Consumer Banking Cause High Inflation and Decrease per Capita Income in the Economy

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Abstract
This study was an assessment of consumer banking as the main cause of the high inflation rate and decrease per capita income in the economy. My belief was that such information might be useful to bankers, businessmen, others who work with the banking sector and those people who have an interest in gaining information related to consumer banking, cause of inflation and per capita income of the country.

This becomes all the more necessary given the fact that recent changes in the regulatory environment and policy of commercial banks should have made it easier to access the formal interest rate. Since this study is exploratory in nature, while the bank's interest rate is highly studied in the past but the problems that are faced by the banks in interest rates are not studied, therefore the present study employed a quantitative methodology. Through benefiting from largely quantitative data, semi-structured questionnaires and a sample of hundred (100) participants have been devised to explore the problems faced by the banks in interest rate small and medium enterprises.

Keywords: consumer banking, High Inflation, per Capita Income

Abbreviations

(IMF) International Monetary Fund
(BSAL) Banking sector adjustment loan
(SBP) State Bank of Pakistan
(CLA) Corporate Law Authority
(NCBs) Nationalized Commercial
(ABL) Banks Allied bank limited
(MCB) Muslim commercial bank
(ESOP) Employees Stock Ownership Plan
(SBP) State Bank of Pakistan
(ADB) Asian Development Bank
(CAELS) Capital adequacy, asset quality, earnings, liquidity and sensitivity
(EMG) Employee Management Group
(PBSRPP) Pakistan Banking Sector Restructuring and Privatization Project
(BSC) Banking Services Corporation
(NIBAF) National Institute of Banking and Finance
(SECP) Securities and Exchange Commission of Pakistan
(CPI) Consumer Price Index
(SAER) South Asia economic report
(CRF) Competitive support funds
(CRR) Cash Reserve Ratio
(DFI) Development Financial Institution
Introduction:
The word bank was borrowed in Middle English from Middle French banque, from Old Italian banca, from Old High German bank, bank "bench, counter". Benches were used as desks or exchange counters during the Renaissance by Florentine bankers, who used to make their transactions atop desks covered by green tablecloths.

Bank means a banking company as clear in Banking Companies Ordinance, 1962. It is a depository company that provides endless financial services to a different sector of the economy. It borrows money from savers (Individuals and Institutes), and provides the financing facilities to other institutions. Consumer banking plays an important role in banks' profitability. Although the growing economy and further improvements in the level of household income have created many opportunities for consumer banking, there is also increasingly strong competition amongst the financial institutions due to the liberalization and globalization of the banking industry. In order to remain competitive, banks have taken steps to introduce new consumer banking products and services that will make banking more convenient and accessible to the public.”

“Consumer banking is typical mass-market banking where individual customers use local branches of larger commercial banks. Services offered include: savings and checking accounts, mortgages, personal loans, debit cards, credit cards, and so”

The consumer Banking environment today is changing fast. The changing customer demographics demand to create a differentiated application based on scalable technology, improved service and banking convenience. Higher penetration of technology and the increase in global literacy levels have set up the expectations of the customer higher than never before. Increasing the use of modern technology has further enhanced reach and accessibility. The market today gives us the challenge to provide multiple and innovative contemporary services to the customer through a consolidated window so as to ensure that the bank’s customer gets “Uniformity and Consistency” of service delivery across time and at every touch point across all channels. The pace of innovation is accelerating and security threat has become prime of all electronic transactions. High cost structure rendering mass-market servicing is prohibitively expensive. Present day tech-savvy bankers are now more looking at a reduction in their operating costs by adopting scalable and secure technology thereby reducing the response time to their customers so as to improve their client base and economies of scale.

The solution lies to market demands and challenges lies in innovation of new offerings with minimum dependence on branches – a multi-channel bank and to eliminate the disadvantage of an inadequate branch network. Generation of leads to cross sell and to create additional revenues with utmost customer satisfaction has become a focal point worldwide for the success of a Bank. Consumer banking is, however, quite broad in nature - it refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g., personal, housing, auto, and educational) on the assets side, are the more important of the products offered by banks. Related ancillary services include credit cards, or depository services. Consumer banking refers to the provision of banking services to individuals and small businesses where the financial institutions are dealing with a large number of low value transactions. This is in contrast to wholesale banking where the customers are large, often multinational companies, governments and government enterprise, and the financial institution dealing small numbers of high value transactions. The concept is not new to banks but is now viewed as an important and attractive market segment that offers opportunities for growth and profits. Consumer banking and retail lending are often used as synonyms but in fact, the later is just the part of consumer banking. In consumer banking all the needs of individual customers are taken care of in a well-integrated manner.

Today’s consumer banking sector is characterized by three basic characteristics:

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<th>Acronym</th>
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<td>LTFFS</td>
<td>Long Term Finance Facility</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>NGOs</td>
<td>Nongovernment Organization</td>
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<td>HBL</td>
<td>Habib bank limited</td>
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<td>United bank limited</td>
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Multiple products (deposits, credit cards, insurance, investments and securities)
Multiple channels of distribution (call center, branch, internet)
Multiple customer groups (consumer, small business, and corporate).

Banks' activities can be divided into retail banking, dealing directly with individuals and small businesses; business banking, providing services to mid-market business; corporate banking, directed at large business entities; private banking, providing wealth management services to high net worth individuals and families; and investment banking, relating to activities on the financial markets. Most banks are profit-making, private enterprises. However, some are owned by the government, or are non-profit organizations.

Types of consumer banking:
- Commercial bank: the term used for a normal bank to distinguish it from an investment bank. After the Great Depression, the U.S. Congress required that banks only engage in banking activities, whereas investment banks were limited to capital market activities. Since the two no longer have to be under separate ownership, some use the term “commercial bank” to refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses.
- Community banks: locally operated financial institutions that empower employees to make local decisions to serve their customers and partners. Community development banks: regulated banks that provide financial services and credit to under-served markets or populations.
- Credit unions: not-for-profit cooperatives owned by the depositors and often offering rates more favorable than for-profit banks. Typically, membership is restricted to employees of a particular company, residents of a defined neighborhood, members of a certain labor union or religious organizations, and their immediate families.
- Postal savings banks: savings banks associated with national postal systems.
- Private Banks: banks that manage the assets of high net worth individuals. Historically a minimum of USD 1 million was required to open an account; however, over the last years many private banks have lowered their entry hurdles to USD 250,000 for private investors.
- Offshore banks: banks located in jurisdictions with low taxation and regulation. Many offshore banks are essentially private banks.
- Savings bank: in Europe, savings banks took their roots in the 19th or sometimes even in the 18th century. Their original objective was to provide easily accessible savings products to all strata of the population. In some countries, savings banks were created on public initiative; in others, socially committed individuals created foundations to put in place the necessary infrastructure. Nowadays, European savings banks have kept their focus on retail banking: payments, savings products, credits and insurances for individuals or small and medium-sized enterprises. Apart from this retail focus, they also differ from commercial banks by their broadly decentralized distribution network, providing local and regional outreach—and by their socially responsible approach to business and society.
- Building societies and Landesbanks: institutions that conduct retail banking.
- Ethical banks: banks that prioritize the transparency of all operations and make only what they consider to be socially-responsible investments.
- A Direct or Internet-Only bank is a banking operation without any physical bank branches, conceived and implemented wholly with networked computers.

Banking in Pakistan has been dominated by government owned institutions. It has accommodated the financial needs of the government, public enterprises and private sectors (Khan, 1995; Khan and Khan, 2007). Public sector dominancy, among others, lead to inefficiency in the banking sector (Haque, 1997). The economic efficiency of the banks remained low that led to low savings and investment in the private sector which resulted in low growth (Khan and Khan, 2007). These problems include concentrated ownership of financial assets, high taxes, and a narrow range of products and have not diversified into consumer and mortgage financing (Haque, 1997 and Limmi, 2002).

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A strong regulatory and supervisory system is necessary to cope with the financial crises and promotes the efficient function of financial markets (Caprio and Klingebiel, 1997). Therefore the challenge is to formulate an appropriate regulatory framework that enables the banking system to be more resilient to insolvency. In addition timing, sequencing and speed of restructuring measures are very important for successful restructuring (Khatkhate, 1998 and Alawode and Ikhide, 1997). Moreover, the reforms of the financial system are important to remove market distortions (Eatwell, 1996; Mavrotas and Kelly, 2001; and Khan and Khan, 2007). The financial sector in Pakistan has been under the reforms process since the early 1990s. The objectives of these reforms have been removing inefficiencies of financial intermediations and maintaining stability and enhancing growth (Faruqi, 2007).

In order to improve the efficiency of the financial system the Government of Pakistan initiated the macroeconomic and financial sector restricting program. International agencies such as the International Monetary Fund (IMF), The World Bank and the government of Japan provided technical support as well as banking sector adjustment loan (BSAL) in 1996. The current spell of the reform process started in 1997. The main concern of the reforms agenda has been on the recovery of non-performing loans, retrenchment of surplus staff, closure of over-extended Branches, privatization of banks, the introduction of international accounting standards, strengthening prudential regulation and establishment of banking courts. During 1998 and 1999, the reform process suffered badly. The Government of Pakistan decided in 2000 to review the reforms program. Therefore the Government approached the World Bank to get support for the revival of the reforms program. As a result the World Bank approved credit for the Pakistan Banking Sector Restructuring and Privatization Project (PBSRPP). The main focus of PBSRPP has been to improve the efficiency of state owned banks by reducing the cost structure, complete privatization of banks, liberalizing bank branching policy, reduction in taxes, integration of national savings scheme to the financial markets, discontinuance of the mandatory placement of foreign currency deposits by the commercial banks, and strengthening the central bank to play effective role as a regulator of banking sector (Qayyum and Ahmed, 2006).

Following the guidelines provided in the agreement with the donors, the Government of Pakistan and the State Bank of Pakistan has taken several steps to restructure the financial sector. These include privatization of NCBs, corporate governance, capital strengthening, improving asset quality, consumer financing, legal reforms, prudential regulations, E-banking, credit rating, reduction of corporate taxation and human resource development (SBP, 2005). It was expected that these reforms would bring significant economic benefits through more effective mobilization of domestic savings and efficient allocation of resources.

There are a few studies are available in Pakistan on banking efficiency. These include Musleh-ud-Din (1996), Akhter (2002), Burki and Niazi (2003) and Qayyum and Ahmed (2006). None of these considered second generation reforms and their impact. Therefore there is a need for a comprehensive assessment of the impact of financial sector reforms (especially the 2nd phase of reforms i.e. 2002) on banking efficiency. It is to investigate whether the efficiency of banking in Pakistan improves or not. For this purpose we used data from 1990 to 2006 for 20 domestic. Next section, after introduction, provides an overview of the status of banking and reforms in Pakistan, section three elaborates methodology and the fourth section provides results. The final section concludes the study.

Banking law is based on a contractual analysis of the relationship between the bank and the customer. The definition of a bank is given, and the definition of a customer is any person for whom the bank agrees to conduct an account. The law implies the right and obligation into this relationship as follow:

- The bank account balance is the financial position between the bank and the customer, when the account is in credit, the bank owes the balance to the customer, when the account is overdrawn, and the customer owes the balance to the bank.
- The bank engages to pay the customer’s checkup up to the amount standing to the credit of the customer’s account, plus any agreed overdraft limit.
- The bank may not pay from the customer’s account without a mandate from the customer, e.g. a checkup drawn by the customer.
The bank engages to promptly collect the checkup deposited to the customer’s account as the customer’s agent, and to credit the proceeds to the customer’s account.

The bank has a right to combine the customer’s account, since each account is just an aspect of the same credit relationship.

Overview of the Financial Sector:
The financial sector in Pakistan consists of regulators, commercial banks, development finance institution and the stock markets. Earlier the financial sector was supervised and regulated by three organizations such as State Bank of Pakistan, Pakistan Banking Council and the Corporate Law Authority (CLA). The SBP acts as a central bank, Pakistan Banking Council (PBC) used to monitors the performance of nationalized commercial banks and Corporate Law Authority regulates the equity market. At the time of independence Pakistan inherited Habib Bank that was established in 1941 in Bombay (Mumbai) which after the creation of Pakistan shifted from Bombay to Karachi. On 1st July 1948 the Government of Pakistan has established a central bank that is State Bank of Pakistan (SBP). The SBP was jointly owned by the Government of Pakistan and the private sector. In the following years the government set up fully state owned bank namely the National Bank of Pakistan. (Date of establishment of private and foreign banks in Pakistan can be seen in the Appendix)
The Government of Pakistan nationalized all banks in 1974 to make credit availability to highly priority sectors of the economy (Haque and Kardar, 1993). This step of nationalization completely wiped out the private sector from the banking business. Nationalization affected the performance and efficiency of the banks. After analyzing the performance of nationalized institutions for a decade government has decided to revise the policy decision of nationalization to encourage private sector participation, enhance efficiency and promote competition among banks Consequently the Banks (Nationalization) Act, 1974 was amended in 1991. As a first step twenty three banks were allowed to work. Out of these ten banks belongs to the domestic sector and rests were international/foreign banks.

Research problem:
Consumer banking causes high inflation and decreases per capita income in the economy.
Does consumer banking affect the inflation rate and per capita.

The frame for this study will include the key variables that are: the non-availability of concrete data on the Banking sector in Pakistan’s economy, non-conducive regulatory and legislative frameworks, resistance to change, and financing gap, inadequate business support services providers, high inflation and interest rates, unstable political environment, credit system, mobilization, and technology and marketing issues. In this research Consumer Banks are the dependent variable and the problems faced by them are independent.

Figure: Consumer banking causes inflation rate, interest rate and decrease per capita income.
Ho: There is no relationship between consumer banking and the inflation rate.
Hi: There is a relationship between consumer banking and inflation rate.
Ho: There is no relationship between consumer banking and the interest rate.
Hi: There is a relationship between consumer banking and interest rate.
Ho: There is no relationship between consumer banking and per capita income.
Hi: There is a relationship between consumer banking and per capita income

Nature of research:
Primary Data: - The sources of Primary data were questionnaires and personal interviews.
The study is broadening our understanding of the causes of consumer banking in increasing inflation and decreasing the per capita income of the proposed model. Theoretically this study added to the body of knowledge on the general subject of consumer banking. Since the traditional view of consumer banking is very narrow. The current study is added to the existing body of knowledge by signifying.
- The role of consumer banking in the economy.
- The role which consumer banking might play in the development growth.
- It further strengthens the research finding regarding per capita income and inflation rate.

The purpose of the current study was to determine the cause of consumer banking in an increasing inflation and decreasing the per capita income. Another objective of this study was to introduce various factors affecting consumer banking and an overview if consumer banking across the whole community. These efforts will help organizations, individual’s families and other reference groups to understand consumer banking and its function.
The benefit of this research was extended to gather data from the existing. In addition to that, this paper has been studied the consumer banking causes high inflation and decreases per capita income in the economy.

Consumer banking continued to be a crucial component in the bank’s strategy to enhance its funding franchise being responsible for 65% of total deposits raised. (Bank dynamo, annual report 2006)
Banks are a key element of financial structures all over the world, contributing to the financing of the economy and the management of the payment system. But why are banks more important in some and less in others? In 2004 the ratio of loans to GDP was sound 46% in the U.S. 77% in France and 100% in Germany. The ratio of deposits to GDP was 52% in Italy, 56% in the UK and 122% in Japan. A different strand of literature studied how the level of banking intermediation is influenced by economic and institutional variables. The financial repression literature singled out administrative measures that constrain the banking business. Fiscal pressure, as measure by the income tax levied on banks, may negatively influence their supply of financial instruments. Inflation, a tax according to some contributors, may have a negative impact on banking activity. Since the contribution of aorta e al. (1997) a whole body of literature has developed on the relationship between legal origins and finance. Regulation, commercial openness, GDP, stock market capitalization and the diffusion of other factors affecting banks' behavior. Building the liabilities side of the balance sheet, to generate liquidity and ongoing support for the expanding high-yielding asset business, remained a top priority in 2006. Deposit growth of 23% to Rs. 57.8 trillion was encouraging, given the general economic conditions and tight monetary policy. Behind this positive trend is the result of an ongoing transformation within the consumer banking group encompassing a refinement of the retail presence and look better differentiation in terms of product range and service, a stronger orientation to sales, margin and productivity and not least, visible improvement in the and empowerment of our people. Target an increase in market share; we completed a shift from existing product portfolios to fuller coverage, most notably the inclusion of structured deposit products in multiple currencies. The progressive development of the bank’s range of bank assurance products, the launch of mutual funds, and a broader credit card proposition than ever before. The development and soft launching of personal loans and a completely new house mortgage range towards year end give us further opportunities to build on the improvement to date. (Rodolfo E. Manuelli, 1996)

Consumer success was driven on several levels through increasing public awareness of the bank in our 50th year. We believe the Danamon aware has helped raise our profile and we look forward to continuing this initiative in 2007. A series of high visibility marketing communication campaigns culminated in a “Realize your Dreams” promotion awarding more than 10,000 prizes to customers, including trips to international destinations entirely of the winner’s choice. (Bank Danamon, Annual Report 2006)

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**Consumer Banking Causes High Inflation:**

Inflation is a rise in the general level of prices of goods and services over time. "Inflation" is also sometimes used to refer to a rise in the prices of some specific set of goods or services, as in "commodities inflation " or "core inflation ". It is measured as the percentage rate of change of a price index. (Choi, S, Smith, b and Boyd, J, H 1996)

Economists agree that high rates of inflation are caused by high rates of growth of the money supply. Views on the factors that determine moderate rates of inflation are more varied: changes in inflation are sometimes attributed to fluctuations in real demand for goods and services or in available supplies (i.e. changes in scarcity), and sometimes to changes in the supply or demand for money. In the mid-twentieth century, two camps disagreed strongly on the main causes of inflation at moderate rates: the "monetarists " argued that money supply dominated all other factors in determining inflation, while "Keynesians " argued that real demand was often more important than changes in the money supply.

There are many measures of inflation, because there are many different price indices relating to different sectors of the economy. Two widely known indices for which inflation rates are reported in many countries are the

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Consumer Price Index (CPI), which measures prices that affect typical consumers, and the GDP deflator, which measures prices of locally-produced goods and services. (Barro, R 1991).

Inflation also gives central banks room to maneuver, since their primary tool for controlling the money supply and velocity of money is by setting the lowest interest rate in an economy - the discount rate at which banks can borrow from the central bank. Since borrowing at negative interest is generally ineffective, a positive inflation rate gives central bankers "ammunition", as it is sometimes called, to stimulate the economy. As central banks are controlled by governments, there is also often political pressure to increase the money supply to pay government services; this has the added effect of creating inflation and decreasing the net money owed by the government in previously negotiated contractual agreements and in debt.

(Yasir Mubarak in SBP Working Papers, NO. 8, (June, 2005).

The Asian Development Bank has urged Pakistan to lower its fiscal deficit and inflation with a view to further improving the country’s economy. Pakistan's overall fiscal deficit could increase to five per cent of GDP in 2006-07, including expenditures related to earthquake reconstruction, equivalent to 0.6 per cent of GDP, it further stated. In its latest "South Asia Economic Report (SAER)", the bank also termed "still high" eight per cent inflation in the country. It said that inflation declined in 2005-06 and that a significant decline in food inflation was in part offset by higher oil prices. Tight monetary policy and measures, such as liberalized imports of food and other essential items in short supply helped combat inflation. (M. Nawaz Khan, Dawn, July 7, 2008)

However, the ADB believes that Pakistan would be able to achieve seven per cent GDP growth during the current financial year because of the recovery in the agriculture sector, and higher private investment and increased development spending are projected to boost economic growth. When contacted adviser to the ministry of finance Dr Ashfaque Hasan Khan did not agree with the ADB report and insisted the government would achieve its 4.2 per cent fiscal deficit target in 2006-07. Likewise, he said that earthquake related expenditure would also remain under the target. Dr Khan said that inflation stood at 7.9 per cent and not eight per cent as was claimed in the ADB report. He said the government was hopeful of achieving its inflation target of 6.5 per cent in 2006-07, which would further come down to 5.5 per cent during 2007-08.

The report said the budget 2006-07 continued the growth-oriented policy stance, and development spending was projected to increase to 4.9 per cent of GDP. The budget also aims at increasing revenues by broadening the tax base, and the tax-to-GDP ratio is projected to rise by 0.4 per cent of GDP. It said that Pakistan's GDP growth had slowed in the fiscal year 2005-06 to 6.6 per cent, largely because of the impact of adverse weather conditions on major crops. This significantly reduced growth in the agriculture sector and in agro-based industries, particularly cotton textiles and sugar. "Slower growth in money supply during the last financial year and continued tight monetary policy should reduce inflation to 6.5 per cent in 2006-07," the report said. The State Bank of Pakistan maintained a tight monetary policy stance in 2005-06, and the rate of increase in broad money was below operations without significantly raising the benchmark six-month Treasury bill rate. In July 2006, the SBP accelerated the monetary tightening by raising the cash reserve requirement, the statutory liquidity requirement, and its policy rate by 50 basis points to 9.5 per cent. (A. A. Khan, June 20, 2008)

The development expenditure in 2005-06, the report said, increased by 37.8 per cent to 4.1 per cent of GDP compared to 2.8 per cent two years earlier. Similarly, the fiscal deficit increased to 4.2 per cent of GDP, including expenditures amounting to 0.85 per cent of GDP on earthquake relief and rehabilitation. Domestic production was unable to meet the increase in domestic demand in 2005-06, and imports rose more than twice as fast as exports. Imports were also boosted by the large increase in the oil import bill and trade deficit increased sharply. The current account deficit swelled to 4.4 per cent of GDP. However, because of a more-than-two-fold increase in foreign direct investment to $3.5 billion, including privatization proceeds, a well-received $800 million Eurobond issue by the government, larger inflows of official assistance, and lower amortization. Official foreign exchange reserves rose by $955 million to $10.8 billion.

The ADB report also said that import growth was projected to slow down significantly during the current financial year, as tight monetary policy dampens growth in domestic demand, and exports are likely to more or less sustain their growth because of improved agriculture production, and the reduction by the European Union...
of the anti-dumping duty on bed linen exports and restoration of some benefits under the Generalized System of Preferences. However, the current account deficit is expected to rise to 5.5 per cent of GDP. (Dawn, October 20, 2006)

**Pakistan’s Public Debt, Inflation Decrease:**

Pakistan has managed to decrease public debt and contained inflation but its health and primary education pillars showed a negative trend, says the Global Competitiveness Report 2007-08 of the World Economic Forum.

The country-specific section of the report, released on Wednesday, shows that Pakistan’s public debt decreased from 53.5 to 52 per cent of the GDP and inflation from 9.10 to 7.20 per cent. Compared to last year, Pakistan improved its competitiveness position by seven ranks and now occupies 84th position in a tally for 122 countries. (Shahid Iqbal, Dawn, June 15, 2007)

According to the report, Pakistan improved its key indicators after it established a formal relationship with the World Economic Forum in 2006 and became a beneficiary of its Competitive Support Fund (CSF). The United States tops the overall ranking in the report. Switzerland is in the second position followed by Denmark, Sweden, Germany, Finland and Singapore. Pakistan has maintained its position by 92, whereas other major players lost their rankings by significant numbers. India lost five ranks on the GCI, whereas, Slovenia and Brazil lost six ranks, Egypt lost 14, the United Arab Emirates and Indonesia lost five and four ranks, respectively. Pakistan remained more or less stable with respect to constant sample and not considering the countries which entered the rankings for the first time this year, above Pakistan.

The report appreciated the government’s strategy based on deregulation, privatization and liberalization, where Pakistan realized important progress in a number of different dimensions captured in the indexes. Pakistan’s overall competitive performance is hindered by its position in some of the key pillars, mostly related to human capital: higher education and training, health and primary education, and labor markets. On education and training, the country has low primary, secondary and tertiary enrolment rates, (ranked 120th, 120th, and 116th, respectively), a poor assessment for the quality of the educational system, and availability of staff training.

(Ihtashamul Haque, Dawn, November 1, 2007)

**Higher Growth, Higher Inflation:**

“Pakistan’s economy recorded one of the fastest growth rates in Asia during the fiscal year 2006-07. The real GDP growth accelerated to seven per cent that was surpassed only by China and India”. That is how the annual report of the State Bank of Pakistan begins. But thereafter the perceptions vary and the fears differ.

The State Bank itself had grave fears of higher inflation after the food inflation reached its peak last year but this time the sources of inflation are more likely to be external particularly in the oil sector where the price of oil is heading towards 100 dollars a barrel. If such development comes to pass, the domestic POL price may rise by ten rupees per liter and the power rates will go up much higher. Added to that will be the steady erosion of the exchange rate of the rupee which, according to experts, is very low but according to the ministry of commerce it is substantially high and a marked devaluation is essential. The suggestion has been firmly turned down by the governor of the State Bank of Pakistan Dr Shamshad Akhtar who finds the present system of adjusting to the market demand quite satisfactory and if necessary the rupee can be pushed down. Pressure for the devaluation of the rupee is being raised at a time when the IMF chief Rodrigo Rato says the dollar faces abrupt pressures and cannot be relied upon as a reserve currency. The other problems Pakistan faces this year are the rising debts, external deficits, slow growth in exports, threats to external foreign investment from the rising violence and several other factors that the State Bank puts very mildly. The oil import bill contributed to a rise in a deficit of 5.3 per cent in the first quarter of this year against the first quarter of last year. And the OPEC countries are moving towards pricing their oil through a basket of currencies which can create uncertainties and problems for consumers in Pakistan. The movement of the OPEC countries is being watched very carefully by the oil consuming countries. Simultaneously the Gulf Cooperation Council is making efforts to have a common currency and the time schedule for drafting the framework has been put off by six months. These are significant developments for the international oil consumers, while Dr Rato says the OPEC countries are entitled to a price
rise for their oil proportionate to the loss they suffered due to the shrinking of the exchange rate of the dollar. The dollar has hit its lowest against the euro and is not likely to recover lost ground soon because of the lasting credit crisis in the West. (Farhan Sharif, Bloomberg, and January 14, 2008)

While major sources of inflation can be external there are internal factors too which can aggravate inflation. Many wheat growers associations in Punjab met with opposing the price fixing of wheat next year. The farmers said they wanted the international price for their wheat and not the local price which is now Rs. 80 for 40 kilograms. They argued if the foreign growers who export wheat to Pakistan could be paid high prices for their wheat, why were they being denied? But if wheat is to be sold at international prices to our people, other imported items should also be sold on the same basis and without tax. So all that will aggravate inflation infinitely and deprive the government of large chunks of revenues.

Cotton is already infected by a bug and as a result we may lose several million bales of cotton which means a heavy loss to the country. Such additional factors that aggravate inflation must be checked through administrative means and the political process.

Although the economic growth is seven per cent, the question arises: who has gained more and who lost more and whether the poor got a better deal. Surely the rich have gained more along with those who violated the laws and took to hoarding and profiteering, while poverty reduction is still a battle to be fought. Growth is the beginning not the end and the fruits of growth should be fairly shared. (Sultan Ahmed, Dawn, November 8, 2007)

**The Inflation Rate and the Price Level:**
The inflation rate is the percentage change in the price level. The formula for the annual inflation is

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\text{Inflation rate} = \frac{\text{Current year’s price level} - \text{Last year’s price level}}{\text{Last year’s price level}}
\]

There are two major causes of inflation. One relates to consumable goods (such as bananas, wages and oil) the other to assets (such as property and precious metals). General inflation usually involves both, but often at different rates. Inflation in specific consumable goods, such as bananas or oil, as a result in changes in demand or supply, usually resolves itself through changes in consumer behavior, which reduces the demand and brings
the price to a new equilibrium. Not everyone is prepared to pay $20 per kilogram for bananas, and similarly, at a certain level, the price of oil will result in either additional production, or reduced consumption. (Kent. A)

Inflation may be caused by an increase in the quantity of money in circulation. This has been seen most graphically when governments have financed spending in a crisis by printing money excessively, often leading to hyperinflation where prices rise at extremely high rates. Another cause can be a rapid decline in the demand for money as happened in Europe during the black plague.

The money supply is also thought to play a role in determining levels of more moderate levels of inflation, although there are differences of opinion on how important it is. For example, Monetarist economists believe that the link is very strong; Keynesian economics by contrast typically emphasize the role of aggregate demand in the economy rather than the money supply in determining inflation.

A fundamental concept in such Keynesian analysis is the relationship between inflation and unemployment, called the Phillips curve. This model suggested that price stability was a trade off against employment. Therefore some level of inflation could be considered desirable in order to minimize unemployment. The Phillips curve model described the US experience well in the 1960s, but failed to describe the combination of rising inflation and economic stagnation (sometimes referred to as stagflation) experienced in the 1970s. Another Keynesian concept is the natural gross domestic product, a level of GDP where the economy is at its optimal level of production. If GDP exceeds its natural level, inflation will accelerate as suppliers increase their prices. If GDP falls below its natural level, inflation will decelerate as suppliers attempt to fill excess capacity.

A persistent increase in the level of consumer prices or a persistent decline in the purchasing power of money, caused by an increase in available currency and credit beyond the proportion of available goods and services. Inflation occurs when the price level rises from one period to the next. The rate of inflation expresses an increase in percentage terms. Over time, as the cost of goods and services increases, this causes the value of a dollar to fall because one won’t be able to purchase as much with that dollar as before. While the annual rate of inflation has fluctuated greatly over the last half century, ranging from nearly zero inflation to 23% inflation, the Federal Reserve actively tries to maintain a specific rate of inflation. The goal is to keep inflation at about 2-3%. Of course it does vary depending on different circumstances the definition of inflation and price level is one and the same. Economists measure the price level by computing a weighted average of consumer prices. The value of the average is arbitrarily set equal to one (or one hundred) in a base year, and the index in any other year is expressed relative to the base year. The value of the consumer price index in 1999 was 167, relative to a value of 100 in 1982 (the base year). That is, prices in 1999 were 67 percent higher on average than in 1982. (Robinson.K, 2007)

An increase in the inflation rate induces households to substitute transaction services for real balances. As a result, increases in the inflation rate increase the size of the financial sector. Higher levels of per-capita income and average inflation are reflected in increased financial sector size. The cost of inflation can be viewed, at least in part, as the result of resources transferred to the financial sector to accommodate the increased number of transactions chosen by households as they attempt to shift the cost of holding currency onto others. These resources are a social loss because if inflation were lower, the resources could be used directly to increase the production of consumer goods. (William B. 1991)

The measurement of the price level is a difficult task and, therefore, so is the measurement of the inflation rate. The general upward price of goods and services in an economy is measured by the Consumer Price Index and the Producer Price Index. The Consumer Price Index produces data that provide information about or predicts the health of the economy or the financial markets. While the Producer Price Index “measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services”. It is important to recognize that a positive rate of inflation, as measured by a price index, does not mean that all prices have increased by the same proportion. Some prices may rise relative to others. Some might even fall in absolute terms, and yet, on average, inflation is still positive. For example, many economists believe that the consumer price index has overstated the rate of inflation in recent decades because improvements in the quality of goods and services are not adequately reflected in the index. An index that held quality constant, according to this
view, would show a lower rate of a price increase from year to year, and thus a lower average rate of inflation. (Robinson’s, 2007)

Inflation is the term used to describe the rate of change in the prices of goods and services over a given period of time. It is therefore an important determinant of the quality of life of Jamaicans. The Central Bank’s mandate is the achievement and maintenance of price stability which, in turn, provides an economic environment that is conducive to growth in savings and investment. Inflation is the continuing increase in the general price level, that is, an upward movement in the prices of the majority of goods and services. Inflation may arise from a variety of factors but the basic reason for inflation has too much money competing to buy the available goods at their existing prices, allowing those prices to rise. Inflation effectively reduces the number of goods that can be purchased with a given amount of money. Since everyone uses money, it means that everyone stands to lose in an inflationary environment. (J-Iarriott.K, 2000)

High levels of inflation actually have such a profound impact on businesses that they require a different accounting treatment. Take a simple wholesale business; if it is using standard accounting practices during a period of high inflation, it is possible to book a profitable transaction whilst generating a loss on the sale. This is because the value of money has declined so that the cost of the goods sold needs to be adjusted in line with the equivalent replacement cost at the time of sale if it is to be an accurate reflection of the transaction. At the same time, during a period of high inflation, individuals experience a general fall in purchasing power and subsequently a reduction in living standards for everyone. (Kent. A)

Inflation has many disadvantages; it creates uncertainty, in that people do not know what the money they earn today will buy tomorrow. This uncertainty discourages productive activity, saving and investing. Inflation reduces the competitiveness of the country in international trade. If inflation is not offset by a nation with a less valuable currency, the U.S exports become more expensive and less attractive. This makes other countries’ imports more attractive. This forms an economy of unbalanced trade which results in a much more reduced U.S. economy. (Robinson.K, 2007) Like many countries, industrialized and developing, one of the most fundamental objectives of macroeconomic policies in Fiji is to sustain high economic growth together with low inflation. However, there has been considerable debate on the nature of inflation and growth relationship. (Gokal.V, 2004)

As the purchasing power of the monetary unit becomes less predictable, people resort to other means to carry out their business. The main concern for business owners, consumers and investors is the bottom-line rate of return. There are many investments that can compensate for an increased inflationary period. There are several investments that offset inflation. Inflation-protected securities (IPSs) can work as a hedge against the loss in purchasing power that fixed-income investments like bonds and annuities may experience during high inflation periods. IPSs are available in different forms, each of which we review below.

- **Treasury inflation-protected securities (TIPS)** offer the safety of the U.S. government, ensuring you’ll get your money back. The interest rate on TIPS is lower than what’s offered on standard Treasury notes, but TIPS pay interest on the inflation-adjust principal rather than the nominal principal. This spread represents what the market expects the annual inflation rate will be over the next 10 years. You won’t receive income from your TIPS until you sell it or it matures. You will, however, have to pay income taxes each year on the increased value of the principal. But you can avoid this tax by holding the TIPS in a tax-deferred account, such as an IRA.

- **Municipal inflation-linked securities** are issued by various government entities. The semi-annual interest payments are less than you might receive from similar term Treasury bonds, but these payments change with the consumer price index. Plus the income tax treatment is the same as that for regular municipal bonds. Therefore, with inflation-linked securities, depending on your tax bracket, you could possibly come out ahead when compared to fully taxable bonds including TIPS.

- **You can purchase corporate inflation-linked securities with as little as $1,000 through your broker.** The yields on these securities adjust monthly for inflation increases. As these securities are issued by companies and carry more risk, the yields are usually higher than comparable Treasuries. But remember,
there is no government backing, so there is the chance that the company might not meet its obligations. (Robinson, K, 2007)

During times of inflation in the past we were still in the old economy and big companies could pass along the increased prices to consumers, who due to stronger unions in those days were able to push wages higher to keep up. If their ability to raise prices fell behind, they had lots of cash reserves and knew that they could soon catch up. They just laid people off, shrunk inventories, and tight supplies then pushed up prices. All of this would continue until the economy ran out of gas. We then had a recession to cool things off. But, we are now in an entrepreneurial economy. Small businesses are always tight on cash flow. And if their inputs of raw materials and other direct operating expenses go up, they may not be able to pass along these costs quickly enough to keep their cash flow positive. Managing cash flow is only one issue for small business owners. Raising prices is a difficult process for many small businesses. But, every increase potentially makes them less competitive, and raises the possibility that customers might go elsewhere. Since everyone will be experiencing inflation if it happens, small businesses will have a little more room to raise prices than they are used to. But, if we have a period of inflation in our near future, it will be different that wave is seen in the past. First, some of the major causes of inflationary pressures right now are not within the ability of the Fed to control. Many of the top oil producers in the world are not the most reliable governments right now. Issues like oil production and export are controlled by other countries. And secondly, we are in a much more open, global economy than we have been in the past. When we had inflation in the mid-1900s, everyone was faced with the same pressures and all could raise prices in relative harmony. Inflation is quit variable around the world, and therefore foreign competitors might not face the same inflation rates that we do in the US. That would put us at a huge price disadvantage. (Robinson, K, 2007)

As for the effect of inflation on the physical costs of changing prices (the menu costs of inflation), direct estimates for some industry sectors suggest that the costs can be economically high. From a broader perspective, though, the direct saving from menu costs is not considered as important as that achieved through improving the overall efficiency of the price system. When prices more clearly reflect the underlying demand and supply conditions. How exactly to capture this effect empirically needs more thought. (O’Reilly, B, 1998)

“Keeping in view the rising trends in mark-up rates, increased cost of funds and inflationary pressure, we would like to inform you that in accordance with the clause 4 of the agreement executed between you and the United Bank for UBL Cash line the bank is revising the mark-up rates for UBL Cash line effective from July 1, 2007,” said a letter issued by the UBL to one of its customers. This was the second increase in the last year which shocked the customers who availed the Cash line scheme. One such UBL client said that he utilized Rs. 150,000 one-and-half-year before at 18 per cent. Now the rate has gone up to 24 per cent. “It puts enormous pressure on the clients who were using the UBL Cash line,” Umar Saleem, an employee of a private firm said. According to new rates, if a customer uses 60 per cent cash out of his limit, he will pay from 23 to 25 per cent interest. The rates vary from customer to customer. If the utilization of cash is 60 to 80 per cent, then the rate will be 22.5 per cent to 24.5 per cent. From 80 to 100 per cent cash utilization the rate will be 22 to 24 per cent. Banking sources said that all banks would go for a further increase in lending rates. The mark-up on consumer financing is the highest at 19 per cent per annum. These high interest rates have curtailed the potential of growth in this sector and the growth slashed from 70 per cent to 12 per cent in three years.

However, the most concerning question related with the high interest rates, are the chances of default. The State Bank has been warning the banks that very high interest rates are prone to default. The third quarter of the current fiscal showed that the default had suddenly increased the banking sector registered the non-performing loans increase of Rs. 11bn between December 2006 and March 2007. The State Bank has indicated it will continue tight monetary stance in the next monetary policy expected to be announced in July to bring down the inflation and control the rising interest rate trend. Bankers said the lending rates would see a significant rise in upcoming months as the economy would see mounting inflationary pressure. High interest rates have already curtailed lending to the private sector which has slowed down the trade and manufacturing growth. (Shahid Iqbal, Dawn, June 15, 2007)

**Pakistan to Face High Inflation:**

http://www.ijmsbr.com
Dr. M Irfan, former joint director, Pakistan Institute of Development Economics, has said that we are heading towards high inflation due to cost-push, demand-pull and supply reduction measures.

Dr. Irfan was speaking at a discussion on ‘An appraisal of budget’ organized by Islamabad Cultural Forum at TVO House here Friday. Prof. Ashfaq Saleem Mirza conducted the proceedings. Dr. Irfan said that the main reason behind these problems is low export growth relative to import, high oil prices and inadequate foreign capital inflow. He said that the budget had nothing to reverse the import-export ratio. He said that there are strong reasons for good governance, transparency and ruthlessly pruning the development expenditures to free resources for poverty alleviation. He said that during military regimes, there were periods of high growth in GDP in the 1960s, 1980s and 2000s when we were US allies in the Cold War, Afghan War and War on Terror. He said that in this period, self-reliance was ignored. He said that PSDP should have fewer high priority and quick yielding projects instead of having over 2000 projects. He dispelled the claims of high GDP growth, the decline in poverty and job creation made by the previous government. He said that within three months, the whole figures disappeared into oblivion and it became established that we had to face galloping inflation, shortage of food, fuel and other commodities. He said that the problem in ‘Benazir Income Support Programmed’ is to ensure the benefit of reaching the poorest of the poor. He presented the data of Bureau of Statistics according to which there was more poverty in the non-farm areas of NWFP than of Baluchistan and of Punjab than of Sind in 2004-05, which led to heated discussion.

Dr. Noor Fatima, a political economist and analyst, said that despite impressive e-economic growth, there was a growing concern over economic disparity even in 20014-17. She said that the gap between imports and exports are increasing. She said tax to GDP ratio is 9 per cent, as compared to 18 per cent in other developing countries. She said that taxes on developers, contractors and withholding tax would be transferred to the consumers. She said that tax policy is required to improve resource mobilization, as it is overtaxing the already sick economy.

(Rasheed Khalid, the News, June 21, 2018)

Change in Key Macroeconomic Indicator:

<table>
<thead>
<tr>
<th></th>
<th>2009-2010</th>
<th>2016-2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth Rate</td>
<td>4.2%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Inflation</td>
<td>5.7%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Fiscal Deficit/GDP</td>
<td>6.1%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Current Account/ GDP</td>
<td>-3.2%</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Domestic Debt/ GDP</td>
<td>41.5%</td>
<td>29.2%</td>
</tr>
</tbody>
</table>

Empirical results:
Empirical results and preparation are focused on ensuring that the data contained the appropriate range of scores for all analyzed variables including the identification of possible outlines. We used a questionnaire for the collection of data. After that the most complicated work is to make an analysis of the data. The first step is that data screening in which we ensure that all the participants were filled the questionnaire correctly and completely and after that we coded all returned questionnaires in to SPSS software for data analysis. We compute all the variables to get the final shape of our data variables and after that use different tests for analysis. Now discussed the detail of each variable one by one in the results portion.

Analysis:

Reliability:

Consumer bank:

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer bank:</td>
<td>.003</td>
<td>5</td>
</tr>
<tr>
<td>High Interest rate:</td>
<td>.095</td>
<td>5</td>
</tr>
<tr>
<td>High Inflation rate:</td>
<td>.097</td>
<td>4</td>
</tr>
<tr>
<td>Decrease Per capita income</td>
<td>-0.12</td>
<td>3</td>
</tr>
</tbody>
</table>

This test is the most common form of internal consistency reliability coefficient. Alpha equals zero when the true score is not measured at all and there is only an error component. Alpha equals 1.0 when all items measure only the true score and there is no error component. In this result the obtained alpha score is .003, .095, .097 & -0.12 which indicates that the result has good internal consistency.

Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>consumer banking</th>
<th>inflation rate</th>
<th>interest rate</th>
<th>per capita income</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Valid</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>3.12</td>
<td>3.02</td>
<td>2.82</td>
<td>3.18</td>
</tr>
<tr>
<td>Median</td>
<td>3.08</td>
<td>3.00</td>
<td>3.00</td>
<td>3.20</td>
</tr>
<tr>
<td>Mode</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.202</td>
<td>1.353</td>
<td>1.314</td>
<td>1.317</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

The above table presents the descriptive statistics that show the overall picture of all three independent and one is the dependent variable. The data has been taken for all the variables. In the above table the mean values and the values of the standard deviation of all the 5 variables have been shown. Mean value provides the idea about the central tendency of the values of a variable. The mean is often used to report central tendencies, it is not a robust statistic, meaning that it is greatly influenced by outliers. Notably, for skewed distributions, the mean may not accord with one's notion of "middle", and robust statistics such as the median may be a better description of central tendency. For example if we observe the average response rate or the respondent then we come to know the mean of different variables like interest rate (2.82) inflation (3.12), per capita income (3.18). Standard deviation gives the idea about the dispersion of the values of a variable from its mean value. So, if we observe then the response rate for the variable interest rate value of standard deviation is (1.314) which is the lowest value as compared to other variables value, but if we observe the value of the inflation rate is (1.353) which is quite high as compared to the other three independent variables which clearly shows that the response regarding the interest rate of mostly respondents was not the same and they don’t have consistency in their answers.
In this table the model summary of variables is the value of R square is .014 which is 14% almost. It shows that the 14% consumer bank change is made by these three independent variables (interest rate, inflation rate, per capita income).

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.117a</td>
<td>.014</td>
<td>-.017</td>
<td>1.178</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), per capita income, interest rate, inflation rate

**Coefficients**

<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></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.995</td>
<td>.493</td>
<td></td>
</tr>
<tr>
<td></td>
<td>inflation rate</td>
<td>-.004</td>
<td>.090</td>
<td>-.005</td>
</tr>
<tr>
<td></td>
<td>interest rate</td>
<td>-.052</td>
<td>.093</td>
<td>-.057</td>
</tr>
<tr>
<td></td>
<td>per capita income</td>
<td>.088</td>
<td>.093</td>
<td>.096</td>
</tr>
</tbody>
</table>

a. Dependent Variable: consumer banking

The primary distinction between vicariate regression and vicariate correlation (i.e. Pearson) is that in regression, one wants to predict one variable from another variable, whereas in correlation, you simply want to know how those variables are related. In this table, a is 2.995, b is -.004 c is -.052 and d is .088. The significant of each level is above 0.05 except b, which is lower than 0.05.
In this table of correlation, the total number of participants with all variables (inflation rate, interest rate, consumer bank and per capita income) is 100 in which no value is missing. The significant level is 0.005 is greater than there is no relationship between the three variables. The Pearson correlation is at \( p_1 = -0.054, p_2 = -0.006 \) and \( p_3 = -0.107 \) which means correlation is not significant at the 0.05 level. It is usually best to choose tailed tests. As indicated earlier, the correlation between (inflation rate, interest rate, consumer bank and per capita income) statistically significant because the ‘sig’ is greater than 0.05. Thus, we can reject the null hypothesis.

<table>
<thead>
<tr>
<th></th>
<th>consumer banking</th>
<th>inflation rate</th>
<th>interest rate</th>
<th>per capita income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.54</td>
<td>-0.006</td>
<td>0.107</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.590</td>
<td>0.955</td>
<td>0.288</td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-0.006</td>
<td>0.158</td>
<td>1</td>
<td>0.111</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.955</td>
<td>0.117</td>
<td>0.273</td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.107</td>
<td>0.127</td>
<td>0.111</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.288</td>
<td>0.207</td>
<td>0.273</td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

This table shows the Gender. In this table valid Male frequency, percent, valid percent and cumulative percent are 74, 74.0, 74.0 and 74.0, similarly Female is 26, 26.0, 26.0 and 100.0. The sum of all frequencies is 100 and the sum of percent and valid percent is 100.0.
This table shows the value. In this table valid Banker frequency, percent, valid percent and cumulative percent are 21, 21.0, 21.0 and 21.0, similarly teacher are 21, 21.0, 21.0 and 42.0, students are 19, 19.0, 19.0 and 61.0, businessman are 20, 20.0, 20.0 and 81.0 and others are 19, 19.0, 19.0 and 100.0. The sum of all frequencies is 100 and the sum of percent and valid percent is 100.0.

**Discussion:**
This study was designed to add to the general body of knowledge about consumer banking and to provide some useful explanations about the matter of high inflation and per capita income in the economy. My belief was that such information might be useful to bankers, businessmen, others who work with the banking sector and those people who have an interest in gaining the country. In the section of the study, the researcher offers a conclusion based on the research findings. The basic conclusion is that I have taken descriptive analysis and inferential analysis for my research with the help of spss (the statistical package for the social sciences) software. My descriptive analysis tells that there are 74 males and 26 females. In profession, there were banker, teachers, lawyer, businessman, and students in my study who help me out to complete my research by fulfilling my survey questionnaire.

Many researchers and economist have research that high inflation is not good or the whole world so the governments must take some type of action which are the beneficial for the economy and could bring down the inflation rate. Based on the shortcomings indicated above, it is recommendations that future studies explore the possibility of using sector or industry specific in order to establish robust results.

- I deeply observed the effect of more consumers banking on inflation and per capita income, I suggest the following recommendations.
- There must be stability in the prices if the goods to increase the per capita income.
- By reducing the subsidies on the import goods.

Government policies must be stable so that there must be equal opportunities for every one in every field.

**Limitation & Future direction:**
First, given that respondents were asked questions regarding their feelings about their present economic condition, banking sector, interest rate, and inflation rate, it is possible that socially desirable responding did occur in the present study, meaning that participations may have been biased when responding by selecting answers in a manner they believe would be acceptable. Though the survey included a confidentiality agreement, participants may still be influenced by social desirability.

The data collected is important because this data is based on the facts and figures, so there are some limitations. We had to follow for collecting data.

- The data is collected from students of masters.
- Banker and managers.
- The data is also collected from the economic.

As previously stated, the main focus of the study was to determine the cause of consumer banking in increasing inflation and decreasing per capita income. This study extends the research on the cause of consumer banking in increasing inflation and decreasing per capita income by examining the various types of variables. Six hypotheses were tested to examine two types of banking relationships and their relationships with high inflation rates, and decreasing per capita income. This chapter provides a review of the study’s key findings, limitations, recommendations for future research and conclusion.

**Reference:**


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