



## Determinants of Capital Adequacy in Private Banks of Pakistan

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### Abstract:

The objective of this research was to analyze the factors that affect the capital adequacy ratio in private commercial banks through quantitative research. Data has directly taken to the sample of twelve commercial banks from financial statement analysis of state bank of Pakistan 2006-2015 and software STATA is used. In this research panel data regression is used and analyzed relationships among bank specific variables as independent variable such as profitability, efficiency, liquidity, size, asset quality, management quality, and net interest margin. For dependent variable capital adequacy ratio is used. Pooled, Fixed, and Random Effect Regression have analyzed for this research. F-test, Breusch Pagan and Hausman tests are used to evaluate the most consistent results. Literature suggested that when deposits increases, banks can be able to protect them from insolvency and should become more regulated and controlled to guarantee the depositors' rights. Moreover, It was found in literature that there is a significant and positive relationship between capital adequacy requirement and profitability same as with liquidity. The findings of this study show that efficiency, size and net interest margin which enjoy positive relationship with capital adequacy ratio but other variables such as profitability, liquidity, asset quality and management quality have negative relationship with capital adequacy.

### Biography

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### Publication of speakers:

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3. Al-Tamimi, K. A. M., & Obeidat, S. F. (2013). Determinants of Capital Adequacy in Commercial Banks of Jordan an Empirical Study. *International Journal of Academic Research in Economics and Management Sciences*, 2(4), 44-58. <https://doi.org/10.6007/IJAREMS/v2-i4/53>
4. Workneh, B. (2014). Determinants of capital adequacy ratio of commercial banks in Ethiopia.

### Webinar on Business Management Accounting and Marketing

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