

# Management Research and the Phenomenon of Industry Growth: The Case of Pakistani Banking Industry

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## Abstract

This research investigates the Management research and Phenomenon of Industry growth: A case study of Pakistani Banking industry. Data were collected from six commercial banks i.e. MCB, HBL, ABL, UBL, Askari and Bank Alfalah and data were analyzed by using SPSS18 version. It was revealed that pre-capitalization banking in Pakistan was characterized by poor research base, low investment in training and development hence leading to incessant distress and massive liquidation. The main focus of this paper is therefore to examine the relationship between research and growth in the industry. The research is descriptive in nature and based strictly on secondary data. Research finding revealed that inadequate research is one, but not the only causes of the downward trend in the industry. Other causes include institutional weakness economic conditions, rapid changes in government policies among others. A number of possible solutions were proffered, this include institution of compulsory research and development activities in banks to be supervised by Sate Bank of Pakistan.

**Keywords:** pre-capitalization, research and growth, economic conditions

## 1. Introduction

A sound and well functioning financial sector is essential to support economic growth of a country. Pakistan possess a wide range of financial institutions; commercial banks, specialized banks, national savings schemes, insurance companies, development finance institutions, investment banks, stock exchanges, corporate brokerage houses, leasing companies, discount houses, micro-finance institutions and Islamic banks. They offer a whole range of products and services both on the assets and liabilities side. Prior to 1971, the primary focus of the Governments was on developing commercial banks in the private sector and creating development institutions backed by Government. The private sector development, however, almost closed during the period 1971-1990, due to the nationalization policy of the Government. During this period, the banking sector came under the Government's control. Since 1990s, the Government has followed more liberal and market-based reforms. The current structure of the financial sector in Pakistan is the result of several policy shifts and developments. Like many other developing countries, Pakistan also undertook the process of financial restructuring through reforms in early 1990s to establish a more market-based system of financial intermediation and Government financing, conduct the monetary policy more efficiently through greater reliance on indirect instruments and increase the contribution to the rapid development of the stock markets.

During the last few years, financial markets and institutions in Pakistan have witnessed significant changes in terms of consolidation as well as diversification. Since 2000, more than 40 transactions of mergers and acquisitions have been executed within banks and between banks and non-bank finance companies. On the other hand, a number of banks/development financial institutes as well as their holding groups have expanded their activities into the areas where the banks hitherto were either not allowed or not interested. These include insurance, asset management, brokerage, leasing and other non-banking finance services essentially through separate entities. Along with financial services, various groups that control different banks have also stakes in

non-financial/real sector of economy.

In the World Economic Forum's "Financial Development Report 2009", Pakistan has been ranked 49 out of 55 countries. Under Factors, Policies and Institutions pillar, Pakistan ranks 52<sup>nd</sup> in institutional environment, 50<sup>th</sup> in business environment and 48<sup>th</sup> in Financial Stability. In the Financial Intermediation Pillar, Pakistan ranks 46<sup>th</sup> in banking, 51<sup>st</sup> non-banking and 25<sup>th</sup> in Financial Markets. Under Financial access, Pakistan ranked 50<sup>th</sup>.

State Bank of Pakistan (the central bank of the country) is the sole supervisory and regulatory authority of Commercial Banks, Islamic Commercial Bank, Development Financial Institutions (DFIs), Micro Finance Banks and foreign exchange companies in Pakistan. The remaining financial institutions are monitored by other authorities, such as the Securities and Exchange Commission.

Pakistani banking sector has witnessed drastic changes over a period of 63 years since country's independence in 1947. Initially it suffered from acute shortage of resources and uncertainty due to prevailing political and socioeconomic conditions. Lack of trained human resource and professionals resulted into poor quality of products and services.

## 2. Research Methodologies

Data were collected from six commercial banks i.e MCB, HBL, ABL, UBL, Askari and Bank Alfalah and data were analyzed by using SPSS18 version This research is an empirical study through content analysis by way of an inspection of the annual reports of State Bank of Pakistan. Study was of a descriptive nature focusing mainly on the quality of data obtained from secondary sources. Content analysis is a methodology found predominantly in the management sciences for studying the content of communication such as financial statements, Annual Reports, State bank of Pakistan (SBP) etc. The study population is expected to be existing number of banks between 1995-2010, however, a few of the banks will be selected, the quality and range of their product total deposit and assets shall be examined before and a post recapitalization. The research approach is mainly descriptive in nature as it seeks to examine the state of affairs of the banking industry.

## 3. Literature Review and Conceptual Framework

### 3.1 Rationale for Management Research

Management research is unique to other fields of research like Anthropology, Sociology, Education, Social sciences, etc for the following:

- Phenomenal occurrences, where by there is need for firms to achieve some degree of market share via increasing revenue, profitability and growth etc.
- The interests of stakeholders in management research like financiers, shareholder, management consultant, graduate researchers and academic are paramount.
- The environment of business is fluid, turbulent and unpredictable.
- There are some top level management challenges for which only research can investigate and proffer solutions.
- Increased knowledge leading to more power and emancipation there by increasing the scope of business.
- "Homo-sapiens" compulsive tendencies to increase performance will lead to reaching into how to bring about these desired performances.
- Management research is more interested in application of knowledge than creation of knowledge.
- Research is the only guarantee for technology advancement and hence new product development. The over all effect are improvement in customer satisfaction, production/ service delivery and consequently, societal values and quality of living.

### 3.2 Concept and Nature of Research

Osuala (2001), define Research "as the process of arriving at dependable solutions to problem, through the planned and systematic collection, analysis and interpretation of data". According to Nwankwo (1984) Research can be seen as a diligent and systematic finding of solution to problem, in other word it is intended to provide acceptable answers to question by following logical design procedures Cohen and Marnion (1987) defines research as the "systematic and scholarly application of the principle of the scientific method of finding solution to problem" In another view, Gay (1981) sees research as "the formal and the systematic application of the scientific method to the study of problem". Research according to Seltiz Wrightsman and Cook (1976) involves "taking a look or another look or to search and search again and to find out more information about something"

the need to look or look again may be that there had actually been no search before or the search was inconclusive, incomplete, considered stale or incorrect in the light of new evidence or that the researcher wishes to reaffirm the continued relevance of the principles or theories derived from such previous searches. Yomere and Agbonifoh (1999) see research as “a scientific tool for gaining knowledge and understanding”. It is described by Best (1989) as “a systematic activity that is directed towards discovery and the development of all organized bodies of knowledge. It implies a diligent and systematic attempt to provide plausible answers to questions by the process of logically designed operations. Balsley and Clover (1988) view research as “the process of systematically obtaining accurate answers to significant and pertinent question by use of scientific method of gathering and interpreting information”.

Similarly, Johnson (1977) views experimental research as “a systematic and objective analysis and recording of the observation that may lead to the development of generalizations, principles, or theories resulting in predictions and possibly ultimate control of events”. Bennet (1983) sees research as “a systematic and careful inquiry or examination to discover new information or relationships and to expand or verify existing knowledge for some specified purpose”.

#### 4. Characteristics of Research

Whichever of the above conceptual views of research we hold, one fact remains that any good, thorough and meaningful research must possess the following characteristic.

- Research is systematic and procedural. That is it has to be done in a specific, logical, and sequential manner.
- Research is subject to the test of empiricism as well as the validation of empirical evidence on sound conceptual or theoretical foundations, that is research starts from a conceptual foundation, validated by empirical evidence (data), subjected to scientific test leading to logic or deductive reasoning
- The above enable the research, from deductions, provide answers or solution or generalization of great validity and acceptability about issues, concepts and phenomena.
- Research is progressive and therefore provides a pool of knowledge which dovetail into one another to provide a holistic and coherent body of knowledge by ways of principles, theories, laws etc which enable man to predict and manipulate issues and events towards some desired targets.

#### 5. Qualities of a Good Research Work

- According to Phillip Kotler, related by Yekeen (2006), a good research work must reflect the following attributes.
- **Scientificness;** that is, a good research work must be based on scientific principles. In my view therefore, it is expected that Pakistani banks would have by now adopted ‘this basics by making research and development a prominent and integral unit of their operations, carry out research premised on time horizon while critically analyzing the events, issues, challenges of the past, combined with present occurrences and pre-empt the possible future outcomes.
- **Multiple methods;** this suggests that a good research work should be capable of being done in a different numbers of ways this allows for comparative, corroborative, and affirmative studies.
- **Data/ models interdependency;** by this, it means that the data for the research model should conform. For instance, while it may be easy to measure the appropriateness of banking policy by comparing the pay growth rate with level of labour turn over.
- **Cost-benefit analysis;** this suggests that the research effort should worth the cost. That is the benefit derivable from the research findings should be worth the cost (financially, time, and other resources)
- **Healthy skepticism;** research findings should be viewed with objectivity and open mindedness
- **Ethical issues;** the researcher should pay great attention to research ethics. Unethical research behavior such as false representation In obtaining information, falsification or manipulation of data, tailoring research findings, to pre-determined causes etc should be avoided.
- **Plagiarism;** theft of intellectual property especially similar research previously carried out etc should be avoided.

## 6. Theoretical Framework

The main focus of this work is to provoke debate and reflection upon the different ways in which we engage with management and organization when undertaking research. Our argument is that how we come to ask particular questions, how we evaluate the outputs of research, all express and vary according to our underlying epistemological commitments. Even though they often remain unrecognized by the individual, such epistemological commitments are a key feature of our pre-understandings which influence how we make things intelligible. Therefore this research work tries to offer an over view of the principal epistemological debates in social science and how these lead to and are expressed in, different ways of conceiving an organizational research. Obviously, in research of this size it is impossible to do justice to the full range of issues raised by this objective. Instead I hope that it will provide a concise and accessible introduction which will stimulate the reader's interest in epistemological issues and their implications for thinking about management and organization, generally and banking industry particularly.

One reason why we feel that these objectives are important derives from the experience that students in the UK are increasingly expected to demonstrate a reflexive understanding of their own epistemological commitments as they engage with management and organizations in undertaking empirical research for these and desperations. Previously, researchers in management studies have been criticized for being uncritical and ill informed in their adoption of particular positions with regard to research Whitely, (1984). This is beginning to change and some of these issues are covered in disparate set of journals (e.g.) Organization Studies; Academy of Management Review; Organization; Accounting, Organizing and Society; and Human Relations, to name only a few). Their style and language-in-use, however, are often daunting and inaccessible to those yet to be admitted into the conventions of philosophical discourse.

Nevertheless many students and researchers are still expected to read and comprehend a burgeoning literature which increasingly deploys epistemological concepts and language. For instance, in order to understand the current debate in the literature between modernists, critical modernists and postmodernists (whether this is about corporate strategy, human resources management or accountancy etc.) a high level of prior epistemological understanding is essential. Hence a key rationale for this is to give an accessible grounding in epistemology that helps to comprehend these ongoing debates and to engage with their own pre-understandings when trying to make sense of management and organization.

An underlying assumption of the research work is that both within and outside our work organizations our behavior is internally motivated, and internally justified, by what we believe about 'the world'. At the same time, even though we might not be immediately conscious of it, everyone has a view about what demarcates justified from unjustified belief. Indeed our claims about being rational or irrational or about what is true as opposed to what is false are tacitly grounded in such implicit differentiations. Perhaps these ways of thinking are so embedded in our language and culture that if we were to reflect upon them they would appear to be a matter of common sense and therefore natural and irresistible. Nevertheless our debates and conjectures about what is true presupposes prior agreement (a pre-understanding that is shared) about how to determine whether or not something is true. Similarly, any epistemological analysis of the grounds of certain knowledge or the scientifically of truth claims involves epistemological assumptions about the nature of the world (Bhaskar, 1975). This signifies that in our everyday lives we are all epistemologists or at least we routinely take certain epistemological conventions to be so a self-evident we rarely feel the need consciously to express, discuss or question them. Indeed it may be the case that to notice and then consciously to reflect upon such conventions are the first steps in making the call and self-evident, precarious and problematic.

Although scientists and philosophers have debated epistemological questions since the time of Plato and Aristotle, the term 'epistemology' remains somewhat esoteric for most people and usually it obfuscates more than it reveals. However once we break down the word into its constituent parts it seems much less daunting. The word derives from two Greek words: 'episteme' which means 'knowledge' or 'science'; and 'logos' which means 'knowledge', 'information', 'theory' or 'account'. This etiology demonstrates how epistemology is usually understood as being concerned with knowledge about knowledge. In other words, epistemology is the study of the criteria by which we can know what does and does not constitute warranted, or knowledge. Therefore it would seem that epistemology assumes some vantage point, one step removed from the actual practice of science itself. At first sight this promises to provide some foundation for scientific knowledge: a methodological and theoretical beginning located in normative standards that enable the evaluation of knowledge by specifying what is permissible and hence the discrimination of unwarranted, the rational from the irrational, and the scientific from pseudoscience.

The point is that everyone adheres to some theory about what constitutes warranted Knowledge- a set of epistemological commitments which provide us with criteria for distinguishing between reliable and tacit, we would never be able to make what we construe as legitimate claims about what we think we know or think we have experienced. Mundane claims such as 'I saw it with my own eyes' or 'the facts speaks epistemologically legitimate. Such commitments provide us with criteria which we use to assess which kinds of description and explanation of our social or natural worlds are appropriate. Moreover, as we have just shown, closely allied to those commitments are also notions about what might warrant the status of being 'scientific'. Indeed epistemological commitment also provide tacit answers to questions about:

1. What are the origin, nature and limits of scientific knowledge?
2. What constitutes scientific practice?
3. What are the processes through which scientific knowledge advances or is such progress as forlorn hope?

So, for instance, because of their education and training scientists are commonly thought to be, in principle, objective observers of the world. Their expertise and rigorous deployment of accepted procedures and protocols allow scientists to collect empirical evidence about the social and natural worlds. The apprehended from, or independent of, the methodological means by which scientists engage with it. In other words the data collected, rather than the process of observation, dictate the findings and theories of science. Mistakes can and do happen: individual scientists may misunderstand the significance of their data, they may make methodological errors and indeed they might be willfully biased or even corrupt. Nevertheless it is commonly assumed that errors and biases can be corrected through improvements in the training, recruitment and selection of scientists as well as by the surveillance of scientific findings by wider community of scientists. The key epistemological assumption is that the stock of knowledge advance as scientist actually learn more about the world as well as through the exposure of fraudulent and the eradication of mistakes through critical processes akin to quality control undertaken by peers. Hence science is progressive; moreover its outputs can be trusted because its ultimate arbiter is to be found in the objective observational process encoded into its methodology and self-regulation which make it a superior means of knowledge acquisition.

As noted previously positivism can be differentiated from empiricism, however, in its concern to test theory against empirical observation. Hence, while research from this perspective is concerned with observational statements, this is not the totality of its concern as there is also an attempt to connect observations with theoretical statements constructed in rational non-observational concepts in an isomorphism of theory and observation. This isomorphism is achieved in terms of laws and theories which have been interpreted by a strict connection to empirical events for at least some of their relevant scope. (Clegg and Dunkerley, 1980: 261).

### **7. Banking Industry and the Phenomenon of Industry Growth in Pakistan**

Industry exists to provide goods and services which are necessary for the good life of the society. These goods and services must be furnished at the lowest prices compatible with an adequate standard of quality, and distributed in such a way as directly or indirectly to promote the highest ends of the society.

The scientific management holds the view of a combination of the efficiency values with ethics of service provision as the responsibility of the individual firms within the industry.

The concept of industry growth is a subjective one which can best be comprehended in terms of the following indications.

- ❖ The rate of the growth of the number of firms in the industry
- ❖ The share of the industry to the total volume of economic activities
- ❖ Industry performance in terms of overall profitability, sustainability survival and scope of operation.
- ❖ The industry policies, conditions, methods of service provision conducive to society well being leading to over all general ethical standard and conception of social Justice.

The growth of the banking industry in Pakistan shall be examined in line with these indicators.

The data table (ii) shall be used to establish and project the relationship between research carried out in banks and the number of banks over the year. The number of banks shall be regressed over time between 1995 and 2010

Table 1. Scheduled banks operating in Pakistan, as on 30th June, 2010

	<b>Bank Name</b>	<b>Total Branches</b>	<b>Website</b>
<b>A.</b>	<b>Public Sector Commercial Banks</b>	<b>1,621</b>	
1	First Women Bank Ltd.	39	www.fwbl.com.pk
2	National Bank of Pakistan	1,267	www.nbp.com.pk
3	The Bank of Khyber	42	www.bok.com.pk
4	The Bank of Punjab	273	www.bop.com.pk
<b>B.</b>	<b>Local Private Banks</b>	<b>6,850</b>	
1	Allied Bank Ltd.	786	www.abl.com.pk
2	Arif Habib Bank Ltd.*	36	www.summitbank.com.pk
3	Askari Bank Ltd.	204	www.askaribank.com.pk
4	Atlas Bank Ltd.*	40	www.atlasbank.com.pk
5	Bank Al-Falah Ltd.	309	www.bankalfalah.com
6	Bank Al-Habib Ltd.	267	www.bankalhabib.com
7	BankIslami Pakistan Ltd	70	www.bankislami.com.pk
8	Dawood Islamic Bank Ltd.	42	www.dawoodislamic.com
9	Dubai Islamic Bank Pakistan Ltd	36	www.dibpak.com
10	Emirates Global Islamic Bank Ltd.	58	www.egibl.com
11	Faysal Bank Ltd.	136	www.faysalbank.com.pk
12	Habib Bank Ltd.	1,457	www.habibbankltd.com
13	Habib Metropolitan Bank Ltd	120	www.hmb.com.pk
14	JS Bank Ltd.	40	www.jsbl.com
15	KASB Bank Ltd.	70	www.kasbbank.com
16	MCB Bank Ltd.	1,085	www.mcb.com.pk
17	Meezan Bank Ltd.	180	www.meezanbank.com
18	mybank Ltd.	80	www.mybankltd.com
19	NIB Bank Ltd.	204	www.nibpk.com
20	Samba Bank Ltd.	28	www.samba.com.pk
21	Silk Bank Ltd.	85	www.silkbank.com.pk
22	Soneri Bank Ltd.	156	www.soneri.com
23	Standard Chartered Bank (Pakistan) Ltd.	162	www.standardchartered.com
24	The Royal Bank of Scotland Ltd.	79	pwkww.rbs.com.pk
25	United Bank Ltd.	1,120	www.ubl.com.pk
<b>C.</b>	<b>Foreign Banks</b>	<b>80</b>	
1	Al- Baraka Islamic Bank B.S.C (E.C)	29	www.albaraka.com.pk
2	Barclays Bank PLC	15	www.barclays.pk
3	Citibank N.A	17	www.citibank.com.pk
4	Deutsche Bank AG	3	www.db.com
5	HSBC Bank Middle East Ltd.	12	www.hsbc.com.pk
6	Oman International Bank S.A.O.G	3	www.oiboman.com
7	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1	www.btm.co.jp
<b>D.</b>	<b>Specialized Banks</b>	<b>536</b>	
1	Industrial Development Bank of Pakistan Ltd.	15	www.idbp.com.pk
2	Punjab Provincial Cooperative Bank Ltd.	159	www.ppcb1.punjab.gov.pk
3	SME Bank Ltd.	13	www.smebank.org
4	Zarai Traqiati Bank Ltd.	349	www.ztbl.com.pk
	<b>Commercial Banks (A+B+C)</b>	<b>8,551</b>	
	<b>All Banks (A+B+C+D)</b>	<b>9,087</b>	

Source: State Bank of Pakistan

\* Since December 2010, Atlas Bank Ltd. and Arif Habib Bank Ltd. have been merged and formed Summit Bank Ltd.

In addition to the above, the SBP has granted licences to the Industrial and Commercial Bank of China (ICBC) and Sindh Bank in December 2010. The ICBC aims to exploit opportunities in trade and project finance generated by a growing number of Chinese companies working in Pakistan while Sindh Bank aims to promote agricultural development and small scale businesses. Besides the commercial banks, 8 Microfinance banks and 7 Development Finance Institutions (DFIs) are operating in the banking industry of Pakistan. Due to closing down of a number of Development Financial Institutions (DFIs) during the last decade, the government is currently re-considering to set-up either an “Infrastructure Bank” or “Infrastructure Institution” as this is requirement of the country.

The banks in Pakistan provide settlement and cash services to individuals and companies, including correspondent-banking. Banks also offer domestic and cross-border remittance services to the population. Furthermore, they provide depository services for the accounting and safekeeping of securities. During the last few years, banks have been paying great attention to the expansion of services rendered to households and the enhancement of their quality and efficiency. New forms and channels of making payments have also been introduced. The services of State Bank of Pakistan include payments to banks, to and on behalf of the Federal and Provincial Governments, the Treasury and some other public institutes including collection of revenues etc., through its 16 field offices as well as through a countrywide network of currency chest/sub-chest branches of National Bank of Pakistan. As mentioned earlier that the financial landscape of the country which was significantly altered in early 1970s has been transformed - through sector reforms initiated in the early 1990s - into an efficient, sound and strong banking system. The reforms have resulted in an efficient and competitive financial system. In particular, the predominantly state-owned banking system has been transformed into one that is predominantly under the control of the private sector. The legislative framework and the State Bank of Pakistan’s supervisory capacity have been improved substantially. As a result, the financial sector is sounder and exhibits an increased resilience to shocks. Today, almost 80 percent of the banking assets are held by the private sector banks and the privatization of nationalized commercial banks has brought about a culture of professionalism and service orientation in place of bureaucracy and apathy. Banking Technology that was almost non-existent in Pakistan until a few years ago has revolutionized the customer services and access on-line banking, Internet banking, ATMs, mobile phone banking/ branchless banking and other modes of delivery have made it possible to provide convenience to the customers while reducing the transaction costs to the banks. The Credit Cards, Debit Cards, Smart Cards etc. business has also expanded.

The foreign exchange market that was highly regulated through a system of direct exchange controls over suppliers and users of foreign exchange has been liberalized and all purchases and sales take place through an active and vibrant inter-bank exchange market. All restrictions have been removed with full current account convertibility and partial capital account convertibility. Since 1<sup>st</sup> July 2008 Real-Time Gross Settlement (RTGS) payment system has been put in place. The RTGS in Pakistan has been named as Pakistan Real-time Inter-bank Settlement Mechanism (PRISM). Using this system, the banks holding accounts at SBP are able to operate their accounts in real time from their own premises via computerized network between SBP and the participating Banks. Prior to the recent financial crisis, the excess liquidity and competition among the banks prompted them to move away from the traditional limited product range of credit to the government and the public sector enterprises, trade financing, big name corporate loans, and credit to multinationals to an ever-expanding menu of products and services. The borrower base of the banks expanded many folds as the banks diversified into agriculture, SMEs, Consumers financing, mortgages, etc. The middle class that could not afford to buy cars or houses/apartments as they did not have the financial strength for cash purchases had been the biggest beneficiaries of these new products and services.

Table 2. Data analysis

END OF THE YEAR	X	Y	X <sup>2</sup>	Y <sup>2</sup>	XY
1995	1	109	1,449	1	109
1996	2	120	14,400	4	240
1997	3	120	14,400	9	360
1998	4	116	13,456	16	464
1999	5	115	13,225	25	575
2000	6	115	13,225	36	690
2001	7	115	13,225	28	805
2002	8	89	7,921	64	712
2003	9	90	8,100	81	810
2004	10	89	7,921	100	890
2005	11	90	8,100	121	990
2006	12	90	8,100	144	1,080
2007	13	89	7,921	169	1,157
2008	14	89	7,921	169	1,246
2009	15	89	7,921	225	1335
2010	120	1,523	157,285	1,239	11,461

The dependent variable (y) which in this case the rate of growth of bank is negatively influenced by quality and of research over time.

### 7.1 Discussion of Findings

From the result of the analysis, it shows clearly that qualitative research in the banking industry would have been capable of averting the devastating outcomes of failures.

However, that is not to say the only cause of the downward trend in the growth of the industry is lack of, or poor research. Nevertheless, if they had consistently and objectively carried out qualitative research.

Table 3. Financial institutions' assessment of the causes of distress in the industry (percentage)

Causes	All financial Institution	Commercial Banks	Merchant Banks	Community Banks	Finance Houses
Bad loans and Advances	20.5	22.1	11.9	12.9	21.9
Fraudulent practices	24.8	20.9	17.9	20.9	19.7
Under Capitalization	19.0	8.9	10.9	14.9	10.5
Rapid changes in Govt. Policies	11.7	10.8	6.9	18.8	18.0
Bad Management	20.8	19.0	23.8	17	18.9
Lack of Adequate Supervision	23.6	18.9	30.8	19.0	19.0
Undue Reliance on forex	7.8	3.9	4.9	5.9	12.0

Source: SBP-Annual reports

### 7.2 Recommendations

Based on the findings of this work, the following recommendations have been made.

### Qualitative and Regular Research.

Research and Development should be made an integral part of banking operations.

I am recommending that, as a matter of urgency, the Pakistan Deposit insurance commission (NDIC) should include as part of its indicator the quality, frequency and impact of research by the banks. That is to say, the average liquidity ration, Net Loans to Deposit Ration, Return on Equity and Profitability should not be the only indicators.

Qualitative research enhances Product development, service delivery, and increased competition, increased competition is good for individual banks, the customers and the banking system. In a broad sense, this has direct bearing on the systems stability which would manifest in form of:

- ✓ Anticipating Problems
- ✓ Ginger Planning
- ✓ Evolving corrective actions
- ✓ Improving bank-Customer information and relation
- ✓ Reinforcing confidence in the system and,
- ✓ Guarantying deposits.

### 8. Conclusion

This paper has been able to establish a relationship between research and industry growth. However it should be noted as well that there are other factors that have been responsible for the declining growth rate in number of banks in Pakistan. As noted previously positivism can be differentiated from empiricism, however, in its concern to test theory against empirical observation. Hence, while research from this perspective is concerned with observational statements, this is not the totality of its concern as there is also an attempt to connect observations with theoretical statements constructed in rational non-observational concepts in an isomorphism of theory and observation. ). Determinism prevails, with human behavior often reduced to the product of external forces of the environment. Thus, social interactions are to be studied in the same way as physical elements –as a network of causal relations linking aspects of behavior to context and stimuli in the external environment thus conditioning people to behave in a certain way. This is perhaps seen most clearly in the work of Lex Donaldson who, when discussing management strategy argues that a fully positivist approach management, but would rather call it corporate development, It would seek to ascertain the laws that cover corporate development, which are the laws that explain changes in corporate size, diversification, geographic extensiveness, innovation and so on.

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