

Banking Profitability and Economic Growth:
Empirical Evidences from Pakistan



SUBMITTED BY

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Abstract:

This research examines the effect of various economic indicators on bank profitability by using data of 15 Pakistani commercial banks for the period of 2000-2015. Dependent variables for this study are Return on assets and Return on Equity to measure the Banking Sector Profitability and independent variable taken for this study includes bank size, liquidity, credit risk, banking sector development, inflation and GDP. This research uses the correlation and regression method to investigate the impact of size, liquidity, credit risk, banking sector development, inflation and GDP on major profitability indicators. The empirical results have found strong evidence that these factors have a strong influence on the profitability. A result of study shows that size of bank, liquidity, credit risk, banking sector development, inflation and GDP have positive and significant relation with bank's profitability. The results of the study are of value to both academics and policy makers.

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