

THE MEDIATING IMPACT OF PROFITABILITY ON CAPITAL REQUIREMENT AND RISK TAKING BY PAKISTANI BANKS

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Abstract

This study examines the mediating impact of profitability on capital requirement and risk taking by Pakistani banks. Many of the past studies observed and mentioned that there is negative relationship between capital requirement and risk taking by banks but in the case of Pakistani banks, this situation does not exist. Pakistani banks show a positive relationship between the variables which clearly highlight the interruption of relationship. In this regard, there is need of mediator to explain this phenomenon. The study concluded that profitability mediates the relationship between capital requirement and risk taking by banks because profit can change owner's behaviour about the implementation of regulations and risk taking activities of the banks.

Keywords: Profitability, Capital Requirement, Regulation, Risk taking, Banks of Pakistan

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