

Factors Affecting Bank Profitability in Pakistan

By

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Abstract

In the services sector the banks play an important role as it affects the financing of companies and overall economic growth of a country. This study determined the factors affecting profitability of banking industry of Pakistan. The data used for the study was for the period 2011-2015 of 30 banks. The study employed Data Descriptive Statistics, Correlation analysis and Pooled Least Square regression using Random effects model to estimate the data.

The results have indicated that the factors under consideration for this study have significant impact on banking profitability. This research recommended that the banking industry should maintain a standard structure. The economic policy makers should encourage the bankers to raise their capital and provide them with a suitable environment that enables economic development.

Key Words: Random Effect Model, GDP Growth, Bank Size, Profitability, Capital, Inflation, Interest rate, Deposits