

# Banking and finance essay sample

[Finance](#), [Banks](#)



We think if any of us honestly reflects on who we are, how we got here, what we think we might do well, and so forth, we discover a debt to others that spans written history. We believe it's appropriate to acknowledge all of the persons, who helped us during our project and provide us useful information accordingly.

First of all, we are thankful to Almighty Allah, who has given us the strength, knowledge and perseverance to complete this project successfully. We also want to thanks to our parents, who really work hard for us. Their dedication to our lives makes us capable to perform our work better.

I am also thankful to my Sir Abid Nawaz Ghorri who provided me the help and when and where needed.

Executive Summary Banking Sector is the most important sector of any Country because all of transaction, are depending on it. Our Country Pakistan is also focus on it, it has almost many branches install in Pakistan. In the Current financial Year this sector facing recession or loss due to less in trade of Export. Before the this year This industry are in profit due to Export because the raw material and other manufacturing cost are less but now a days this costs are increase but export rate are not increase in this year that is why the industry is going to Loss except few My finding and result providing help to the government and the said companies for improving from recession to boom and these results is base on the financial analysis of the said companies of financial reports

Banking System

Banking services are extremely important for both economy developed and developing economy such as Pakistan. Banking services serve two primary purposes. First, by supplying customers with the basic mediums-of-exchange (cash, current accounts, and credit cards), banks play a key role in the way goods and services are purchased. Without these familiar methods of payment, goods could only be exchanged by barter (trading one good for another), which is extremely time-consuming and inefficient.

Second, by accepting money deposits from savers and then lending the money to borrowers, banks encourage the flow of money to productive use and investments. This in turn allows the economy to grow. Without this flow, savings would sit idle in someone's safe or pocket, money would not be available to borrow, people would not be able to purchase cars or houses, and businesses would not be able to build the new factories the economy needs to produce more goods and grow. Enabling the flow of money from savers to investors is called financial intermediation, and it is extremely important for the growth of economy.

Benefits of banking for economy The deposit and loan services provided by banks benefit an economy in many ways. First, Current account, because they act like cash, make it much easier to buy goods and services and therefore help both consumers and businesses, who would find it inconvenient to carry or send through the mail huge amounts of cash. Second, loans enable consumers to improve their standard of living by borrowing money to purchase cars, houses, and other expensive consumer goods that they otherwise could not afford.

Third, loans help businesses finance plant expansion and production of new goods, and therefore increase employment and economic growth. Finally, since banks want loans repaid, banks choose borrowers carefully and monitor performance of a company's managers very closely. This helps ensure that only the best projects get financed and that companies are run efficiently. This creates a healthy, efficient economy. In addition, since the owners (stockholders) of a company receiving a loan want their company to be profitable and managed efficiently, bankers act as surrogate monitors for stockholders who cannot be present on a regular basis to watch the company's managers.

After the emerging of Pakistan our entire Banking System collapsed because Hindus who migrated to India owned most of the banks in Pakistan. Pakistan received only 631 branches of scheduled Banks out of 3496. Immediately after the birth of Pakistan the numbers reduced to 231 branches due to shut down of banks in Pakistan by the Hindu owners. Realizing the necessity of Banks, attention was soon given to this sector in Pakistan. In 1947, in Pakistan there is only two Muslim Banks, namely, Habib Bank Limited, Australasia. State Bank of Pakistan was set up in 1st July 1948. In 1948 another banks was made by the Government to fulfill the needs of consumer banking.

In 1957 PICIC was established. In 1959-60 four banks were established namely, United Bank, Commerce Bank, Standard Bank, And Eastern Mercantile Bank. In late 1960's some foreign banks started financial services. In 1971 local private banks were nationalized. Till the end of 1980s,

Pakistan's banking sector was heavily regulated in most of the areas of activities. The regulated and nationalized banking system created an industry structure where competition was unknown to management of the banks. Forced by the structural reforms agenda and the desire to strengthen its financial system, Pakistan moved towards liberalization and financial sector deregulation in 1990.

It started with the privatisation of state-owned commercial banks and induction of new ones from private sector to establish a market-based banking system. The government seems to be conscious about improving the efficiency of banking sector in Pakistan. Few considerable efforts have been made in this regard which include enhanced capital adequacy, strengthening asset quality, improving management and increasing earnings. Furthermore, interest rate deregulation, abolition of credit controls and further developments in capital market have also led towards a more competitive banking environment.

The market for banks is diverse in Pakistan comprising nationalized commercial banks (NCBs), Private banks and foreign banks. In 1993, there were 33 commercial banks in Pakistan 14 being local and 19 foreign. By the end of 2009, the number of banks has increased to 43, 24 being local and 19 as foreign<sup>2</sup>. The deregulated and increasingly competitive environment poses a challenge in terms of efficiency, as the most efficient banks would survive while the less efficient will be driven out of the market During early 1990's government encouraged private sector to enter in the banking sector. The Government including Muslim Commercial Bank (MCB), Allied Bank

Limited (ABL), United Bank Limited (UBL), National Bank of Pakistan (NBP) and Habib Bank Limited (HBL) has privatized all nationalized commercial banks.