



Foundation University Journal of Business & Economics

FUJBE

ISSN-P: 2414-4770

ISSN-E: 2519-0172

Vol. 5, No. 1

February 2020

**Foundation University Journal
of Business & Economics**

✉ fujbe@fui.edu.pk

🌐 <http://fujbe.edu.pk>

☎ +92-51-5152266

FUJBE

Foundation University Journal of Business and Economics

VOL. 2, No.2, August 2017

ISSN: 2414-4770

◆ PATRON IN CHIEF

President, Foundation University Islamabad, Pakistan

◆ PATRON

Rector, Foundation University Islamabad, Pakistan

◆ EDITORIAL BOARD

Dr. Abdul Ghafoor

(prorector@fui.edu.pk)

Pro-Rector/Director Campus,

Foundation University Rawalpindi Campus (FURC), Pakistan

Dr. Shagufta Akhtar

(shaguftaakhtar@fui.edu.pk)

Director ORIC, Foundation University Islamabad, Pakistan

Dr. Ajmal Waheed

(ajmal.waheed@fui.edu.pk)

A/DEAN, Faculty of Management Sciences,

Foundation University Rawalpindi Campus (FURC), Pakistan

Dr. S. M. Ali Tirmizi

(dr.alitirmizi@fui.edu.pk)

A/HOD, Business Administration,

Foundation University Rawalpindi Campus (FURC), Pakistan

Dr. Qaisar Ali Malik

(qamalik@gmail.com)

HOD, Economics and Finance, F

oundation University Rawalpindi Campus (FURC), Pakistan

Dr. Nazima Ellahi

(nazima.ellahi@fui.edu.pk)

Assistant Professor, Management Sciences,

Foundation University Rawalpindi Campus (FURC), Pakistan

Dr. Muhammad Awais

(m.awais@fui.edu.pk)

Assistant Professor - Management Sciences, Secretary & Editor – FUJBE,

Foundation University Rawalpindi Campus (FURC), Pakistan

ADVISORY BOARD



LOCAL

- ◆ **Dr. Bakhtiar Ali**
(alibakhtiar@gmail.com)
Professor, Bahria University Islamabad, Pakistan
- ◆ **Dr. Amir Gulzar**
(amirgulzar@hotmail.com)
Associate Professor, Management Sciences,
Foundation University Rawalpindi Campus
(FURC), Pakistan
- ◆ **Dr. Shahab Aziz**
(shahabaziz7@hotmail.com)
Assistant Professor, Bahria University Islamabad
- ◆ **Dr. Bodla**
(director.fusc@fui.edu.pk, director.skt@fui.edu.pk)
Director, Foundation University Sialkot Campus
- ◆ **Dr. Attiya Yasmin**
(attiyajavid@pide.org.pk)
Professor, Pakistan Institute of Development
Economics (PIDE), Islamabad, Pakistan
- ◆ **Dr. Saif Ur Rehman**
(dr.saif.rehman@fui.edu.pk)
HOD, Management Sciences, Foundation
University Sialkot Campus (FUSC), Pakistan
- ◆ **Dr. Khurram Shahzad**
(khurram.shahzad@riphah.edu.pk)
Dean, Riphah International University, Rawalpindi
Campus
- ◆ **Dr. Umar Safdar**
(umarkiani@gmail.com)
Assistant Professor, School of Business
Administration, National College of Business
Administration & Economics (NCBA&E)
- ◆ **Dr. Farrukh Jaleel**
(fjaleel.buic@bahria.edu.pk)
Senior Assistant Professor, Bahria University
Islamabad
- ◆ **Dr. Imran Ghafoor Chaudhary**
(dr.imran@comsats.net.pk)
GM Admin, CIS-COMSATS, Islamabad, Pakistan

FOREIGNER

- ◆ **Dr. James Estes**
(jimestes@csusb.edu)
Professor Department of Accounting & Finance,
California State University, San Bernardino, USA
- ◆ **Dr. Ali Ahsan**
(al_ahsan1@yahoo.com)
Professor, Torrens University, Adelaide, Australia
- ◆ **Dr. Tugrul U Daim**
(ji2td@pdx.edu)
Professor and Director of Technology Management
Doctoral Program, Department of Engineering and
Technology Management Portland State University,
Portland, USA
- ◆ **Prof. Dr. Zaffar Mueen Nasar**
(zfrnasir@gmail.com)
Dean, College of Business, University of Modern
Sciences, Al-Twar-3 Dubai, United Arab Emirates
- ◆ **Dr. Amira Khattak**
(akhattak@psu.edu.sa)
Associate Chair Marketing
Department of Marketing
Prince Sultan University, Riyadh, KSA
- ◆ **Dr. Omar Khalid Bhatti**
(omer.bhatti@iqraisb.edu.pk)
Associate Professor, Istanbul Medipol University,
Turkey
- ◆ **Dr. Habib Hussain Khan**
(habib.suduzai@gmail.com)
Assistant Professor
Department of Economics & Finance
College of Business Administration
University of Hail, Saudi Arabia
- ◆ **Dr. Maizaitulaidawati Md Husin**
(maizaitulaidawati@ibsutm.my)
Senior Lecturer & IT Manager,
UTM International Business School, Universiti
Teknologi Kuala Lumpur, Malaysia
- ◆ **Dr. Muhammad Wasim Bhatti**
(mwasim_bhatti@yahoo.com)
Development Lead, Telstra Health, Australia
Lecturer, Torrens University, Adelaide, Australia
- ◆ **Dr. Abdul Ghafoor**
(abdul.ghafoor1@monash.edu)
Lecturer – Finance
Monash University, Malaysia
- ◆ **Dr. Hamid Waqas**
(hwaqas@wiut.uz / hamid_wqs@hotmail.com)
Senior lecturer - Department of Finance
Westminster International University, Tashkent (WIUT)



SECRETARY OF THE JOURNAL

- ◆ **Dr. Muhammad Awais**
Assistant Professor, Department of Economics & Finance,
Foundation University Islamabad, Rawalpindi Campus (FURC), Pakistan

EDITORIAL BOARD

Chief Editor

- ◆ **Dr. Ajmal Waheed**
Dean, Management Sciences,
Foundation University Rawalpindi Campus (FURC), Pakistan

Editor

- ◆ **Dr. Muhammad Awais**
Assistant Professor, Foundation University Islamabad,
Rawalpindi Campus (FURC), Pakistan
- ◆ **Dr. Nazima Ellahi**
HOD, Economics & Finance, Foundation University Islamabad,
Rawalpindi Campus (FURC), Pakistan

Assistant Editors

- ◆ **Dr. Shahbaz Khan**
Assistant Professor, Foundation University Islamabad,
Rawalpindi Campus (FURC), Pakistan
- ◆ **Mr. Iftikhar Hussain**
Senior Lecturer, Foundation University Rawalpindi Campus (FURC), Pakistan

Online Submission available at:
<http://fujbe.fui.edu.pk/fujbe@fui.edu.pk>

Table of Contents

| | | |
|----|---|----|
| 01 | Conflict Management Strategies and Organizational Performance in Banking Sector of Pakistan Adeel Akhtar, Aroosa Khan, Shakil Akhtar, Muhammad Shafiq & Rabia Tanveer | 01 |
| 02 | Impact of Digitization on Consumer Buying Behavior with Respect to Consumer Demographic Factors Ameer Ahmed ^{a1} & Noor Ul Hadi ^b | 15 |
| 03 | The role and analysis of Microfinance Banks in Pakistan Osama Iftikhar Kiani, Muhammad Awais, Waqas Ahmed, Muhammad Shafiq & Imran Bashir Dar | 31 |

Conflict Management Strategies and Organizational Performance in Banking Sector of Pakistan

Adeel Akhtar

Department of Commerce, Bahauddin Zakariya University, Multan, Pakistan
adeel.akhtar@bzu.edu.pk

Aroosa Khan

Institute of Banking and Finance, Bahauddin Zakariya University, Multan, Pakistan
aroosa54@gmail.com

Shakil Akhtar

Department of Political Science, The Islamia University of Bahawalpur, Pakistan
shakil08@hotmail.com

Muhammad Shafiq

Phd (Logistics & Supply Chain), Naresuan University, Thailand
muhammads59@email.nu.ac.th
&

Rabia Tanveer

Institute of Banking and Finance,
Bahauddin Zakariya University, Multan, Pakistan
rabia_tanveer77@yahoo.com

Abstract

This research was aimed to identify the major factors causing conflict and to study the relationship between conflict management strategies and organizational performance considering financial sector of Southern Punjab, Pakistan. Data collection was done through a self-administered questionnaire from a sample of 100 respondents. Statistical Package for Social Sciences (SPSS) version 16 was used for the data analysis. In order to study the relationship between conflict management strategies and organizational performance regression analysis was performed. The study reflects that key causes of conflict are related to way of expression and communication between management and employees. It was found that a statistically significant and positive relationship exists between conflict management strategies and organizational performance. Study findings will be helpful for the managers and HR decision makers to facilitate the organizational performance through better implementation of conflict management strategies.

Key Words: Conflict; Conflict management strategies; Performance; Pakistan

Introduction

Organizations employ people who have to coordinate and work in harmony with each other in order to achieve the desired aims and objectives. Employees seek guidelines from managers as team members to establish good working relations. No doubt these people are also part of the society where conflicts are likely to occur at home as well as at their workplaces. In many cases these conflicts are obvious and unavoidable. So team members, competitors and organizations have to face conflicts while carrying out their daily operations.

Conflict occurs when there is opposition in attitude and behavior which takes place between managers and working people and also among groups. It means that people of different attitudes have to face conflicts in the professional environment. The conflict is basically a disagreement which may arise due to some factors such as anger, mistrust, personality clashes and biased policies of institutions.

Cooperation and mutual collaboration are also important aspects required both at work place and in daily life of individuals for accomplishment of their task to carry out their activities in a steady, secure and stable environment. But it does not mean that we consider conflict as bad whereas cooperation as a good component because they both exist together and are part of our daily life. Conflict is likely to occur at workplace because organization has many goals to achieve through different people and they all do not have similar thoughts and approaches. If conflict does not take place then this means that the organization does not prefer improvement, perfection, innovation and novelty in its operations and favors strict adherence to its system without flexibility and softness resulting in an unfavorable environment created hindrance in the development and sustainability of the firm.

For managing conflict in an effective way it is essential that it should be identified first and someone has to get involved to resolve it. Conflicts occurring in an organizational environment cannot be permanently removed, rather they require management to improve the organization's learning process and its activities. During the process of conflict management managers have to take decisions mutually beneficial for employees, firm and its stakeholders (Rahim, 2002).

Neskertin and Porterfield (2016) are of the view that managing and handling conflict increases support of the team members within the organization. This ultimately affects the performance in a positive way.

At workplace it may be difficult to completely avoid conflicts, but what we can do is to manage them effectively by recognizing them and providing timely solution. Conflicts can influence the functioning of the organization so it would be beneficial to manage them as early as possible. So the basic purpose to manage conflict would be to reach the point where organizational performance is maximized.

According to Opute (2014) managers have to be vigilant in the sense that they come up with the best possible solution that satisfies both the conflicting parties. So that organizational performance is not affected and there are no unfavorable outcomes that may hinder the productivity. Chen, Zhao, Liu and Wu (2012) posit that learning to manage conflict is an important job requirement and managers have the responsibility to arrange training sessions so that employees can learn skills to effectively manage conflicts. Employees become satisfied with their jobs and their performance improves with the help of various methods used to manage conflicts.

Conflict is considered as social problem and within the organization it may exist in various types. It may have a positive or negative or both type of effect on the performance of the organization. Pawlak (1998) argues that research on conflict, play a significant role in all types of public and private organizations. When conflicts are not managed well within an organization then this may adversely cause tensions, stress, clashes and other forms of unpleasant social strains and disagreements. The conflict between individuals and groups of people influence the performance of the organization negatively and unconstructively. So, it is important to study the potential causes of disagreement, divergence and collisions at workplace with a perspective to determine their impact on performance and highlight the effective strategies to manage such conflicts. Hence, this study is aimed to determine the relationship between conflict management strategies and organizational performance.

2. Literature Review

In organizations, difference in opinion is an everyday phenomenon due to multiple approaches and thoughts by individuals and parties. Whenever two individuals opine in different ways, a conflict arises. They think in different styles and behavior, hence clash in opinion and definite disagreement gives beginning to conflict. Simply conflict is difference between thoughts as well as understanding between two persons or group of persons. The etymology of conflict can be traced back to the Latin word *conflicyus* meaning trouble between two or more human beings. According to Balawi (2005) a conflict among people is a disagreement, friction, or dispute. Keeping insight enormous activities of organizations, conflicts have gained importance for making correct decisions. A number of definitions of conflict are available in literature. According to Schramm-Nielsen (2002) conflict is a state of grave contradiction in argument over a matter considered indispensable by at least one person or group involved. Both parties having conflict are clearly identified in case of industrial conflicts. Azamosa (2004) notes that industrial conflicts include all types of dealings having disagreement between owners, administrators, and workers. Dzurgba (2006) emphasized the social aspect of conflict and treated it as serious problem for the functionality of social groups. Baron (1984), Fisher (1993) and Papa & Pood (1988) believed that it is almost impossible to avoid conflict in its entirety because it is a continual part of the organizational sustainability and growth.

The conflicts have been categorized as functional and non-functional by Robbins (2000). Functional conflicts are positive which support achievement of organizational targets and improve working efficiency. On the other hand, conflicts of negative nature cause hurdles in accomplishing goals, hence considered as destructive or dysfunctional. It is rather complicated to assess exact estimation of conflicts with regard to functionality or dysfunctionality. The same conflict may reflect same importance through time but it may not have same meaning for opposite party in a conflict.

Who are responsible for conflicts? Generally conflicts in an organization are originated because of difference in personalities, unequal values, indistinguishable and overlapping duties, limited resources, flaws in communication processes, interdependence of employees to perform their duties, complexity in organizational arrangements, impractical/blurred regulations and values, unfeasible targets, combined verdicts where multiple people participate in decision-making, consensus decision-making while consensus can only be achieved only after resolution of existing conflicts, out of reach demands of the employees having impractical hopes with regard to their work and working environment, compensation, and possibilities for promotion, unresolved/tacit old conflicts from past, organizational structures making employees helpless, divided and indifferent leaving little incentive for them to exhibit professional cooperation and excellence, weaker communication channels where people are unable to express their issues in order to convey underlying factors of conflict, personality based conflicts which emerge due to varying styles of dealing or contradictory values or beliefs, in an environment where continuous change within the organization is not managed effectively. Consequently, this may cause fears and insecurity of employees. Such depression then leads to disappointment, displeasure and strain which in turn affect the social relations at work place. Absence of team spirit or poor efficiency at work may also be another cause of conflict especially if team members believe that other colleagues are unable to perform their duties in an appropriate and desired manner or lack competence to carry out their assigned tasks.

Various sources of organizational conflicts with different characteristics are shown below in figure 1 (Jones and George, 2003).



Figure 1: Various sources of organizational conflicts as categories by Jones and George (2003)

Greenberg & Baron (1997) note that the impacts of the conflict on the organization may be good or bad. Conversely, earlier works written on conflict, such as Wall & Callister (1995), Pondy (1967), Hackman & Morris (1975) and Brown (1983), have emphasized only on the negative effects of conflict. However, the figure 2 based on Jones and George (2003) explains the significance of conflict that is necessary for an organization to enhance its efficiency and effective decision making

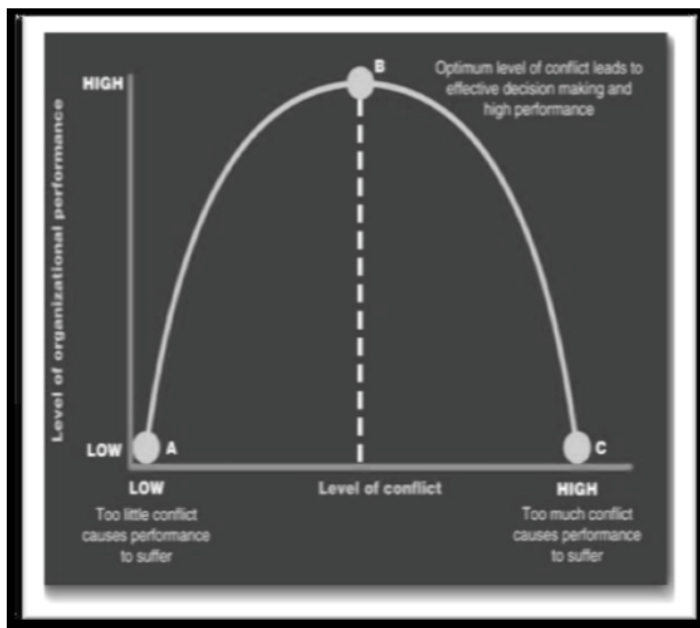


Figure 2: Relation between performance and level of conflict (Jones and George, 2003)

The organizations must do their utmost to achieve a healthy and advantageous level of conflict which enhances the sense of competition and a genuine desire for growth resulting in organizational efficiency and progress. However, lack of conflict or having a very high level of the same may negatively affect the organization, individual employees, and the parties to the conflict. Management is therefore responsible to manage conflicts effectively to attain increase in organizational performance through good communication, time supervision, and good collaboration.

Conflict management is a systematic approach to resolve conflicts to maximum extent by all means. It involves developing expertise in conflict resolution, awareness about conflict modes and sources, communication skills, and establishing a structure for conflict management. Conflict management may include interventions designed to reduce a conflict or in some cases, to increase insufficient conflict. It requires managers to develop and implement plans, strategies, and policies to ensure effective resolution of conflicts.

According to conflict management theories a healthy conflict management system should put together the internal sub-system with the higher level of the organizational chain of command and provide a four-way process which includes appraisal, inquiry, the design, realization and evaluation which facilitates reaching an effective conflict resolution or management decision (Ford, 2007). Thomas and Schmidt (1976) note that usually managers spend an estimated 1/4th of their time in conflict management which is equally important to strategic scheduling, budgeting, or decision making. Conflicts managed without skill and expertise may cause an undesirable consequence causing harm to the organization.

Exercising accurate and appropriate strategies for managing the adverse situations results into successful and effective conflict management. However, the suggestions are not equally effective for every organization under similar situations. Rahim (2002), Hocker and Wilmot (1991) and Axelrod (1984) stated that the best conflict management strategy is correlated with prevalent conditions and organizational strong points to satisfy demands. Therefore, when managers choose conflict management strategies, they must consider relevant conditions both inside and outside of their organization which is known as contingency (situational) conflict management.

It is prevalent that conflict management is an effective way for improving organizational performance (e.g. Amirkhani et al., 2016; Longe, 2015; Ajike et al., 2015; Agwu, 2013; Mughal & Khan, 2013). Therefore, following hypotheses is proposed:

H0: *Conflict management strategies are not associated with organizational performance.*

H1: *Conflict management strategies are associated with organizational performance.*

3. Methodology

The population of current study is employees of financial sector of south Punjab in Pakistan. The responses have been obtained from employees of large network banks possessing huge deposit base, which include NBP, HBL, MCB, UBL, and south Punjab based microfinance bank NRSP. The sample is drawn via non-probability sampling technique i.e. purposive sampling. The sample size consists of 100 respondents, this sample size is considered as appropriate as Rahman & Hossain (2015), Mughal & Khan (2013) and Hotepo et al. (2010) also used the same.

Self-administered questionnaire is used to collect data from respondents. The questionnaire has been adapted from Agwu (2013) and Obasan (2011). To achieve the research objectives two scales are used:

one is forced choice ranking scale and other is 5 point Likert scale.

The questionnaire consists of two parts: First part collects the information about demographic variables such as age, gender, education, status, income while the second part collects the information about variables of the current study.

Before distributing the questionnaire among the respondents, the purpose of the study and questions were explained to the respondents. 100 respondents filled in the questionnaires. Then responses were coded and entered into SPSS version 16 for further analysis. To determine the relationship between conflict management strategies and organizational performance, regression analysis was used.

4. Results and discussions

4.1 Response rate

As the study has been conducted through self-administered survey and the questionnaires were handed over to responsible educated employees of financial institution willing to fill in the questionnaire within specified time, hence response rate remained 100%.

4.2 Profile of the respondents

Personal data and demographics such as gender, age, income, educational level, category of employment, and experience are presented in Table 1 to Table 6 respectively. Those tables are given below:

Table 1: Gender of Respondents

| Gender | Frequency | Percent | Cumulative Percent |
|--------|-----------|---------|--------------------|
| Male | 73 | 73.0 | 73.0 |
| Female | 27 | 27.0 | 100.0 |
| Total | 100 | 100.0 | |

Table 2: Age of Respondents

| Age | Frequency | Percent | Cumulative Percent |
|----------------|-----------|---------|--------------------|
| 20-25 years | 6 | 6.0 | 6.0 |
| 25-30 years | 13 | 13.0 | 19.0 |
| 30-35 years | 17 | 17.0 | 36.0 |
| 35-40 years | 28 | 28.0 | 64.0 |
| above 40 years | 36 | 36.0 | 100.0 |
| Total | 100 | 100.0 | |

Table 3: Monthly Income of Respondents

| Monthly Income (Pak. Rs.) | Frequency | Percent | Cumulative Percent |
|---------------------------|-----------|---------|--------------------|
| 15000-25000 | 11 | 11.0 | 11.0 |

| | | | |
|-------------|-----|-------|-------|
| 25000-35000 | 11 | 11.0 | 22.0 |
| 35000-45000 | 15 | 15.0 | 37.0 |
| 45000-55000 | 16 | 16.0 | 53.0 |
| above 55000 | 47 | 47.0 | 100.0 |
| Total | 100 | 100.0 | |

Table 4: Education of Respondents

| Qualification | Frequency | Percent | Cumulative Percent |
|---------------|-----------|---------|--------------------|
| Bachelor | 16 | 16.0 | 16.0 |
| Master | 77 | 77.0 | 93.0 |
| MS/ / M.Phil | 7 | 7.0 | 100.0 |
| Total | 100 | 100.0 | |

Table 5: Category of Employment

| Category | Frequency | Percent | Cumulative Percent |
|-----------|-----------|---------|--------------------|
| Executive | 20 | 20.0 | 20.0 |
| Officer | 80 | 80.0 | 100.0 |
| Total | 100 | 100.0 | |

Table 6: Experience of Respondents

| Experience | Frequency | Percent | Cumulative Percent |
|-------------------|-----------|---------|--------------------|
| less than 1 year | 1 | 1.0 | 1.0 |
| 1-2 years | 4 | 4.0 | 5.0 |
| 2-3 years | 10 | 10.0 | 15.0 |
| 3-4 years | 3 | 3.0 | 18.0 |
| 4-5 years | 16 | 16.0 | 34.0 |
| more than 5 years | 66 | 66.0 | 100.0 |
| Total | 100 | 100.0 | |

The data analysis indicates that most of the respondents were male. The percentage of males was 73% whereas females were only 27%. Majority of the respondents were above 40 years and least number of respondents were between 20 to 25 years. Most of the respondents were above 35 years. This also leads

us to an important fact which is that most of the respondent's income was above 55000. A notable majority of respondents had master degree, few had bachelor degree and a very nominal number of respondents had M.Phil degree. 80% of the respondents had officer status in their current financial institution, whereas only 20% had executive status. Majority of respondents (66%) had more than 5 years of experience.

It is good to have more experienced staff which means they are aged. New hiring should also be preferred by the organizations after a short period of time. As such they would be able to hire fresh graduates having fresh ideas who can outperform the old timers and make their career perfect and outstanding.

4.3 Mean and standard deviation

Descriptive statistics such as mean and standard deviation of each item in the questionnaire is calculated and shown below in table 7:

Table 7: Descriptive Statistics

| Statement | N | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|--------|----------------|
| Consulting with workers in order to resolve the conflict | 100 | 1.00 | 5.00 | 3.4100 | 1.05500 |
| Putting machineries in place to address the sources of conflict | 100 | 2.00 | 5.00 | 3.0800 | .73416 |
| Effecting necessary changes in process and procedure management | 100 | 1.00 | 5.00 | 3.4500 | .80873 |
| Putting in place a formal procedure for conflict Prevention so as to avoid future conflict | 100 | 1.00 | 5.00 | 3.3500 | 1.10440 |
| Intimidation of workers | 100 | 2.00 | 5.00 | 3.5700 | .75552 |
| Enforcing strict disciplinary rules on workers | 100 | 1.00 | 5.00 | 3.5400 | .94730 |
| Improved profitability | 100 | 1.00 | 5.00 | 3.4200 | 1.17362 |
| Improved quality of service | 100 | 1.00 | 5.00 | 3.3200 | 1.23812 |
| Better human relations between management and staff | 100 | 1.00 | 5.00 | 3.7100 | 1.13969 |
| Reduced incidence of conflicts | 100 | 1.00 | 5.00 | 3.3600 | .92682 |

| | | | | | |
|--|-----|------|------|--------|---------|
| Less disruptions in bank activities | 100 | 1.00 | 5.00 | 3.5000 | .73168 |
| Less wastages in time and resource usage | 100 | 1.00 | 5.00 | 3.2800 | .99575 |
| Reduced late coming and absenteeism | 100 | 1.00 | 5.00 | 3.2600 | 1.06002 |
| Less delays in task performance | 100 | 1.00 | 5.00 | 3.2800 | 1.06439 |

The responses are taken on five-point likert scale, where 1 stands for strongly disagree and 5 for strongly agree. The minimum point for scale is 1 which is strongly disagreed, while the maximum point is 5 which means strongly agreed. The mean score is more than 3 meaning that responses are between neutral and agree.

4.4 Major Causes of Conflict

The respondents ranked the following five factors; (a) Unacceptable terms of employment such as poor hours of work, poor salary and lack of fringe benefits, (b) Poor human relations between management and employees, (c) Perceived autocratic style of managers, (d) Poor government economic and industrial policies and (e) Cumbersome and ineffective means of communicating grievances to top managers. The frequency table illustrating ranking is presented below:

Table 8: Causes of Conflict

| Causes of Conflict | Most severe | Others | Least Severe | Total |
|--|-------------|--------|--------------|-------|
| Unacceptable terms of employment such as poor hours of work, poor salary and lack of fringe benefits | 14 | 84 | 2 | 100 |
| Poor human relations between management and employees | 6 | 90 | 4 | 100 |
| Perceived autocratic style of managers | 4 | 95 | 1 | 100 |
| Poor government economic and industrial policies | 2 | 87 | 11 | 100 |
| Cumbersome and ineffective means of communicating grievances to top managers | 35 | 52 | 13 | 100 |

The statistics shown in table 8 depict that major cause of conflict is cumbersome and ineffective means of communicating grievances to top managers as majority of the respondents (35 out of 100) ranked it as most severe factor leading to conflict.

4.5 Relationship between conflict management strategies and organizational performance

Data analyses results (Table 9, 10 and 11) show $\beta = 0.806$, T-value = 13.486 and P value < 0.05 as shown in Table 9, 10, 11. The β shows that 0.806 or 80.6% increase in performance is due to implementation of conflict management strategies. The results of analysis show that there is a statistically significant and positive relationship between conflict management strategies and organizational performance, therefore we reject H0 (null hypothesis) and accept H1 (alternate hypothesis).

Table 9: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .806 ^a | .650 | .646 | .47969 |

a. Predictors: (Constant), conflict management strategies

Table 10: ANOVA ^b

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|----|-------------|---------|-------------------|
| 1 Regression | 41.846 | 1 | 41.846 | 181.861 | .000 ^a |
| 1 Residual | 22.550 | 98 | .230 | - | - |
| Total | 64.395 | 99 | - | - | - |

a. Predictors: (Constant), conflict management strategies

b. Dependent Variable: organizational performance

Table 11: Coefficients ^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | -.353 | .282 | | -1.254 | .213 |
| Conflict Management Strategies | 1.101 | .082 | .806 | 13.486 | .000 |

a. Dependent Variable: organizational performance

Whenever conflict arises in an organization that should be handled in such a way which improves the relationship status between workers and management. Strategies should focus on improving handling of conflicts in best possible way. When managers and workers have a good relationship then they would be able to solve issues in a better way. This may also ensure that only constructive criticism takes place and disruptive conflicts are reduced to a greater degree.

Top managers should ensure effective communication within the organization. In this way they would get awareness of the issues prevailing in the organization. When top management is not informed of the issues or conflicts in the organization then the real problem starts. Sometimes the problems communicated to the top managers are not explained to them in a good spirit with true sense of difficulty. They may not get an idea of the severity of the problem and may ignore it. This may offend the workers hence conflicts take place. The top managers should be informed about the problems of the employees in a good way to keep them aware of the situation causing the employees to engage in conflict. The management should hold meeting sessions with their employees on a periodical basis so that employees could tell them the problems they are facing. In this way managers would get an idea of the employee problems and try to formulate strategies or find a way to solve them. Employees would be happy by working in such an organization that values them. This also emphasizes the fact that communication is improved between management and workers which could minimize the occurrence of conflicts.

Conflict can be managed when workers are given importance by consulting them to resolve the issues. Organizations processes and practices should be changed accordingly to minimize the conflicts and to manage them in a better way. Such procedures should be made part of organizational operations that handle the conflicts and remove them before they occur. This is a good step towards ensuring better future for the organization.

Employees should themselves take essential steps to resolve their daily conflicts. They should try to maintain harmony in the organization. Sometimes the situation also demands from the management that they should enforce strict rules to maintain discipline, handle the conflicts and manage them effectively. These rules would lead everyone to follow defined duties and minimize the occurrence of conflict.

In organizations where the management puts into practice strategies to deal with conflicts, profitability of organizations is improved because of employees' satisfaction and confidence. It would be more productive in achieving its goals and objectives. Working environment would be improved as there would be good relations between staff and the management. Effective strategies would reduce the conflicts and enforce good human relations. All the operations would be carried out in a normal way without any hindrance or stoppage. Otherwise, the conflicts would have a strong impact on daily operations of the organization which will make the organization less productive. With least amount of conflicts less time would be wasted in resolving them and less resources would be used to handle them. Employees would be happy with their organization and they would prefer to come on time and try to be regular. This would in turn boost up the performance of the organization as all the employees would be performing their task within specified time and on a regular basis. All this is possible when management controls the conflicts well in time and identify in true perspectives and intelligence.

Conflicts are likely to occur in organizations to set right directions. Conflict when managed effectively would have less disruptive effects. Management has to play its role in identifying the causes of conflicts that occur and by managing them effectively. Conflicts that are managed in a good way can improve the performance of the organization by making employees delighted and thankful. Employees would have good relations with management which is essential for better working sanctity of the organization. Future conflicts can also be avoided by putting in place strategies that resolve conflict or tackle it before it's occurrence.

5. Conclusion

Many employees expressed their grievance and accusation regarding futile and ineffective means of conveying problems by middle management to competent authorities for taking timely notice of it. The analysis revealed that major cause of conflict is cumbersome and ineffective means of communicating grievances to top managers as 35% respondents ranked it as most severe factor leading to conflict. They exhumed their concern on the issue. Non-communication of employee's wishes to top management causes imperfection in formulating strategies for abolition of conflicts. While, the least cause of conflict is perceived autocratic style of managers. 14% respondents were of the view that staff strength is inadequate and extra work results into late sitting without any reward or overtime. Demands for extra compensation or resentment cause annoyance of managers which leads to conflicts. Generally good relationship between employees and management has been observed except in cases of main branches where transactions are in bulk and employees are under stress due to heavy load of work. In financial institutions, elevation of employees mostly depends upon their performance in terms of business target achievement but state-owned organizations give preference to seniority as prime

factor. Employees working under such situations expressed grievances against Government rules and policies. In our area of study (southern Punjab) majority of inhabitants are poor, therefore, micro finance banks are present everywhere to earn higher rate of interest or return (about 20%) to boost their profitability but on the other hand they offer nominal wages to field staff, especially females. The regulatory authority takes no notice of such harsh practices. Unacceptable or ineffective terms of employment can also offend the employees which may create conflicts. They should be given adequate salary for fulfillment of their necessary requirements. Fringe benefits should be properly allowed keeping insight the incentives given by competitors and working hours should be properly defined.

A statistically significant and positive relationship was found between conflict management and organizational performance. In other words, effective management of conflict leads to higher organizational performance. The study results are consistent with prior studies in this domain (One Cheong, 2010; Obasan, 2011; Amuhaya Iravo, 2011; Mughal & Khan, 2013).

This research has some limitations. Study is specific and restricted to one sector i.e. financial sector in a specific territory (southern Punjab, Pakistan), therefore, it may be less generalizable to other industries. Future research may aim at multiple sectors and more locations. Data were collected only through questionnaire while data collection by multiple sources such as interviews, observations etc. may explore the relationship more precisely. This research is quantitative in nature, whereas qualitative or mix of qualitative and quantitative approaches may offer more insights for future research.

References

- Agwu, M. O. (2013). Conflict management and employees performance in Julius Berger Nigeria PLC. Bonny Island. *International Journal of Academic Research in Management (IJARM) Vol, 2, 125-139.*
- Ajike, E., Akinlabi, B., Magaji, N., & Sonubi, A. (2015). Effect of conflict management on the performance of financial service organisation in Nigeria: an empirical study of access Bank PLC. *International Journal of Economics, Commerce and Management, 3(4).*
- Amirkhani, A. H., Farahani, A., & Farahani, A. (2016). Influence of Conflict Management on Improved Personnel Performance in the Bank of Industry and Mining. *Mediterranean Journal of Social Sciences, 7(2 S2), 43.*
- Amuhaya Iravo, M. (2011). *Effect of Conflict Management in Performance of Public Secondary* (Doctor of Philosophy). Jomo Kenyatta University of Agriculture and Technology
- Axelrod, R. M. (1984). *The Evolution of Cooperation*. New York: Basic Books
- Azamosa O. (2004). *Industrial Conflict in Nigerian Universities: The case of the Academic Staff Union of the University Teacher's Strike of December 2002 - June 2003*. Dept. of Sociology, Anthropology and Applied Social Sciences, Bristol University.
- Balawi, A. M. J. (2009). The concept of organizational conflict. Retrieved from <http://www.watein.com>
- Baron, R. A. (1984). Reducing organizational conflict: An incompatible response approach. *Journal of applied psychology, 69(2), 272.*
- Brown, L. D. (1983). *Managing conflict at organizational interfaces*. Reading, MA: Addison Wesley
- Chen, X. H., Zhao, K., Liu, X., & Wu, D. D. (2012). Improving employees' job satisfaction and innovation

performance using conflict management. *International journal of conflict management*, 23 (2), 151-172.

Dzurgba, A. (2006) *Prevention and Management of Conflict*, Ibadan Loud Books

Fisher, R. J. (1993). Developing the field of interactive conflict resolution: Issues in training, funding and institutionalization. *Political psychology*, 123-138.

Ford, J. (2007). organisational conflict management. What's a system? Retrieved from www.Mediate.com/pfriendly.cfm?id=1250

Greenberg J., Baron A.R. (1997). *Behavior in Organization: Understanding and Managing the Human side of work*, 6th edition, Prentice Hall. Lnc. 383:380-397

Hackman, J. R., & Morris, C. G. (1975). Group tasks, group interaction process, and group performance effectiveness: A review and proposed integration. In L. Berkowitz (Ed.), *Advances in experimental social psychology* (Vol. 8, pp. 45–99). San Diego, CA: Academic Press.

Hocker, J.J., & William W.W. (1991). *Interpersonal Conflict* (3rd ed). Dubuque, IA: W. C. Brown.

Hotepo, O.M., Asokere, A.S., Abdul-Azeez, I.A. & Ajemunigbohun, S.A. (2010), Empirical Study of the Effect of Conflict on Organizational Performance in Nigeria, *Business and Economics Journal*, BEJ-15

Jones, G.R & George, J.M. (2003). *Contemporary management*. New York: McGraw Hill Inc.

Longe, O. (2015). Impact of Workplace Conflict Management on Organizational Performance: A Case of Nigerian Manufacturing Firm. *Journal Of Management And Strategy*, 6(2).

Mughal, M. & Khan, M. (2013). Impact of conflict and conflict management on organizational performance. *International Journal Of Modern Business Issues Of Global Market (IJMBIGM)*, 1(3).

Neskertin, D., & Porterfield, T. (2016). Conflict management and performance of information technology development team. *Team performance management*, 22 (5), 242-256.

Obasan K. A. (2011). Impact of conflict management on corporate productivity: an evaluative study. *Australian Journal of Business and Management Research*, 1(5).

One Cheong, J. (2010). *An Empirical Analysis of the Relationships between Politics, Conflicts, and Performance in Government Organizations* (Doctor of Philosophy Graduate Program in Public Administration). Graduate School – Newark Rutgers, the State University of New Jersey

Opute, A. P. (2014). Cross functional bridge in dyadic relationship conflict management and performance implications. *Team performance management*, 20 (3), 121-147.

Papa, M. J. & Pood, E. A. (1988). Coorientational accuracy and differentiation in the management of conflict. *Communication Research*, 15(August), 400–426.

Pawlak, Z. (1998). An inquiry into anatomy of conflicts. *Journal of Information Sciences*, 109, 65-78.

Pondy Louis R. (1967). Organizational conflicts: Concepts and Models, *Administrative Science Quarterly* 12(2).

Rahim, M. A. (2002). Toward a Theory of Managing Organizational conflicts. *The International Journal of Conflict Management* 13(3), 206-235.

Rahman, M. & Hossain, T. (2015). Conflict in Bangladeshi organizations: causes, effects and strategies.

Banglavisision Research Journal, 15(1).

Robbins, P. S. (2000). *Organizational Behavior: Concepts, Controversies, Applications*. Eighth Edition. Islamabad: National Book Foundation.

Schramm-Nielsen, J. (2002). *Conflict Management in Scandinavia*. Department of International Communication and Management, Copenhagen Business School, Denmark

Thomas, K. W. & Warren H. S. (1976). A Survey of Managerial Interests with Respect to Conflict. *The Academy of Management Journal, 19(2)*, 315-318.

Wall, J., & Callister, R. (1995). Conflict and its management. *Journal of Management, (21)*, 515-558.

Impact of Digitization on Consumer Buying Behavior with Respect to Consumer Demographic Factors

Ameer Ahmad

Department of Leadership and Management Studies, National Defence University Islamabad
AmeerAhmad_89@hotmail.com

&

Noor Ul Hadi

Faculty of Management Sciences, Department of Business Administration
Foundation University Islamabad
n_hadi1@yahoo.com

Abstract

The aim of this study is to answer a recently raised question that; what is the role of digitization on consumer buying behavior together with consumer demographic factors? In answering this, data was collected conveniently from 300 respondents in the twin cities of Pakistan. Statistical package for social sciences was used to conduct the statistical tests of independent sample t-test; one-way ANOVA, two-way ANOVA and simple regression. The hypothesis tests proved that digitization affected the consumer buying behavior directly and together with consumer demographic factors, meaning to say that the direct and interactive role of demographic factors were found to be crucial like age of consumers affects the relationship between digitization and consumer buying behavior. Moreover, the direct role of other variables such as gender and qualification were found to be significant. The study recommends that while, designing digitized advertisements and packages companies should focus on the Age brackets of their consumers. The study findings provide practitioners and scholars with valuable information. Also, limitations and future research recommendations were discussed.

Key Words: Digitization; Consumer Buying Behavior; Demographic Factors; Pakistan

Background of the Study

Mirjana Tankosic, Dragana Trifunovic (2015) discusses in their study the importance of digitization on consumer behaviors. They emphasize on the notion that business enterprises need to understand and take into account that how rapidly this change is taking place around the world and emphasized that marketing communication with the consumers has turned into almost a new entity of new business media strategy. But unfortunately, Pakistan has been marked by the DDI index as an emerging digital society. Thus, it can be argued that Pakistan is still in the very early stages of digitization Khan et al. (2015), however, the expansion of technology across the country is rapid GSMA (2017), and the response to this is positive which gives us the hope that Pakistan can compete in the region Telenor Pakistan (2016). However, Pakistan needs digitization to excel in the region and to some extent digitization has become a need for Pakistan because it is the need of the time. Like, unlike Pakistan many studies have been conducted in the western hemisphere regarding consumer buying behavior and its relationship with digitization.

On the other hand, there are many factors that could have been explored when discussing the relationship between digitization and consumer buying behavior but lesser studies showed the impact

of digitization on consumer buying behavior in Pakistan with the key role of consumer demographic factors.

Statement of Problem

The revolution of digitization in Pakistan is still thought to be in its early age, due to this, lesser studies have been conducted on digitization, consumer buying behavior and consumer demographic factors Khan et al. (2015).

Research Question

What is the impact of digitization on consumer buying behavior in the context of Pakistan with respect to consumer demographics?

LITERATURE REVIEW

Digitization

Digitization is a process that converts and changes the recorded data into a digital (i.e. computer-readable) format. This results in preserving and securing the data and information which can be a document or a sound, image or an object maybe forever as digitized information can be stored safely and securely indefinitely. It is usually done by converting an analog signal into digital signals which records the information in binary coding or binary numbers in ones and zeroes. This process of converting analog signals to numerical values or numbers is known as "digital convergence" or digitization. This process helps to keep the information intact and there is no loss or degradation of data which preserves the information. A sequence of digital integers can be modified into an analog output that approximates the unique analog signal. Such a transformation is referred to as a digital analog (DA) conversion.

The sampling rate and the number of bits used to signify the integers mix to decide how close such an approximation to the analog signal a digitization will be. Analog signals are continuous electrical signals; digital signals are non-continuous. Analog signal can be transformed to digital signal via ADC. Nearly all recorded music has been digitized. About 12 percent of the 500,000+ films listed on the Internet Movie Database are digitized on DVD. The handling of an analog signal becomes easy when it is digitized due to the fact the signal is digitized before modulation and transmission. Digitization of private multimedia, such as home movies, slides, and images is a popular approach of preserving and sharing older repositories. Slides and photos may additionally be scanned using an image scanner, however movies are more difficult.

Consumer Buying Behavior

Abhijeet Pratap (2017) and Aditya Juyal (2013) discuss in their articles that how the consumer buying behavior is affected by the demographic factors such as age, gender etc. They further elaborate this concept by saying that it may vary from person to person and can be based upon the gender such as male and female and it is important to notice that variation is there regardless of gender. Other demographic factors that mainly affect the consumer buying behavior are the income groups, age brackets and qualification or education level the person has. This study is different in a way that it analyzes the interactive role of consumer demographic factors analyzing them independently that how they are affected in context with digitization hence altering the consumer buying behavior with it. There is a distinctive distinction that can be seen very easily that how the buying behavior is different

in every aspect of the gender, age, income and education level.

Each factor dictates its own terms in its own brackets how a consumer reacts to make a buying decision when these factors are at play. We can observe that a person having lesser income prefers utility over quality or quantity and his/her main aim is to fulfill the needs while the person who has higher income levels does not prefer utility and satisfies his/her wants rather needs. Saying this we should also keep in mind that there are countless other internal and external factors at play that directly or indirectly influence the buying behavior of the consumer as some can be seen clearly while others are hard to observe such as the thinking process of a consumer. In this regard let's not forget that one of the main factors influencing the buying decisions is age because with age the needs and wants change. A child's needs are different from a young person while the needs of an older person are different from the adult.

Impact of digitization on Consumer Buying Behavior (CBB) in relation to social media

The rapid convergence and impact of social media, visuals advertisements and e-commerce are creating this chain reaction of this shift in consumer shopping Aftab et al. (2016) experience (consumer buying behavior), presenting the opportunities that were thought to be impossible before. The key to finding success and an achievement is finding a way to have an effect on these choices via such marketing appraisals that are visually attractive and developing cohesive experiences that combine social media, television and other digital platforms Ahmed Malik and Hadi (2019) such as e-commerce, e-marketing, kiosks, digitized mode of payments (online transactions) (Heini Lipiäinen (2014).

Role of digitized platforms in Pakistan

The concept of user generated content (UGC) is rather significant. Not much thought was given to this idea as the organizations tended to be stuck with the older form of advertisement and marketing campaigns. With the advent of social media it was clearly seen that there was need for user generated content which will not be made by the company itself but rather the users or the consumers will do the trick for the company by advertising for them. Following are the social networking websites that are used as influencing mechanism to motivate and influence the buying behavior of any potential consumer. The most platforms that are used in Pakistan are as follows:

- Facebook
- Twitter
- Instagram
- YouTube
- WhatsApp

The role of these social network and blogs is vital Ahmed Malik and Hadi (2019) and it is important to take them into account seriously in business perspective. It has the potential to influence buying behavior that no other medium can have. Now a days video sharing, picture posting and tweeting is the way of life and it has the business potential of trillions of dollars.

Hypothesis of Study

- **H1:** Digitization affects Consumer Buying Behavior.
- **H2:** Impact of digitization on CBB and is affected by Age.

- **H3:** Impact of digitization on CBB and is affected by Gender.
- **H4:** Impact of digitization on CBB and is affected by Qualification.
- **H5:** impact of digitization on CBB and is affected by Income.

Theoretical Framework

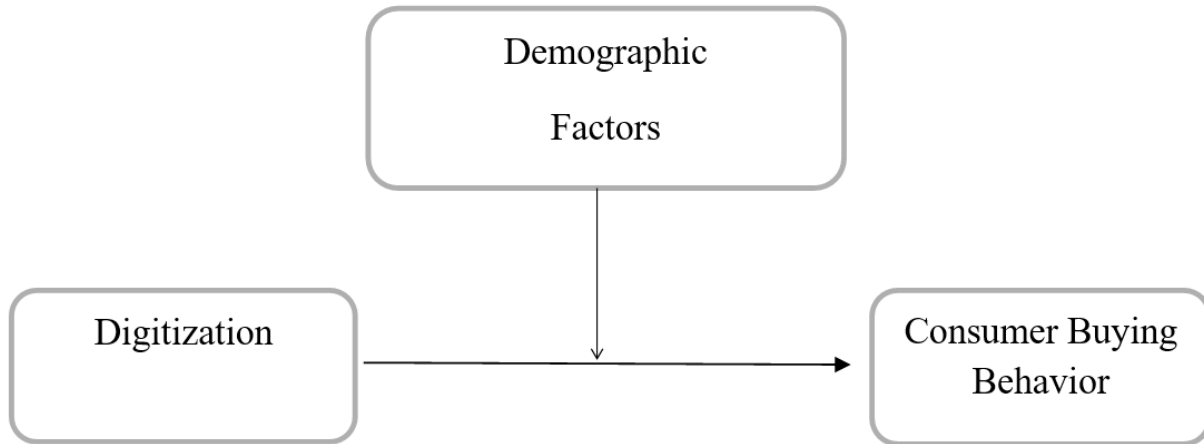


Figure 1: Theoretical Framework

RESEARCH DESIGN AND METHODOLOGY

Quantitative research approach was used in this research, data was conveniently collected from 300 consumers in the twin cities of Pakistan (i.e., Rawalpindi and Islamabad) via self-administered questionnaires. Moreover, the respondents were guaranteed that the data being collected is solely for the purpose of this study. The research instruments used in this study were adapted from Sultan and Uddin (2011); Narayanan (2014) and Aggrawal (2010).

Descriptive statistics

The table below shows a total number of 300 respondents that participated. Majority of the respondents were females comprising of 54.3% (n=163) out of the total. Male respondents conceded of a total sum of 45.7% (n=137), about 8.6% lesser than the female respondents.

Table 1: Gender Statistics

| Gender | F | % | Cumulative % |
|--------|-----|-------|--------------|
| Male | 137 | 45.7 | 45.7 |
| Female | 163 | 54.3 | 100.0 |
| Total | 300 | 100.0 | |

The data obtained depicted in the table below shows us that 125 respondents between age of 20-30 years formed the majority with 41.7% (n=125). The second most majority among the respondents was the age bracket of 30-40 years old comprising of 91 respondents with 30.3% (n=91). Respondents of 15-20 years of age made 11.3% (n=34) of the total while 25 respondents each of 40-50 years 8.3% (n=25) and 50-above 8.3% (n=25) years of age made it to the total of 300 respondents.

Table 2: Age Statistics

| Age | F | % | Cumulative |
|----------|-----|-------|------------|
| 15-20 | 34 | 11.3 | 11.3 |
| 20-30 | 125 | 41.7 | 53.0 |
| 30-40 | 91 | 30.3 | 83.3 |
| 40-50 | 25 | 8.3 | 91.7 |
| 50-above | 25 | 8.3 | 100.0 |
| Total | 300 | 100.0 | |

The majority of 116 respondents comprised of graduated subjects with 38.7% (n=116). 97 respondents had a masters with 32.3% (n=97) of the total 300 respondents. Respondents which had an education level of high school comprised of 15.3% (n=46). 37 of the respondents had gone to college making them 12.3% (n=37) of the total. Only 4 of the respondents were or had the doctorate or PhD level of qualification making them 1.3% (n=4) of the total.

Table 3: Qualification Statistics

| Qualification | F | % | Cumulative |
|---------------|-----|-------|------------|
| High School | 46 | 15.3 | 15.3 |
| College | 37 | 12.3 | 27.7 |
| Graduate | 116 | 38.7 | 66.3 |
| Masters | 97 | 32.3 | 98.7 |
| Doctorate/PhD | 4 | 1.3 | 100.0 |
| Total | 300 | 100.0 | |

As demonstrated in the table income statistics below majority of the respondents which accumulate to 110 fall into the bracket of 35,000-45,000 PKR income per month respectively. They make up majority percentage of 36.7% (n=110). The second most majority consists of 30.7% (n= 92) respondents who had the income level between 45,000-55,000 PKR. While 49 of the respondents which accumulated to 16.3% (n=49) had an income level of above 55,000 PKR per month. 37 of the respondents making up of 12.3% (n=37) had an income level between 15,000-25,000 PKR. The least number of respondents fell into the income bracket of 25,000-35,000 PKR and accumulated to 4.0% (n=12).

Table 4: Income Statistics (PKR, 000/Month)

| (PKR, 000) | F | % | Cumulative |
|------------|-----|-------|------------|
| 15-25 | 37 | 12.3 | 12.3 |
| 25-35 | 12 | 4.0 | 16.3 |
| 35-45 | 110 | 36.7 | 53.0 |
| 45-55 | 92 | 30.7 | 83.7 |
| 55-above | 49 | 16.3 | 100.0 |
| Total | 300 | 100.0 | |

Inferential statistics**Table 5:** Simple Regression

| | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|--|--------------|-----------------------------|------------|---------------------------|--------|-------|
| | | B | Std. Error | Beta | | |
| | (Constant) | 2.778 | 0.128 | | 21.631 | .000 |
| | DIGITIZATION | 0.084 | 0.045 | 0.108 | 1.871 | .062* |

The standard error of digitization in the table of coefficients is 0.045 and beta value lies in the marker of 0.108. The t-value stands at 1.871 while the significance of the constant is 0.000 which is very significant and the significance value of digitization is 0.062, less than 0.5 therefore very significant too.

Table 6: Digitization-ANOVA (one-way)

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 5.239 | 4 | 1.310 | 2.563 | .039 |
| Within Groups | 150.758 | 295 | .511 | | |
| Total | 155.997 | 299 | | | |

This table above shows that the level of significance is at 0.39 which is far lower than 0.5 which clearly shows that age factor is quite close to changing consumer buying behaviors and is directly affected by digitization

Table 7: Univariate Analysis of Variance (Age)

| | | Value Label | N |
|----------------|------|----------------|-----|
| DCAT | .00 | LOWD | 149 |
| | 1.00 | HIGHD | 151 |
| Age [Years] | 1 | 15-20 | 34 |
| | 2 | 20-30 | 125 |
| | 3 | 30-40 | 91 |
| | 4 | 40-50 | 25 |
| | 5 | 50and Above | 25 |

Table 8: Tests of between-subjects effects CBB1

| Source | Type III Sum of Squares | Df | Mean Square | F | Sig. |
|-----------------|-------------------------|-----|-------------|----------|------|
| Corrected Model | 13.514 ^a | 9 | 1.502 | 5.356 | .000 |
| Intercept | 1241.699 | 1 | 1241.699 | 4428.764 | .000 |
| DCAT | .164 | 1 | .164 | .585 | .445 |
| Age | 4.442 | 4 | 1.110 | 3.961 | .004 |
| DCAT * Age | 7.804 | 4 | 1.951 | 6.959 | .000 |
| Error | 81.308 | 290 | .280 | | |
| Total | 2039.020 | 300 | | | |
| Corrected Total | 94.822 | 299 | | | |

The level of significance stands at 0.000 indicating that with age factor consumer buying behavior is directly impacted by digitization and F value stands at 6.959. This result proves that age demographic has the highest significance and importance among the chosen demographic factors when seeing the effect of digitization on consumer buying behavior.

Table 9: Tests of between-subjects effects CBB2

| Source | Type III Sum of Squares | Df | Mean Square | F | Sig. |
|--------------------|----------------------------|-----|----------------|----------|------|
| Corrected Model | 1.216 ^a | 3 | .405 | 1.282 | .281 |
| Intercept | 1905.859 | 1 | 1905.859 | 6026.687 | .000 |
| DCAT | .901 | 1 | .901 | 2.850 | .092 |
| Gender | .310 | 1 | .310 | .979 | .323 |
| DCAT * Gender | .151 | 1 | .151 | .478 | .490 |
| Error | 93.606 | 296 | .316 | | |
| Total | 2039.020 | 300 | | | |
| Corrected Total | 94.822 | 299 | | | |

This table shows us that the level of significance for gender is 0.490, lower than 0.5 therefore denoting that digitization does have an effect on consumer buying behavior among the gender of male and female.

Table 10: Tests of between-subjects effects CBB3

| Source | Type III Sum of Squares | df | Mean Square | F | Sig. |
|-----------------------------------|----------------------------|-----|----------------|----------|------|
| Corrected Model | 5.244 ^a | 8 | .656 | 2.129 | .033 |
| Intercept | 653.210 | 1 | 653.210 | 2121.996 | .000 |
| DCAT | .585 | 1 | .585 | 1.899 | .169 |
| Qualification Education | 3.930 | 4 | .982 | 3.192 | .014 |
| DCAT * Qualification Education | .554 | 3 | .185 | .600 | .616 |
| Error | 89.578 | 291 | .308 | | |
| Total | 2039.020 | 300 | | | |
| Corrected Total | 94.822 | 299 | | | |

The table above depicts the significance level of qualification at 0.616 slightly higher than the par value of 0.5. This shows us that qualification levels do not necessarily affect the buying behaviors of consumers when it comes to digitization. The crux being that qualification levels have lesser or very marginal effect by digitization on the consumer buying behavior.

Table 11: Tests of between-subjects effects CBB 4

| Source | Type III Sum of Squares | df | Mean Square | F | Sig. |
|-------------------|-------------------------|-----|-------------|----------|------|
| Corrected Model | 2.592 ^a | 9 | .288 | .906 | .521 |
| Intercept | 1050.256 | 1 | 1050.256 | 3302.337 | .000 |
| DCAT | .753 | 1 | .753 | 2.368 | .125 |
| Income PKR | .619 | 4 | .155 | .486 | .746 |
| DCAT * Income PKR | 1.199 | 4 | .300 | .942 | .440 |
| Error | 92.230 | 290 | .318 | | |
| Total | 2039.020 | 300 | | | |
| Corrected Total | 94.822 | 299 | | | |

The table above shows us that income has an effect by digitization on consumer buying behavior. The level of significance here is 0.440 which is less than 0.5. It shows us that income does affect the buying behavior of the consumers.

DISCUSSIONS AND CONCLUSIONS

The descriptive statistics prove that Age and Gender are a binding factor for Digitization in order to have altered consumer buying behaviors. This research work has helped to develop a thinking that there is a big scope of digitization in Pakistan and its magnitude and width is big. The social media websites are a part of a bigger picture of digitization in Pakistan and are no longer a time pass for social interaction; they are a part of the digitization process that is rapidly covering the urban sectors of Pakistan. These social media tools have followers in millions now and rapidly increasing in numbers. If the scope of the study would be increased such as data collection from other parts of the country as well than surely the theory be further thumped that digitization is sweeping across the country changing the buying behaviors of the consumers.

If Age acts as a scale it can be used to know that which Age brackets have a higher response rate towards Digitization which alters their buying behavior. The companies can use this info to tap deeper into the market and get growth in niche markets which were untapped before. As the world gets more and more digitized even the middle aged people and upper middle aged people tend to fall towards digitization more and more which is ultimately more and more beneficial for the companies. The combination and relationship of digitization with the demographic factor of age is quite significant and can certainly increase the sale for the companies and organizations that dig this aspect deeper and alter the consumer buying behavior of their consumers. Not only age but gender also plays a key role in affecting

consumer buying behavior which is directly impacted by digitization. This study has shown us that females have a higher tendency of changing buying behaviors when it comes to digitization and they are more prone towards digitization than males which is significant in its own way in the context of Pakistani market.

The point of focus here is that companies need data to fill the gaps of the market that which Age brackets are more respondent to their Digitization innovations rather than the number of consumers in total. This will help them to get a better overview of which consumers to more focus on and get their attention to realize the full potential of each segment of the market. Not long ago companies used to focus on the buying behaviors of the younger population and how their needs and buying behaviors alter, nevertheless ignoring the fact that every Age bracket is a market of its own and needs to be tapped to its full potential and dividing the market into Age segments helps to demonstrate which segments have the tendency to grow further and which Age segments of the market are not being utilized to their full potential and this study clearly shows that.

The study proves that companies are missing the consumer potential of the 40years and on Age bracket and consumers that fall into this Age segment are more positively respondent towards digitization than other Age groups as per say. Little research work has been done on this segment while many research articles are found on the relationship of digitization and consumer buying behavior while the demographics especially the age are just taken into account as a means of demographic statistics and nothing more. In context of Pakistan even lesser work has been done in the topic on focus here as Pakistan is still in the developing stages of the economic digitization and its consumer base has a lesser know how of digitization than the consumers of the developed states. Yet the interest is there and very much sufficient data proves it. For any country moving steadily towards Digitization with a swift pace is essential especially in today's world and along with younger generation the middle aged generation and its potential shall never be under estimated and this study proves that notion of changing consumer buying behaviors in today's world.

Conclusions

The findings of study convey that the data that was gathered shows that the selected sample were rational and were logical enough to draw a conclusion. It was further analyzed to create general conclusion that demographics especially Age demographic and Gender demographic had an impact on consumer buying behavior regarding digitization. The results of the research work give important constructs about the relationship of digitization and CBB. The study has consequently presented some evidence that not all the demographics that were selected for the purpose of this study have had an impact on the buying behavior except the Age demographic and gender demographic and especially the age bracket between 30-40years, 40-50years and 55 onwards and females. Now in a developing country like Pakistan it is a huge finding that middle aged people and females tend to have more changing buying behaviors due to digitization than the youth or younger generation or males.

The current study has provided a better understanding of the impacts of digitization on consumer buying behavior in regard to the demographics that were involved in this study. Age demographic and Gender demographic had an impact on consumer buying behavior regarding digitization. The results of the research work give important constructs about the relationship of digitization and CBB. The study has consequently presented some evidence that not all the demographics that were selected for the purpose of this study have had an impact on the buying behavior except the age demographic and gender demographic.

The descriptive statistics also prove that consumer behavior is affected by digitization affecting all the demographics in different and unique ways. This reflects that demographics will not be a hindrance in bringing technological and digitization revolution in Pakistan, in fact they will cushion it so the organizations should use social media for better results and increased customer base all around because consumers are easily changing their buying behavior due to it. The study has helped out to find the focusing or key areas for the companies like the telecom sector to focus and tap the market of the middle aged consumer and females consumers because they are the ones most likely to be affected by the changes in the technological world and their buying behaviors are the most vulnerable to the changing buying behaviors. Income demographic had a marginal effect on the consumer buying behavior This could result in Pakistan being at the forefront of technological advancement among all the other South Asian nations. The study shows that there is a positive impact of digitization on consumer buying behavior.

Research Implications

This research will help to fill the gap of the required literature to study the implications of the digitization as fewer such studies have been conducted in this regard. Better understanding of consumer buying behavior and its cultural and societal impact due to digitization will help to understand what further implications are needed to be done in this regard to further evaluate the demographics which this study tried to do. Remarkable growth in the urban areas and access of technology even to the older segment of the demographics regardless of age or qualification is a sign that cannot be ignored. It is the sign of better understanding of digitization and its implications on the market as a whole.

Organizations and companies should focus on the demographic market segments than the geographic market segments as demographic segments provide more insight into the direction the market is headed and what segments are yet to be found out and their potential tapped. This blend of demographics and digitization helps to understand the consumer psyche that what drives the buying behavior of the consumers.

Limitations and Future Research Opportunities

This research work had its limitations in various factors. The study was limited to:

- The study was limited to investigate and find out the impacts of digitization on consumer buying behavior with respect to demographics only while there are many other aspects that need to be investigated and addressed such as geographic constraints, technology constraints, culture and financial viability constraints.
- The study touched the subjects of demographics in detail and also discussing the subject of social media including the subject digitization with respect to its impact on CBB but the discussion as well as the impact of these factors was narrowed down to limited discussion.
- The sample limitation that was due to geographical limitations was there as the study only depicted the sample and its findings from the cities of Islamabad and Rawalpindi. Researches need to be carried out in other parts of the country and other cities as well to gather the full scale of the impact of digitization on consumer buying behavior with respect to other factors as well other than the demographics.
- Another limitation was that the survey conducted and the data collected was only from the urban areas, where as rural studies and surveys should also be conducted to grasp the level of impact of

digitization on consumer buying behavior.

- Due to limited resources and time the sample size was limited. A bigger sample size would have resulted in ample data and a more thorough study could have been conducted.
- Other advanced statistical tests and techniques as well as quantitative effects will improve the overall quality of the model and implications of the study.

Recommendations

- Bigger the sample size from different parts of the country, better the results. It is recommended that sample size be increased to 500-1000 for future researches.
- In light of this study companies need to expand their portfolio of products and services demographically to capture more gains from the market. Marketing managers need to take this in loop that demographics play a very key role about the perception of products and services when devising a marketing strategy.
- Policy makers need to identify the potential gains in the market with respect to demographics and devise consumer friendly policies that in return can help in better understanding of buying behavior.
- Several questions still remain to be answered regarding digitization and consumer buying behaviors as the study was restricted to calculate the role of demographics only. Further research can be carried out to calculate or see the overview of the impact of digitization on industry, social media and other factors on consumer buying behavior. The variable of digitization was only tested on consumer buying behavior. Further research can be done using other models and variables to know the impact of digitization.

REFERENCES

- Abhijeet Pratap (2017, July). Effect of Demographic Factors on Consumer Behavior: Age, sex, Income and Education. Retrieved from <https://www.cheshnotes.com/2017/07/effect-of-demographic-factors-on-consumer-behavior-age-sex-income-and-education/>
- Aditya Juyal (2013, December). Effect of Demographic Factors on Consumer Buying Behavior of Durable Goods. *Indian Journal of Marketing* 43(12):24-33
- Ahmad, Iftikhar and Aatur, Rahman, Chowdhary (2008) "Electronic Customer Relationship Management (Ecrm)" Examined Customers' Perception of Value from Ecrm Features On Airline E-Ticketing Websites" Master Thesis. *Lulea University of Technology*, .Available at www.essays.se.
- Alam, A., Malik, O. M., Hadi, N. U., & Gaadar, K. (2016). Barriers of Online Shopping in Developing Countries: Case Study of Saudi Arabia. *European Academic Research*, 3(12), 12957-12971.
- Ahmed Malik, & Hadi, N. U. (2019). Inspirational Factors of Electronic Word of Mouth: A Case of Social Networking Sites. *Journal of Managerial Sciences*, 13(2), 254-265.
- Amit Aggrawal. (2010, June). Impact of Consumer Perception on Buying Behavior in Apparel Retail Sector, with special reference to Selected Indian Cities. *Dr. D. Y. Patil University, Department of Business Management*. Navi Mumbai.
- Andrea Sartori. (2015, March). Towards an Intellectual History of Digitization: Myths, Dystopias, and

Discursive Shifts in Museum Computing. *University of Florence, Italy. Digital Scholarship in the Humanities. Published by Oxford University Press on behalf of EADH.*

- Anjali. (2017, June). A Study on Impact of Digital Marketing on Customer Buying Behavior. *international journal of emerging issues in management and technology*. (ISSN NO: 2456-2106).
- Arjun Mittal. (2013). E-commerce: It's Impact on consumer Behavior Student Delegates. Delhi School of Economics. Delhi University. *Global Journal of Management and Business Studies*. (ISSN 2248-9878 Volume 3, Number 2).
- Bagozzi, R. P., & Dholakia, U. M. (2002). Intentional social action in virtual communities. *Journal of interactive marketing*, 16(2), 2-21.
- Booz & Company. (2013, April). The Varying Effects of Digitization on Economic Growth and Job Creation – A Global Perspective. Strategyand.pwc. Retrieved from https://www.strategyand.pwc.com/me/home/press_media/management_consulting_press_releases/details/52364755.
- Bradley, S. P., & Bartlett, N. (2011). Social networks: The portals of Web 2.0. Cloud Services – Create “digital businesses”. Cloud Republic. Guide to Digital. Retrieved from <https://www.cloudrepublic.com/digitalization-and-its-impact-on-the-economy/>.
- David W. Helin and Stephanie Sadowski. (2017). Banking on Value Rewards, Robo-Advice and Relevance. North America Consumer Digital Banking Survey. *Accenture consulting*. Retrieved from www.accenture.com/consumerbankingsurvey.
- Davis, J. (2010). The new conversation: taking social media from talk to action. *Harvard Business Review Analytic Services*, 1(24), 2-18.
- Dr. Ahmad Chaudhry. (2014, September). Does Culture Influence Our Consumer Behavior? If so, How? Strategic Management & Analytics - Kaiser Permanente. Retrieved from <https://www.linkedin.com/pulse/20140908174823-354556068-does-culture-influence-our-consumer-behavior-if-so-how/>
- Drèze, X., & Hussherr, F. X. (2003). Internet advertising: Is anybody watching? *Journal of interactive marketing*, 17(4), 8-23.
- ERNST&YOUNG. (2011). The digitization of everything How organizations must adapt to changing consumer behavior. *Ernst & Young LLP*.
- European Travel Commission. (2010). World usage patterns & demographics. ETC-New Media Trend Watch.
- Hopkins, W. (n.d.). Quantitative Research Design. Sports.org.sci-hub.bz. Retrieved from <http://sports.org.sci-hub.bz/jour/0001/wghdesign.html>
- George Asamoah. (2012). Factors Which Influence the Buying Behaviours of Customers with Multiple Regular Customer Cards.
- Girshwyn Reddy. (2016, November). Digital Marketing Impact on the Consumer Decision Making Process in Nike's Customer Retail Operations in South Africa. *Gordon Institute of Business Science. University of Pretoria*.
- Gwo-Guang Lee. Hsiu-Fen Lin. (2005). Customer perceptions of e-service quality in online shopping.

- Department of Information Management, National Taiwan University of Science and Technology, Taipei, Taiwan. International Journal of Retail & Distribution Management (Vol. 33 No. 2, 2005 pp. 161-176 q) Emerald Group Publishing Limited (0959-0552 DOI 10.1108/09590550510581485).*
- Haiyan, C. (2010, November). An impact of social media on online travel information search in China. In *Information Management, Innovation Management and Industrial Engineering (ICIII), 2010 International Conference on (Vol. 3, pp. 509-512)*. IEEE.
- Halttunen, Veikko. (2016). Consumer Behavior in Digital Era. General Aspects and Findings of Empirical Studies on Digital Music with a Retrospective Discussion. *University of Jyväskylä.* (ISSN 1456-5390; 235) ISBN 978-951-39-6641-6) (nid.) (ISBN 978-951-39-6642-3 (PDF).
- Hanlon, B., & Larget, B. (2011). Samples and Populations. Retrieved from <http://www.stat.wisc.edu/~st571-1/03-samples-4.pdf>
- Heinrich C. Mayr, Martin Pinzger, Liliane Ableitner, Samuel Schöb, Verena Tiefenbeck. (2016). Digitalization of Consumer Behavior – A Descriptive Analysis of Energy Use in the Shower. Retrieved from <https://www.researchgate.net/publication/308900069>.
- Hira Saeed. (2017). Reasons why Digital Pakistan is the need of time. Retrieved from <https://pakwired.com/reasons-digital-pakistan-need-time/>
- How to Interpret Regression Analysis Results: P-values and Coefficients (2013, July) Retrieved from <http://blog.minitab.com/blog/adventures-in-statistics-2/how-to-interpret-regression-analysis-results-p-values-and-coefficients>
- Heini Lipiäinen. (2014). Digitization of the Communication and its Implications for Marketing.
- James Manyika, Susan Lund, Jacques Bughin, Jonathan Woetzel, Kalin Stamenov, Dhruv Dhingra. (2016, February). Digital globalization: The new era of global flows. Report *McKinsey Global Institute*. Retrieved from <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-globalization-the-new-era-of-global-flows>
- Jan Stryjak, Henry James. (2017). Country overview: Pakistan A digital future. GSMA. Retrieved from <https://www.gsma.com/mobilefordevelopment/programme/connected-society/country-overview-pakistan-a-digital-future/>.
- John N. Fotis. (2015, May). The Use of Social Media and its Impacts on Consumer Behaviour: The Context of Holiday Travel. *BOURNEMOUTH UNIVERSITY*.
- Jue Chen. (2012). A Study Investigating the Determinants of Consumer Buyer Behaviour Relating to the Purchase of Organic Food Products in Urban China. *Faculty of Business and Enterprise Swinburne University of Technology*.
- Ke Zhao. (2015). Research on Consumer Online Purchasing Decision and its Influencing Factors in China. *TURKU UNIVERSITY OF APPLIED SCIENCES*
- Laura Hagelberg. (2017, October). Consumer's Attitudes towards Fashion and The Effect of Digitalization on Their Fashion Consumption. Department of International Business Management *Oulu Business School UNIVERSITY OF OULU*.
- Mark Vajčner. (2008). Context and Digitization: Towards a New Model for Archives. *Edith Cowan University*.

- Mrs. K.R. Mahalaxmi. P. Ranjith. (2016,March). A Study on Impact of Digital Marketing in Customer Purchase Decision in Trichy. *IJIRST –International Journal for Innovative Research in Science & Technology*(|Volume 2 | Issue 10 |ISSN (online): 2349-601).
- Muhammad Ahsan. (2009,June). DIGITAL DIVIDE AND DIGITIZATION INITIATIVES IN PAKISTAN: A BIRD'S EYEVIEW. *Quiad-e-Azam library, Lahore, Pakistan*.
- Muhammad Umar Sultan. Nasir Uddin. (2011). Consumers' Attitude towards Online Shopping. *Högskolan på Gotland VT2011*.
- Nic Newman. (2014). Newman Research Associate, *Reuters Institute for the Study of Journalism. University of Oxford*
- Number of social media users worldwide 2010-2020 | Statista. (2016). Statista. Retrieved from <https://www.statista.com/statistics/278414/number-of-worldwide-social-network-users/>
- Oliver Tan. (2018, March). How Digital Convergence Changed Consumers. CEO ViSsenze. *Forbes Technology Council*. Retrieved from <https://www.forbes.com/sites/forbestechcouncil/2018/03/07/how-digital-convergence-changed-consumers/#7922f57f73ff>.
- Patrice Muller, Mette Damgaard, Annabel Litchfield, Mark Lewis, Julia Hörnle, (2011) Consumer behaviour in a digital environment. DIRECTORATE GENERAL FOR INTERNAL POLICIES POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY INTERNAL MARKET AND CONSUMER PROTECTION. *European Parliament. IP/A/IMCO/ST/2010-08*
- Per Andersson, Staffan Movin, Magnus Mähring, Robin Teigland, Karl Wennberg (2018) Managing Digital Transformation. *Stockholm School of Economics Institute for Research (SIR)*. ISBN: 978-91-86797-31-7
- Radhika Narayanan. (2014, April). The Impact of Factors Influencing the Buying Behaviour on the Development of Marketing Strategies for Luxury Fashion Products A Study of the Urban Youth in Select Cities of India. *Department of Business Management D.Y. Patil University, Navi Mumbai*.
- REALISING DIGITAL Pakistan. An Internet not for the few, but for the many. (2016, January). Retrieved from <https://www.telenor.com/telenor-pakistan-releases-landmark-digital-pakistan-report/>.
- Ruby Roy Dholakia, (1999), "Going shopping: key determinants of shopping behaviors and motivations", *International Journal of Retail & Distribution Management*, (Vol. 27 Iss 4 pp. 154 – 165).
- Saima Khan Dr. Shazia Khan Mohsina Aftab. (2015, June). Digitization and its Impact on Economy. *International Journal of Digital Library Services*. (Vol.5 Issue-2). (ISSN:2250-1142 (Online), ISSN 2349-302X (Print)).
- Salman Siddiqui. (2017, November). Pakistan Fast Adopting Digital Transactions. *The Express Tribune Business*. Retrieved from <https://tribune.com.pk/story/1550223/2-pakistanis-fast-adopting-digital-transactions/>.
- Saquiab Ahmad. (2017). Creating Momentum For Digital Transformation In Pakistan. Retrieved from <https://www.digitalistmag.com/digital-economy/2017/12/19/creating-momentum-for-digital-transformation-in-pakistan-05642750>
- Scott, D. (2016). *The New Rules of Marketing and PR, How to Use Social Media, Blogs, News Releases,*

Online Video, & Viral Marketing to Reach Buyers Directly. Gildan Media on Dreamscape Audio; Unabridged edition.

- Syed Afzal Moshadi Shah. Muhammad Tahir. Aqeel Ahmed Soomro. Shehla Amjad (2017). Consumers Ethics in Pakistan: Empirically Examining the Muncy & Vitell Scale. *Journal of Managerial Sciences*. (Volume XI Number2).
- Tanja Lautiainen. (2015). Factors affecting consumers' buying decision in the selection of a coffee brand. *Saimaa University of Applied Sciences Faculty of Business Administration, Lappeenranta Degree Programme in International Business*.
- Tarinee Chaipradersak. (2007, July). THE INFUENTIAL FACTORS ON CONSUMERS' PURCHASING DECISION IN BANGKOK PET RETAILING BUSINESS. *Master of Business Administration in Management School of Management Shinawatra University*.
- Thomas Jakob. (2017, May). Asia leads the world in digital transformation. Retrieved from <https://blog.bosch-si.com/digital-transformation/asia-leads-the-world-in-digital-transformation/>
- TJH Research and Strategy. (2011, April). A Survey of Consumer Behavior and Perceptions. *Findings From a Spring 2011 Survey of Primary Household Food Shoppers in Western North Carolina*.
- Tobias Olsson and Emil Uhlin. (2015). Digitalization and New Buyer Behavior is Changing B2B Relationship Marketing. *Department of Production Management. Lund University*.
- Understanding the impact of digitalization on society. In the face of huge societal challenges, how can digital transformation make a positive contribution? Retrieved from <http://reports.weforum.org/digital-transformation/understanding-the-impact-of-digitalization-on-society/>
- Vermeulen, I. E., & Seegers, D. (2009). Tried and tested: The impact of online hotel reviews on consumer consideration. *Tourism management*, 30(1), 123-127
- Weckman, Nina. (2009, June). Customer Buying Behavior Case Study: Algol Technics. *Laurea University of Applied Sciences*.
- Xin Guo. Weijun Yin. (2014, May). Consumers' Purchasing Behavior - The impact of product innovation. *School of Economics and Management . Department of Business and Administration Lund University*.
- Yongfu Huang. (2017, August). How is digitalization changing Asia?. ASIA PACIFICE-COMMERCE. Retrieved from <http://www.atimes.com/digitalization-change-asia/>
- Mirjana Tankosic, Dragana Trifunovic. (2015). The Influence of Digitization and New Media on the System of Companies Marketing Communication, Consumers and Business Enterprises.

Role of Micro Finance Banks in Economic Development

Osama Iftikhar Kiani

MBA, Charles Sturt University, Melbourne, Australia

Muhammad Awais

PhD (Finance), Iqra University Islamabad, Pakistan
awaisafzal77@hotmail.com

Waqas Ahmed

Assistant Professor, International Islamic University, Islamabad

Muhammad Shafiq

Phd (Logistics & Supply Chain), Naresuan University, Thailand
muhammads59@email.nu.ac.th

&

Imran Bashir Dar

PhD Scholar, International Islamic University Islamabad, Pakistan
imraan.basheer@gmail.com

Abstract

The role of MFBs in the employment generation, services, finance and, development of MFBs branches and the income to the contribution in government lot in the economic development of Pakistan. Further than this research the philosophy is to know the basic objectives, functions of MFBs and how it reduces the scarcity and construct relationship with the low ordinary people. As well as the small enterprises obtain the payback from the MFBs and expand their businesses with the facilitation of small loans given by MFBs. In our study we evaluate the performance of Microfinance banks in Pakistan. Financial Ratio Analysis (FRA) is used to characterize on the performance on besieged Microfinance Banks. Role and Performance of microfinance banks in Pakistan not only inform about the performance but also inform the role by MFBs for economic development of Pakistan. This result shows the positive performance of MFBS in Pakistan. It initiates that the performance of NRSP and Khushhali Banks is very superior among 8 MFBs during research project. The research witnessed that NRSP catch net profit of Rs. 821,474 and Khushhali Bank produce Rs. 1.8 million. NRSP composed investment of Rs. 2.69 million and Khushhali Bank Rs. 16.29 million. The return on assets of NRSP of 2.45% and return on equity of 21.23%. The Return on assets of Khushhali bank 3.05% and return on equity is 28.34%. It can bring to a close that NRSP and Khushhali are the chief MFBs in Pakistan.

Key Words: Microfinance banks (MFBs), NRSP, Khushhali, Financial ratio analysis (FRA)

Introduction

Microfinance provide services like loans, money transfer, saving accounts, insurance, and other services to those people that did not have ability to enjoy proper financial services due to poverty. Microcredit is also called traditional credit and to secure it, small amount of loans are offered to individuals. Improvement in microfinance banking operations in Pakistan are characterized by striking a harmony

among effort and destitution mitigation, an escalated development procedure would have been savvier at the underlying phases of improvement. This would have reflected in enhanced execution, proficiency and efficiency. Rather the division embraced a board development system which included colossal interest in physical framework and quick increment in enlistment and branch organize. The six elements of effort analyzed additionally demonstrate that the objectives set were humbly achieved as broadness of effort is underneath the objective effort, profundity of effort is amassed in enormous urban areas, and extent of effort is for the most part constrained to credit. Organizations should be monetarily independent to meet the goal of improved effort. It possesses depth of effort, scope of effort, cost of effort or operational independence, and length of effort (Achalkechukwu, 2012; Armendáriz, & Morduch, 2010).

Literature Review

An audit of characters about the microfinance division in Pakistan uncovers that passion for surveying the implementation of microfinance division is generally new and the immense common of the examinations were at primary lead to assess the result of microfinance on poverty diminish. Superior division of the investigations about there was embraced in the time of 2000 for the majority component by the microfinance foundations like Kashf, NRSP, and the Pakistan Destitution Mitigation Program. A pair of studies and overviews were similarly bound by Pakistan Establishment of Improvement Financial aspects, State Bank of Pakistan and the Connected Monetary Exploration Center. At first a large section of the examinations analyzed development of microfinance by creating mediator proportions of attempt and compensation of credits. Such a tactic depends on the opinion that if exceed as far as number of borrowers was expanding and credit reimbursements were made by the borrowers then microfinance area was performing effectively (Khandker, 1999). The AKRSP, NRSP and PRSP all embraced this methodology, revise borrowers, increasing attempt and advance reimbursement oblique effectual development of microfinance. Constraints of such a methodology are, to the position that it evaluates bulk of endeavor as the main component of implementation and exhaust dissimilar mechanism of exertion that show the depth, scale, value and money related force of the division (Schreiner, 2002). Later in 1980s, a case and consequence contemplate move toward was embraced, this methodology was the same one-sided as for the most element the productive background investigations were accounted for and reimbursement of credits was as yet consumed as the prime marker of implementation of an entity organization or the general partition. Such examinations misjudge the return and believe slight of expenses which covering the right figure of the authentic states of neediness Adams (1988). All the more as of late there is a move in the opinion of implementation of the microfinance region. The new and usually consumed methodology strenuous on different scope of budgetary manageability and capacity of effecting pointers. It is contended that money connected manageability is basic as coincidence cost without microfinance organizations might be high (Ledgerwood, 1998). Others contend that the social objective of microfinance would be destabilized if microfinance isn't sponsored (Khandker, 1998; Morduch, 1999). In unkindness of the truth that swap off between the social and business purpose of microfinance is generally discussed, it is very convinced that the swap off can be partial by espousal a development method which accentuates on attractive ability and competence. Serious development methodology of microfinance section can be financially savvy and guarantee the long-haul manageability of the part (Craig & Cheryl, 2006).

Role of Micro Finance Banks in Economic Development

As funds eloquent to the methods and techniques during assets are acquired, controlled, dispensed and consumed showcase economy requires a hard running an account structure that empowers supports

reorganization. Banks execute different tasks in the economy. Close to playing out a serious job in corporate administration and attractive the data issues amongst financial specialists and borrowers, banks affix to monetary progression. A bank can be related with a budgetary administration combined prepared to give essential money related administrations what's more, justifiably work within the monetary, political, lawful and worldwide state that decides its advantage and conservatory openings, loan amount, trade charge and the detailed assets a bank requires. The ability of the administration an account agenda is a solution determinant of manageable development. In this method, banks are essential for any hurtful border economy, not just as far as return, yet in accumulation as the important representative of the national economy (Armendáriz & Morduch, 2010; Brau & Woller, 2004; Hulme, 2000; Khandker, 2005; Ledgerwood, 1998; Morduch, 1999; Morduch, 2000).

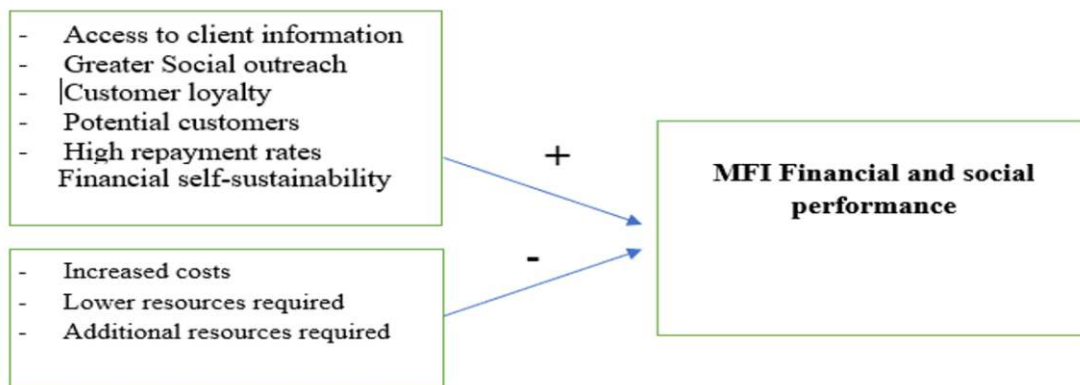


Figure 1: Framework

Methodology

This research is proposed to study the performance of MFBs in Pakistan. Research is depending on those variables from which we compute the performance of MFBs. First of all, the data about the Microfinance banks will be composed from the prime possessions in which the researchers had conducted the interviews from Microfinance Banks in various sessions. Moreover, the data from the resultant resources for instance from the financial statements of the Microfinance banks under research.

There are 12 MFBs working in Pakistan. I take only 8 MFBs for the research purpose so that more competent consequence can be obtained. I extracted the data from the annual reports of these 6 MFBs. Following MFBs taken for the research:

- Ufone Microfinance Bank
- NRSP Microfinance Bank
- Advances Microfinance Bank
- Khushhali Microfinance Bank
- Mobilink Microfinance Bank
- Telenor Microfinance Bank

Tools and Measurement of Performance:

We considered analysis of MFBs by the help of ratio analysis. Ratio analysis is the finest and essential tool for financial analysis. I have taken three ratios in my research to analyze performance of MFBs, which are

Return on equity (ROE), Return on Assets (ROA), and Earnings Per Share (EPS).

Results & Discussion

Information Gathered from MFBs about Loans:

I have gathered the data about the loan which are short term microfinance banks as my primary data collection. Name listed below:

- First Microfinance Bank
- Apna Microfinance Bank
- Telenor Microfinance Bank
- Finca Microfinance

First Microfinance Bank

Loan to groups and individuals are obtained by First microfinance bank. Government employees, private, permanent employees and pensioners are as individual person whose savings or income up to Rs. 300,000.

- For running business loan up to Rs. 1 million allows at rate of interest 14% to 16%.
- 20% interest charge on giving loan of minimum Rs. 20,000.
- Salaried persons whose salary is more than Rs. 150,000, charged interest is at 10% to 11% but if the salary is less than Rs. 150,000, interest will charge at rate of 18% to 19%.
- According to crops and make pass book of agri, bank allows agriculture loan of Rs. 500,000.
- Loans against guarantee of business or land's registry are given. If the third-party, case than government employees are treated as guarantors.

Finca's Microfinance Bank

Loans for livestock, business and gold are obtained by Finca microfinance bank. It allows loan of Rs. 24,000 to Rs. 160,000 and maximum amount is Rs. 300,000. Guarantee of individual such as shopkeeper and salaried person is accepted. 22% interest charged on exchange of gold loan for example 80% interest on one tola gold with security of 1 year. Interest on business loans is charge every month. Loan for livestock allow after seen the farms of livestock.

Apna's Microfinance Bank

Livestock loans are allowed by Apna Microfinance Bank. Agriculture loans are giving up to Rs. 50,000 to Rs. 500,000. Interest on Loan for personal vehicle (Apna sawari loan) charged at the rate of 22% up to Rs. 50,000-100,000. For Rs. 100,000 above, the rate of interest is different.

Telenor Microfinance Bank

Telenor Microfinance bank allow loan of Rs. 50,000 at 10% rate of interest as minimum limit along with receive 15% bank fees on loan with drawl. For example, Telenor provides Rs. 48,500 to the borrower on loan of Rs. 50,000 at 15% bank fees i.e. Rs. 1,500.

Telenor Microfinance bank gives loan as maximum is Rs. 500,000 on 10% interest rate. It also allows emergency loan on exchange of gold for example on one tola gold Rs. 30,000 allow on 21% rate of interest for one year and after loan maturity. It submits markup on gold exchange it allows Rs. 10,000 to Rs. 500,000 within two hours. Enterprise loan allows on the financial position of the existing business. It also allows up to Rs. 500.000 loan on agricultural product. Salary loan paid to government and private employees on low installments.

Performance Analysis of Each MFB

U MICROFINANCE BANK

U Microscope Bank is led by the leading telecommunication company of Pakistan PTCL. The bank is spread along 141 different areas, including 109 cities and backward area of Pakistan and offer loans to people to establish their business and to live with freedom. It offers service to the people in the form of U paisa that is a subsidiary of Ufone. This service is spread along 45,000 located in Pakistan. U Microfinance Bank is playing a vital part to fight poverty in Pakistan and are trying to implement National Financial involvement strategy 2020 that has a goal to bring youth towards net banking. We believe that the involvement of the financial services provided to the people lends towards the betterment and fast growth of the society towards the net banking. We aim towards the underserved population of Pakistan to strengthen their lives. The year 2017 was an exceptional year for U Microfinance Bank. Ration of loans was increased from 119,261 consumers in 2k16 to 635,462 in 2017, 30% of our concerned population is of women. Customers deposited Rs. 9.1 billion to Rs. 11,79 billion, whereas the ratio of loan has grown from Rs. 5.52 billion to Rs. 10,74 billion. Our networks have 30 more points, staff increased from 939 in 2016 to 1321 in 2017. Performance analysis of U MFB is as follow.

Analysis of Total Equity

Table 1: The total equity of U Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|------------|-----------|-----------|-----------|-----------|
| Total Equity | 1,064, 531 | 967,566 | 1,074,765 | 1,147,117 | 1,404,742 |
| Share Capital | 1.185.714 | 1.185.714 | 1.185.714 | 1.185.714 | 1.185.714 |
| Reserves | 2,042 | 2,042 | 4,049 | 22,137 | 86,879 |
| Un Appropriated profit | -123,225 | -220,190 | -214,998 | -160,734 | 23149 |
| Others | -25,714 | -10,817 | -26,710 | -24,653 | -25,742 |

The above data revealed that total equity of U Bank was Rs. 1.06 million in 2013 and it shows downfall in 2014 up to Rs. 0.97 million. It is observed that total equity in FY 2015 increased from Rs. 0.97 millions to Rs. 1.071 millions. In FY 2016 the total equity increased from Rs. 1.07 million to Rs. 1.14 million. The data witnessed an increase in total equity from FY 2015-2017 skyrocketed Rs. 1.07 million to Rs. 1.40 million.

Analysis of Total Liabilities

Total liabilities of U Bank were increased by Rs. 16.25 million in FY 2017 from Rs. 0.34 million in FY 2013

Table 2: Liabilities of UBank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|---------|---------|-----------|-----------|------------|
| Total Liabilities | 342,693 | 875,260 | 1,222,867 | 9,469,250 | 16,251,887 |
| Bills Payable | 130 | 16,369 | 7,125 | 17,649 | 54,332 |
| Borrowings from financial institutions | 0 | 0 | 0 | 1,000,000 | 3,069,487 |
| Deposits and other accounts | 205,178 | 702,579 | 1,065,316 | 8,109,924 | 11,971,358 |
| Other/misc. liabilities | 137,385 | 156,312 | 150,426 | 341,677 | 1,156,720 |

Borrowings from financial institutions increased from Rs. 1 million in FY 2016 to Rs. 3.1 million in FY 2017. Deposits and other accounts increased from Rs. 0.2 million in FY 2013 to Rs. 11.98 million in CY 2017 of U Bank.

Table 3: Assets of UBank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|-----------|-----------|-----------|------------|------------|
| Total Assets | 1,381,510 | 1,832,009 | 2,270,922 | 10,591,714 | 17,630,887 |

In FY 2017, total assets stood at Rs. 17.6 million increased by when compared to previous year 2013

Table 4: Cash & Bank Balances

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|--------|--------|---------|---------|---------|
| Cash and balances with treasury banks | 25,740 | 74,143 | 136,676 | 470,734 | 772,154 |

The cash and balances with T Banks were Rs. 25,740 in FY2013 and increased up to Rs. 74,143 in FY2014. It is also observed that current assets stood Rs. 136,676 in FY2015 and it increased Rs. 0.47 million in FY2016. The analyzed data is witnessed that the cash and balances with T Banks increased rapidly year to year and in the year 2017 it were Rs. 0.77 million.

Table 5: Investments by UBank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|---------|---------|---------|-----------|-----------|
| Investments | 294,736 | 517,956 | 180,483 | 1,130,483 | 1,786,375 |

The investment by U Bank in FY2013 was 0.29 million and it was increased in FY2014 up to Rs. 0.51 million. But the analyzed data showed that in FY2015 the investment by U Bank declined from Rs. 0.51 million to Rs. 0.18 million. It covered the deficiency of investments in FY2016 from Rs. 0.18 million to Rs. 1.13 million. We observed a boom in investment up to Rs. 1.78 million in FY2017.

Table 6: Fixed Assets of UBank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|---------|---------|---------|---------|---------|
| Fixed Assets | 198,884 | 220,570 | 222,413 | 303,027 | 465,355 |

A fixed cost of U Bank in FY213 was Rs. 0.19 million. Fixed assets increased from Rs. 0.19 million in FY 0.19 million to Rs. 0.22 million in FY2014. It is also observed that fixed asset stood Rs. 0.22 million in FY 2014 and it is increased Rs. 0.30 million in FY2016. IN the current year 2017 the fixed assets increased from Rs. 0.30 million to Rs. 0.46 million.

Table 7: Profit and loss) after taxation

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------|---------|---------|-------|--------|---------|
| Profit/(loss) after taxation | -45,062 | -96,965 | 8,030 | 72,353 | 258,966 |

The U Bank was unable to earn profit from FY 2013 to FY 2014. In FY 2015 it earned profit of Rs. 8,030. The data also revealed that after the year 2015 it earned profit after taxes up to Rs. 0.25 million.

Analysis of Performance Ratio

Past five years ratio analysis is as under:

Table 8: Ratio analysis

| Years | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------|--------|--------|-------|-------|--------|
| ROE | -4.23% | -10.0% | 0.75% | 6.31% | 18.44% |
| ROA | -3.26% | -5.29% | 0.35% | 0.68% | 1.47% |
| EPS | -0.38 | -0.82 | 0.06 | 0.56 | 2.01 |

Return on Equity (ROE)

The data extracted from balance sheet and income statement of U bank revealed that the return on equity show negative trend in FY2013 and FY 2014. After that it increased from FY2015-2017 up to percentage from 0.75% to 18.44% respectively.

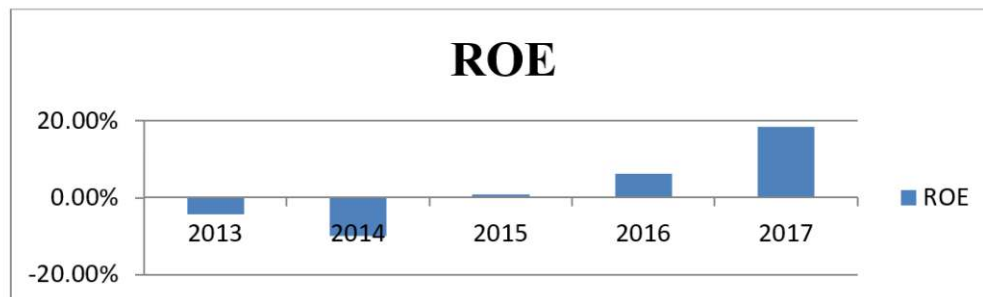


Figure 2: ROE of UBank

Return on Assets (ROA)

The data obtained from balance sheet and income statement of U Bank shows the negative trend of return on asset from FY2013-2014 from -3.26% to -5.29% respectively. It increased from FY2015-2017 up to percentage 0.35% to 1.47% respectively.

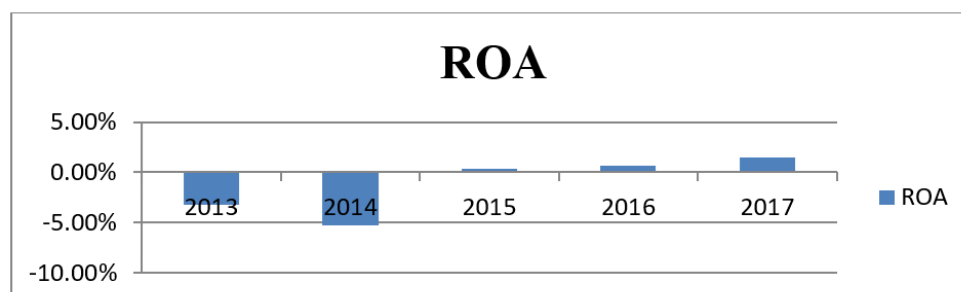


Figure 3: ROA of UBank

Earnings Per Share (EPS)

We explored that EPS of U Bank was negative from FY2013-2014 from -0.38 to -0.82. It means that the shareholder didn't received dividend in these two years. In FY2015 the shareholders received 0.06 dividends on each share. In FY 2016-2017 the earnings per share was 0.56 to 2.01 respectively.

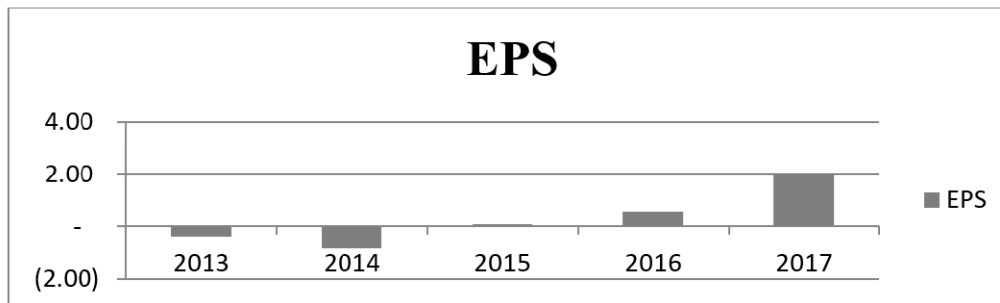


Figure 4: EPS of UBank

NRSP Microfinance Bank

NRSP Microfinance bank in Pakistan is considered as one of the leading banks. In 2011 they have operated with a mission to financially help the poor, farmers and those who cannot afford their livings. Quality services are offered to the valuable clients working in government or private institutions. NRSP Bank adheres to internationally recognized Corporate Governance and prudent banking practices due to which the bank doubled its equity in 5 years. As the bank is providing people with finance and services, it is also the first bank to provide Islamic microfinance. The bank has strengthened its resource and established 143 branches within 45 districts. Its services offer a wide range of service to people including Deposits, Micro-Credit and Micro-Insurance. Two companies PARCA and JCR-VIS has acknowledged the bank status by rating it "A" in Long Term and "A-1" in short term.

Analysis of Total Equity

The total equity of NRSP bank for the period of five years is given below:

Table 9: Equity of NRSP bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Equity | 1,364,594 | 2,040,729 | 2,473,641 | 3,106,336 | 3,869,522 |
| Share Capital | 1,000,000 | 1,498,372 | 1,498,372 | 1,498,372 | 1,498,372 |
| Reserves | 89,305 | 128,840 | 220,782 | 357,739 | 522,034 |
| Un appropriated profit | 275,289 | 413,517 | 754,487 | 1,250,225 | 1,849,116 |
| Others | 85,656 | 85,375 | 70,860 | 97,393 | 144,388 |

The above data expressed that the total equity of NRSP was Rs. 1.3 million in FY 2013 and it showed increased continuously in the years. It is analyzed that total equity in FY2015 increased from Rs. 2.04 million to Rs. 2.4 million. In 2016 the total equity increased from Rs. 2.4 million to Rs. 3.1 million. The data expressed an increased in total equity from FY 2014-2017 from Rs. 2.04 million to Rs. 3.8 million respectively.

Analysis of Liabilities

Total liabilities of NRSP Bank increased from Rs. 8.3 million in FY 2013 to Rs. 29.5 million in FY 2017 as per the table presents below:

Table 10: Liability of NRSP bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-----------|-----------|------------|------------|------------|
| Total liabilities | 8,334,012 | 9,671,512 | 11,747,685 | 23,248,698 | 29,575,599 |
| Bills Payable | 0 | 0 | 0 | 0 | 0 |
| Borrowings from financial institutions | 4,457,250 | 4,204,216 | 4,156,925 | 4,677,175 | 3,293,888 |
| Deposits and other accounts | 3,618,714 | 5,159,810 | 7,255,316 | 16,922,084 | 23,671,820 |
| Other/Misc. liabilities | 268,048 | 307,486 | 335,444 | 1,649,439 | 2,609,891 |

The analyzed data showed that borrowings from financial institutions decreased from Rs. 4.4 million in FY 2013 to Rs. 3.2 million in FY 2017. Deposits and other accounts increased from Rs. 3.6 million in FY 2013 to Rs. 23.67 million in FY 2017 of NRSP Bank. The other misc. liabilities increased rapidly in every year from FY2013-2017.

Table 11 : Assets of NRSP bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|-----------|------------|------------|------------|------------|
| Total Assets | 9,794,262 | 11,797,616 | 14,292,186 | 26,452,427 | 33,589,509 |

The total assets of NRSP increased year to year and it stood at Rs. 33.5 million in FY 2017. It showed increased in total assets from FY 2013-2017 from Rs. 9.7 million to Rs. 33.5 million.

Table 12: Cash and balance of NRSP bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|---------|---------|---------|-----------|-----------|
| Cash & balances with treasury banks | 209,957 | 308,723 | 472,108 | 1,199,469 | 1,642,950 |

The above data of NRSP Bank showed that the cash and balances with NRSP Bank were Rs. 0.2 million in FY2013 and increased up to Rs.0.3 million in FY 2014. It is also expressed that current asset stood Rs. 0.47 million in FY 2015 and it is increased Rs. 1.19 million in FY 2016. The analyzed data is witnessed that the cash and balances with NRSP bank increased rapidly year to year and in the year 2017 it was Rs. 1.64 million.

Table 13: Investment of NRSP bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|---------|---------|---------|---------|---------|
| Fixed Assets | 244,171 | 222,810 | 221,427 | 353,177 | 533,617 |

Fixed assets of NRSP Bank in FY2013 was 0.24 million. Fixed assets decreased from Rs. 0.24 million in FY2013 to Rs. 0.22 million in FY2014. It is also observed that fixed asset stood Rs. 0.22 million in FY2015 and it increased Rs. 0.35 million in FY2016. In the current year 2017 the fixed assets increased from Rs. 0.35 million to Rs.0.53 million.

Table 14: Profit / (loss) after taxation of NRSP bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------|---------|---------|---------|---------|---------|
| Profit/(loss) After Tax | 244,249 | 197,679 | 459,705 | 684,787 | 821,474 |

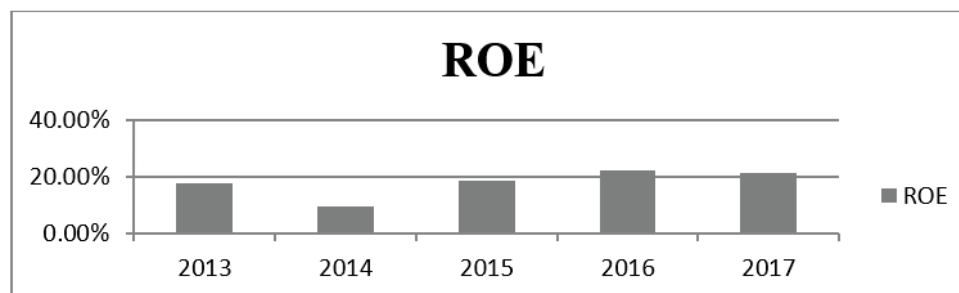
The NRSP Bank was earned profit in FY 2013 of Rs. 0.24 million. We observed from the above data of NRSP it reduces the profit in FY2014 from 0.24 million to 0.19 million, in the FY 2015 it earned profit of Rs. 0.45 million. the above data witnessed that the profit after tax of NRSP Bank showed continuously increased in next FY2017 upto Rs. 0.82 million.

Table 15: Performance ratio of NRSP bank

| Years | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------|--------|-------|--------|--------|--------|
| ROE | 17.90% | 9.69% | 18.58% | 22.04% | 21.23% |
| ROA | 2.49% | 1.68% | 3.22% | 2.59% | 2.45% |
| EPS | 2.44 | 1.32 | 3.07 | 4.57 | 5.48 |

Return on Equity (ROE)

The data concluded from balance sheet and income statement of NRSP bank expressed that the return of equity in FY 2013 was 17.90%. After that the ROE shrink in FY2014 was 9.69%. In FY2015 the ROE increased from 9.69% to 18.58%. After that it increased in FY2016 to 22.04%. In FY2017 it slightly decreased from 22.04% to 21.23%.

**Figure 5:** ROE of NRSP bank

Return on Assets (ROA)

The data obtained from balance sheet and income statement of NRSP Bank shows that it decreased from FY2013 to FY2014 from 2.49% to 1.32%. It increased in FY2015 upto 3.22%. It decreases in the next year from 3.22% to 2.59%. And in FY 2017 it showed 2.45%.

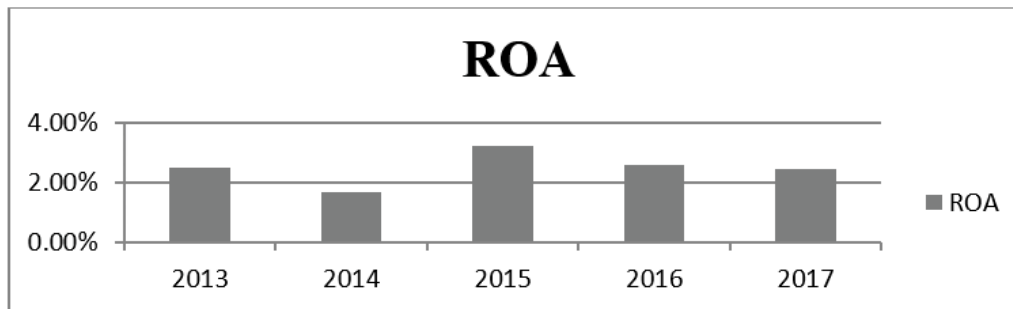


Figure 6: ROA of NRSP bank

Earnings Per Share (EPS)

We explored that EPS of NRSP Bank was positive throughout the year from FY2013-2017. The shareholders received dividend on each share in every year. In FY2013-2017 the earning per share was 2.44 to 5.48 respectively. Shareholder received highest dividend in FY2017 of Rs. 5.48 on each share.

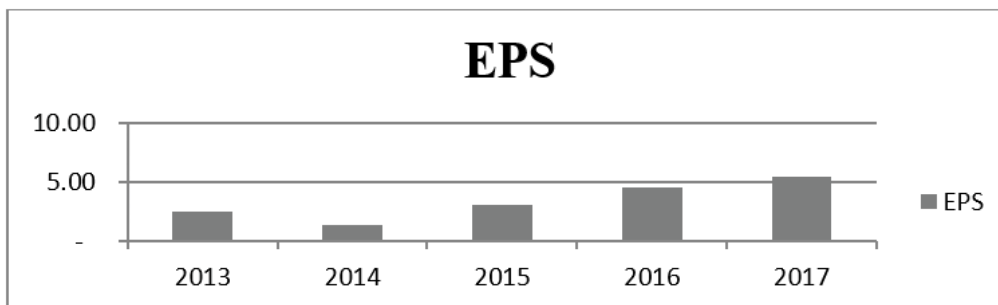


Figure 7: EPS of NRSP bank

Advans Bank

Advans offers a vast option of financial services at different level of organizations or enterprises. Advans Pakistan Microfinance Bank is the six subsidiaries of advances groups. Advans MFBL was established for general public under supervision of the ordinance of companies 1984, on 17th April 2012 and state bank of Pakistan give license on 28 June 2012 to conduct the operation by acting as microfinance bank Sindh province. The banks focus to give banking services to the poor or degraded people by following the institution ordinance of finance 2001. Bank identified as a microfinance, it provides vast options of financial services at different level of organizations or enterprises from PKR 10,000 to PKR 500,000. Advans is also offering loans to individuals through their gold loan product. Performance analysis of Advans MFB is as follow:

Analysis of Total Equity

The total equity of Advans Bank for the period of five years is as follow:

Table 16: Total Equity of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|----------|----------|----------|----------|-----------|
| Total Equity | 636,199 | 547,310 | 469,644 | 437,757 | 624,542 |
| Share Capital | 800,000 | 800,000 | 800,000 | 974,000 | 1,290,163 |
| Reserves | 0 | 0 | 0 | 0 | 0 |
| Un appropriated profit | -163,801 | -252,690 | -330,356 | -536,243 | -665,621 |
| Others | 0 | 21,149 | 16,924 | 177,418 | 5,617 |

The above data showed that the total equity of NRSP was Rs. 0.63 million in FY2013. It is analyzed that total equity in FY2015 decreased from Rs. 0.54 million to Rs. 0.46 million. In 2016 the total equity shrinks from Rs. 0.46 million to Rs. 0.43 million. We observed from the above data the total equity increased upto 0.62 million in FY 2017.

Analysis of Total Liability

The liabilities of Advans Bank for the period of five years are given below:

Table 17: Total Liabilities of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|---------|--------|--------|--------|---------|
| Total Liabilities | 124,275 | 51,365 | 76,180 | 69,281 | 372,942 |
| Bills Payable | 76 | 0 | 0 | 0 | 0 |
| Borrowings from financial institutions | 0 | 0 | 0 | 0 | 0 |
| Deposits and other accounts | 10,563 | 14,634 | 14,627 | 21,469 | 301,626 |
| Other/misc. liabilities | 113,636 | 36,731 | 61,553 | 47,812 | 71,316 |

Total liabilities of Advans Bank in FY2013 was Rs. 124,275. The analyzed data showed that the total liability decreased in FY2014 from Rs. 124,275 to Rs. 51,365. In FY2015 the total liability slightly rises to Rs. 76,180. In FY2016 the total liability diminished to Rs. 69,281. It is observed that there is a boom in total liability increased from Rs. 69,281 to Rs. 372,942.

Analysis of Total Assets

Table 18: Total Assets of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|---------|---------|---------|---------|-----------|
| Total Assets | 760,475 | 619,824 | 562,748 | 684,456 | 1,003,101 |

The above data showed that the total assets of Advans bank in FY2013 is Rs. 0.76 million. It was reduced in FY2014 from Rs. 0.76 million to Rs. 0.69 million. The data witnessed that the total assets rapidly increased in FY2016 and FY2017 upto Rs. 0.68 million to Rs. 1 million. In FY2017 it showed a boom in the total assets.

Analysis of Cash & Bank Balances

Table 19: Cash and Bank Balance of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|-------|--------|--------|--------|---------|
| Cash and balances with treasury banks | 6,434 | 11,802 | 17,391 | 12,248 | 187,332 |

The given data of Advans Bank described that the cash and balances with T Banks was increased in first 3 years from FY2013-FY2015 upto Rs. 6,434 to Rs. 17,391. The provided data express that the cash & balances with T banks was slightly reduce from Rs. 17,391 to Rs. 12,248. After that it showed a high increased in FY2017 of Rs. 187,332.

Analysis of Investments

Table 20: Investments of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|---------|---------|------|--------|------|
| Investments | 176,711 | 147,084 | 0 | 59,117 | 0 |

The above data classified that the total investment of Advans Bank in FY2013 was Rs. 176,711, after that in the next FY2014 the total investment by Bank was Rs. 147,084. It was a big shocked that the Advans bank not invested a single penny in FY2015 & FY 2017. So, in FY2016 it invested Rs. 59,117.

Analysis of Fixed Assets

Table 21: Total Assets of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|--------|--------|--------|--------|--------|
| Fixed Assets | 60,583 | 78,396 | 79,583 | 57,375 | 56,399 |

The above-mentioned data summarized that the total fixed assets increased rapidly throughout three year from FY2013 to FY 2015 upto Rs. 60,583 to Rs. 79,583. And it showed a decreased in FY2016 from Rs.79,583 to Rs.57,375. In FY2017 it slightly decreases to Rs.56,399.

Analysis of Profit / (Loss) After Taxation:

Table 22: Profit / (Loss) after Taxation of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------|----------|---------|--------|----------|----------|
| Profit/(loss) after Tax | -100,398 | -88,890 | 77,666 | -205,887 | -129,378 |

The above data expressed that the Advans bank has faced loss in FY2013-2014 upto Rs.-0.1 million to Rs.-88,890. After that it earned profit of Rs. 77,666 in FY2015. And in FY2016-2017 it again shows the loss of Rs.-205,887 to Rs.-129,378.

Analysis of Performance Ratio

Past five years analysis of Advans MFB

Table 23: ROE, ROA and EPS of Advans Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------|---------|---------|--------|---------|---------|
| ROE | -15.78% | -16.24% | 16.54% | -47.03% | -20.72% |
| ROA | -13.20% | -14.34% | 13.80% | -30.08% | -12.89% |
| EPS | -1.25 | -1.11 | 0.97 | -2.57 | -1.62 |

Return on Equity (ROE)

The examined above data expressed that the return on shareholders' investment shows negative its mean that the bank not generate any profit and they needed more capital to manage this. It showed negative in FY2013-2014 and FY2016-2017. We observed from the above data only it generates profit of 16.54% in FY2015.

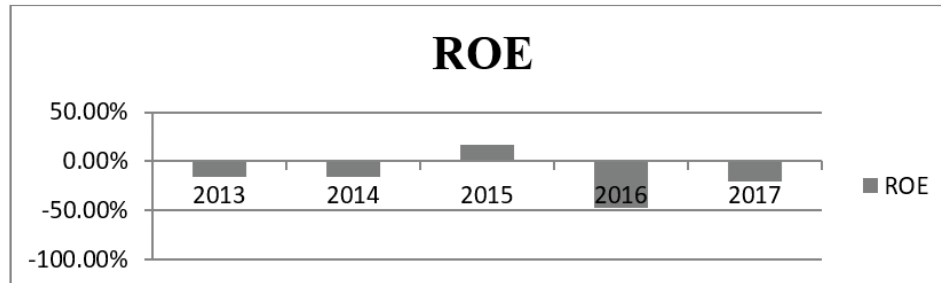


Figure 8: ROE of Advans Bank

Return on Assets (ROA)

The above data witnessed that the Advans bank return on total assets showed negative in FY2013-2014. After that it showed a increased in the FY2015 of 13.80%. So, as onward it showed negative that mean it didn't earned in the next FY2016-2017.

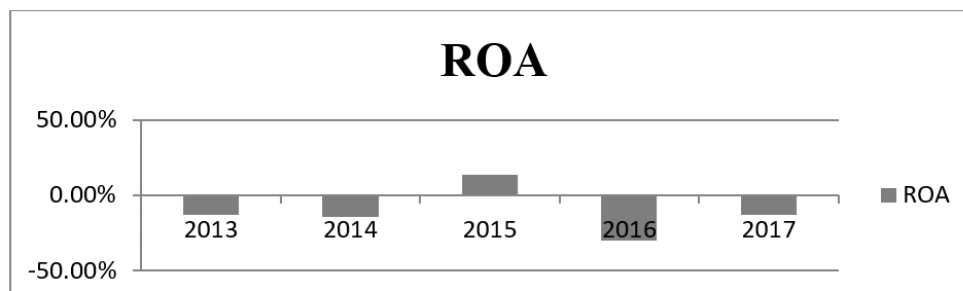


Figure 9: ROA of Advans Bank

Earnings Per Share (EPS)

As the above observed data it showed that in the FY2013-2014 the shareholder didn't get any dividend on each share. After that in FY2015 it showed that the earning per share was 0.97 this mean in this year shareholder earned dividend on each share. In the next FY2016-2017 it showed a negative trend which anticipated that shareholders earned nothing in these years.

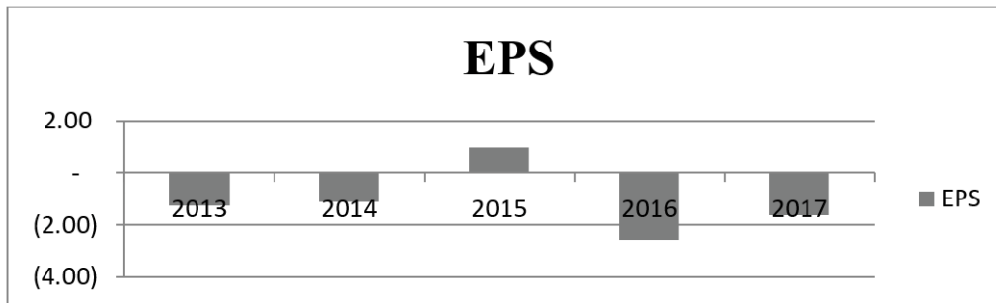


Figure 10: EPS of Advans Bank

KHUSHHALI Microfinance Bank

This bank was formed in 2000 and is called Khushhali bank. Asian Development Bank (ADB) developed the (MSDP). Their Headquarter located in Islamabad and monitored by State Bank of Pakistan. Bank has 9 board of directors including g bankers, managers and microfinance experts from world. Performance analysis of Khushhali MFB is as follow:

Analysis of Total Equity

The total equity of Khushhali MFB is as follow for the period of five years.

Table 24: Equity, Capital and Reserves of Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Equity | 2,749,253 | 3,285,364 | 3,934,189 | 4,937,238 | 6,354,266 |
| Share Capital | 1,705,000 | 1,705,000 | 1,705,000 | 1,705,000 | 1,705,000 |
| Reserves | 305,399 | 446,042 | 610,874 | 865,421 | 1,225,534 |
| Un appropriated profit | 738,854 | 1,134,322 | 1,618,314 | 2,366,816 | 3,423,731 |

From the above given data of Khushhali MFB showed that the total equity rapidly increased from year to year. In FY2013 the total equity was Rs. 2.7 million. Further it was increased in the next year FY2014 from Rs. 2.7 million to Rs. 3.28 million. In the next year it again slightly increased from Rs. 3.28 million to Rs. 3.93 million. The total equity in FY2017 was Rs. 6.35 million.

Analysis of Total Liabilities

The total liabilities of Khushhali MFB are as under:

Table 25: Total Liabilities of Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------|------------|------------|------------|------------|
| Total Liabilities | 10,530,778 | 13,406,306 | 22,744,856 | 28,836,382 | 52,605,428 |
| Bills Payable | 24,296 | 63,102 | 42,081 | 78,396 | 0 |
| Borrowings from Financial Institutions | 2,746,106 | 3,729,877 | 5,890,397 | 6,199,882 | 4,782,681 |
| Deposits and other accounts | 7,132,919 | 8,682,473 | 15,583,727 | 21,179,403 | 45,746,861 |
| Other/misc. liabilities | 627,457 | 930,854 | 1,228,651 | 1,378,701 | 2,075,886 |

The above data expressed that the total liabilities of Khushhali MFB constantly increasing year to year from FY2013-2017. The total liabilities in FY2013 were Rs. 10.5 million. It was increased in next year upto Rs. 13.4 million. It showed a highest liability increased from FY2016-2017. It increased from FY2016-2017 upto Rs. 28.8 million to Rs. 52.6 million.

Analysis of Total Assets

Table 26: Total Assets of Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|------------|------------|------------|------------|------------|
| Total Assets | 13,289,657 | 16,692,434 | 26,696,346 | 33,773,479 | 58,961,203 |

The above data described that the total assets of the bank continuously increasing from FY2013-2017 upto Rs. 13.28 million to Rs. 58.96 million. In the last FY2017 it showed in highly increased in the amount of total assets from Rs. 33.77 million to Rs. 58.96 million.

Analysis of Cash & Bank Balances

Table 27: Cash and Bank Balances Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|---------|---------|-----------|-----------|-----------|
| Cash & balances with treasury banks | 617,892 | 701,036 | 1,001,222 | 1,300,650 | 1,664,251 |

The cash and balances with T Banks seem increased in the above given period of five years from FY2013-2017 respectively. In the FY2013 the total amount of cash and balances with treasury banks was Rs. 0.61 million. It is also concluded that in FY2015 it increased from Rs. 0.70 million to Rs. 1.0 million. After that it showed increased in FY2016 from Rs. 0.10 million to Rs. 1.3 million. In the last FY2017 it increased as compared to previous one upto Rs. 1.66 million.

Analysis of Investments

Table 28: Investment by Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|-----------|---------|-----------|-----------|------------|
| Investments | 1,038,901 | 836,886 | 1,847,825 | 2,967,965 | 16,297,590 |

It is observed from the given data the investments increased from FY2014-2017. In the FY2013 the total investment was Rs. 1.03 million and it was declined in the FY2014 to Rs. 0.83 million. Further it was increased constantly from FY2015-2017 upto Rs. 1.84 million to Rs. 16.29 million.

Analysis of Fixed Assets

Table 29: Fixed Assets of Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|---------|---------|---------|---------|-----------|
| Fixed Assets | 275,184 | 322,920 | 548,979 | 719,730 | 1,141,596 |

The total fixed assets of Khushhali MFB was subsequently increased from year to year. It showed an increasing trend from FY2013 to FY2017 upto Rs. 0.27 million to Rs. 1.14 million respectively.

Analysis of Profit / (Loss) after Taxation

Table 30: Profit / (Loss) after Taxation of Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------|---------|---------|---------|-----------|-----------|
| Profit/(loss) after taxation | 363,198 | 703,212 | 824,165 | 1,272,734 | 1,800,565 |

From the data given above we conclude that the khushhali bank earned profit from FY2013-2017. It showed in FY2013 it earned profit of Rs. 0.36 million and in the next FY2014 it increased profit to Rs. 0.7 million. This shows the management of Khushhali MFB was very good. In FY2017 it shows a profit of Rs. 1.8 million which showed better management of Khushhali MFB in these periods and got a maximum profit in FY2017.

Analysis of Performance Ratio

Five years ratio analysis of Khushhali MFB

Table 31: ROE, ROA and EPS of Khushhali Bank

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------|--------|-------|-------|-------|--------|
| ROE | 13.21% | 21.4% | 20.9% | 25.8% | 28.34% |
| ROA | 2.73% | 4.21% | 3.09% | 3.77% | 3.05% |
| EPS | 2.13 | 4.12 | 4.83 | 7.46 | 10.54 |

Return on Equity (ROE)

The data obtained from balance sheet and income statement of Khushhali bank concluded that the return on equity showed a positive throughout the year from FY2013-2017. It showed that the khushhali bank generates profit from its shareholders amount that they invested in it. It showed a good ROE ratio from FY2014-2017. The ROE ratio was 21.4% in FY2014 and it constantly increased throughout the year to 28.34% in FY2017.

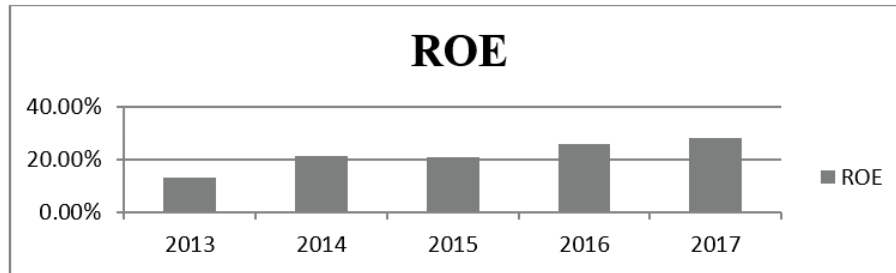


Figure 11: ROE of Khushhali Bank

Return on Assets (ROA)

The above data extracted from the annual reports of Khushhali MFB after the calculation we get ROA ratio and we observed that the ROA shows positive in each year. This shows the management of bank is very good. It is generating profit from its total assets this will give a good sign for the investors. The highest ROA ratio was in FY2014 of 4.21%. It decreased sequentially from FY2015-2017 from 3.09% to 3.05%.

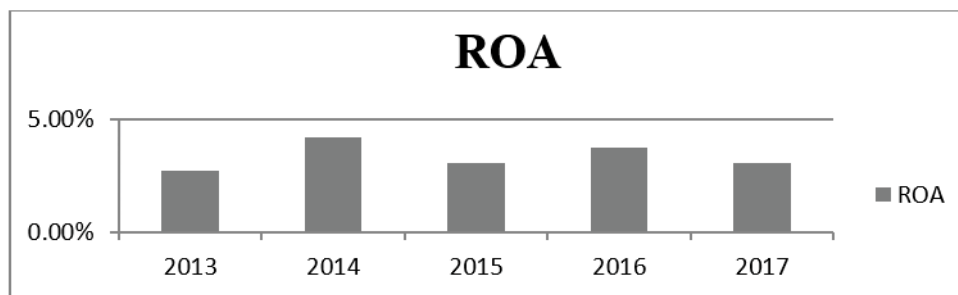


Figure 12: ROA of Khushhali Bank

Earnings Per Share (EPS)

We observed from the analyzed data given above the EPS ratio showed positive trend throughout the five year from FY2013-2017. In FY2013 the EPS was 2.13 and it was increased in next year to 4.12. Further it was increased highly from 4.83 in FY2015 to 7.46 in FY2016. In FY2017 it was 10.54 that are higher as compared to previous years. It means that the Khushhali bank generates dividends and investments in every year.

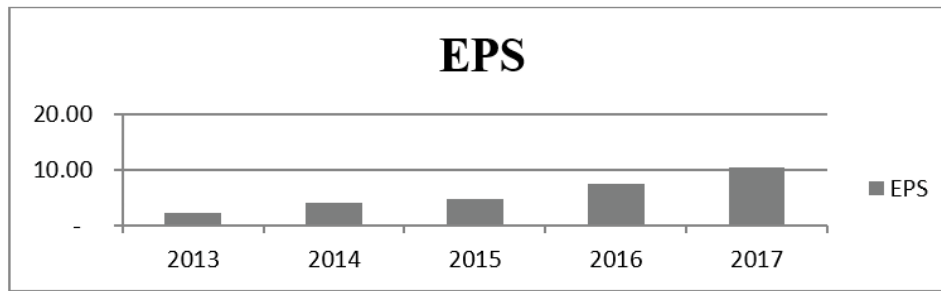


Figure 13: EPS of Khushhali Bank

Mobilink Microfinance Bank (MMBL)

Mobilink Microfinance Limited (MMBL) is the largest microfinance bank of Pakistan with over 15 million wallets on mobile. MMBL operations were started in April 2012 and they launched operation of branchless banking with the name of Jazz Cash in the deal with the largest operator of telecom Jazz in Nov 2012. Bank has the leading branches around 61 mark, 1000 employees and over 70,000 people running their branchless banking and a USSD (GSM) based channel in the country that is offering savings, micro enterprise loans, housing loans, mobile wallets, life insurance. With a fact that MMBL is a young bank, it has emerged as one of the leading front-line runners and achieved some financial breaks within its four years of working operations in 2015. One of the fastest progress by any microfinance bank in 2016 and 2017 financial performance of bank was remarkable with return. Financial performance of the bank on exceeding equity 35% in 2017. Performance analysis of Mobilink MFB is as follow:

Analysis of Total Equity

The total equity of Mobilink Microfinance bank is as under for five years.

Table 32: Total Equity of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Equity | 829,817 | 1,037,013 | 999,736 | 1,218,956 | 3,062,142 |
| Share Capital | 1,137,504 | 1,451,754 | 1,451,754 | 1,451,754 | 2,713,597 |
| Reserves | 0 | 0 | 0 | 46,152 | 168,570 |
| Un appropriated profit | -307,687 | -414,741 | -452,018 | -278,950 | 179,975 |
| Others | 314,228 | -683 | 600 | 11,538 | 42,493 |

The total shareholders' investment in FY2013 was Rs. 0.83 million as it was observed that in the FY2014 the total equity improved up to Rs. 1.03 million. The total equity was slightly decreased in the FY2014 from Rs. 1.03 million to Rs. 0.99 million. For the FY2016 it was again improved from Rs. 0.99 million to Rs. 1.22 million, as mentioned above the total equity in the FY2017 was Rs. 3.06 million.

Analysis of Total Liabilities

The total liabilities of Mobilink MFB were given as under from FY2013 to FY2017:

Table 33: Total Equity of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|---------|-----------|-----------|------------|------------|
| Total Liabilities | 769,353 | 1,504,516 | 3,890,220 | 13,003,363 | 17,476,241 |
| Bills Payable | 0 | 0 | 0 | 0 | 0 |
| Borrowings from Financial Institutions | 0 | 0 | 0 | 0 | 0 |
| Deposits and other accounts | 645,369 | 1,287,919 | 3,197,311 | 10,306,362 | 14,943,057 |
| Other/misc. liabilities | 123,984 | 216,597 | 692,909 | 2,697,001 | 2,533,184 |

Total liabilities showed that there were no bills payable and borrowings from financial institutions. It showed very minor other/misc. liabilities from FY2013 to FY2017. As the data expressed that the total liabilities were increased throughout the year from FY2013-2017.

Analysis of Total Assets

Table 34: Total Assets of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|-----------|-----------|-----------|------------|------------|
| Total Assets | 1,913,398 | 2,540,846 | 4,890,556 | 14,233,857 | 20,580,876 |

The data above taken from annual reports of microfinance bank showed that the total assets increased continuously from the first periodic year to the last year. It was highly addition in the total assets in FY2016 and FY2017. Now in the FY2017 it was Rs.20.58 million.

Analysis of Cash & Bank Balances

Table 35: Cash and Bank Balance of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|--------|---------|---------|---------|-----------|
| Cash & balances with treasury banks | 73,019 | 121,820 | 266,578 | 747,930 | 1,071,464 |

The cash and balances with T Banks of Mobilink MFB stated that it was improved swiftly from FY2013 to FY2017 upto Rs. 73,019 to Rs. 1.07 million respectively.

Analysis of Investments

Table 36: Investments of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|---------|---------|---------|-----------|-----------|
| Investments | 409,517 | 326,780 | 125,272 | 1,495,053 | 4,527,807 |

The total investment by Mobilink MFB in the FY2013 was Rs. 0.41 million then it gradually declines to FY2015 upto Rs. 0.12 million. The investment start rises in FY2016 and FY2017 was known to be the best year for investments.

Analysis of Fixed Assets

Table 37: Fixed Assets of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|---------|---------|---------|---------|---------|
| Fixed Assets | 180,221 | 220,961 | 289,235 | 388,448 | 462,744 |

The fixed assets of the Mobilink MFB were increased constantly throughout the periodic period from FY2013-2017.

Analysis of Profit / (Loss) after Taxation

Table 38: Profit and Loss after Taxation of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------|----------|----------|---------|---------|---------|
| Profit/(loss) after taxation | -215,960 | -107,054 | -37,227 | 230,758 | 612,089 |

From the given data we concluded that the Mobilink MFB faced loss in FY2013 to Rs. -0.22million due to the previous loss happened in FY2013 management took significant steps and overcome this loss this can be seen in the data the loss was declined from Rs. -0.22 million to Rs. -0.11 million and in the FY2015 it was again decreased to Rs. -37,277. Due to the efficient and effective strategy Mobilink MFB earned profit and it was increased rapidly from FY2016-2017 up to Rs. 0.23 million to Rs. 0.61 million.

Analysis of Performance Ratio

Past five years ratio analysis Mobilink

Table 38: ROE, ROA and EPS of MMBL

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------|---------|---------|--------|--------|--------|
| ROE | -26.03% | -10.32% | -3.73% | 18.93% | 19.99% |
| ROA | -11.29% | -4.21% | -0.76% | 1.62% | 2.97% |
| EPS | -1.9 | -0.74 | -0.26 | 1.59 | 2.26 |

Return on Equity (ROE)

We see that the Mobilink MFB generates no profit from shareholders investment from FY2013-FY2015. Further due to their efficient management the Mobilink MFB ROE was positive in FY2016 and it was a good ROE percentage of 18.93. Further in FY2017 the ROE was 19.9% it means bank management is better.

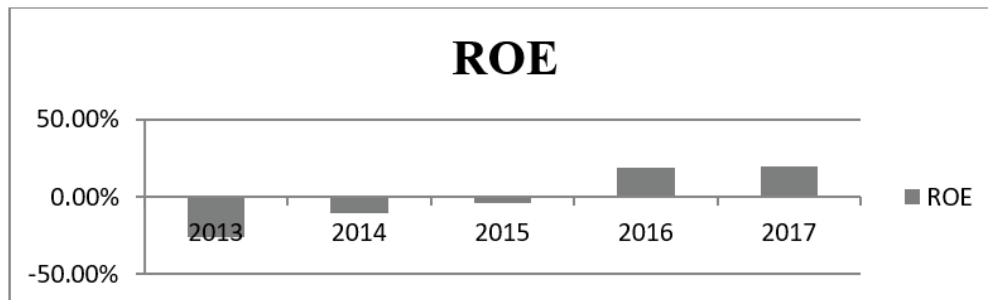


Figure 14: ROE of MMBL

Ar

Return on Assets (ROA)

The ROA of Mobilink MFB showed negative from FY2013-2015. After that the MFB generates income from its total assets that revealed efficient management from FY2016-2017. Its showed that the Mobilink MFB stables their financial matters and achieved their goal in FY2016.

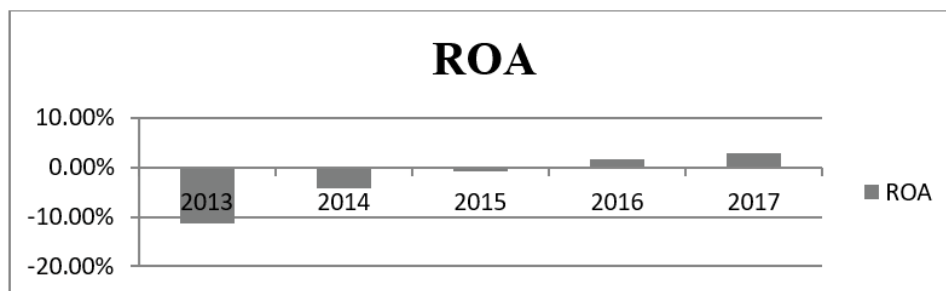


Figure 15: ROA of MMBL

Earnings Per Share (EPS)

From the analyzed data from the income statement and balance sheet in the FY2013-2014 it concluded that the shareholders didn't received dividend in these years after that in FY2016 it showed positive of 1.59 on each share. In FY2017 the shareholders got dividend of 2.26 on each share. That showed the performance of MFB is better from FY2016-2017.

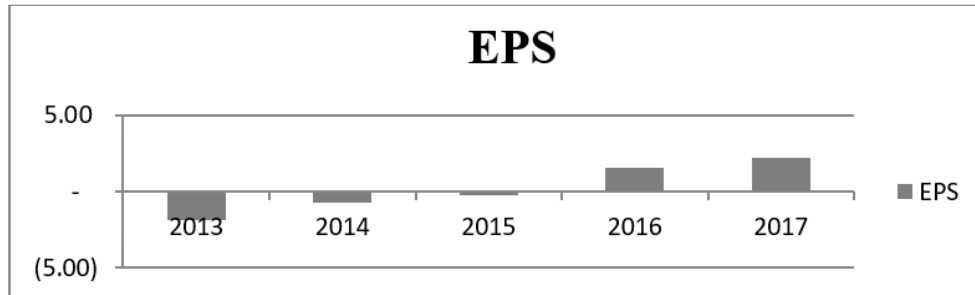


Figure 16: EPS of MMBL

Telenor Microfinance Bank (TMB)

They have a network of 75,000 employees with having 176 branches around the country. Telenor microfinance bank is aimed to provide financial service to the degraded or less areas of the society to improve and strengthen the poor people of the society with the Microfinance Institution Ordinance, 2001. In 2009, they launched largest platform of Banking Easypaisa which is the largest achievement by any microfinance bank. They are having a admirable journey of innovations to achieve financial gain on individual level. With the use of Easypaisa every common man can easily handle all his financial needs are the right time. Awards for the 'Best Microfinance Bank' and 'Bank the Unbanked' were awarded to Telenor Microfinance bank in the year 2016 and 2017. Performance analysis of Telenor MFB is as follow:

Analysis of Total Equity

The total equity of Telenor Microfinance bank is as under from FY2013-2017.

Table 39: Total Equity of TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Equity | 2,194,431 | 2,821,912 | 3,658,787 | 4,577,575 | 4,981,530 |
| Share Capital | 1,346,939 | 1,346,939 | 1,346,939 | 1,346,939 | 1,346,939 |
| Reserves | 641,705 | 828,142 | 1,050,952 | 1,286,756 | 1,405,571 |
| Un appropriated profit | 205,787 | 646,831 | 1,260,896 | 1,943,880 | 2,229,020 |
| Others | 14,994 | 22,009 | 30,496 | 8,334 | 24,265 |

The above data revealed that the total equity gradually arise from FY2013 to FY2017. In the FY2013 the equity was Rs. 2.2 million then in the next year it gradually raised to Rs. 2.82 million. It highly increased in FY2015 from Rs. 2.81 million to Rs. 3.65 million. In FY2016, the equity increased swiftly from Rs. 3.65 million to Rs. 4.57 million. In FY2017 it slightly arises from Rs. 4.57 million to Rs. 4.98 million.

Analysis of total liabilities

Table 40: Total Liabilities of TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------|------------|------------|------------|------------|
| Total Liabilities | 12,981,274 | 13,549,372 | 17,368,840 | 31,717,737 | 42,121,973 |
| Bills Payable | 0 | 0 | 0 | 0 | 0 |
| Borrowings from Financial Institutions | 501,280 | 239,211 | 85,474 | 0 | 0 |
| Deposits and other accounts | 10,627,546 | 12,261,354 | 15,678,541 | 27,829,780 | 36,664,927 |
| Other/misc. liabilities | 1,852,448 | 1,048,807 | 1,604,825 | 3,887,957 | 5,457,046 |

The total liability of the Telenor MFB increased rapidly throughout the FY2013-2017 from Rs. 12.9 million to Rs. 42.12 million. The above data showed that there were no bills payable but the borrowings from financial institutions from FY2013 to FY2015. Deposits and other account increased in every year.

Analysis of total assets

Table 41: Total Assets of TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|------------|------------|------------|------------|------------|
| Total Assets | 15,190,699 | 16,393,293 | 21,058,123 | 36,303,646 | 47,127,768 |

The total assets of Telenor Microfinance bank in FY2013 were Rs. 15.2 million then it increased gradually throughout the FY2014-2017. And in FY2017 it was Rs. 47.12 million.

Analysis of cash & bank balances

Table 42: Total Cash and Bank Balances of TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Cash & balances with treasury banks | 1,225,227 | 1,371,733 | 1,588,338 | 3,116,926 | 3,497,633 |

Cash and balances with T banks were constantly raised from FY2013-2017. The total amount of cash and balances with T banks raised from Rs. 1.22 million to Rs. 3.5 million.

Analysis of investments

Table 43: Investments by TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|-----------|-----------|-----------|------------|-----------|
| Investments | 3,471,857 | 3,775,640 | 3,784,189 | 11,568,227 | 6,767,309 |

The investments by Telenor MFB in FY2013 were Rs. 3.4 million. Further it decreased slightly in the FY2014-2015. An investment was increased quickly in FY2016 from Rs. 3.78 million to Rs. 11.56 million. In FY 2017 declined from 11.5 million to Rs. 6.7 million.

Analysis of fixed assets

Table 44: Total Equity of TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|---------|---------|---------|-----------|-----------|
| Fixed Assets | 480,237 | 556,761 | 645,474 | 1,041,611 | 1,729,560 |

The Telenor MFB invest in the fixed assets increased year to year from Rs. 0.48 million to Rs. 1.73 million respectively.

Analysis of profit / (loss) after taxation

Table 45: Profit / (Loss) after Taxation of TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------|---------|---------|---------|---------|---------|
| Profit/(loss) after taxation | 381,755 | 708,493 | 851,740 | 895,354 | 416,756 |

The Telenor MFB earned profit in each year that shows that the management of the bank is good. But in the FY2013 to FY2016 the profit increased every year and it was declined in the FY2017 from Rs. 0.89 million to Rs. 0.42 million.

Analysis of performance ratio

Table 46: Performance Ratios of TMB

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------|--------|--------|--------|--------|-------|
| ROE | 17.40% | 25.11% | 23.28% | 19.56% | 8.37% |
| ROA | 2.51% | 4.32% | 4.04% | 2.47% | 0.88% |
| EPS | 2.83 | 5.26 | 6.32 | 6.65 | 3.09 |

Return on Equity (ROE)

The Telenor MFB manages the equity and generates good income from the investments of shareholders. The highest ROE ratio was in FY2014 of 25.11% that showed a good ROE ratio. It was declined in FY2017 from 19.56% to 8.37%.

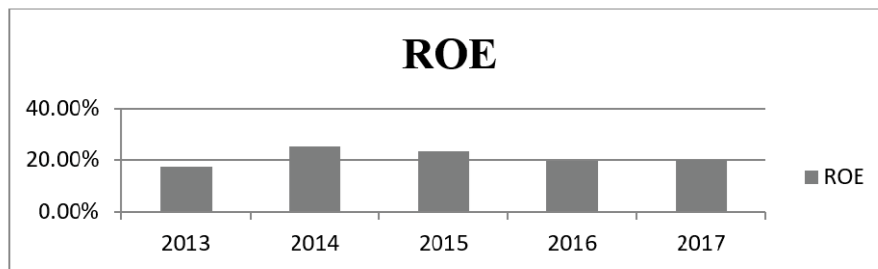


Figure 17: ROE of TMB

Return on Assets (ROA)

The Return on assets in FY2013 was 2.51% it increased in FY2014 and FY2015 then it declined in FY2016. In FY2017 ROA was 0.88%. It means Telenor MFB generates profit from its total assets in FY 2013-2015 from 2.51% to 4.04%. Then it showed declined from 4.04% to 0.88%.

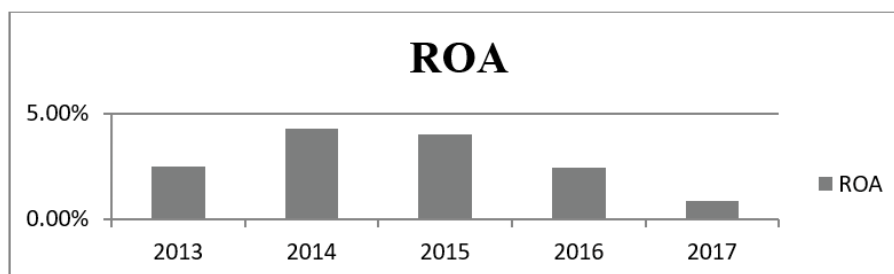


Figure 18: ROA of TMB

Earnings Per Share (EPS)

The shareholders of Telenor MFB received good dividend on each share from FY2013-2016. In FY2017 the EPS reduced from 6.65 to 3.09. The highest EPS was in FY2016 of 6.65.

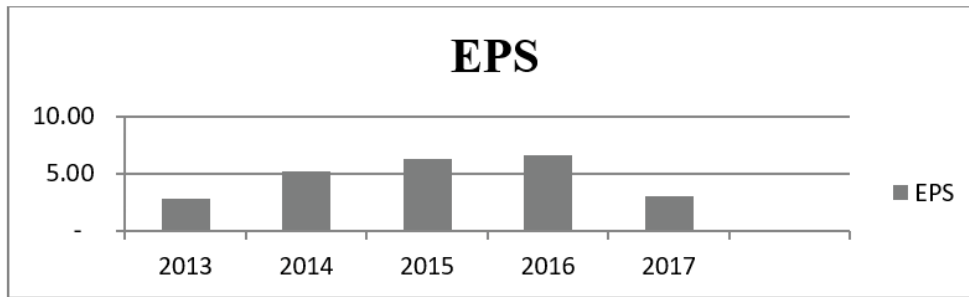


Figure 18: EPS of TMB

Overall Microfinance Banks Analysis

As, previously discussed in literature review only the role of MFB was done. Not only a single result shows a positive relationship toward MFB analysis but also collectively shows a performance of Microfinance bank in Pakistan. The total number of MFB in Pakistan are 10-15 in number and in my research, I have done analysis on 8 of them so our findings can be generalizing.

Performance analysis of overall MFB is as follow:

Analysis of Total Equity

Table 47: Total Equity of all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|------------|------------|------------|------------|------------|
| Total Equity | 14,904,978 | 18,079,359 | 23,893,485 | 28,125,443 | 35,872,132 |
| Share Capital | 14,460,458 | 16,323,080 | 19,889,988 | 21,443,298 | 24,477,784 |
| Reserves | 1,086,785 | 1,513,220 | 2,093,205 | 2,977,973 | 4,126,727 |
| Un appropriated profit | -642,265 | 243,059 | 1,910,292 | 3,704,172 | 7,267,621 |
| Others | -2,118,380 | -3,130,498 | -4,800,615 | -3,610,302 | -3,463,477 |

We observed from the above data that the total equity of overall microfinance banks increased rapidly. In FY2013 was Rs. 14.9 million and it increased throughout the year from FY2013-2017. In FY2017 it increased to Rs. 35.8 million. The profit of the MFB increase cause the equity increase.

Analysis of total liabilities**Table 48:** Liabilities of all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------------|------------|------------|-------------|-------------|
| Total Liabilities | 45,228,787 | 54,856,247 | 78,882,571 | 145,615,827 | 214,746,449 |
| Bills Payable | 58,169 | 125,342 | 79,230 | 110,670 | 136,194 |
| Borrowings from Financial Institutions | 8,000,678 | 8,664,284 | 10,893,373 | 13,728,881 | 13,017,323 |
| Deposits and other accounts | 33,581,490 | 42,730,482 | 63,084,832 | 120,173,249 | 185,909,900 |
| Other/misc. liabilities | 3,588,450 | 3,336,139 | 4,825,136 | 11,603,027 | 15,683,032 |

The above data expressed that the total liabilities increased constantly from FY2013-2017. In FY2013 the total liabilities were Rs. 45.23 million and it increased in the next year to FY2017 of Rs. 214.75 million.

Analysis of total assets**Table 49:** Total Assets of all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|------------|------------|------------|-------------|-------------|
| Total Assets | 58,015,386 | 69,805,108 | 97,975,441 | 170,130,968 | 247,155,104 |

We concluded from the above data the total assets were increased throughout the periodic year from FY2013-2017. In first FY2013 total assets were Rs. 58.10 million and in the next FY2014 it was Rs. 69.8 million. It increased gradually year to year. In FY2017 the total assets was Rs. 247.1 million.

Table 50: Total Cash and Balances of all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-----------|-----------|-----------|-----------|------------|
| Cash & balances with treasury banks | 2,908,717 | 3,464,599 | 4,700,656 | 9,534,721 | 12,224,551 |

Cash and balances with treasury banks of overall microfinance banks were increased from FY2013-2017. It increased in FY2017 from Rs. 2.90 million to Rs. 12.22 million.

Table 51: Total Investments of all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|------------|------------|------------|------------|------------|
| Investments | 12,655,954 | 14,565,967 | 13,520,656 | 30,964,763 | 44,674,356 |

The total investments of Microfinance banks in FY2013 were Rs. 12.65 million. It was increased in FY2014 from Rs. 12.65 million to Rs. 14.65 million. Further year it was slightly declined from Rs. 14.56 million to Rs. 13.52 million. It was highly raised in FY2016 to Rs. 30.96 million. In FY2017 the total investments was Rs. 44.67 million.

Table 52: Fixed Assets of all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Fixed Assets | 1,914,457 | 2,526,436 | 3,557,475 | 5,142,024 | 7,256,382 |

The above data represent that the fixed assets were increased swiftly in every year from Rs. 1.91 million to Rs. 7.25 million

Table 53: Profit/(Loss) after Taxation of all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------|---------|-----------|-----------|-----------|-----------|
| Profit/(loss) after taxation | 690,450 | 1,600,899 | 2,654,184 | 3,180,677 | 5,292,818 |

We concluded that the microfinance banks profit constantly increased in every year. It increases from FY2013-2017 from Rs. 0.69 million to Rs. 5.29 million.

Analysis of performance ratio

Past 5 years ratio analysis of Overall MFBs

Table 54: Performance Ratios all MFBs

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|------|-------|-------|--------|--------|--------|
| ROE | 4.63% | 8.85% | 11.11% | 11.31% | 14.75% |
| ROA | 1.19% | 2.29% | 2.71% | 1.87% | 2.14% |
| EPS | 0.48 | 0.98 | 1.133 | 1.5 | 2.21 |

Return on Equity (ROE):

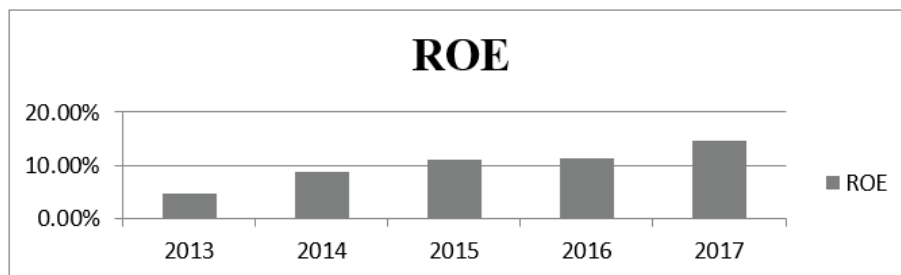


Figure 19: ROE of all MFBs

The overall microfinance banks return on equity was rapidly increased from FY2013-2017. It showed that it generates income from the investments of the shareholders. This shows the overall management of MFBs was good. In FY2017 the ROE was 14.75% which represent the good ROE ratio.

Return on Assets (ROA)

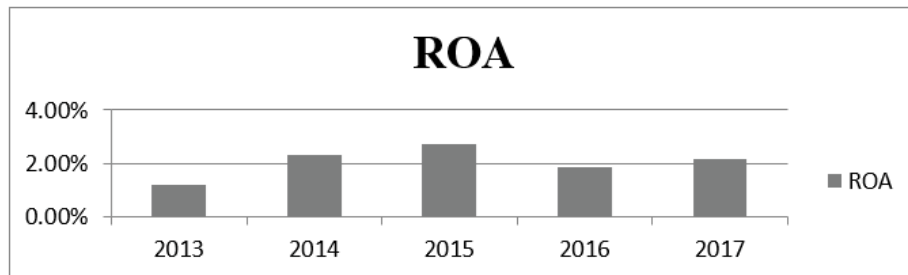


Figure 20: ROA of all MFBs

We expressed from the above data that the ROA increases from FY2013-2015 from 1.19% to 2.71%. After that it was decreased in FY2016 from 2.71% to 1.87%. Then it gradually increases in the FY2017 that shows a good sign of performance.

Earnings Per Share (EPS)

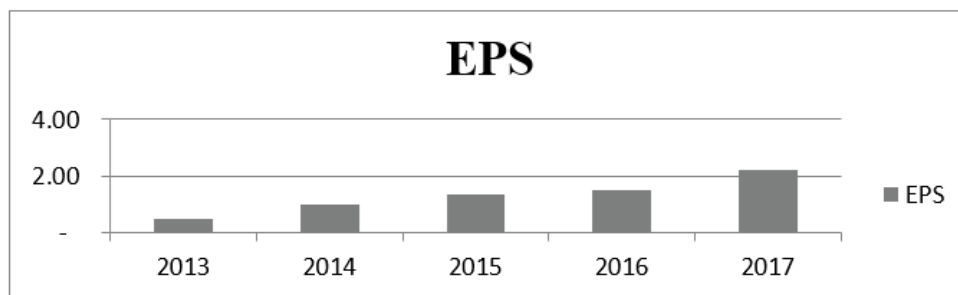


Figure 21: EPS of all MFBs

The earnings per share of overall microfinance banks were not so high but it was positive and slightly increased throughout the years. In FY2013 the EPS was 0.48 then in FY2014 it increased to 0.98. In FY2017 the EPS was 2.21.

Conclusion

Microfinance provides total number of employments of 16,650 people in Pakistan. In FY2013 total employees in MFBs were 6,946 in which the Khushhali bank provides large number of employments to 2,293 people in FY2013. The total employment increased in each year and those who provide higher employments include Khushhali, Finca, NRSP and Telenor bank. The MFBs reduce the unemployment in Pakistan. MFBs provide borrowing of Rs. 8 million in FY2013 and it increased from FY2013-2016. In FY2017 it showed a downfall from Rs. 13.72 million to Rs. 13 million. The branches of MFBs increasing year to year as these were 312 in FY2013 and 770 branches in FY2017. The financial acceptability of this sector is very weak, and I think it should be addressed. There is increase in cost per borrower and productivity ratios are weak. The main weak financial cause for this sector is unplanned strategies and inappropriate growth strategies. To minimize the exchange between social and commercial objectives regarding microfinance. The sector should stop focus on expansion and must focus on utilizing the

human resources and financials in effective way. After the data extracted from the balance sheets and income statements of MFBs and completing whole research we come to find that the overall performance of MFBs is satisfactory. The data revealed that MFBs earned the profit of Rs. 0.69 million in FY2013 and it was increased in FY2014 of Rs. 1.6 million. In FY2015 the total profit was Rs. 2.65 million and it was increased to Rs. 3.18 million in FY2016. Now in FY2017 the total profit is Rs. 5.29 million.

The ROE represents positive in every year. In FY2013 it was 4.63% and it gradually rose in FY2014-FY2017. In FY2014 it was 8.85% and it increased in the next FY2015 to 11.11%. After that it was slightly increased to 11.31%. It showed a good ROE in FY2017 of 14.75%. The ROA showed positive throughout the FY2013-2017. It was 1.19% in FY2013. It increased in FY2014 to 2.29%. It was slightly declined in FY2016 from 2.71% to 1.87%. It was raised in FY2017 to 2.14%. The earnings per share of overall microfinance banks were not showed high but it was positive trend and rose throughout the years. In FY2013 the EPS was 0.48 and it increased to 0.98 in FY2014. In FY2017 the EPS showed positive of 2.21.

References

- Achalkechukwu, A. (2012). Microfinance banking in Nigeria: Problems and prospects. *International Journal of Finance and Accounting*, 1(5), 106-111.
- ADAMS, D, 1988. The conundrum of successful credit projects in flourishing rural financial markets. *Economic Development and Cultural Change*, 36(2): 355-67.
- Advans Microfinance Bank Annual Reports, Retrieved from <http://www.advanspakistan.com>
- Ali, A., & Alam, M. A. (2010). Role and performance of microcredit in Pakistan.
- Armendáriz, B., & Morduch, J. (2010). *The economics of microfinance*. MIT press
- Brau, J. C., & Woller, G. M. (2004). Microfinance: A comprehensive review of the existing literature. *The Journal of Entrepreneurial Finance*, 9(1), 1-28.
- Craig, C. and F. Cheryl (2006), Making Micro Finance Work. Geneva: International Labour Office.
- Hulme, D. (2000). Impact assessment methodologies for microfinance: theory, experience and better practice. *World development*, 28(1), 79-98.
- Khandker, S. R. (2005). Microfinance and poverty: Evidence using panel data from Bangladesh. *The World Bank Economic Review*, 19(2), 263-286.
- Ledgerwood, J. (1998). *Microfinance handbook: An institutional and financial perspective*. The World Bank.
- Morduch, J. (1999). The microfinance promise. *Journal of economic literature*, 37(4), 1569-1614.
- Morduch, J. (2000). The microfinance schism. *World development*, 28(4), 617-629.
- Schreiner, M. (2002). Aspects of outreach: A framework for discussion of the social benefits of microfinance. *Journal of international development*, 14(5), 591-603.
- Telenor Microfinance Bank Annual Reports, Retrieved from <http://www.telenorbank.pk>
- Ufone Microfinance Bank Annual Reports, Retrieved from <http://ubank.com.pk>

Author's Guideline

Instruction for Authors

There is no standard fixed length for articles, but an 8 – 24 A4 pages, with 12-fonts and 1.15-line space article would suffice. This page limit includes all parts of the paper: title, abstract, body, bibliography, appendices and tables.

Title should be a brief, not more than fourteen words it should be written in Times New Roman Font Size 14 Bold and centered.

All papers are to be submitted as a single MS WORD file, formatted for 8.5" x 11" paper.

Manuscripts should be composed according to APA (American Psychological Association) 6th edition format.

FUJBE accepts manuscripts via e-mail. The manuscript should be prepared using a recent version of Microsoft Word and should utilize standard fonts and symbols.

The submitted manuscripts should be written in English, (American or British usage is accepted, and however it should not be a mixture of both). Manuscripts should be free from grammatical errors.

Use headings sparingly and logically. Do not use more than three levels of headings.

Manuscripts should be prepared according to the following style rules (deviations from these rules can cause publication delays)

A. Content, Length, and Formatting

It is the author's responsibility to make the submitted paper clear, related, and thought-provoking, before submission and consideration by referees. This requires:

Abstract

An abstract not exceeding 250 words comprising the following is required in the following format:

Author's name (s) and affiliation

a) Email address

b) Title and abstract content

The abstract should be clearly written and readily comprehensible. It should provide a concise summary of the objectives, methodology (including the species studied), key results, and major conclusions of the study. It should be written in complete sentences, without subheadings.

Provide maximum 7 key words of the manuscript

Introduction

The Introduction should provide a clear statement of the problem, the relevant literature on the subject should be cited. Methods and procedures used in the research should be described in detail. Results should be clearly described and should provide a comprehensive picture of results. Previously

published findings should be written in the present tense. Detailed interpretation of data should not be included. In discussion section findings should be interpreted in view of the present study results and results of past researches in that area. Conclusions should be given at the end of article. Discussion section should describe briefly the major findings. It should describe the validity of observation and other published work dealing with the same type of findings.

Full paper

- a) A4 size paper
- b) Margins must be 1.25 inch on all sides
- c) Font size 12 Times New Roman (body text)
- d) Title, subtitles, abstract and references single spaced; body text 1.15 - line spaced
- e) Referencing, graphics & tables will be considered in the total page count.

Tables and Figures

- a) Tables must be submitted in Microsoft Word table format, and should be created using Times New Roman text, 10 point size. APA-style provided elsewhere must be preferred.
- b) Figures must be clearly produced in black and white. All text included in figures should be Times New Roman (10 point minimum).
- c) Each table and figure should fit on a single page. Tables and figures may be oriented horizontally (landscape) or vertically (portrait) within the allotted space.
- d) Each table and figure should be identified with a table or figure number and a descriptive title.
- e) For data not generated by the author(s), the source of the data should be given (in short form) below the table or figure and listed in full in the references.

Footnotes and References

- a. Footnote material should be incorporated into the text whenever possible. If footnotes are necessary, the note number should be typed in the text and superscripted. The notes should be collected at the end of the text as endnotes.
- b. References should be (a) integrated into the text in short form and (b) collected together at the end of the article. APA format needs to be followed

For works with three or more authors, list the first author followed by "et al." as shown above. For multiple citations, alphabetize citations by first author's last name.

The author(s) should make sure that there is a strict one-to-one correspondence between the in-text citations (including citations in footnotes, tables, and figures) and the list of references in the References.

Copyright Transfer

- a) Submission of a paper will be held to imply that it contains original unpublished work and is not being submitted for publication elsewhere

b) Submission of a paper also implies that, upon acceptance of an article by the journal, the author(s) will transfer copyright of the article to the publisher. The transfer will ensure the widest possible distribution of material.

Miscellaneous

a. Use the American terms such as billion (one billion = 1,000,000,000; one trillion = 1,000,000,000,000), rather than lakhs and crores.

b. Spell out all numbers from one to ninety-nine, unless:

i. the number contains a decimal point, e.g., "6.2" and "0.12"

ii. the number precedes a percent sign or a unit of measure, e.g., "47%" and "16 μ m"

c. A short abstract of the paper should always be included with the submission.

d. Each author is entitled to one copy of the issue in which his or her article appears.

Note:

Editor reserves the right to amend, abridge or otherwise alter the contents of the paper to make it suitable for publication. However every endeavor will be made not to affect the spirit or effectiveness of the paper.

Call for Papers

Dear Prof./Dr./Researchers,

This is to inform you that we are currently accepting original research articles for evaluation and publication in our February 2020 volume. We would like to invite you to contribute your Research Paper for publication in "**Foundation University Journal of Business & Economics (FUJBE)**". Papers published in "**FUJBE**" will receive very high publicity and acquire very high reputation. The scopes of the journal include: Accounting, Finance, Human Resource Management, International Business, Marketing, Organizational Behavior, Strategic Management and Services, Economics, & Other Areas Related to Businesses.

The Journal accepts article submissions by e-mail:

fujbe@fui.edu.pk

Dr. Muhammad Awais

Secretary & Editor – FUJBE

Assistant Professor (Finance)

Faculty of Management Sciences, Department of Economics and Finance

Foundation University Islamabad, Pakistan