



UNIVERSITI TEKNOLOGI MARA

## **The Outlook of the Malaysian banking sector beyond 2000**

**A study on the role  
taken by Bumiputra-Commerce Bank Berhad**

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## EXECUTIVE SUMMARY

In a speech delivered at the 4<sup>th</sup> Langkawi International Dialogue on July 25, 1999, our Prime Minister, Datuk Dr Seri Dr Mahathir bin Mohamad spoke, “ There is no doubt that while globalization is an idea whose time has come and one that all nations must be prepared to accept, there are lingering perils, since **globalization will not be played on a level field**”.

Indeed, the ability to reap the benefits arising from greater competition depends largely on the capability and capacity of our financial institutions to adapt swiftly and to embrace the changes. Can we? (with the unlevelled competition!)

This paper is written to understand this bewildering issue.

The writer’s opinion is that we must address the issue in a total concerted effort rather than as an exclusive business decision. Both the private and public sectors must work closely with each other to pave the way for a better survival of the nation’s economy as advocated by our Prime Minister.

He quoted in his speech at the 1<sup>st</sup> Southern Africa International Dialogue in Botswana on 5<sup>th</sup> May 1997, “ Under the Malaysia

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## **1.0 Introduction**

### **1.1 Problem Statement**

With the General Agreement in Trade and Services (GATS) and globalization looming, Bank Negara Malaysia is whipping up financial reforms to encourage size and good corporate governance. The target is to achieve a well-capitalized banking system. Initially targeting to have only 6 anchor banks in the country, Bank Negara, later rationalized the figure to a practical 10. The latest merger is the controversial compromise between RHB Bank and the Utama Banking Group.

The question of merger is undoubtedly a matter of urgency for Bank Negara to effectively implements it's Financial Master Plan, announced on 1<sup>st</sup> March 2001. The plan projected over a period of 10 years focuses on the role of the financial sector as an enabler of growth to support the economic growth of the country with the real sector remaining as the main priority.

## 7.0 Literature Review

Dr. Anthony Gandy's book entitled "Banking Strategies Beyond 2000" centralises his approach only on American and European banks. Although he touches the effect on banks in this region, he naturally did not touch on the development of Malaysian banks.

In the Malaysian context, there are a lot of issues that needs to be taken into consideration from culture to political influence.

The effect of globalization, in the real sense was not elaborated in his book. His view may not be fair as Malaysia was much affected by currency devaluation and is a developing country.

On globalization, the opinion gathered from published speeches by Dr Mahathir Mohamad, our Malaysian Prime Minister showed his concern on the issues of globalisation and liberalization, that if it goes unchecked and uncontrolled will see an unfair global race in trade and business. His fear is that there will be unhealthy competition and the losing out of local business