

CHAPTER 7 – CONCLUSION

Overall, despite some problems and deficiencies in the Malaysian banking system, it is generally regarded as improving in performance although continuous effort would still be needed to place the Malaysian banking system in a competitive edge over the foreign banks. As such, these few years before the full implementation of WTO when there will be no restrictions on the entry of foreign banks will be critical for the Malaysian banking sector to quickly improve and equip themselves with the necessary skills and competencies. Nevertheless, it is still considered that there are too many local banking groups in Malaysia when the consolidation of these banking groups into only a few bigger group would greatly enhance efficiency since smaller banking groups would allow operation, branches and services to be more streamlined. As such, the existing 10 anchor banks may be merged further into less than 5 anchor banks in the domestic banking sector. It is also clear that BNM had taken various efforts in achieving the five desired characteristics proposed under FSMP.

The recent improved ratings of some banks in Malaysia, particularly the local banks by Rating Agency Malaysia (RAM) in RAMFocus, Issue 19 on August 2002, had been an encouraging factor to motivate and inspire the other local banks in the industry to further improve themselves in various aspects. In the rating report, the ratings of Malayan Banking Berhad and Public Bank Berhad were both upgraded to AAA/P1 on 15 August 2002 and 7 May 2002 respectively. Some other banks such

as UOB (Malaysia) Berhad had also been upgraded from AA₂/P1 to AA₁/P1; HSBC Bank Malaysia Berhad from AA₃/P1 to AA₁/P1. Such ratings are reflective of a positive outlook on the Malaysian banking sector and had also proven that Malaysian banking industry generally consists of robust financial institutions that are efficient, effective and stable guided by prudential regulations.

While there are some encouraging trends in the banking industry which fits well for the positive future role of banks in Malaysia, the current state of affairs leaves much to be desired. While progressive consolidation and liberalization will undoubtedly change the face of the Malaysian banking sector, the present signs indicate that continuous improvement and development will be required for banks to be able to compete well in a globalized world. To forge ahead in this new economy, it will require more than just the adoption and implementation of gradual and incremental changes. Strong management teams that are committed to bring about overall performance improvements, capacity enhancements, agility on a continuous basis and the courage to implement strategic changes will be the keys to the process (Zeti, 2001) .

In comparison to Singaporean banks, Malaysian banks are generally lagging behind in various aspects. Singaporean banks are regarded as having achieved the 5 desired characteristics proposed under the FSMP. Singaporean banks have advanced fairly well among banks in Southeast Asian countries. While lagging behind Singapore, Malaysian banking sector is relatively better than Thailand and Indonesia. RAM

had in Star Biz (**The Star, 2 January 2003**) reaffirmed a positive outlook on the local banking sector in view of the continued improvement in asset quality following the resolution of most large non-performing corporate loans. RAM further comment that the local banking sector would remain resilient and well poised to ride the gentle wave of economic recovery. Since most banks have recovered from the Asian financial crisis, attention and focus can hence be aimed at improving their competitiveness and performance to face the challenges arising from the globalization of financial sector.

In conclusion, Malaysian banking system is considered efficient and stable though yet to achieve the 5 desired characteristics outlined under FSMP. Nevertheless, we are improving at a fast pace. As such, Malaysian banks are not yet ready to go abroad at large. Therefore, continuous efforts and emphasis are important in accomplishing these objectives.