

Competition in the Banking Sector of Pakistan: Evidence from Unscaled and Scaled Revenue Equations¹

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Abstract

The objective of this paper is to empirically analyze the competition in the banking sector of Pakistan spanning the period 1995-2014. Two decades ago, banking sector reforms were initiated and implemented in Pakistan to spur competition in the banking sector. To examine competition, augmented Panzar and Rosse unscaled and scaled revenue equations is estimated by controlling risk and size of banks using balanced panel data of 22 commercial. Results are robust and reveal that the commercial banks in Pakistan generate revenues in the environment of monopolistic competition and this reflects the positive impact of banking sector reforms in creation of competition among banks.

Key words

Banking sector reforms; Market structure; Monopolistic Competition; Panzar and Rosse test; Panel data

Jel Classification; G20; G21; C23, L10

¹ This paper is the part of my PhD dissertation

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