

---

Ghulam Mujtaba Chaudhary\*  
Zaheer Abbas\*\*

---

## **Bank Dependence, Crisis and Financial Performance of Firms in Pakistan**

### **ABSTRACT**

*The availability and choice of suitable financing source ever remained a challenging issue for financial managers of corporate enterprises. The decision also considerably influenced the performance of firms in past, especially during credit contraction and financial panic periods. The phenomenon is empirically examined in this study through relative performance analysis of non-financial firms in context of global financial crisis. The sample is selected from different sectors and firms are segregated on the basis of their bank financing level. The data of firm level financial variables were extracted from annual reports and analyzed by using panel data technique. The overall and relative effect of crisis is captured by inserting appropriate dummy variable and interaction terms. The study finds a significant effect of crisis on financial performance of sample firms in Pakistan. It is further noted that firms with lower level of bank financing performed relatively better than those having higher proportion of such financing. The research findings supports*

---

\* Assistant Professor, Department of Business Administration, University of Kotli, Azad Jammu & Kashmir.

\*\* Assistant Professor, Faculty of Management Sciences, International Islamic University, Islamabad, Pakistan.

*for a balanced financing approach to enhance resilience of firms in crisis conditions.*

**Key Words:** *Bank Dependence, Global Financial Crisis, Financial Performance, Panel Data, Dummy Variable*