PERFORMANCE OF BANKING INDUSTRY AFTER PRIVATIZATION IN PAKISTAN: A CASE STUDY OF MCB BANK LIMITED

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ABSTRACT

This research work aims to investigate the impact of privatization on the performing efficiency of MCB Bank Limited Privatization and the phenomenon of denationalization after the failure of socialism and communism globally. As the direction of enteritis was predetermined by state which in long term affected the performance of state-owned entities on many fronts even they reached at the verge of collapse and state was compelled to inject capital for their survival. Ultimately the state took drastic steps and initiated the process of denationalization and privatization to keep the industry intact in the changed scenario.

In 1974, during Z.A.Bhutto regime Pakistan's banking industry was nationalized with prime objective to address the issues of backward segments of economy but unfortunately after privatization industry was used for political motives and witnessed poor performance and financial indiscipline due to frequent interference in the affairs of banks particularly in lending activities and hiring of inefficient human resources. Resultantly banks failed to deliver as per expectation of masses and could not deliver quality customer services on one hand and accumulation of infected portfolio on the other which in turn swallowed the profitability and the capital of banks.

It is revealed that bank has tremendously performed in all Key Performing Indicators, it has improved its profitability manifold, deposit base is significantly enhanced and became more liquid and solvent.

Keywords: Privatization, MCB Bank Limited, Non Performing Loans, CAR, Deposits, Assets, Profitability.

INTRODUCTION

Privatization is a process through which assets and shares of a state owned entity are sold to private sector which may include firms and individuals. It is a narrow definition broadly it aims at avoiding state interference in the affairs of private entity so that the entity could decide its own direction of business to compete and flourish in free economy. Basically after the collapse of socialism and communism it was felt globally that in order to stay in market place government's role must be restricted to decide the direction of economy and let the entities decide its own way to produce goods and services and offer the same to market at competitive rates which ultimately support in Gross Domestic Product (GDP) growth, employment and export earnings. Privatization encourages innovative products and use of information technology in better way after the advent of computer technology where globe is just like a village where goods and services are offered at the click of button.

Pakistan's banking sector has gone through a bad experience of Nationalization in 1974 though the prime motive of Bhutto regime was to support the backward segments of economy through the use of savings of the public in efficient manner by lending to those who are short of funds but unfortunately the desired goals could not be achieved due to various reasons.

The banking industry suffered a lot during nationalization; the government used it for political motives particularly in lending and hiring of staff. The control of state changed the shape of the financial services industry loans were allowed to please the people of choice particularly in Zia regime agricultural loans were extended to landlords with no interest. Most of the loans had become bad loans and ultimately were written off by state to get their support to run the affairs of state in smooth manner. In a nutshell the industry witnessed financial indiscipline and so many times government injected the capital to avoid collapse of Banks and DFIs. Share of bad loans of DFIs and NCBs contributed 90 % of the banking sector. Therefore, in 1991 Nawaz regime revisited the functioning of banking industry and decided to denationalize the banks in phases and also allowed licenses to new entrance to compete in marketplace to provide better services to people of the country on competitive prices. Keeping in view the deposit base, advances portfolio and other indicators in view government decided to privatize relatively small banks MCB and ABL in first phase.

NEED FOR PRIVATIZATION IN PAKISTAN

Globally business dynamics were changed, and need was felt to denationalize the state-owned entities for various reasons and objectives which may include:

i) Strengthening Private Sector: To grow and flourish economy in competitive era it was needed to boost and strengthen the sector to decide its own way of business to generate maximum profit with sustainability. In 60s Pakistan government established factories and transferred to private sector at concessional rates as private sector was avoiding taking risk having already limited resources.

ii) Enhancing the Efficiency: Government by way of offering incentives to private sector was expecting the private sector to invest in SOEs which will ultimately enhance innovation and use of modern technology to ensure best possible services.

iii) Reduction/Elimination of the State Subsidies: Despite heavy burden on fiscal budget every year, Government used to support SOEs which were operating in loss and operations could not be closed due to strategic nature of business.

iv) Raising Funds in Capital Market: Through de-investment of profitable units of SOEs funds were raised locally as well globally. Privatization programme was not evaluated on the basis of quantum of amount it brought to state but was purely for paving path for private sector and its strengthening.

POTENTIAL BENEFITS OF PRIVATIZATION

i) Improved Efficiency: First and foremost, benefit was improved efficiency as private sector is engaged to manage its business with utmost care, prudence and avoidance of wastage of resources whereas SOEs were not taking care of cost and benefit analysis at micro level which badly affected their performing efficiency.

ii) Lack of Political Interference: In SOEs there was pressure for compromising over quality of staff hired and business was mostly run to meet political motives which not only affected performing efficiency but over staffing as well and resulted into loss incurring.

iii) Short Term View: It is rightly presumed that government is often focused to achieve short term benefits by implementing short term plans to get popularity in elections rather focusing on long term infra structure and strategic planning for long run benefits.

iv) Stake of Shareholders: Due to stake of all investors and shareholders in the private entity hence they are keenly desired for better performance of organization to earn better return on their stocks.

v) Increased Competition: It is universally agreed that privatization has improved competition due to free entrance in marketplace where monopolies no more existed and healthy competition was enhanced which resultantly boosted performing efficiency at a relatively fair price for goods and services.

OBJECTIVES OF STUDY

The specific objectives of this research study are impacts of privatization on:

- Overall performance and efficiency of sample bank,
- Innovation of products and services,
- The customer base building, and
- Growth of the bank in terms of assets, liability, profitability and equity.

REVIEW OF LITERATURE

Miller and Abid A. Burki Noulas (1996), Berger and Mester, (1997), Leaven (1999), and Ghulam Shabir Khan Niazi (2003) worked to examine the efficiency of banking sector. They explored that in banking efficiency is main concern for all stakeholders. Several research studies were carried out to identify the factors responsible for better performance and to measure the performance and the ways to attain the maximum performance. Efficiency of banks and the strategy applied reflects from their annual accounts (Balance Sheets and Profit /Loss A/C).

Boubarki and Cosset (1998) conducted a research by using financial ratios to compare efficiency and performance of 79 firms operating in 21 countries. Three years' data was analyzed before and after privatization and concluded that performance efficiency and efficiency improved post privation period.

Beck, Cull and Jerome (2003) by using unbalanced panel examined the effect of privatization on efficiency and performance of 69 banks for the period 1990 to 2001. The data was extracted from annual reports of banks. It was found that privatization has positive impact on into to efficiency of sample banks.

Chen and Yeh (1998), by using DEA approach measured operating efficiency and performance of 33 banks operating in Taiwan. Input factors were employees, operating cost, deposits, assets, and number branches whereas interest including non-interest income, loans, and portfolio investment were considered output factors. It was revealed that efficiency improved after privatization.

Sathye (2001) carried out to examine x-efficiency of 29 banks operating in Australia. Two output and three input indicators were used. Input factors were employees, loan-able funds and capital while input factors were demand deposits and loans. Average interest expenses and cost of deposits Per capita cost of premises and fixed assets and per capita cost of staff were accounted as input prices. The results revealed that efficiency improved after privatization.

Oliveros, (2012) examined the performance of denationalized banks in Spain performance was compared before and after privatization. The main objective was to determine that whether ownership change has brought any revolutionary change in performing efficiency. Data was collected from secondary sources and (DEA) Data Employment Analysis approach was applied. It was revealed that privatization has positive impact on performance but was not so much significant.

Mukherjee, *et.al.,* (2002) has studied the relationship of strategic groups with performing efficiency of 68 banks operating in India. Various factors were taken as input and output variables. Output variables include deposits, net profit, advances, interest spread and non-interest income while number of branches, number of employees, and borrowing from banks, net worth and operating expenses were taken as input variables.

Leusner and Mingo (1997) investigated the level of efficiency of commercial banks operating in United States for the period 1989-91 where separately frontier flexible and translog cost functions have been estimated for past several years. It is found that X efficiency amounts around 20 % of operating cost and banks are likely to over branch cost minimizing level.

Berger and Hannan (1998) have also analyzed efficiency of U.S. bank efficiency. It was found that X-inefficiency is result of market indiscipline which is greater than the burden of welfare loss (Saunders, Scalise and Udell (1998).

Burki, A., Abid *et.al.,* (2003) have carried out research on performance of commercial banks in Pakistan after policy reforms by use of unique panel data for the period 1991 to 2000. Non-parametric DEA method was used to compute performance by cost efficiency and isolated the contribution of allocative efficiency to cost efficiency, scale efficiency technical efficiency and pure technical efficiency. This purpose banks were segregated in three categories i.e. state owned, privatized and foreign banks. It was observed that performing efficiency has varied across the period of research study; banking efficiency was highest in 1991 and lowest in 1996. While investigating the source of inefficiency it was revealed that the allocative inefficiency contributed higher than technical inefficiency.

It was further concluded that foreign banks were highest at efficiency level followed by private banks, but state owned remained at lowest level. At second stage unbalanced panel data was used in regression to investigate the determinants of efficiency. Keeping in view the samples and econometric evaluation best fitted model was used that is fixed effects model. The results revealed that efficiency could not be differentiated on the basis of privatization policy reforms. Further it was observed that reforms enhance competition which resulted decline trend in performance after policy reforms.

It has remained in long debate whether financial sector play an important role towards achievement economic development Gertler (1988) and Levine (1997).

In various studies the role of financial market was closely reviewed and found that an efficient and well established financial market plays key role for economic growth and prosperity (King & Levine 1993, 1993a; Levine & Zervos 1998, Levine, Loayza & Beck 1999; Beck, Levine & Loayza 1999).

LaPorta, Lopez-de-Silanes, Shleifer (2000a) by collecting data from various 92 countries, examined whether sate ownership of banks, productivity and economic development. It was found that state ownership is extensive as regard to poorest countries, these holding hinder financial system stability and development. Further hampers the economic development due to having certain impact on efficiency and productivity.

Hence it is rightly concluded that banking in particular and financial sector in general play key role to foster economic development of a country.

Modern trade and commerce are prerequisites for economic growth and well established banking system could only cater the needs of modern commerce (Rajan and Zingales, 1998).

The work has been carried out on the subject matter by various researchers such as Levine (1997), Demirguc-Kunt and Huizinga (1998), Demirguc-Kunt and Maksimovic (1996, 1998), Wurgler (2000), Cetorelli and Gambera (2001) and Beck, Demirguc-Kunt and Levine (2003). The research articles emphasized on the importance of establishing regulatory framework which in turn will encourage an efficient and banking and liquid secondary market. This literature is mostly covered in a series of articles by various researchers like La Porta, Lopez-de-Silanes, Shleifer and La Porta and Lopez-de-Silanes (1999) and Vishny (1997, 1998 and 2002).

The theme of the research articles and work is that an efficient and established banking system is essential element for economic growth, reforms including privatization of banks. Reforms is broadly defined as transformation and revolution of the economic and banking system which is outcome of sate actions (Bruno, 1989), which modify the institutions role and regulate economic behaviour and interaction (North, 1990, Scott, 1995).

Rizwan, (2015) has critically examined the impact of privatization of two privatized banks in Pakistan namely MCB bank Limited and Allied Bank Limited. The secondary data was used for pre and post privatization periods, Pre-Privatization period covers 1987 -1991 and Post privatization period covers 2008-2012. Two variables performing efficiency and growth indicators were taken into account. The results of both banks were critically evaluated and concluded that privatization has positive impact on performance and efficiency especially MCB has shown remarkable performance which could be helpful for economic growth of country as well.

Alam, (2010) has also conducted research study to examine the impact of privatization on the operating efficiency in Pakistan. 28 commercial banks were selected as sample for the period 2003-2007, traditional Data Envelopment Analysis (DEA) approach was applied to gauge the efficiency. It was found that privatization has no significant impact on operating efficiency and state-owned banks were operating efficiently than privatized banks.

Banerji and sabot, 1994 in their research work pointed out that overstaffing is a common element in state owned entities as it is prime responsibility of sate to provide employment to its people. According to this research around 35 % overstaffing was witnessed in Turkey, India and Pakistan in 90s.

Joshi, Gopal, ILO, SAAT, New Delhi discussed that privatization is aimed at enhancing the output which ultimately created new job opening. But at the time of privatization the implications on employment was a burning issue which should be addressed by policy makers. The issue can be looked from two perspectives, the static and dynamic. What will be the fate of employees with privatization of enterprises is a static point of view whereas dynamic perspective is correlated with the stated goal of enhancing productivity which is the main motive behind privatization. Privatization is expected to increase productivity which will foster the pace of economic growth hence therefore new jobs will emerge in the economy. The economic conditions and future growth of economy should be assessed in the context of long term after effects on employment, especially in private structure of management.

RESEARCH METHODOLOGY AND DATA COLLECTION

This research work was focused to examine the effect of privatization on the performing efficiency of commercial banks in Pakistan. MCB Bank Limited was selected as sample to evaluate its performance both qualitatively and quantitatively.

Data was collected from secondary sources; annual reports of selected sample bank namely MCB Bank Limited for the period 2000-2012 to analyze its performance in terms of liquidity, efficiency, solvency and growth.

Research papers, research journals, Economic Survey of Pakistan, NBP Economic Bulletin, IBP Quarterly Journal, SBP reports were also referred to conclude the end results by using financial ratios as well as econometric gauges. To analysis and empirical measures the performance of MCB bank before and after privatization, the CAMEL rating was also used which is on the basis of variable set which is acronym of Capital adequacy, Assets quality, Management quality; Earning Quality and Liquidity.

Primary Data was collected from customers, employees of bank's branches and officers through a closed ended questionnaire that was developed, and results were analyzed.

Interpretation of Primary Data: Data was collected from all level of employees and all sort of liability and customers of various branches, Consumer finance, corporate and common low saving and high net worth customers located in various Districts of Baluchistan questionnaire containing twenty-five key areas.

RESULTS OF PRIMARY DATA

It has been revealed that, immediate upon privatization of sample bank, it has developed new services and products, enhanced the use of modern technology improved its services, delivery time, delivery channels, and workplace environment. While discussion with various customers it revealed that bank has shown some sort of discrimination on the basis of net worth of customers as being dealt in capitalist –market-based economies. Return on deposits and an advance varied on the quantum of business and the common customer man is being dealt as per standard practices which exploit the common savers and investors. It was noticed that bank's focus has been shifted from Agricultural finance to SME, consumer and corporate sectors and investment is made in Treasury Bills to avoid risk taking of default though rate of mark up in Agri sector is highest.

Qard-e-Hassana provided to students for professional education has been stopped. Moreover, an unhealthy competition has been started to snatch customers from each other by offering attractive rates on both assets and liability sides, the clients are therefore bargaining the private banks. Dissatisfaction and frustration among staff were witnessed due to favouritism in hiring and promotions.

Moreover, new grades have been introduced to create barriers for elevation and financial benefits. Most of the staff in low cadre is hired through outsourcing to avoid certain benefits and curtail the cost on even medical.

SECONDARY DATA

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Profit Before Tax	33.83%	34.84%	44.67%	73.32%	71.77%	67.03%	54.61%	44.86%	47.89%	46.20%	46.89%
Gross Yield on Advances	4.89%	4.98%	5.27%	7.78%	10.12%	10.03%	11.47%	12.47%	12.03%	13.01%	11.38%
Gross Spread Ratio	60.52%	71.72%	77.34%	84.34%	82.44%	75.26%	71.13%	69.31%	67.19%	65.34%	59.77%
Cost/Income Ratio	68.02%	67.26%	66.36%	34.50%	25.13%	20.71%	27.65%	31.67%	33.32%	34.68%	35.66%
Return on Equity	30.77%	28.86%	26.44%	48.72%	34.07%	37.66%	30.31%	27.35%	25.91%	26.23%	25.07%
Return on Capital Employed	30.77%	28.86%	26.44%	48.72%	34.07%	37.66%	30.31%	27.35%	25.91%	26.23%	25.07%
Gross Profit Ratio	45.32%	4.67%	50.66%	59.69%	65.23%	55.18%	53.37%	49.69%	54.41%	53.60%	52.09%
Net Profit to Sales	14.83%	14.96%	18.26%	38.51%	39.48%	40.39%	33.54%	27.06%	27.62%	25.47%	27.02%
Return on Assets	0.82%	0.82%	0.94%	2.99%	3.55%	3.72%	3.58%	3.25%	3.13%	3.18%	2.95%
NFI to Total Income	21.76%	37.86%	37.60%	26.55%	19.02%	20.08%	16.90%	13.62%	14.54%	15.41%	18.30%
Gross Advances to Deposits Ratio	43.20%	51.16%	66.11%	82.29%	80.34%	78.65%	82.64%	73.37%	63.55%	50.52%	48.14%
Investments to Deposits Ratio	55.02%	60.65%	30.40%	30.30%	24.66%	38.72%	29.27%	45.47%	49.39%	64.47%	73.77%
Cash & Portfolio Inv to Deposits	70.08%	72.02%	41.18%	40.61%	37.27%	52.30%	41.27%	56.01%	59.92%	75.28%	84.30%
Earning Assets to Total Assets	85.93%	86.73%	83.90%	88.96%	83.45%	83.60%	85.38%	87.23%	87.15%	87.14%	86.61%
Deposits to Equity Ratio	2893.66%	2737.65%	2403.19%	1252.50%	722.05%	720.60%	650.70%	648.79%	662.34%	663.34%	618.28%
Deposits to Total Assets	77.70%	77.67%	85.30%	76.76%	75.26%	71.16%	74.15%	72.19%	76.01%	75.19%	71.17%
Equity Multiplier	3724.24%	3524.77%	2817.41%	1631.68%	959.44%	1012.66%	877.77%	898.73%	871.74%	882.18%	868.79%

ANALYSIS AND INTERPRETATION OF SECONDARY DATA

Ratio analysis revealed that bank is doing business very well and witnessed progression on all fronts i.e. profitability, liquidity and solvency. Cost is under control and income is on increasing trend. A downward trend in cost income ratio observed from 68% to 36% no doubt it is extraordinary success. Bank has placed sound practices in place it has enhanced its revenue and reduced its cost of operations significantly to around 70%, it reflects bank's sound working environment.

Profit before tax ratio witnessed phenomenal growth even it touched up to 73% in 2005 but declined during 2006 and onward as reduction in spread was witnessed due to mobilization of costly deposit in the industry particularly by small and mid tier banks which developed pressure on bank to maintain its book size and retain market share. Despite that bank has succeeded to maintain its deposit composition as CASA was around 89% on which either no or published rate of profit was paid.

After privatization Bank adopted sound policies and practices to boost advances portfolio to generate mark up income, proper risk mitigation mechanism is placed to avoid infected portfolio within acceptable limits. Moreover, drastic steps have been initiated to recover nonperforming loans by allowing some rebate in stuck up portfolio. All possible efforts have been made to raise quality of risk assets as witnessed from gross profit ratio which jumped to 52% from 45% which further improved to 65% till emergence of global financial crisis in 2008. But it remained quite stable between the ranges of 50-53% after absorbing the shocks of crisis.

Furthermore, the earning on risk assets also witnessed substantial rise which was 5% during 2002 and climbed to 11% during 2012 which reflects effective post disbursement and monitoring mechanism put in place to avoid any default of loans. It also reflects the management's sound policies to compromise on the quality of assets and sectors to be financed.

The return on assets ratio also displays the policies of bank to utilize its idle assets in such safe and secure avenues where maximum income could be generated without taking any risk such as government papers. The ratio was improved to 2.95% from 0.82% with 2.63% as average.

The ratio of net profit to sales has also shown tremendous growth during period under review, it was around 15% during 2002 and climbed to 40% during 2007 though it declined in preceding years as result of financial crisis prevailed globally which was covered through sales of non fund based products like Banca however it was around 27% during 2012.

Despite trouble and stress in financial markets the ratio of return on equity remained quite stable. The bank remained strong enough in terms of Capital Adequacy Ratio (CAR), it posed a ratio of 22% more than enough of its international standard of 8% to sustain any loss in untoward situation. In nutshell, bank was more solvent due to sound equity base and has maintained more than required buffer for its Risk Weighted Assets (RWA). Equity multiplier is a tool to gauge financial leverage of a company. Companies normally raise equity or loans to purchase its assets however bank has shown the downward trend which portray and prove that bank is very strong and possesses undoubted foresight mechanism to rely on loans to raise its asset base. The assets so required were financed through raising the equity in terms of Basel-II accord.

CONCLUSION

Primary Data Reveals: Bank has taken drastic steps towards innovation of competitive products and services to meet the challenges of new era particularly use of ATM, Real time funds transfer and developing unmatched product of RTC. Improved quality of services to customers and clients which reduced turnaround time and attracted new customers besides retaining existing one. Improved its internal environment and interior decoration to serve the clientele in pleasant manner. However, dealt the customer by applying capitalist approach much the business given lesser the cost recovered. Rates of profits on both liability and assets side were offered on the basis of business generation from particular class. General Public was offered standard rates as fixed by regulator which exploits common savers and investors. Agriculture being the backbone of economy was not financed as per requirement which adversely affected small growers which remained at the pity of pity of middleman however SME/Corporate sector was extended financial facilities. Qard-e-Hassana schemes offered to poor class professional education was discontinued. Unhealthy competition prevails in market where the smart customers continuously bargains to get unnecessary financial benefits at their own cost. Employees are quite de-motivated due to hiring and promotion policy of banks coupled with reward mechanism of bank, the wages are not in line with market trend and inflation. Therefore, staffs are frustrated and their active participation in business generation was quite low and staff turnover was at maximum. Outsourcing of staff was used to curtail benefit of regular employees.

The Secondary Data Reveals: The bank is operating judiciously, the cost was curtailed significantly and revenue was improved as is evident from cost income ratio which indicates downward trend to 36% from 68 which is an extraordinary achievement. Cost of operations was reduced hence ratio touched to 70% during study period which reflects banks sound footing practices in place. Profit before tax ratio has shown rise to 47% from 33% and even climbed to 73% during though slightly declined in coming years. It further reveals that substantial rise on mark-up as well as non-mark up revenue was witnessed particularly in post privatization period due to best deposit mix which is a good source of better profit generation. Bank's deposit composition is robust; CASA stood around 90% an exceptional example in industry. Current Account Saving Accounts (CASA) is deposit where no or low profit is paid on deposit hence it is a good tool of profit generation. Bank has put in place sound credit mechanism to identify quality risk assets and system of early warning signals for risk mitigation so that losses on infected portfolio could estimate in advance and be avoided. The gross profit ratio sheds light on best management practice adopted by bank which improved its profitability to the tune of 52% from 45% and even climbed to 65%. It is also evident that bank is quite cautious to prevent it from loss on idle assets and deployed in a manner to generate maximum profit with minimal risk. The ratio jumped to 2.95 % from 0.82%. The ratio of net profit to sales also witnessed robust growth from 15% during 2002 to 40% during 2007 though declined somehow in coming period but was around 28% on average. Despite financial stress in market followed by emergence of global financial crisis the Return On Equity (ROE) remained quite stable. The equity and Capital Adequacy Ratio (CAR) remained more than 22% against 8% standard fixed globally. It suggests that bank is solvent in long term and provided sufficient buffer for its Risk Weighted Assets (RWA) to absorb the shocks. Equity multiplier is a tool to gauge financial leverage of a company; Companies normally raise equity or loans to purchase its assets however bank has shown the downward trend which portray and prove that bank is very strong and possesses undoubted foresight mechanism to rely on loans to raise its asset base.

RECOMMENDATIONS AND SUGGESTIONS

Equal Treatment to Customers: As discussed above while interaction with stake holders it was revealed that high net worth customers enjoyed more benefits and lesser service charges were charges as compared to common man. The logic was business consideration as is followed in free economy. It is suggested that regulator and policy makers must keep close eye on the affairs of banks to ensure that all savers and investors must be treated equally as high charges recovered from common man ultimately affect their purchasing power and burden is remitted to them.

Reduction in Spread Income: After entrance of new banks and de-nationalization of commercial banks the regulator has allowed the industry to fix their own rates of mark up and service charges to their customers based upon quantum of advances and deposits on case to case basis keeping in view customer's profile and risk factors. The main reason behind this permission was to provide space for banks for healthy competition but ultimately corporate customers were facilitated, and consumers were exploited by charging maximum spread. The consumer is the class which wants to avail banking facilities for improving their standard of life but unfortunately, they are charged more than double of corporate class.

Reduction in Staff Strength: Another demerit of privatization is reduction in staff strength and curtailing their benefits in the name of right sizing whereas in actual if analyzed fairly it will come crystal clear that after privatization the business has enhanced manifold and staff in actual is short to handle the workload in timely manner. Resultantly they have to compromise on social and family life to complete the work by late sitting for which nothing is paid to staff.

It was observed that after privatization MCB had adopted the policy of retrenchment of low paid employees in the name of golden shake hand by replacing the drivers and guards through outsourcing. Moreover, new pay grades have been inserted to curtail their benefits particularly after ban on CBA by Nawaz regime which paved the path for exploitation, pension was discontinued, and executives were converted into contractual staff and their existing benefits /provident fund balances were seized.

Private Banks Engaged in Non Core Banking Business: It is very much alarming that after privatization regulator has shut its eyes on the activities of banking sector and banks have started entering into new business of Banca assurance which has nothing to do by banks as it is primarily business of insurance companies. The insurance companies have started hunting common man to avail insurance facilities through this channel as banking industries have millions of leads to contact. Banks without much efforts put pressure on their sales team to generate maximum business from which around 50 % goes to bank's books, achievers are offered foreign trips at the expense of hardly saved money of common man on one hand and they are mischieved by inflated calculations in far future as it is nothing but selling untrue dreams.

It is suggested that the regulator must take note of this noncore banking activity and drastic steps be taken to stop the same henceforth to safeguard interest of common savers.

Advances to Private Sector: Lending plays vital role in economic growth of an economy. In 1974 banks were nationalized with the main objective of provision of lending facilities to backward sectors of economy. Unfortunately, policy could not be continued in true spirit which resulted in accumulation of bad loans. Despite lapse of decades' banks are still avoiding extending loan facilities to this segment though at present banks have placed a tight mechanism of identification of potential customers, risk rating criteria and post disbursement monitoring.

It is suggested that Federal authorities and regulators must review the situation and allocate minimum credit ceiling for priority sectors especially for small traders and agriculture to discourage lending from informal sector which swallows the income of middle class.

Accumulation of Bad Loans: Despite tight mechanism of lending still banks adopt policy of favouritism which is serious concern that public money is misused, and certain class is facilitated through write off which certainly affects bank's profitability and return on equity.

It is suggested that bank management should ensure that no compromise is made on selection of borrowers and public saving could be protected.

Improve Monitoring, Surveillance and Regulation: To avoid concentration of wealth in few hands it is suggested more that more tight supervision should be carried out to ensure that all the stake holders are treated equally and discrimination in service charges is avoided.

Hidden Charges: It is observed that banks mostly do not disclose several charges in their schedule of charges which are later charged such as processing loan application. Regulators should take the matter seriously to avoid such practice by banks which ultimately affects their cost of doing business.

It is further suggested that banks must arrange awareness seminars to keep the masses well aware about their products and services.

Unjustified Workload: It is also observed that despite growth of business no additional staffs is hired to complete the task in time which resulted into late sitting of staff without any additional compensation. Normally staffs are compelled to serve more than 10 hours which is violation of labour laws.

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