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Effect of Credit risk on financial performance of banks in Pakistan



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Abstract

The objective of the study was to examine the effect of credit risk on financial performance of banks in Pakistan. For the purpose secondary data collected from top 5 commercial banks for a 10 year period (2008-2017) from annual reports of banks. The data were analyzed using a descriptive statics and time series data regression model and the result showed that credit risk measures: Capital adequacy ratio (CAR) non-performing loan ratio (NPLR), Loan to deposit ratio (LTDR) and size of bank have a significant effect on the financial performance of banks in Pakistan. The study suggested a need for enhancing credit risk management to maintain the prevailing financial performance of banks in Pakistan.

Contents

CHAPTER 1	1
Introduction:	1
1.1 Problem statement:	6
1.2 Research questions:	6
1.3 Research objective:	6
1.4 Significance of the study:	6
1.5 Organization of the study:	7
CHAPTER 2	8
Literature review:	8
2.1 Pakistani banking system:	21
2.2 Performance of banks:	22
2.3 Variables:	24
2.3.1 Capital Adequacy ratio:	24
2.3.2 Non-performing loans to total loans and advances Ratio:	26
2.3.3 Loan to deposit ratio:	27
2.3.4 Size of the bank:	28
2.3.5 Return on Asset (ROA):	29
2.3.6 Return on equity (ROE):	29
2.4 Theoretical framework:	31
2.5 Conceptual Framework:	32
2.6 Hypothesis:	32
CHAPTER 3	33
Methodology:	33
3.1 Research Design:	33
3.2 Population of the study:	33
3.3 Sample of the study:	33
3.4 Data collection:	33
3.5 Data analysis:	34
3.6 Model specification:	34
3.7 Definitions of variables:	35
3.7.1 Return on asset (ROA):	35
3.7.2 Return on equity (ROE):	35

3.7.3 Capital Adequacy Ratio:	35
3.7.4 Non-performing loan ratio:	36
3.7.5 Loan to deposit ratio:	36
3.7.6 Size of the bank:	36
CHAPTER 4	37
Results:	37
4.1 Descriptive:	37
4.2 Correlation:	38
4.3 Regression Analysis:	39
Model 1:	40
4.3.1 Model summary:	40
4.3.2 ANOVA:	40
4.3.3 Coefficients:	41
Model 2:	42
4.3.4 Model Summary:	42
4.3.5 ANOVA:	43
4.3.6 Coefficients:	43
CHAPTER 5	45
Conclusion:	45
5.1 Recommendations:	45
5.2 Limitations and future scope:	46
References:	48