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