

Abstract:

Banking sector plays an important role in the economic growth and financial stability of the countries. Banks are one of the pillars of the financial ecosystem, which provide services that are vital to the foundation of the financial markets. Determining the soundness of the banking system depends excessively on how profitable the banking industry is. Covid19 has played a significant role in our economy. We cannot ignore this pandemic because this pandemic has acknowledged globaly and affected the entire world. It has completely changed the lifestyle and disturb world's economy. It is crucial to determine whether it will have a substantial impact on our banking industry. Since banking is an essential component of the economy. For this purpose, study took a sample of conventional and Islamic banking to find the potential impact on pandemic. Further, this study attempts to figure out the moderating impact of covid19 on banking sector. Sample data for the study is collected from financial statements of 10 Conventional and 5 Islamic banks in Pakistan. In this study Moderating variable is Covid19, Independent variables are bank size, operating efficiency, bank deposit and dependent variable is Return on assets. Fixed effect model OLS is used in this study for estimation. Different disease like heteroskedastic, multicollinearity is not detected in this study. Findings states that moderator has significant impact on Bank size, operating efficiency and Profitability of Banks. Moreover, the impact of Covid19 on Islamic banking seems more prevalent.

Keywords: Profitability (ROA), bank size, deposit, operating efficiency, Islamic vs conventional, Fixed effect model