



**Impact of Bank's Structural Determinants on Banks' Performance:**

**A Case study of Pakistan**

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School of Business and Economics

in Partial Fulfillment of the Requirements

for the Degree of

MASTERS OF SCIENCE in FINANCE

by

**NazikMaqsood-13004096002**

**November, 2015**

## Research Completion Certificate

It is certified that the research work contained in the thesis "Impact of Bank's Structural Determinantson Banks' Performance: A Case Study of Pakistan" has been conducted under my supervision by Ms. NazikMaqsood, ID, 13004096-002, of MS Finance program.

Signature: \_\_\_\_\_

13<sup>th</sup> September, 2015

Date: \_\_\_\_\_

Supervisor's Name: Muhammad Mahmood Shah Khan

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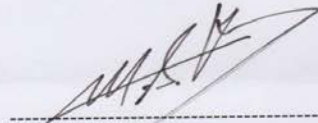
**“Impact of Bank’s Structural Determinants on  
Banks’ Performance: A Case Study of Pakistan”**

By

Ms. Nazik Maqsood  
ID # 13004096002

has been examined by the undersigned panel of examiners and has received full approval for  
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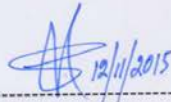
Dated this 07-11-2015



Supervisor  
Mr. M. M. Shah Khan  
Assistant Professor  
School of Business & Economics  
University of Management & Technology



Examiner  
Dr. M. Ali Jibrán Qamar  
Assistant Professor,  
Management Sciences / Centre of Islamic Finance  
COMSATS University, Lahore



12/11/2015

Mr. Abdul Rafay  
Chairperson,  
Department of Finance  
School of Business and Economics  
University of Management & Technology



Dr. Rukhsana Kalim  
Dean,  
School of Business & Economics.  
University of Management & Technology

**School of Business and Economics  
University of Management and Technology**

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Researcher Signature: \_\_\_\_\_

Date: \_\_\_\_\_ 8<sup>th</sup> September, 2015 \_\_\_\_\_

Researcher Name: NazikMaqsood\_\_\_\_\_

Confirmed By

Supervisor's Signature: \_\_\_\_\_

Date: \_\_\_\_\_ 15<sup>th</sup> September, 2015 \_\_\_\_\_

Supervisors Name: Muhammad Mahmood Shah Khan

**DEDICATED**

**To**

**My Parents, Shamaz, Faiza and My Teachers**

## **Abstract**

*Purpose/objective:* The purpose of conducting this study is to examine the impact of structural determinants on the smaller and larger banks' performance and to make the comparative analysis of banks' performance.

*Design/approach/ methodology:* To examine the impact of structural determinants on banks' performance, bank size (lnTA), liquidity (DEPTA), asset composition (LTA), capital adequacy (CAR), cost management (OCTA), credit risk (LLPTL), productivity (NIETA), efficiency (IELF) are taken as explanatory variables and performance measure (ROAA) is used as dependent variable. To investigate the impact of structural determinants on performance of banks, sample for 7 large banks and 7 small banks is taken from the conventional banks of Pakistan for fourteen years during the period 2001 to 2014. Panel data is used to conduct the analysis. Ordinary least square method, fixed and random effect regression techniques are applied on data.

*Findings:* Results reveal that larger banks of Pakistan have better performance than smaller banks. Results of regression analysis show that bank size (lnTA), asset composition (LTA), productivity (NIETA), capital adequacy (CAR) have positive significant but cost management (OCTA) has negative impact on the performance of large banks. Efficiency (IELF), credit risk (LLPTL) and liquidity (DEPTA) have no significant relation with profitability of large banks. But in case of small banks only three determinants asset composition (LTA) and capital adequacy (CAR) have positive but credit risk (LLPTL) has negative significant relation with performance of small banks.

**Key words: Large bank, Small bank, Performance, Pakistan.**

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## **LIST OF ABBREVIATIONS & TERMINOLOGIES**

SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan
DFA	Distribution Free Approach
SFA	Stochastic Frontier Approach
CAPM	Capital Asset Pricing Model
DEA	Data Envelopment Analysis
OBS	Off Balance Sheet
EBRD	European Bank for Reconstruction and Development
GDP	Gross Domestic Product
GMM	Generalized Methods of Moments
NIM	Net Interest Margins
MENA	Middle East and North Africa
ROA	Return On Assets

ROE	Return On Equity
ROAE	Return On Average Equity
ROAA	Return On Average Assets
CAMEL	Capital adequacy, Asset quality, Management efficiency, Earnings ability and Liquidity
ATM	Automated Teller Machine