



Financial Institutions and Chinese Investment: The Review of China Pakistan Economic Corridor (CPEC) Policy

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Abstract

China Pakistan Economic Corridor (CPEC) initiates different energy projects, infrastructure ventures and business economic zones within Pakistan. The extensive Chinese investment, worth \$62 billion, have long-term impacts on the economy as well as financial institutions of Pakistan. The banking economy are probable to generate an innovative stream of revenues, in the future outlook under CPEC projects. This study is significant in gauging the financial institutions performance and value creation, under CPEC policy. It will enables the institutions in realizing their future planning strategies and achieving their corporate goals. This study contributes in estimating the performance of financial institutions through shareholder value creation, under the CPEC policy in Pakistan. The analyses of this study was furnished by incorporating panel data techniques. The time span of the study is taken since the inception of CPEC agreement i.e. 2012 to 2016. The identification of financial institution's value creation dynamics, is also one of the major contribution of this study. The paper analysis demonstrates that leverage, dividend policy, and return on equity has statistically significant effect on financial institution's shareholder value. Moreover, the study results reveals that CPEC does have significant effects on the Pakistan's financial institutions value creation.

Keywords: Shareholders value creation, Leverage, Dividend policy, and Return on equity, CPEC.

Introduction

The imperative relationship and the geological propinquity between Pakistan and China and increases their economic and ecological significance to the notorious

friendship. (Ghulam, 2015). China under the China Pakistan Economic Corridor (CPEC) agreement, assured to invest approximately \$46 billion to developmental projects in Pakistan. It is analogous to 20% of Pakistan annual GDP (Stevens, 2015). The prevailing progresses in Pak China Corridor make Pakistan a notable shipment heart for the world, approaching the major economies of South Asian nations. (Memoona et al ,2014). China through its investment under. China Pakistan Economic Corridor, not only consider its short term economic compensation but more noticeably long-term deliberate care of Pakistan needs to be considered. (Li and Sun, 2015). In the first phase of CPEC, the early harvest projects with the cost of \$46 billion, designed to develop Gwadar port, mitigate energy crises and upgrade infrastructure in Pakistan. The colossal economic activity leads to the diminution in unemployment and improvement in the real aggregate demand of the economy.

The statistics published by the State Bank of Pakistan, forecasts 39 % boosts in the economy of Pakistan in physical year of 2015-16, with the total influx of \$600 million foreign direct investment (FDI). China has ascended as the largest contributors to Foreign Direct Investment (FDI) in 2015-16. Pakistan has realized a prominent increase in FDI, in the category of power, oil and gas explorations, telecommunications and beverage industry. Foreign direct investment is not only a starting place of foreign capital but a start-up to technological shift, enhancement in decision-making capacities, all are imperative for a eminent economic growth. World Bank & International Monetary Fund affirms the vital role of FDI in increasing economic growth and poverty contraction in developing countries, particularly in the perspective of globalization and liberalization. CPEC is a way forward towards the generation of Pakistan employment prospects and business opportunities in the country. It enables banks to expansion in their clientele, extension in new loans and engagement in new business activities. Certainly, CPEC will increase FDI which will result in higher revenues by the banks.

The Banking Sector is backbone of trade and commerce which provides major source of finance to the industries. The increasing phenomenon of globalization and regional connectivity has increased the importance of financial sector across the world. The financial system of Pakistan is dominated by the commercial banks which plays a crucial component in country economic engagements. The glowing operation of financial structure is an important attribute in economic development of several countries, which expedites economic trades and establishes an investor friendly environment (Arshad & Khan, 2007). It is also necessary for enhancing effectiveness of intermediation through mobilization of reserves and financing the profitable industry opportunity (Khalid, 2006). Financial segment contributes to economic expansion and fruitfulness of the country. Financial zone working as the strength of character of the economy that control the money supply. The financial possessions of the country can be correctly utilized through banks as they provide a backbone to financial sector. The banking sector has strained in a vast sum of investments and extended to a great amount. Nowadays banks not only forced to financial

intermediary services but also illustrated in providing particular services to their clientele, in order to meet their innovative needs. (Dang, 2011). According to Pakistan and Gulf economist on Jan 9th, 2016, the total numbers of banks in Pakistan are 54 which consist of 17 private banks, 5 public banks, 5 foreign banks, 5 Islamic banks, 8 development financial institutions, 4 specialized banks and 10 micro finance banks.

Presently, the vast business globe is persuading towards high transparency and greater corporate governance system. Value creation for a company is a technique of managing and identifying values driver, which have the maximum collision on values creations. Value creation assessment is an assertive device in financial investigation. Organization which make long terms value in terms of shareholders wealth, are predictable to generate capital for all stakeholder. From economists point of view, wealth is formed when revenue go beyond the economic cost. Business organization should emphasis on strategy that creates surplus values ascribed to market values in contrast to the book values of equity. The firms enhances values for shareholder if Market Value (MV) is higher than Book Value (BV).

In the nearby era of the aggressive globe, the big business goal has tainted from prospect of profitability to values creation of shareholders and businesses are face new-fangled confront like instability in financials market technical developed and a lot more. Such numerous changes has amplified the load on manager and re-defined the responsibility of manager to develop performance and transport values related to their shareholder (Bhasin & Shaikh, 2013).

Izadiniya (2005) in a learning, analyze traditional accounting norm for to examine financial information of business unit and establish a scenario tainted circumstances due to comprehensive economies, most of major confront for manager nowadays in companies are shareholder values creations, particularly maximization of wealth are the major catalogue related to values creations as well as assessment of performance in the economics values added also norm related to free cash streams.

Bacidore et al, (1997) investigate business since 1982-92 in America. They accomplished that a special form of method for shareholders values computation, using change in dividend and in price of shares for a given period to obtain profits. As well suggested the appropriate techniques for estimating and analyzing value of share holders are economics values added.

One of the techniques used for common stock return is debt to equity ratio. The increase in risk of common stock is due to the higher flow in debt ratio. The company having common stocks facing high debt ratios will forever facing high risk because risk varies with time. Finally the find positive association between debt to equity and risk of company having common stocks.

Bartram (2001) suggested a wide spread evaluation theory and their experimental finding concerning to the involvement of organizational risk to shareholders values. And suggested that in a realistic environment where there is no transaction cost,

agency cost, tax free zone and no additional charges on financing at such condition risk management of firm will represent wealth which will increase and give advantages to values of share holders.

Samy et al. (2002) studied determinant of shareholder values creations by using random probit model evaluation process by considering listed companies on Tunisia stocks exchanges. The findings of the paper show that there is strong association between profitability and values creations of investors.

Jalaja (2010) investigated value creations by considering old and new companies and selected a sample of 50 companies which consist of 10 industrialized sector since 2006 to 2006 mean data collected for five years. The outcome illustrate that firm with high age are making more value for investor as compared to new firms they have create low. There was originate to be no correlation among size and share holders values.

Abdoli et al. (2012) considered the connection among every independent variable, take account of Economics Values Added and residuals incomes as the representative of economics model with shareholders value creation. The sample size of the statistics is 85 companies. The studies employ simple and multi-variable regression methods to analyze the data. The outcome show that both residual income and the economic value added (EVA) has a significant relationship with the shareholder created wealth. Though, in relation to created shareholder value, the residual income criterions appear to be more important. The differentiation among the impact of the two variable raise as result of accounts adjustment during which the outcome of accruals accounts is being eliminate, thus, considering as a significantly enhanced measure for the appraisal of performance and enhance in shareholder's values.

Further to this, Fiordelisi and Molyneux (2010) examine the matter since 1998 to 2005 with considering a section of Europeans banks highlight that bank and industry and macroeconomic specific determinant of values factor mostly comprise of positive and negative influence on SHV creations. One of the vital judgment is that incomes diversifications, costs and revenues efficiencies are exposed to enclose a positively relationships on SHV, while a consequent positively association between credits risks captivating and SHV confirm the superior fortune hypotheses as banks took additional credits risks they also enhance their interests revenue.

likewise, Gross(2006) examine determinant shareholders values creations considering bank structure costs managements credits risks and diversified income, for a trial of 139 retails bank in Germanys since 1998 to 2003. finally conclusion imply that only costs managements and credits risks taker are important driver for SHV in bank in the logic to facilitate an enhance in credits risks captivating destroy values whereas an boost in costs efficiencies create that.

Tian et al. (2013) finished an endeavor to determine the values creations capability of the enterprise. EVA be apply to evaluate the values creating capability for the blue

portion by utilizing financial reports since 2009 to 2011, considering economic zone registered companies. Subsequently, keeping in view the economic zone for companies in such a way as view of industry. And concluded that there is the raise in value creation take place in recent years but they also suggested that EVA issued as index and representing advocacy of capital shows continuous increase in recent years and start falling as will.

Bhasin (2013) explore to the major objective of “financial management is to maximize the shareholder value”. The key purpose belong to this paper is inspect shareholders values by mean of the given sample and same to investigate the usefulness of EVA in excess of conventional and traditional procedures of business performances. a variety of arithmetic tackle similar to ANOVA, regressions analyses and drift investigation be use for analyze the figures The studies indicate to EVAs is better to the long-established performances procedures in its relationship with Market Value Added MVAs.

Vijaylakshmi and Manohran (2013) examine shareholders values creation by analyzing manufacture scoter in India For business growths, shareholders values creations has turn into a spotlight spot. Since the shareholder is the final owner of the enterprise, each company has to build capitals structures keep in brainpower the purpose of shareholders values maximizations. Various industrialized zone is supposed to be a investment concentrated zone, wherever a larger importance is lay leading conniving the investment arrangement. The phase used for the paper be conduct in 1995to96 to 2009to10. To examine the figures a panel loom have be functional. Final outcome of the paper is the leverages have an important pressure on the shareholder values creations.

Radic (2015) confirmed for Japanese banking industry that costs efficiencies, credits risks and banks size are originate to exist the mainly significant factor in amplification the values creations in Japan, whereas incomes diversifications, liquidities and market risks experience seem to issue for shareholders values creations in the concentrated model. Fascinatingly, there outcome point out that the smaller banks come into view just before a high values creations. It is also originate to facilitate the high numbers of workers make no hold back values creations for Japan bank.

Perera & Morawakage (2016) examine the cause of credits risks managements on the shareholders values in scheduled commercial bank in Sri-Lanka. Study employ returns on share to establish the shareholder value while Loans to deposits ratio, Capitals adequacy ratios (CAR) and none performing loans ratios (NPLR) have been use as the indicator of the credits risks managements of the bank. The conclusions disclose that credit risk management has a important negative effect on shareholder value in each and every eight bank. Along with the three credit risk management indicator, NPLR and CAR has the mainly significant negative effect on the shareholders return. Loans to deposit ratio and ROS has positive and significant association guide to increase the shareholder value.

Nyiramaharo and Shoshina (2001) offered her a common manner how shareholders values are shaped, while a conditions to the evaluation method being use for shareholders values creations measurements. The experimental component in the paper show so as to even though the company in this paper enclose implement lots of traditions to generate shareholders values, slight attempt is being prepared to calculate it from the time when the greater part of them are stills employ the customary bookkeeping procedures. The reason used for this might be conservatisms and require of demands from both the stocks markets and shareholder. They suggested company to employ "value based method" when measure shareholders values creations, because they are extra consistent.

Fernandez (2001) analyze 582 companies in America as well as use figures seeing as economics values added, markets values added, net operating earnings after tax, and weighted average costs of capitals obtained as of S Stewarts and search to this, if monetary values added and cash values added compute values creations for shareholders. It be considered in support of every of the 582 corporation, the association between increase market values added for every years and economics values added, net operating earnings later than tax and weighted average costs of capitals for each one years in the most recent 10 year. He accomplished that amongst 582 corporations, for 296 businesses the association among rising markets values added annually and net operating earnings later than tax is additional than the relationship among rising markets values added and economics values added. Here are 210 businesses which clutch negatively association by economics values added and then the relationship among the shareholders returns throughout 1994 to 1998 and come to pass of cash values added since 100 money-making corporations be 1.1%.

Fernandiz (2001) identify as well as analyze shareholders values creations. To assist us enhanced be aware of this thought, he employ the instance of a scheduled companies, General Electric, flanked by 1991 and 1999. He accomplished to facilitate in organize to get the formed shareholders values, primary it should be define the boost of equity markets values, the shareholder values added, the shareholders returns, and the required returns to equity. He also calculate the shaped shareholders values of 142 American company throughout the three years' time 1997 to 1999 and throughout the eight years time 1992 to 1999.

Harmsen and Jensen (2004) conduct a research at the ending of which they establish a association among markets demands and business capability. The technique be base on the thought of executive cognitions. through utilization of two method, 27 character of the marketplace and 28 companies 'capability be determine and after that, by a cognitive re-display method, by major manufacturing informer, connected to business proficiency, which exaggerated values creations in the markets.

Hejazi and Maleki (2007) paying attention procedures on which here might be appreciated shareholder wealth. They analyze the relationship among cash values

added and price to earnings ratios to prospect returns on stocks of 85 businesses in Tehran Stocks Exchanges throughout 2005 to 2007. The outcome of research indicate that instructive perspective prices to earnings ratios is high than cash values added related to future returns.

Haque et al. (2013) made an challenge to examine the association among dividends payouts and Economics Values Added (EVA), a sign to shareholder wealth creations, introduce through United State base consultant S Stewarts and corporation, New York's, in 1990s, use figures of Square Pharmaceuticals Limited (SPL), solitary of the major pharmaceuticals company in Bangladesh, in support of the period 2004-05 to 2010-11. The study accomplished with the aim of here is an opposite association between dividends payouts and EVA, using the simple regression equation method, and also suggested that SPL should maintain the accessible dividends strategy of retains huge part of earning relatively than higher payouts ratios.

Mistry et al. (2013) considered the association among Shareholders values, that is residuals incomes measure and financials variable, which is residuals incomes component, conventional values measures and cash flows measure. According to the consequences of the corporation, the greater part of the chosen variable for the research be different significant amongst chosen pharmaceuticals company, apart from conventional values measure, that is, price to earnings ratios. The research initiate that shareholder values can be predict by the preferred financials variable.

Bhadeshiya B Hardik. (2015) In his study an effort was made to examine the relationship between the accounting profitability procedures and shareholder value measure for measuring the financial performance of chosen private sector banks of India. And recommend that there is significant positive relationship between EVA & EPS.

Aghababaei et al., (2013) in his article explain, total loans and advance ratio is a superior indicator to determine the credit risk which belongings on shareholder value. He has investigated the cause of credits risks indicator on shareholder values of commercials bank in IRAN by by means of six listed commercial banks from 2005 to 2010. In this study, researchers have used ROE (net profit before tax to the equity) as the shareholder value indicator but as per the researcher.

Arif, et al., (2012) give details of the objective is to estimate the impact of credit risk on shareholder wealth, which is calculated by ROE (return on equity) and ROS (return on shares). The study restrictions itself to the banking system of Pakistan. The fallout of this study disclose that credit risk do not have a significant relationship with the shareholder value in Pakistani banking system. The results confirm that banks relying seriously on interest income may face a reduction in their ROE but ROS may practice an increase loan loss provision (LLP) has a negative relationship with ROE, high CAR help the banks to increase their ROE, and the outcome disclose that investors are giving preference to the banks having large advances in their portfolio. LLP has a

positive association with ROS, The advances are positively associated with ROS, CAR acquaintances negatively with ROS.

Damagum Y. M. et al.(2015) base on the conclusion and revelation, the research has endow with approaching interested in the forecaster variable that contain significant impacts in explanation the creations of shareholders values that here is a important positive connection among the shareholder value with the dividend payment and size and not significant relationship with performing loan and age.

Kumar B.Rajesh (2015) his study supported on a example of 61 UAE scheduled companies examine the determinant of values creations. He find out size, earnings to price, leverage as a positively associated to value creation.

Akani et al., (2016) conclusion show that capital structure is significant to the commercial banks and determine the shareholder value. It also confirm that capital structure exaggerated more on Return on Investment than Equity prices and Earnings per share, therefore capital structure have significant positive association with shareholder value of commercial banks in Nigeria.

Pooja & Abhay (2015) suggested that shareholder values creations in Indian corporation as calculated by EVA as well as taken dividend and capital structure as independent variable and EVA as dependent variable. The study discloses that both Dividend and Capital structure have positive influence on the Shareholder Value Creation.

Oladele (2013) try to find to recognize the determinant of value creation in the Nigerian banking sector. It was originated that profitability and dividend strategy have important positive relationship through the creations of shareholders values whereas provide confirmation that financial policy is an irrelevant factor.

Fiordelisi (2007) presented an innovative appraises of shareholders performance, wherever banks produce the utmost promising Economic Value Added is defined as "shareholder value efficient" these study characteristically center on the association among shareholders values and immediately solitary sort of bank specific determinants (i.e. bank efficiencies), however do not state a great deal regarding additional factor that might manipulate shareholders return (such as banks size, customers satisfactions, employees satisfactions, financials structures, banks nature and operationals and credits risks).

Gounder & Venkateshwarlu (2017) select Market value added (MVA) as the dependent variable which is the pointer of shareholders values plus Earning Per Share (EPS), dividend Per Share (DPS), Return on equity (ROE), Economic Value added (EVA) be the independent variables judgment show that In folder of privates sectors bank EVA has negatively important relations while in Publics sector generally it have positive important relations with MVAs.

Thomas Korankye (2013), the outcome of the study demonstrates that leverages, dividends policies, and returns on equities correspondingly are significant positively determinant of shareholders values. This make known that boost (or reduce) in leverages, dividends payouts and profitability correspondingly enhance (or attenuate) the value of shareholder. The outcome also discloses that banks size is a important determinants of shareholders values, however it is negative connected to the later. In conclusion this dissertation is motivated by all the above consideration. The endeavor is to expand the literature through investigating the effect of China Pakistan Economic Corridor on Pakistan banks shareholder value creation by analyzing through its determinants form 2012-2016.

The present literature on shareholder value creation and its determinate in banks comes into a lime light and fairly inadequate. More specifically in the context of Pakistan, the "shareholder value creation" logic has seldom griped the interest of financial researcher. This research paper is an attempt to empirically examine the aspects of shareholder's values creations of commercial banks in Pakistan since 2012 to 2016. The other important feature of this study is capturing the impact of CPEC policy on shareholder value creation in the financial sector of Pakistan.

Research Objectives

Keeping in view the above literature gap and the policy analysis of CPEC, following are the main objectives of this research paper:

To recognize the dynamics, determining shareholders' value creation.

To scrutinize the effect of CPEC policy on shareholders' value creation.

Study Significance

The well administered financial organization is an imperious feature in the county's development. It makes possible financial transactions and developed friendly environment for investors. The ability of the banking institution to generate and exploit shareholders value has been a huge concern these days. This study will be

Supportive for Government to know about the effect of CPEC on financial institutions of Pakistan and its contribution towards economy.

This paper provides a fundamental platform to investors to analyze the financial sector of Pakistan in terms of its present positions, income and abilities which leads to value addition and subsequently affects the shareholder wealth.

Theoretical Framework & Reaserch Methodology

The theoretical model of this research is based on previous research by Kumar B.Rajesh (2015), Pooja & Abhay (2015), Korankye (2013) and Adusei (2011). The effect of market to book value i.e. shareholder wealth, on leverage, return on equity, dividend payout is analyzed in this research study. The effect of CPEC policy on the shareholder value creation has been analyzed by the use of logit model. The binary

logit model is predominantly recognized for the assessment of the economic policies and decision science.

The prime focus of this research study is on the financial institutions of Pakistan. There are 54 banks that comprise of 05 public sector banks, 17 private bank, 05 islamic bank, 08 developmental financials institution, 05 foreign bank, 10 micro finance banks and 04 specialized banks. (Pakistan and Gulf economists, 2016). This study comprises of twenty one (21) listed commercial banks of Pakistan which are listed on Pakistan Stock Exchange (PSX). The selected sample comprises of sixteen (16) private sector banks, three (03) public sector bank and two (02) Islamic banks. Quarterly data of these financial institutions are taken for the period of five years i.e. (2012- 2016).

Econometric Model

The following econometric models for are incorporated for the achievement of study objectives. The first study objectives that identifies the dynamics of shareholder wealth has been estimated by the panel data analysis. The general form of the model is given as:

$$y_{it} = \alpha + \beta_1 x_{1it} + \beta_2 x_{2it} + \beta_3 x_{3it} + \dots + \beta_K x_{Kit} + \epsilon_{it}$$

whereas y_i is the dependent variable of Market to Book ratio and x_i 's represents the independent variable of leverage, return on equity, firm size, dividend payout and the dummy variable for CPEC.

where i represent the cross-sectional dimension of the data which signifies Banks ($i=1-21$).

where t represent the time series measurement of the data which signified time period ($t=2012-2016$).

Binary logistic regression estimates the probability that CPEC policy is effective for shareholder wealth and financial institutions profitability. The predictor variable X_{it} gives the impact on CPEC policy. (Fiordelisi & Molyneux, 2007)

Let Y be a binary response variable

$Y_{it} = 1$ if the set attribute is present in observation (i.e. in the years of CPEC agreement) i

$Y_{it} = 0$ if the attribute is NOT present in observation i

$X = (X_1, X_2, \dots, X_k)$ are set of explanatory variables x_i is the observed value of the explanatory variables for observation i .

The mode in its general form is given below:

$$\Pi_i = \Pr(Y_i = 1 | X_i = x_i) = \exp(\beta_0 + \beta_1 x_i) / (1 + \exp(\beta_0 + \beta_1 x_i)) \quad \text{or,}$$

$$\logit(\pi_i) = \log(\pi_i / (1 - \pi_i)) = \beta_0 + \beta_1 x_i = \beta_0 + \beta_1 x_{i1} + \dots + \beta_k x_{ik}$$

Results and Discussion

The research study after the analysis of the various econometric models give rise to various results shown in the table section of this paper.

Table. No.1 shows the results of the CPEC policy analysis through the logistic model. The results signifies the negative effect on shareholders wealth. The probable explanation might be the lack of cliental trust on the government in taking the CPEC policy initiative, which results in the inverse relationship. It shows the lack of local financial institutions competencies and streamlining the foreign investment strategies in dealing with CPEC. Meanwhile, return on equity shows highly significant impact in the presence of CPEC agreement. It means that financial institution equity grows along with the maturation of CPEC policy. This indicates the increase in the bank's deposits due to FDI. It Return on Equity (ROE): Returns on equity is defined as the total of [net incomes](#) returned as a percentage of shareholder equity. These ratios evaluate companies' profitability by illuminating how much profit a company earns with the amount invested by shareholders. (Korankye, 2013)

Table No. 2 shows the various determinants of shareholder wealth. The analysis of the model shows mixed results i.e. both positive and negative. The proxy for estimating shareholder wealth is given by market to book ratio. It computes the value of a business by judging them against the market values of a company to its book values. The firm's book values are computed by its [historical cost](#) or accounting values. Market values is calculated in the stocks markets by [markets capitalizations](#). (Kumar B. Rajesh 2015). The higher the MVBV ratio the higher the market worth of the firm or vice versa. The results of the second model also shows negative relationship i.e. the smaller value of shareholder wealth. It means, high book value, but low in market standing.

This table indications the significance of firm size. The greater the size of the firm the stronger will be the impact of CPEC on it. It means high accounting firms attract significant cliental from the Chinese investment. These reminded us "bigger the better" belief which communicate a positive relationship between bank size and value creation (Asogwa, 2009, Damagum.Y M et al, 2015). This confirms that bigger size does essentially decode into creating wealth for shareholder of these banks and hence we accept our hypothesis here.

Conclusion and Recomendation

The Banking Sector is backbone of modern trade and commerce which provides major source of finance to the industries. The increasing phenomenon of globalization and regional connectivity has increased the importance of financial sector across the world. The financial system of Pakistan is dominated by the commercial bank which plays a pivotal responsibility in country's economic activities such as China-Pakistan Economic Corridor (CPEC).at present, the commerce world is going towards superior transparency and greater corporate governance system. For bank value creation is a

function of recognizing and managing value driver which have the furthestmost impact on value creation. Analysis of value creation is an imperative instrument in financial analysis. Those businesses which build long term value in conditions of shareholder wealth are predictable to create value for every stakeholder. From the perception of economist, value is shaped when revenue surpass the entire cost. Value is formed when organization produce revenue in excess of its economic costs. In a nutshell, the study investigates statistically significant negative relationship between shareholder value and CPEC. The other discloser form the analysis affirms the positive relationship of firm size with shareholder equity. These results shows supports the economies of scale for financial institutions with the influx of Chinese investment. The positive significant association between CPEC and return on equity depicts the huge influx of foreign investments through banks. Banks are capable of exploiting its resources at the full but the deficiency in long-term investment strategies and survival stratagems, might descend the financial sector of Pakistan toward diseconomies. The overall conclusion drawn from this research affirms that the long-term impact of CPEC must be ripen to its full extent, through proper well-planned strategies, improving shareholder credence and business executive confidence.

Based on the conclusion above, government strategy or program should be expected at improving or creating shareholder value through the upgrading of profitability in the Pakistan banking industry. Thus, strategies maker and business regulator and practitioners should give confidence the chase of the profitability objective and do additional to put up the policy around other performance development indices in addition to profitability. On these bases, government should pursue Pakistan financial institutions to emphasize on the development and implementation of sound dividend policies. Secondly, individual banks should identify the ways for the creation of value for their shareholders. Thirdly, industry regulator and practitioners should articulate expansion policies and get deeper understanding of the non-securities arm of the capital market, for future confidence building in economical borrowing on long-term basis. Lastly, prospect policy be supposed to spotlight on the strategy that support expansion, performance development and long-term economic objectives.

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