

A REVIEW LISTED COMMERCIAL BANKS PERFORMANCE INDICATORS IN PAKISTAN

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ABSTRACT

The purpose of this study is read the previous studies of the banking performance indicator. In literature, considerable research is available about banking system of Pakistan. Pakistan banking system is one of the best banking systems in the world. The finding of that study showed that ROA, ROE, NIM, and PI that variables as banking performance indicators were used by many researchers in the study. Furthermore, many researchers used a different type of variables to check the impact on banking performance. This study is helpful for a future researcher who wants to research on the banking system.

Keyword: ROA, ROE, NIM and PI.

INTRODUCTION

Equity contract due to several advantages over the loan agreement, Credit limits imposed by the removed business units as profit improves. Furthermore, equity-based incentive to invest in the economy, banking contracts (Haque and Mirakhor, 1986).

Interest and interest hardness war with Allah and His Messenger (Mohammad, peace be upon him) mean dealing with transactions based on interest is forbidden in Islam. Due to the benefit associated with it for some time by an agreement on the amount of money paid is. Principal transactions related to money or any other benefit as interest on the money side is considered (Rehman, 1993).

Bank streams conventional banks and Islamic banks in Pakistan, two of the service excellence and customer satisfaction, pose some questions about. The bank's performance, customer satisfaction is also essential to evaluate the effects. Islamic banking based on interest-free deposits and interest opened up new avenues for the approval of such credit facilities have expanded your ideal Qarz, etc.. (Najajmabadi, 1991).

Bashir (2003) Linear Estimation 1998. During the year 1993 profit, 14 Islamic banks in the 8 Middle Eastern countries involved in the determination of variable data proved a stronger positive effect.

Hassan & Bashir (2003) 8 years data of 43 Islamic banks and financial data used proved a significant positive impact on the proportion of profits.

Haron&Azmi (2004) Inflation figures for the 1984-2002 period on 5 major Islamic banks ROA real interest rates proved to be directly related to complicated relationships.

Staikouras& Wood (2004) Years 1994-1998 performance review of the European banking industry. At least square method and the fixed effects model using the interest rate GDP ROA a significant negative impact on the development of a positive, but it concluded.

Goddard *et al.* (2004) Cross-sectional regression profit showed a significant positive impact on the GDP of the European Union, where the 583 estimated benefit of foreign banks.

Changes in the credit risk of commercial banks, which can affect the performance of the loan portfolio of a bank, can redirect health changes (Cooper, 2003).

Capitalization in explaining the performance of financial institutions, the impact on the profitability of banks is essential. Low capital ratios proposal as a dangerous position, a negative coefficient on this variable can expect. Bankruptcy in the capital increase, financial hardships, including the estimated cost by reducing the potential income may rise (Berger, 1995).

Kraft & Tirgiroglu (1998) Employee Data Envelopment Analysis of the new banks to the old banks show improvement in performance and profitability is negatively correlated to X-performance turns out that year 1994 and 1995. To measure the performance of the bank in Croatia.

Hwanget *et al.* (2009) 35 samples size in Taiwan publicly traded commercial banks when assessing both financial and nonfinancial performance consider. Year established banks and are classified based on the type of stock. The privatization of government-owned banks, the private banks performed better than that found. Both new and old banks meaningful financial and nonfinancial performance tables are not different from each other. The multiple branch offices, improved capital structure and solvency, high growth in deposits and loans, resulting in more profits, and customer satisfaction and lead to more effective management decided.

Kunt & Detragiache (1998) Commercial Bank figures for 80 countries using linear regression. Empirical results on the profitability of banks, economic factors indicate a positive but modest effect.

June 30, 2011, a sum of Rs. 452 B ibis reserves represented. Customer deposits represent 94 percent. However, the financial institutions yet another reason to be misused. Foreign exchange reserves are the very low prevalence of Islamic banking institutions. It also discovered that their benefit to IBIS represents an area. An amount of Rs. 1992 B represents IBIS financing(Saeed).

The relationship with the bank officials that the bank was the main criteria for the selection (Abratt and Russell, 1999).

Three measures of performance used in the study: the network of non-interest income (NII), equity (ROE) and assets (ROA), and return. NII divided by total assets (fees, service charges, foreign exchange, and including direct investment) Non-interest bank deposit activity is defined as net income. Non-interest income in the 1990s as a source of income for traditional banks is growing in importance. The fastest growing non-interest income mutual funds and annuities some of the items from the sales growth of ATM, credit card fees, and fees (Kidwell *et al.*; 2000). Islamic banks, non-interest income, NII, which makes up the bulk of total operating revenues and to reduce the risk of insolvency of the bank's ability to control. The return on bank deposits, banks finance projects that are dependent on the outcome of the addition to reserves, the NII to produce a positive return is a reflection of management capacity. Successful banks in non-credit activities and were able to offer new services, additional non-interest income will increase

(Madura, 2000).

Goldberg & Rai (1996) Bank's performance as a rough proxy use net non-interest return.

Suvita&Hui (2012) Total loans, net interest margin and credit ratios used multiple regression models to assess the impact of the capital adequacy ratio, the debt ratio, interest expense and return on assets and return on equity of banks at financial profit collection ratio. Public sector banks are less efficient results show that purposeful. However, domestic private banks, foreign-owned banks are equally effective. Furthermore, the results estimated capital adequacy ratio had a considerable impact on the return on equity and return on assets purposeful, capital adequacy ratio, total debt and net interest margin was impacted by interest expenses show that. Financial ratios determined values the joint venture and domestic public banks also possible to their balance sheets to manage large-scale shocks are not so strong in Nepal show that. There was no significant loan to deposit ratio and the credit none Additionally, the capital adequacy ratio, total debt and net interest margin, interest costs were the main negative impact on ROA by multiple regression analysis can be decided impact on ROA. Capital adequacy ratio, total debt and net interest margin positive return on equity unfair, but unsecured loans, credit to deposit ratio, interest expenses had a significant impact on ROE.

CONCLUSION

The purpose of this study is read the previses studies of banking performance indictor. In literature a huge study is availed about banking system of Pakistan. Pakistan banking system is one of the best banking system of world. The finding of that study showed that ROA, ROE, NIM and PI that variables as banking performance indictor was used many researchers in study. Furthermore, many researchers used different type of variables to check the impact on banking performance. This study is helpful for future researcher who want to research on banking system.

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