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Risk Management and Organizational Performance
A Study of Banking Sector in Pakistan

By:

(Muhammad Uzair Anser) *(01-221162-102)*

Supervisor:

(Hina Samdani)

Department of Management Sciences

Bahria University Islamabad

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ABSTRACT

Banking sector has a prominent role in economic development. This sector, as a major source of funding, bridges the gap between sectors having deficient and surplus funds. It also helps other business sector to perform business activity smoothly. The objective of this study is to investigation the impact of Risk management on the banking operations. This study included the variables Non-performing Loans (NPLR), Capital ampleness Ratio (CAR), Liquidity Risk (LIQR), Operational Risk (CIR) and Market Risk (IRR) as independent variables whereas Return on Assets (ROA) as dependent variables.

The data, required for this study, was taken from official web sites of banks, State Bank of Pakistan, World Bank database. This study included nineteen banks from commercial banks operating in the Pakistan. Data period ranged from 2011 to 2017 generating seven observations for each bank. This study employed descriptive statistics, unit root test and panel regressions analysis.

The empirical result of this study reveals non-significant relation between Non-performing Loans (NPLR), Capital ampleness Ratio (CAR), Liquidity Risk (LIQR), and Market Risk (IRR) and bank operations (Return on Assets-ROA) in Pakistan, and significant relationship between Operational Risk (CIR) and execution (Return on Assets-ROA) in Pakistan.

In future, researcher can explore the link between terrorist attacks banking regulations and its impact on other profitability measure such as ROE.

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