



GAUGING THE FINANCIAL PERFORMANCE OF FULL-FLEDGED LOCAL
ISLAMIC BANKS AND FOREIGN ISLAMIC BANKS IN MALAYSIA
AFTER THE IMPLEMENTATION OF GLOBALIZATION POLICY

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The purpose of this study is to analyse the performance of local Islamic bank and foreign Islamic bank (Mega International Bank) in Malaysia to find out whether the implementation of globalization policy gives impact to the local Islamic banks. For this study, a sample of 9 banks was selected, five of them are local Islamic banks and the other four are foreign Islamic banks. For in depth understanding, key performance indicators were used to analyse the performance of banks. The analysis includes the measures of differences in performance of the local Islamic banks and foreign Islamic banks in terms of profitability, leverage and liquidity. Five financial ratios were used to gauge profitability, leverage and liquidity. Findings show that the local Islamic banks are leading in terms of profitability, while in leverage and liquidity both local Islamic banks and foreign Islamic banks are at par.

This policy is embraced in Malaysia by our prime minister, Tun Abdullah bin Haji Badawi. Globalization is a process of integration and interaction among all human kind, companies and government of different nations. It is a process that is driven by international trade and investment and in line with the information technology. This process has effects on the environment, political system, culture, prosperity and economic development and also on human physical well-being in societies around the world (Globalisation: National Institute for Educational Development).

Globalization help improves human lives through technology and it is improving people's health, education and communication. Trade and financial integration have improved more job creation and economic strong growth which helped narrow the gap between rich and poor countries. There are also some disadvantages which we can see from the globalization, such as financial crisis. Small economies can bring down larger economies and a disaster happening in one country has ripple effects around the world.

Chapter 1 Introduction

1.0 The Overview of Globalization

This thesis will calculate the financial performance of local and foreign full-fledged Islamic banks in Malaysia in terms of its profitability and leverage ratios or also known as Key Performance Indicators (KPI) (Samad, 2004). The study will cover both local full-fledged Islamic banks and foreign full-fledged Islamic banks in Malaysia after the announcement of globalization made by the Malaysia's Prime Minister, Tun Abdullah Bin Hj. Badawi. (Saravanamuttu & Saravanamuttu, 2010)

Globalization is one of the policies that have been implemented in Malaysia by our government to improve the economics and the standard of living for Malaysian as well as contribute to the increase in profit for the banking industry and other industry. This policy is embraced in Malaysia by our prime minister, Tun Abdullah Bin Haji Badawi. Globalization is a process of integration and interaction among all human kind, companies and government of different nations. It is a process that is driven by international trade and investment and in line with the information technology. This process has effects on the environment, political system, culture, prosperity and economic development and also on human physical well-being in societies around the world (Globalisation: National Institute for Educational Development).

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