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Abstract

With the impending globalization and liberalization of the financial sector and particularly the banking sector, there is an urgency for Malaysian banking sector to strengthen and improve its competitiveness in order to survive and excel in the global market. Under globalization, there will be more intense competition as there will be more global players in the market where only the strong ones will survive and the weaker ones will eventually exit the market. As such, in order to compete well while continuing to capture a sizable market share, it is important for Malaysian banking sector to determine and identify the areas of strength and weaknesses. Therefore, this paper aims at examining the competitiveness of Malaysian banking sector in relation to the banking sector of some neighboring countries namely Singapore, Thailand and Indonesia by examining and analyzing some key ratios and indicators under the CAMEL framework commonly employed by many countries in assessing the performance of their respective banking sector.

This paper also examines the existing characteristics of Malaysian banking sector mirrored against the five desired characteristics proposed under the Financial Sector Masterplan (FSMP), announced in 2001. These desired characteristics were then used as benchmarks to study the current characteristics of banking sectors of Singapore, Thailand and Indonesia.

This study shows that Malaysian banking sector is still not as competitive as Singapore but relatively better than Thailand and Indonesia in many aspects, though further improvements would be essential. Singapore banking sector appears to be the most competitive and hence should be set as an example by many countries in the region. In general, Thailand is slightly less competitive than Malaysia while Indonesian banking sector is the weakest among the 4 countries under study.

Malaysian banking sector currently has not achieved the five desired characteristics proposed under FSMP but there are clearly improvements over the years. Meanwhile, the said desired characteristics are said to be present in the Singapore banking sector while extra effort would be needed for Thai and Indonesia banks to achieved these characteristics.

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