Role of Commercial Banks in Improving Business Condition of Pakistan through Loan Facility

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ABSTRACT
Commercial banks of Pakistan play an important role leading towards the economic growth. It is analyzed that most of the well reputed Commercial banks performing functional operation activities in term of persons, institutions operating in the financial markets are linked under the laws, policy and procedure of communications networks that form an externally visible financial market structure. The main objective of the research is to examine and investigate the impact of the commercial banks in bringing improvement in the business conditions of Pakistan through loan facility. The research is quantitative in nature. The questionnaire is utilized to collect the data from the respondents. The data collected is deeply analyzed and various tests are applied to analyze effective results. The outcome has reflected that the commercial banks have the positive impact in bringing improvement in the business conditions of the Pakistan through the loan facility.

Keywords: Improving business condition, loan facility, commercial banking

INTRODUCTION
Commercial banks of Pakistan play an important role leading towards the economic growth (Barth, Daniel, & Tara, 2009). Commercial banks are associated with financial markets which consist of agents, brokers, institutions, intermediates transacting purchases, various loan facility and sales of securities (Macey, Jonathan, Geoffrey, & Miller, 2005). All of these major factors of Commercial bank are interconnected with each other. It is analyzed that most of the well reputed Commercial banks performing functional operation activities in term of persons, institutions operating in the financial markets are linked under the laws, policy and procedure of communications networks that form an externally visible financial market structure (Berger, Allen, David, & Humphrey, 2007). Current market structure of commercial bank is divided between the investors and financial institutions. The term of financial market is considering as the broad one, referring to organizations that act as agents, brokers and intermediates connect with commercial banks transactions (Schriener & Yaron, 2005). Commercial banks are easily distinguished from non-financial businesses leads towards the real assets such as inventory and equipment based on own financial contract (Alvarez, Fernando, Francesco, & Lippi, 2009). Financial contract include the loan, securities, lease and many related activities highly impact the performance of commercial banks (Barth, Daniel, & Tara, 2009). It is observed that financial intermediates work under the process of purchase securities for their own account and sell their own liabilities and common stock. Commercial banks are classified according to their primary activity through frequently engage in overlapping the process activities (Mubin, Lal, & Hussain, 2013). So, it is true that financial market by provide our specialized, interdependent economy with many other related commercial banks benefits including the time preference and risk separation and distribution (Aboagye, Anthony, & Joan, 2009).

Commercial banks emphases on time preference refer to the value of money spent now relative to money available for spending in the future (Cihak, Martin, Hesse, & Heiko, 2008). So, this considered as one of the most important aspect of commercial bank functionality and business executions must judge between outlays that provide a return in the near term and those that pay off many years from now (Schriener & Yaron, 2005). Commercial bank involvement of top management connects with commitments that requiring funds for consumers now and those requiring funds later on as well (García, Morales, Victor, Francisco, Javier, & Lloren, 2008). Capitalistic economy prefers the commercial bank function activities in term of money circulation and capital market price funds so that business operations process effectively economic allocations of capital (Minsky & Hyman, 2010). So, the price of capital is set in competitive marketplace leading towards the supply and demand forces (Chandler, 2003). It is analyzed that market place of capital related to commercial bank is compared by different business connect with expected return in the method of proposed capital expenditures (Minsky & Hyman, 2010). Most of the people allocate their capital to real investment whose return is at or above the cost of capital. Commercial banks also take the initiative for long term investment are compared with short term investment using the financial market determined connect with the cost of capital (Mubin, Lal, & Hussain, 2013). Another important aspect of commercial bank is working on the allocation of different projects that directly and indirectly connects with capital between the process of short term and long term dependent upon on the free play control the efficiency of supply and demand in an open market (Schriener & Yaron, 2005). All of these factors are directly connect with economic growth of any society or community. Secondly, most of the commercial banks work on the risk separation and distribution for allocating the money capital the financial markets distribute by the economic risks (Pablo, A., 2010). This factor also support the process of reduces the unemployment and take more initiative for investment risk. Most of the consumers of commercial banks builds and operates newly projects for well improve their capital in term of low return, loss and improve the scale leading towards the economic growth (Abbas & Christensen, 2007).

Problem Statement
Pakistan being a developing country is currently facing number of problems due to the high unemployment and inflation rate. Most of the people in Pakistan are completely focused on the starting of their own businesses. However, due to the presence of low amount of resources and capital, the business cannot be started effectively to some extent. Presence of commercial banks in Pakistan with the

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providing of the loan facilities can be seen as eye catching opportunity for the businesses as well as entrepreneurs. This research completely revolves around presenting the impact of the commercial banks in bringing improvement in the current business conditions of Pakistan through availing of the loan facilities.

1.1. To examine and analyze, the role of commercial banks in Pakistan bringing improvement in the business conditions,

1.2. To investigate the impact of loan provided by the commercial banks in the business development,

1.3. To examine the growth of economy through the improved business conditions in a country.

LITERATURE REVIEW

Commercial banks are considered as the financial institutions which consist of lenders and borrowers (Barth, Daniel, & Tara, 2009). Both of these two factors play an important role for development of economy (Abbas & Christensen, 2007). Pakistan is considering as the Islamic country. The concept of commercial banking is not new for us. It is observed that commercial banks are the agents and owners that issues or offered market securities for lenders purposes and borrowers as well (Pablo, A., 2010). The flow of funds for lenders and borrower are associated with loan facility products or services offered by commercial banks for more development of economy (Minsky & Hyman, 2010). Commercial banks provide an important payments mechanism, operate the market for trading securities, trans formulate funds by creating securities with new terms, manage portfolios and reduce the risk factor through diversification (Macey, Jonathan, Geoffroy, & Miller, 2005). The research study was about the process of non-performing loans based on the various terms and conditions of credit connected with public sector banks in India (Rajan, Rajiv, Sarat, & Dhal, 2008).

The main aim of this study was to investigate the different factors of non-performing loaning connected with analysis of commercial banks. Well reputed commercial banks well performing the process of non-performing loans which is denoted by (NPLs). It is analyzed that non-performing loaning system of commercial banks are influenced by three major set of aspects. These aspects are economic and financial factor associated with credit limit of banks marked by mortgage loan offered to customers, determine the risk element, size of bank leading towards the macroeconomic shocks as well (Ahearne, Michael, Chitrabhan, Bhattacharya, & Thomas, 2010). The outcome of this paper is based on the credit limit variable, change the actual cost or interest rate of credit offered by the customers, define the horizon the maturity of credit limit, credit culture and also improves the current business conditions with the help of loan financing and reboot the business cycles influence the borrowers and lenders as well. The contribution of top level management of commercial banks emphasis is on the financial stability (Cihak, Martin, Hesse, & Heiko, 2008). The process of financial stability is also considered as the sustained and promotes the economic progress. The financial indicators of commercial banks was also correlated with non-performing loan process that assumes the critical importance which reflect the asset quality management, increase the credit risk factor and improve the current efficiency for effectively utilization of resources. According to this study, commercial banks are facing the problems related to non-performing the process of loans associated with political factor, economic, information technological and internal and external environment (Schriener & Yaron, 2005). Today, commercial banks have various specializations according to the effective selected short term and long term strategies. Commercial banks develop effective market strategies for gaining the competitive advantages in term of segmentation of the financial market, promoting their loaning products or services and work under the State Bank of Pakistan (Berger, Allen, David, & Humphrey, 2007). Commercial banks obtain the labor and capital economies of scale not achievable by individual lenders and borrowers connect with no specialized commercial banks. This specialized institution are playing an important role in today, financial markets are commercial bank, saving banks, offering loan facility, working on credit unions and many other related finance companies. The working of commercial banks was firstly introduced in the year or 1970 influences to meet the religious and working for economic growth as well. Commercial banks are working on the designing and developing the secure mechanism system of credit cards payments, mortgage loan process model gained the trust of customers, loyalty, provide best quality services and enhanced their popularity worldwide (Cassel & Eko, 2008). All of these components are interlinked with each other and support the business functional activities of banking. Top management of banking sector are designing and effectively practical implementing the strategic policies and procedure for removing the negativity effects in the mind of customers, while they using the mortgage loan facility to fulfilled their needs and expectation on time spot (Barth, Daniel, & Tara, 2009). This research paper is revolves around the Impact of commercial banks in improving business condition of Pakistan through loan facility and determining the consumers spending behavior towards the loan. The role of Commercial banking system is progressive and dynamic leading towards the development of economic growth (Belás & Jaroslav, 2012). Commercial banking system of Pakistan is performing the same functional activates as compared to other saving banks, conventional banking system, Islamic banking system and many other banks. It is observed that commercial banking interest is calculated on purely on the rules and regulation of laws and principle of regulatory bank.

Theoretical Framework model

Theoretical framework model of this paper is designed and developed according to the past literature, model and related theory. This model is divided into two main variables. These variables are independent variable and the other one is dependent variables. So, independent variables are business condition, loan facility and economic growth. Dependent variable is commercial bank well performing their operations. The theoretical framework model of this research paper is also known as conceptual framework model.

Hypotheses

Hypotheses are derived from theoretical framework model is as followed:

1.1. Business condition is positively correlated with commercial banks working in Pakistan.
1.2. Loan facility is positively correlated with commercial banks working in Pakistan.
1.3. Economic growth is positively correlated with commercial banks working in Pakistan.

RESEARCH METHODOLOGY

The research methodology of this paper is design for determining the impact of commercial banks in improving business condition of Pakistan through loan facility. The main aim of this research methodology is to overcome the research problem related to the improvement in current business condition through loan facility, change the consumer perception about different products or services of loans offered by commercial banks. Commercial banks performing functional operation activities in term of persons, institutions operating in the financial markets are linked under the laws, policy and procedure of communications networks that form an externally visible financial market structure. Today, the current condition of Pakistan is not up to the mark due to high inflation rate, unemployment and much other related functionality.

The research methodology is composed of different phases, which are helpful for the data collection. In this research paper methodology, primary and secondary source of information is used for data collection and also deeply analyzed the research problem. In the initial phases, the research problem related to major functionality of commercial banks, loan facility, improvement in current business condition and economic growth as well. Second phase is about the literature review design with the help of past literature, model and related theory that support this paper and also very helpful for development of theoretical frame work model. Then, formulation of hypotheses suggested from framework model followed by the research design based on questionnaires. Research methodology is analyzing the research data and interprets its reports based on suggestion and further improvement of commercial banks work for advancement of individual current business condition through loan facility.

Research design

Research paper design is based on data collection approaches in which the researcher transform his or her full knowledge about commercial bank, consumers perception and product or services of loan facility into meaningful form. Research paper design is mainly focusing on survey method and developing questionnaires tools for data collection. Survey questionnaires was designed and developed by explaining the interaction with variables as mentioned above. Simple random sampling method will be used for data gathering. The process of simple random sampling method is work under the non-probability sampling technique. Commercial banks client sample size is not more than one hundred and one (101). Software tool SPSS(Argyrous, 2009) is used for data processing and the main functionality of SPSS evaluate the correlation analysis for testing of hypotheses and multiple regression analysis models is apply for estimating the relationships among variables.

RESULTS AND DATA ANALYSIS

Results and data analysis is considered as one of the most important factor for conduction of research paper. This results and data analysis is divided into two main components. First component is about the correlation analysis is normally used for testing of hypotheses derived from theoretical framework model. Second component is about the multiple regression model analysis determine the overall impact of independent variables on dependent variable. Some of the results of data analysis is as followed:

Correlation analysis

The correlation analysis determine for testing of suggested hypotheses derived from theoretical framework model. The result of correlation analysis is as followed:

<table>
<thead>
<tr>
<th></th>
<th>Business Condition</th>
<th>Loan Facility</th>
<th>Economic Growth</th>
<th>Commercial Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Correlations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business Condition</strong></td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.227</td>
<td>.401</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.022</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>101</td>
<td>101</td>
<td>101</td>
</tr>
<tr>
<td><strong>Loan Facility</strong></td>
<td>Pearson Correlation</td>
<td>.227</td>
<td>1</td>
<td>.207</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.022</td>
<td></td>
<td>.038</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>101</td>
<td>101</td>
<td>101</td>
</tr>
<tr>
<td><strong>Economic Growth</strong></td>
<td>Pearson Correlation</td>
<td>.301</td>
<td>.308</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.002</td>
<td>.002</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>101</td>
<td>101</td>
<td>101</td>
</tr>
<tr>
<td><strong>Commercial Bank</strong></td>
<td>Pearson Correlation</td>
<td>.401</td>
<td>.207</td>
<td>.736**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>101</td>
<td>101</td>
<td>101</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

According to the first hypothesis, business condition is positively correlated with commercial banks working in Pakistan. So, business condition having correlation with commercial bank value i-e .401**, significant level i-e .000 and sample size i-e101. Second
hypothesis is about the loan facility is positively correlated with commercial banks working in Pakistan. So, loan facility having correlation with commercial bank value i-e .207**, significant level i-e .000 and sample size i-e 101.

Thirdly, hypothesis is about the economic growth is positively correlated with commercial banks working in Pakistan. So, economic growth having correlation with commercial bank value i-e .736**, significant level i-e .000 and sample size i-e 101. Hence, all the hypotheses are proved and support this model.

**Regression Analysis**

The result of regression analysis is as followed:

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>793.612</td>
<td>3</td>
<td>264.537</td>
<td>44.653</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>574.652</td>
<td>97</td>
<td>5.924</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1368.264</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Economic Growth, Business Condition, Loan Facility
b. Dependent Variable: Commercial Bank

This Anova result is derived from regression analysis model. The main predictors are economic growth, business condition, loan facility and commercial banks. According, to the results it is analyzed that frequency is denoted by F i-e 44.653%, shows the variances in the model at the level of significant i-e .000.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.988</td>
<td>1.153</td>
<td>.856</td>
<td>.000</td>
</tr>
<tr>
<td>Business Condition</td>
<td>.262</td>
<td>.089</td>
<td>.205</td>
<td>2.932</td>
</tr>
<tr>
<td>Loan Facility</td>
<td>.083</td>
<td>.111</td>
<td>-.053</td>
<td>-.751</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>.943</td>
<td>.097</td>
<td>.691</td>
<td>9.676</td>
</tr>
</tbody>
</table>

This coefficient result is used for finding the best predictor extracted from framework model. According, to the results the value of standardized coefficient is associated with the value of Beta. So, it is analyzed that loan facility is considered as the best predictor having the value of Beta i-e (.053), second best predictor is the business condition having beta value i-e 0.205 at the significant level i-e .000 strongly impact on credit operational function of commercial bank.

![Normal P-P Plot of Regression Standardized Residual](http://www.ijmsbr.com)

*Figure 1: Regression Standardized Residual*
CONCLUSION
It is concluded that commercial banks plays an important role leading towards the economic growth. The factor economic growth is associated with operational function activity of commercial banks in term of saving products, loaning products, funds transfers, cash deposits and many other related functionality. It is true today; the current condition of Pakistani economy is not up to the mark due to many several reasons such as inflation rate, changing interest rates and consumer perception about loaning products or services offered by different commercial banks of Pakistan. The process of mortgage lending point are frequently added due to the initial cost of a loan based on the each point is equal to one percentage of the amount offered to customers by fulfilling their needs, improve business process and strategies as well. This point is paid when the loan is granted off by commercial bank to user or customers. It is concluded charging point is customary for commercial mortgages and mortgages guaranteed by investigate cell of commercial bank then directly deposit approved amount in to their account. So, the financial consultant of commercial bank rely on the yield point is increase in the same way as yield is connected with interest discounting. The points are retained by the lender, rather than disbursed to the borrowers, thus the borrower receives a cash amount less than the loan amount. To compute the loan amount the borrower receives, both the amount of the mortgage and the number of point must be considered. The mortgage equation supports both the commercial side and client side dependent upon the terms and conditions. Commercial banks develop effective market strategies for gaining the competitive advantages in term of segmentation of the financial market, promoting their loaning products and work under the regulatory bank. Commercial banks obtain the labor and capital economies of scale not achievable by individual lenders and borrowers connect with no specialized commercial banks.

Future Direction
The research has restricted itself to various parameters. This research has been conducted within short time span and specified budget. It is one of the most important research topics and in future more set of researches should be conducted in the similar working environment so that effective results and outcomes can be extracted.

REFERENCES


