

**DETERMINANTS OF INTEREST RATE SPREAD, EVIDENCES FROM PAKISTAN COMMERCIAL
BANKS**



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RESEARCH MS (FINANCE)

**DETERMINANTS OF INTEREST RATE SPREAD: EVIDENCE FROM PAKISTAN
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By

SAAD FAISAL

**A thesis presented to Bahria University, Islamabad in partial fulfillment of the
requirements for the degree of MS FINANCE**

NOVEMBER 2017

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ABSTRACT

The banking sector plays a vital and most important fundamental role in economic growth of a country. As it is the basic element in the arranging or organizing of funds from lenders to borrowers. Efficient financial is an important factor in economic development procedure as it has amplification for affective investible resources. A major indicator of banking sector efficiency is interest rate spreads. This study finds out the bank Industry and macro-economic specific factors effecting banks interest rate spread for a total of ten commercial banks in Pakistan in asset wise, covering the time period of 2010-2016 for seven years. At this end, the study adopts a mixed research approaches by combining document analysis. The findings of the study showed that. Liquidity risk (LR), Reserve requirement (RES), Gross domestic product (GDP). Inflation (INFL) and exchange rate volatility (EXR) has Impact significantly and positive relationship between banks interest rate spread. But the credit risk statics shows the relation between credit risk and interest rate spread is insignificant. The study advices the banks in Pakistan can not only be concerned about internal structure and policies. but also they should consider both the internal and external environment together in managing out strategies to improve their institutional efficiencies.

Key words: Interest rate spread, financial intermediation, Economic growth, Commercial banks.

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