

COMPARISON OF FINANCIAL PERFORMANCE OF PRIVATE COMMERCIAL BANKS IN PAKISTAN

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ABSTRACT

Commercial banks play an important role for the purpose of sustainable economic development in a country. This paper main theme to presents the comparison of financial performance between private commercial banks in Pakistan during the period of 2015–2019 by using the method of ratio analysis and some other financial indicators. Fourteen Commercial banks out of fifteen banks are selected for comparison of financial analysis. Due to the unavailability of data, the remaining one bank is not chosen for study because, yet they did not publish their final report in 2019. The data of ratio analysis was captured by using the final report of commercial banks, which are available on the bank's official websites. This study provides information about the different ratios which directly impact on bank performance.

Keywords: Financial Performance, Commercial Bank, Pakistan, Spread Ratio, ROA, ROE.

INTRODUCTION

The financial system is important for business development and economic development of country, as it provides easy access to finance. Commercial banks are the main part of financial system. Commercial banks are financial institutions which work on the base of facility like funds, crafts as their basic. They act as an intermediary between capital and investment. and borrower money from the investor who have access amount to invest (Daiff, 1995). They institution that accept deposit at any time from public and financial institution are known as commercial bank (Shehab, 1987). Financial institution is those institution which works its major operation to collect money to meet the needs of the public and institution in excess for the purpose of lending it to the investor who wants this money (Qazwini, 1989).

The objective of this study is to analyze the comparison between private Commercial banks Performance in Pakistan during the period (2015-2019) on the basis of financial indicators and others measure which have direct relation with banks performance and this study also provide a proper guidelines to investors for the purpose of investment in future. The financial indicator include different types of financial ratio for evaluate the performance such are include Return on Asset (ROA), Return on Equity (ROE), Earning per share (EPS), Spread ratio, investment to total asset ratio , total debt to total asset ratio and other measured also include. The financial ratio is computed through the source of Annual final report which are available on banks official website.

Commercial banks in Pakistan

Pakistan commercial banking has grown exponentially over the years. In the first years of after independence commercial banks has control by foreign banks. After the period, the situation has changed markedly as a result of both conscious policies to boost the growth of Pakistani banks and structural changes in the economy. Now the banking industry in Pakistan occupy the good position in the form of banking service operation and number of branches .The commercial banking system in Pakistan is play a key role to act as intermediary between investor(who want required money for investment for projects) or saver (who not want to invest money in market and required interest)like the other countries the Commercial banks in Pakistan given different offers in the form of saving scheme to attract the saver and also provide different type of facilities discount trade bills, services render miscellaneous agency, provide remittance facilities and issue guarantees etc.

LITERATURE REVIEW

Recent year increase the attention, on the topic of measurement especially commercial bank performance (Seiford&Zhu,1999). The performance of commercial bank has been empirical study all over the world (Tarawneh, 2006; Halkos&Salamouris, 2004; Webb, 2003; Lacewell, 2003; Yeh, 1996) but unfortunately not much study conduct comparison of banks performance in Pakistan.

Few years ago, generally observe the performance of banks on the base of company size and asset but Tarawneh(2006) says that his study high profitability of banks, that's does not mean always means banks have high total asset, credit, deposit and total capital. Finical performance of the banks also depends on efficiency in operation and asset Management.

Normally, different ways to measure the performance of commercial banks one of them accounting method. (Ncube,2009) says that accounting method, mainly based on the use of financial ratio which are used to assess the banks performance. Sum of different Financial ratio

has been used to analyze the performance of banks and other financial institution against benchmark and budget or combination of both methodologies (Avkiran,1995).

Financial ratio analysis (FRA) are used different purpose, these are including check the bank’s profitability, indication of business liquidity that’s means company ability to cover its debt and check the leverage performance etc. The financial ratio helps to determine the success or comparison between past and recent year result (Lukam,1982).Recent year ago research in Australia that’s show the return on asset, interest margin, and capital adequacy ratio are directly impact on customer service (Duncan & Elliott,2004).

METHODOLOGY

To complete the research purpose, the data was collected from the Private commercial banks annual financial report as published in the bank’s official website. The data was collected for Private commercial banks which are listed by state bank of Pakistan during (2015-2019) which are used to collect the financial ratio and other financial measure. FRA are used to help the comparison between banks performance. Financial ratio can be divided in three parts.

Profitability ratio/Efficiency ratio

- Return on Equity (ROE)
- Return on Asset (ROA)
- Earnings per share (EPS)
- Spread Ratio

Liquidity ratio

- Investment to total asset ratio

Solvency ratio

- Total debt to total asset ratio
- Other financial measures are:
- Total owner Equity

Institution size

The sample of this study was 14 private commercial banks in Pakistan out of 15 banks and that’s representation 93.3% of population. One commercial bank is not taken as sample because they do not publish their final report in 2019.

RESULT AND ANALYSIS

Table 1. Return on Equity (ROE)

Value in percentage (%)						
Banks	Years					
	2015	2016	2017	2018	2019	Average
ABL	16.9	14.3	11.9	12.0	12.23	13.46
BAL	15.48	13.86	13.22	15.33	15.65	14.70
BAHL	19.5	19.09	18.5	16.9	18.15	18.42
FBL	17.63	15.60	14.44	13.43	14.57	15.13

HBL	20.64	17.47	40.90	65.84	74.78	43.92
HBM	20.78	40.46	15.11	16.64	14.88	21.57
JS	13.95	12.73	5.84	3.48	0.15	7.23
SBL	3.7	4.4	5.9	5.4	5.2	4.92
SILK	(14.83)	5.55	9.0	9.65	(31.42)	(4.41)
SCB	15.1	15.6	13.3	17.3	22.9	16.84
SNBL	12.56	10.30	9.02	9.78	9.98	10.32
UBL	25.7	24.9	20.6	11.6	13.8	19.32
MCB	23.21	18.94	17.65	15.48	16.84	18.42
ASBK	24.54	22.14	19.97	14.98	20.10	20.34

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

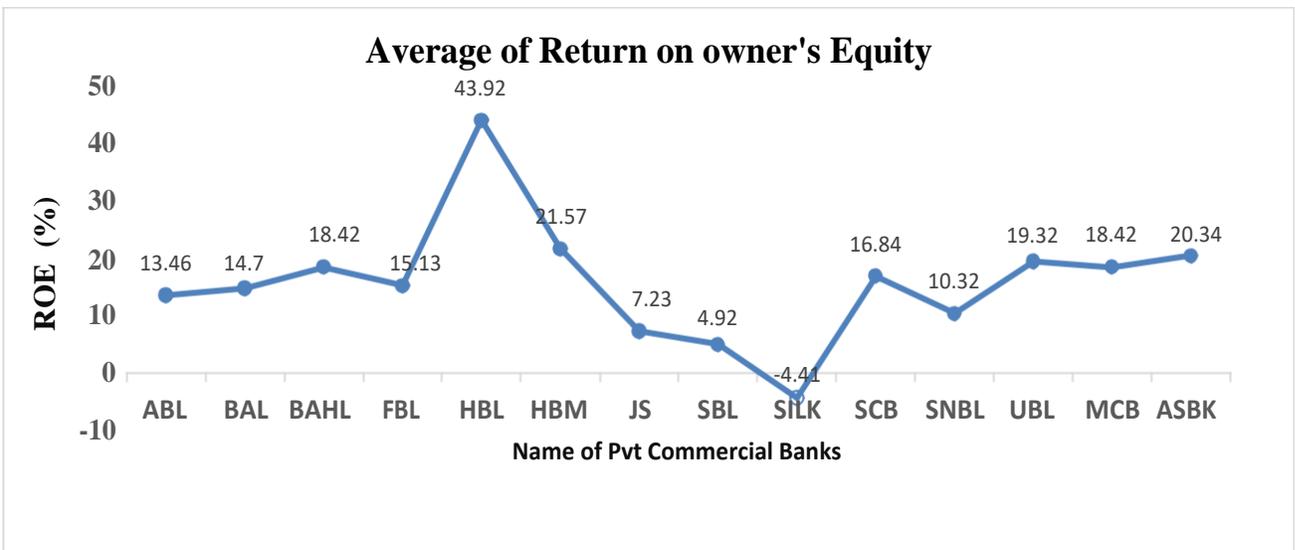


Figure 1. Average of Return on owner's Equity

ROE is basically collected for investors, the purpose of investment that's show the how much level of profit generated against his investment. Table 1 and figure 1 both represent the data of return of equity during the period of 2015 to 2019 and show the five-year average analysis. The average result of five-year analysis shows that HBL has the highest ratio (43.92%), and the lowest value of roe is silk (-4.41%).

Table 2. Return on Asset (ROA)

Value in percentage (%)						
Banks	Years					Average
	2015	2016	2017	2018	2019	
ABL	1.5	1.3	1.0	0.9	0.9	1.12
BAL	0.93	0.88	0.87	1.11	1.26	1.01
BAHL	1.15	1.08	0.90	0.8	0.86	0.95

FBL	1.03	0.98	0.96	0.88	0.98	0.96
HBL	1.6	1.32	0.27	0.4	0.49	0.81
HBM	1.56	1.16	0.85	0.91	0.76	1.04
JS	1.03	0.85	0.30	0.13	0.01	0.46
SBL	0.6	0.6	0.6	0.6	0.6	0.6
SILK	(1.45)	0.55	0.75	0.77	(2.07)	(0.29)
SCB	2.2	2.1	1.7	2.1	2.7	2.16
SNBL	0.94	0.70	0.55	0.50	0.46	0.63
UBL	2.0	1.8	1.4	0.8	1.0	1.4
MCB	2.63	2.16	1.86	1.50	1.59	1.94
ASBK	1.03	0.90	0.83	0.65	0.91	0.86

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

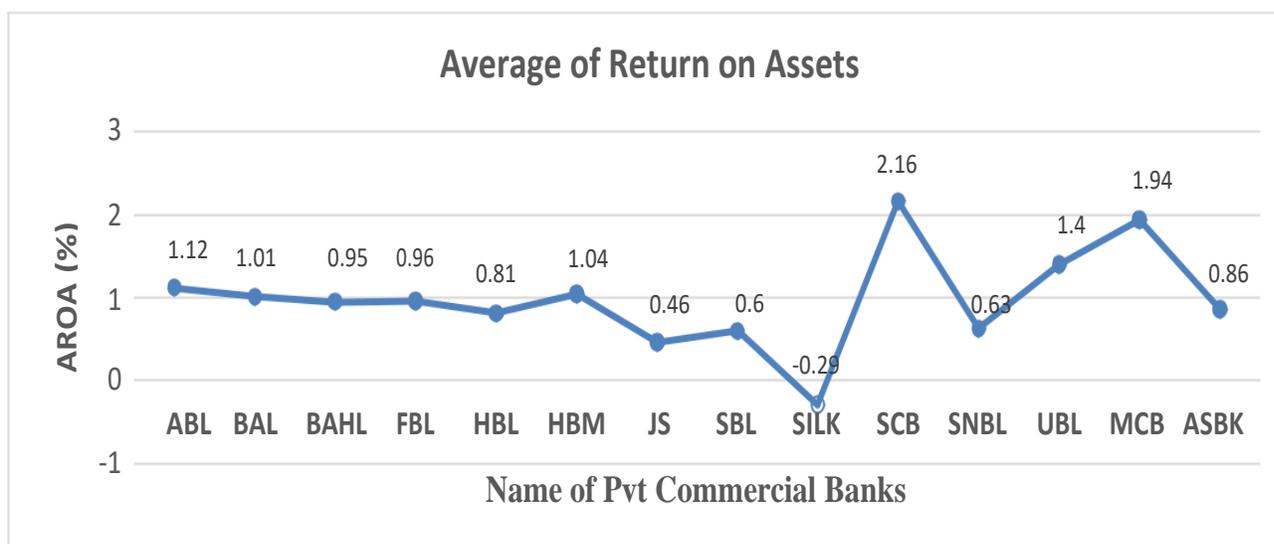


Figure 2. Average of Return on Assets

ROA is basically collected for investors, the purpose of investment that's how much level of profit generate the against the use of bank asset. Table 2 and figure 2 both represent the data of return of Asset during the period of 2015 to 2019 and show the five-year average analysis. The average result of five-year analysis shows that HBL has the highest ratio (2.16%), and the lowest value of ROA is silk (-0.29%).

Table 3. Earnings per share (EPS) RS

Earnings per share (EPS) RS						
Banks	Years					
	2015	2016	2017	2018	2019	Average
ABL	13.20	12.60	11.12	11.25	12.32	12.09
BAL	4.73	12.60	11.12	5.99	7.15	8.31

BAHL	6.66	7.31	7.65	7.57	10.05	7.84
FBL	2.78	2.83	2.98	3.19	3.98	3.15
HBL	24.18	21.69	4.82	8.04	10.27	13.8
HBM	7.31	5.84	5.26	5.88	6.28	6.11
JS	1.74	1.77	0.74	0.30	0.0004	0.91
SBL	0.43	0.54	0.73	0.68	0.68	0.61
SILK	(0.58)	0.09	0.13	0.15	(0.44)	(0.13)
SCB	2.40	2.48	2.13	2.90	4.14	2.81
SNBL	2.01	1.70	1.51	1.62	1.73	1.71
UBL	21.02	22.65	22.57	12.44	15.63	18.86
MCB	22.95	19.67	18.58	18.02	20.23	19.89
ASBK	4.00	4.14	4.18	3.52	5.57	4.28

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

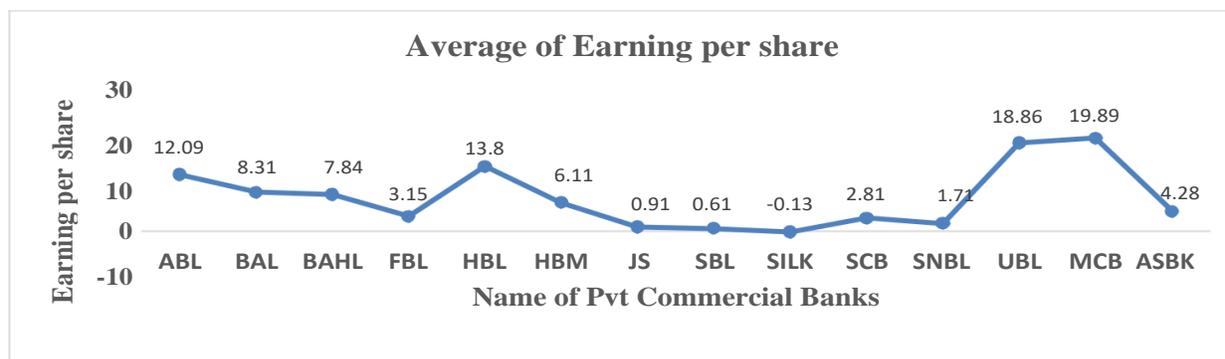


Figure 3. Average of Earning per share

EPS means how much company generates profit in against of each share of its equity. Table 3 and figure 3 both represent the data of earning per share during the period of 2015 to 2019 and show the five-year average analysis. The average result of five-year analysis shows that MCB has the highest ratio (19.89), and the lowest value of EPS is silk (-0.13).

Table 4. Spread Ratio

Banks	Value in percentage (%)					
	Years					
	2015	2016	2017	2018	2019	Average
ABL	50.11	51.47	48.06	43.88	33.84	45.47
BAL	46.60	50.73	51.58	53.26	48.50	50.13
BAHL	49.34	51.61	51.53	50.87	39.00	48.47
FBL	43.19	46.05	48.44	46.24	36.16	44.01
HBL	55.08	57.56	54.47	48.37	38.39	50.77
HBM	39.03	35.46	41.29	38.15	24.08	35.60

JS	36.47	37.98	30.63	29.37	16.89	30.26
SBL	39.18	37.06	32.51	35.85	27.51	34.42
SILK	34.70	43.67	47.01	42.35	9.67	35.48
SCB	67.73	68.27	61.56	60.34	53.99	62.30
SNBL	41.47	39.05	34.98	32.19	20.43	33.62
UBL	59.18	58.08	52.63	49.68	40.19	51.95
MCB	61.34	65.01	57.68	55.23	43.10	56.47
ASBK	40.72	42.11	44.66	42.62	30.89	41.00

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

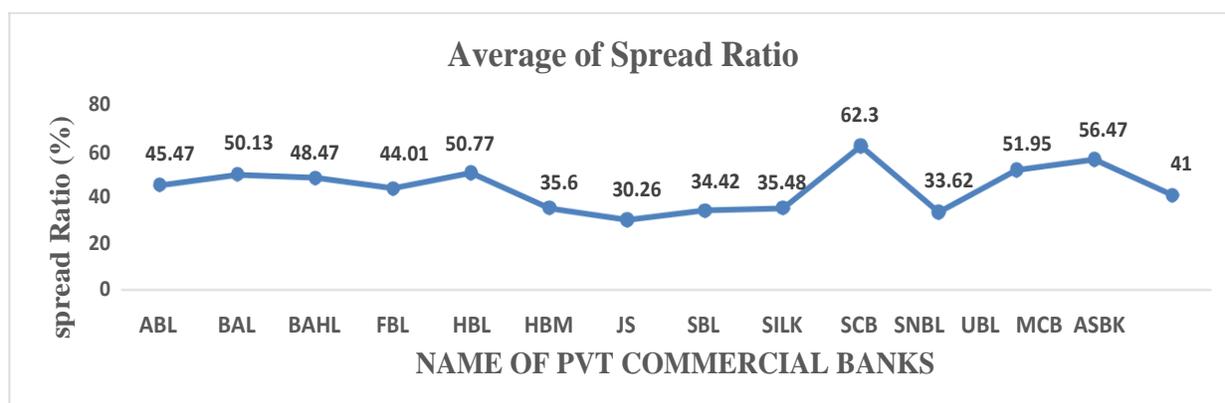


Figure 4. Average of Spread Ratio

Spread ratio of banks obtained through the interest income divide by interest earned. Table 4 and figure 4 both represent the data of spread ratio the period of 2015 to 2019 and show the five-year average analysis. The average result of five-year analysis show that SCB has the highest ratio (62.3%), and the lowest value of JS (30.26%).

Table 5. Investment to total asset ratio

Value in percentage (%)						
Banks	Years					
	2015	2016	2017	2018	2019	Average
ABL	54.89	55.18	55.86	49.70	51.71	53.46
BAL	46.88	41.85	40.12	27.59	28.09	36.90
BAHL	55.73	52.74	50.43	39.55	45.13	48.71
FBL	45.46	37.66	36.31	35.70	32.39	37.50
HBL	58.19	54.25	51.90	46.57	44.27	51.03
HBM	57.39	59.74	60.04	51.48	52.22	56.17
JS	53.11	50.00	43.33	32.55	30.34	41.86
SBL	55.79	55.52	53.22	39.12	39.57	48.64

SILK	26.68	27.76	22.93	16.65	17.62	22.32
SCB	51.82	51.78	52.42	48.44	40.18	48.92
SNBL	42.88	41.83	36.11	38.34	40.00	39.83
UBL	51.37	50.39	53.70	41.62	44.38	48.29
MCB	56.32	51.84	48.91	50.02	49.39	51.29
ASBK	50.02	47.50	47.53	36.83	42.53	44.88

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

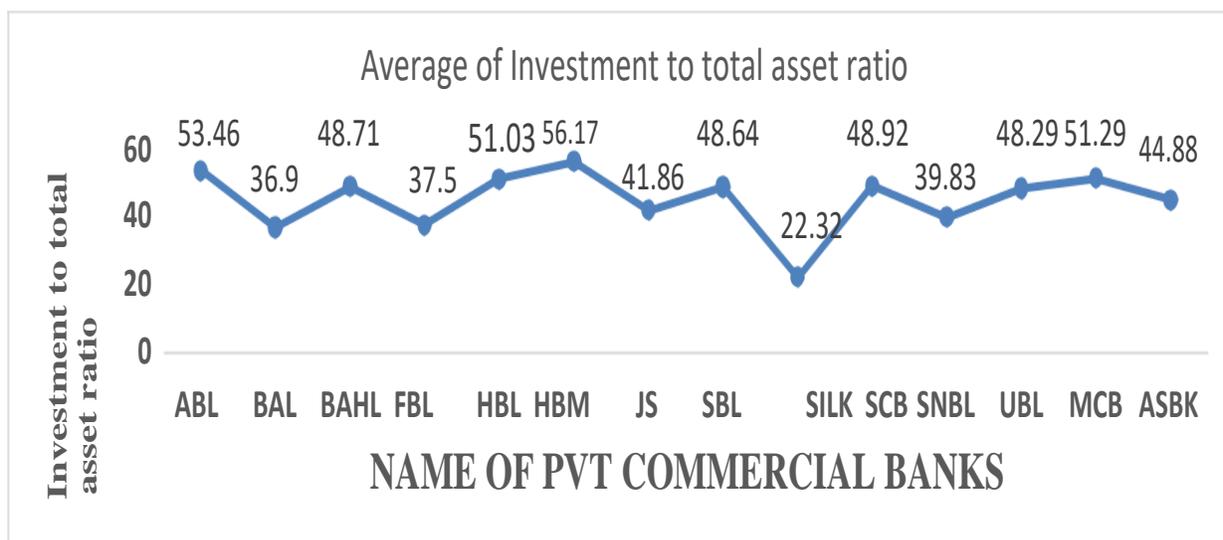


Figure 5. Average of Investment to Total Asset Ratio

Investment to total asset ratio means how much investment contribution on total asset of banks. Table 5 and figure 5 both represent the data of investment to total asset ratio during the period of 2015 to 2019 and show the five-year average analysis. The average result of five-year analysis shows that HBL has the highest ratio (56.17%), and the lowest value is silk (22.32 %).

Table 6. Total debt to total Assets Ratio

Value in percentage (%)						
Banks	Years					Average
	2015	2016	2017	2018	2019	
ABL	90.99	90.58	91.43	92.05	92.21	91.59
BAL	94.08	93.44	93.34	92.48	91.73	93.01
BAHL	94.08	94.34	95.14	95.27	95.26	94.81
FBL	92.94	92.12	92.07	92.74	91.22	92.21
HBL	91.91	92.39	93.26	93.78	93.40	92.94
HBM	92.48	92.46	93.71	94.50	94.85	93.6

JS	92.69	93.75	95.70	96.58	96.31	95.00
SBL	88.00	88.66	89.15	88.30	86.27	88.07
SILK	89.05	91.07	92.10	91.85	94.76	91.76
SCB	86.15	87.09	87.70	88.32	88.23	87.49
SNBL	92.81	93.00	94.25	95.29	95.41	94.15
UBL	89.21	90.23	92.06	91.99	91.07	90.91
MCB	86.28	86.53	88.43	90.00	88.85	88.01
ASBK	94.98	94.73	95.06	95.25	94.92	94.98

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

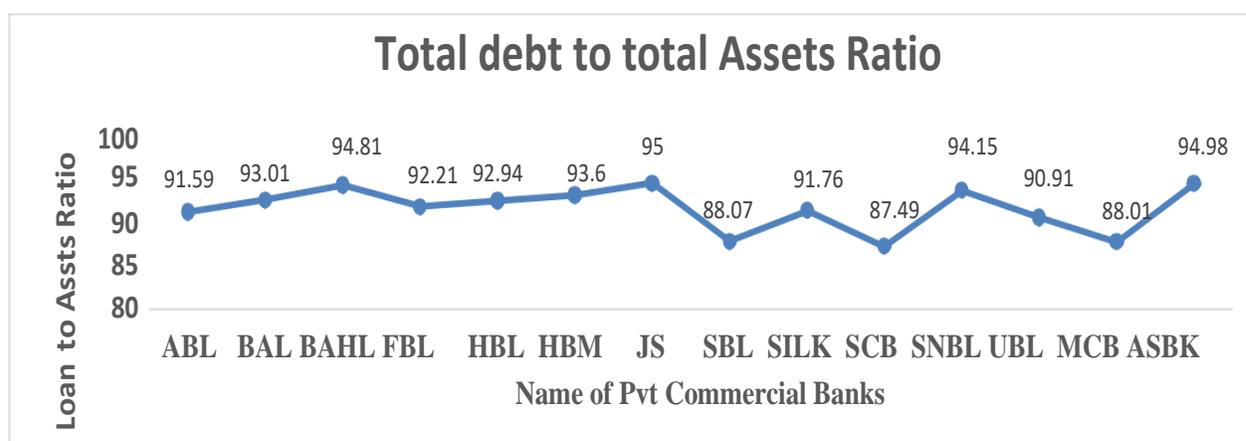


Figure 6. Total Debt to Total Assets Ratio

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

That's ratio show the which banks are stronger according pay its debt obligation. Table 4 and figure 4 both represent the total debt to total asset during the period of 2015 to 2019 and also show the five-year average analysis. The average result of five year analysis show that ASBK has the highest ratio (94.98%), and the lowest value SCB (87.49%).

Table 7. Total owners' equity

Value in RS						
Banks	Years					
	2015	2016	2017	2018	2019	Average
ABL	89,256,457	1,006,738,28	106,716,353	107,304,833	115,350,833	103,860,460.8
BAL	533,533,175	60,124,762	65,799,740	75,646,875	88,027,576	164,626,425.6
BAHL	37,856,658	42,513,744	45,875,882	49,551,680	61,503,110	47,460,214.8
FBL	30,352,473	35,008,325	39,246,470	43,498,515	55,263,873	40,673,931.2
HBL	171,851,650	182,066,980	172,703,959	179,049,056	201,421,946	181,418,718.2
HBM	36,827,804	39,670,450	40,498,255	37,001,956	44,237,530	39,647,199

JS	15,967,903	16,649,525	16,669,329	15,617,026	17,333,255	16,447,407.6
SBL	11,844,219	12,319,524	12,708,194	12,783,755	14,179,487	12,767,035.8
SILK	14,576,662	12,054,588	13,181,346	14,386,747	10,771,887	12,994,246
SCB	61,950,455	61,282,293	62,936,696	62,238,369	72,916,503	64,264,863.2
SNBL	18,191,942	18,289,227	18,504,599	17,988,874	20,213,595	18,637,647.4
UBL	142,135,475	151,786,861	159,307,047	151,269,948	169,068,883	154,713,642.8
MCB	137,801,938	141,626,625	153,566,377	149,277,729	168,914,783	150,237,490.4
ASBK	26,852,943	32,576,950	32,435,491	33,508,907	42,255,844	33,526,027

Source: Data are collected from the final report of commercial banks official website during the period of (2015-2019).

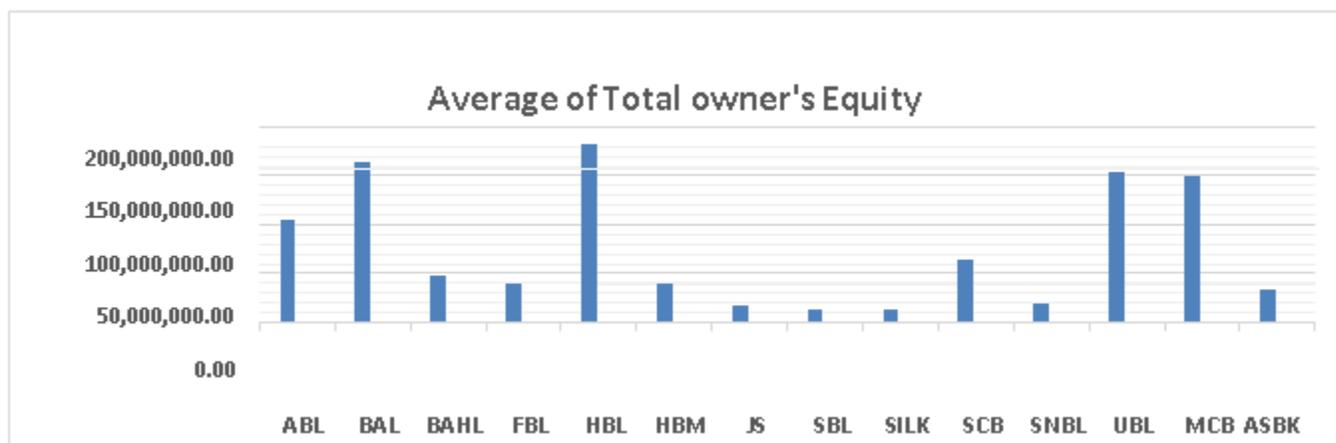


Figure 7. Average of Total owner's Equity

Table 7 and figure 7 both represent the data of Total owner equity during the period of 2015 to 2019 and show the five-year average analysis. The average result of five-year analysis shows that HBL has the highest value of owner equity, and the lowest value of owner equity is SBL.

Table 8. Institution size or Total Assets

Banks	Value in RS					
	Years					
	2015	2016	2017	2018	2019	Average
ABL	9,916,655,12	1,068,945,748	1,245,712,113	1,350,598,909	1,481,121,252	1,227,608,707
BAL	902,607,521	917,457,053	988,828,828	1,006,217,843	1,064,672,085	813,956,666
BAHL	639,712,468	751,395,816	944,133,780	1,048,239,003	1,298,682,111	936,432,635.6
FBL	430,072,860	444,464,661	494,933,882	5,999,914,183	629,852,657	1,599,847,649
HBL	2,124,899,508	2,392,699,251	2,563,059,113	2,879,494,859	3,053,733,753	2,602,777,297
HBM	489,879,108	526,606,417	644,553,779	673,395,781	859,574,522	638,801,921.4
JS	218,475,663	264,700,493	388,308,876	456,754,076	469,820,794	359,611,980.64
SBL	80,166,336	101,414,491	117,151,047	122,764,587	129,577,407	110,214,773.6
SILK	133,137,259	135,033,822	166,854,532	176,570,999	205,688,080	117,589,431.8

SCB	447,347,791	474,752,219	513,548,602	576,081,336	619,970,585	526,340,106.6
SNBL	253,341,829	278,520,706	322,133,976	382,497,788	442,540,782	335,807,016.2
UBL	1,400,650,843	1,577,551,023	2,007,381,446	1,889,599,146	1,893,694,707	1,501,658,433
MCB	1,004,410,410	1,051,813,681	1,327,311,040	1,498,130,061	1,515,152,015	1,279,363,441
ASBK	535,866,714	619,139,193	656,708,369	706,532,042	833,208,006	670,290,864.8

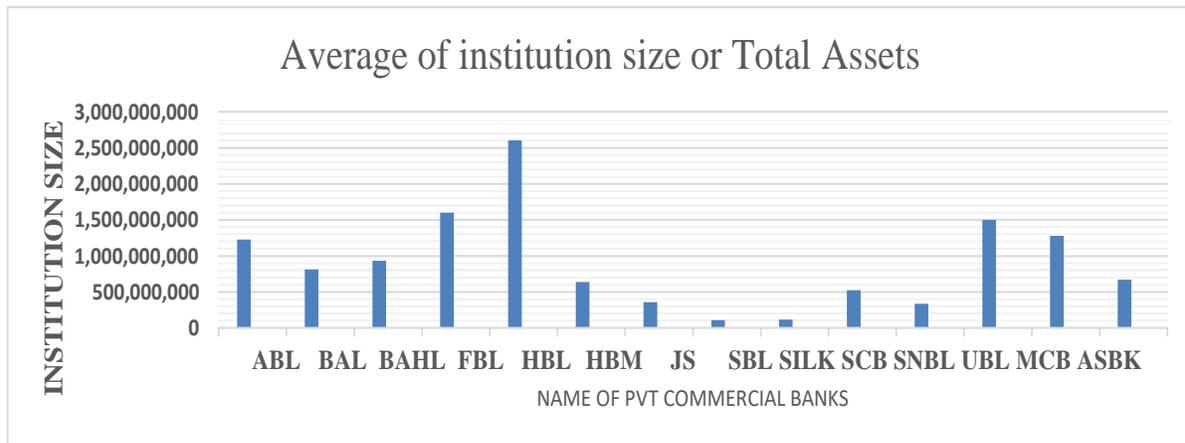


Figure 8. Average of Institution Size or Total Assets

Total asset means the how much banks have own asset. Table 5 and figure 5 both represent the data of Total asset during the period of 2015 to 2019 and show the five-year average analysis. The average result of fiver year analysis shows that HBL has the highest value of asset, and the lowest value of asset is SBL.

LIMITATIONS

- As compare to other Study this Study also have limitation once of them data was not collected for all Private commercial banks working in Pakistan because Summit banksdata 2019 were not yetupload.
- Accuracy of research depends on the secondary data only which are issued by commercialbanks.

DIRECTIONS FOR FURTHER RESEARCH

- For the purpose of check the performance of commercial banks used the other methods.
- To check the performance of banks the use of the other reaming ratio.
- Comparison between Islamic and conventional research.
- Covid 19 how the impact of financial performance of banks.

CONCLUSION

This study shows that each commercial bank result is change according to different ratio related to banksperformance.

- According to financial ratio of five year analysis the result of return on equity, in First

Habib bank limited is at the top, Habib metropolitan bank is the Second, Askari bank is the third, United bank limited is the fourth and BAHL & MCB is the fifth.

- According to financial ratio of five-year analysis the result of return on assets, SCB is at the top, MCB is the second, UBL is the third, ABL is the fourth and HBM is the fifth.
- According to financial ratio of five-year analysis the result of Earning per share, MCB is at the top, UBL is the second, HBL is the third, ABL is the fourth and BAL is the fifth.
- According to financial ratio of five-year analysis the result of total debt to total asset ratio, JS is at the top, ASBK is the second, BAHL is the third, SNBL is the fourth and HBM is the fifth.
- According to financial ratio of five-year analysis based on institution Size or Total Assets, HBL is at the top, FBL is the second, UBL is the third, MCB is the fourth and ABL is the fifth.
- According to financial ratio of five-year analysis based on total owner's equity, HBL is at the top, BAL is the second, MCB is the third, UBL is the fourth and ABL is the fifth.
- According to financial ratio of five-year analysis based on investment to total asset ratio, HBM is at the top, ABL is the second, MCB is the third, HBL is the fourth and BAHL is the fifth.
- According to financial ratio of five-year analysis based on Spread Ratio, SCB is at the top, MCB is the second, UBL is the third, HBL is the fourth and BAL is the fifth.
- Finally, we highlight the performance of all the Private commercial banks that's helpful for researcher, investor and managers.

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APPENDICES

APPENDIX A: List of Private Commercial Banks

Name of Private Commercial Banks	Abbreviations	Branches
Allied Bank limited	ABL	1345
Bank Alfalah	BAL	699
Bank Al Habib	BAHL	702
Faysal Bank	FBL	555
Habib Bank Limited	HBL	1700
Habib Metropolitan Bank	HBM	400
Js Bank	JS	238
Samba Bank Limited	SBL	37
Silk Bank Limited	SILK	123
Standard Chartered Pakistan	SCB	61
Soneri bank	SNBL	300
United Bank Limited	UBL	1390
Muslim Commercial Bank Limited	MCB	1400
Askari Bank	ASBK	350

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