Oversea-Chinese Banking Corporaion Limited

A Case Study Analysis
Presented To:

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Executive Summary Letter

The economic downturn that stroked this region had shattered the banking industry in which led to the collapsing of many banks in Malaysia. From this situation it has inspired us to investigate several banks which has been chosen to the effect of the current situation. OCBC Bank was chosen as the main bank with it's competitors Malayan Banking Berhad and RHB Berhad in this study. The main question to be investigated is how OCBC maintain its competitiveness in the banking industry in Malaysia despites the current situation and several other factors internally and externally. How it's strategist reacted towards the strict regulations and rules imposed by Malaysian government. The question of it's surviving strategies to overcome the competition as a foreign banks among Malaysian anchor banks such as Malayan Banking Bhd. and RHB Bhd.

From the study we discovered that several factor involved in affecting the progress of the bank whereby we could identify several threats and weaknesses occurred. Besides that, there are several positive factors that compensated the ineffectiveness of the banks progress whereby about it's strength and external opportunities. From the study we discover that the bank remained stable and competitive as from the matrix calculated we could see that the bank had achieved better result rather than from other competitors despite being a foreign bank. This was due to having a good financial background or capital from other banks. The study showed that how impressive OCBC Bank's financial position for several years before and after the economic recession. They also remain stable due to effective strategies of remaining cautious of the overall external and internal environment Due to that, it has made the bank much stronger and competitive than the bank's competitors. Besides that, excellent services provided which was assisted by the used of

1.0 Introduction

Review of The World Economy

The financial year under review was characterised by a generally positive outlook for the world economy. The major industrial countries as a group recorded a 2.7% growth in real Gross Domestic Product (GDP) in 1999 compared with 2.4% in the previous year. Inflation also continued to moderate while world trade expanded further.

Buoyed by a more encouraging external environment, the East Asian economies were generally back on a recovery track in 1999 after having survived the devastating effects of the 1998 Asian Financial Crisis. The Newly Industrialised Economies (NIEs) of Asia comprising Korea, Taiwan, Singapore and Hong Kong Special Administrative Region grew by 6.8% in 1999 while the member countries of the Association of South-East Asian Nations (ASEAN) achieved a commendable turnaround of 3.6% combined real GDP growth after recording a contraction of 6.1% in 1998.

East Asian economic growth will increasingly be more broad-based with the stimulus progressively coming from domestic private demand rather than net exports and fiscal incentives.

In 2000, the industrial countries as a group are anticipated to show a steady 2.7% real GDP growth. As a group, the Asian NIEs is forecasted to grow by 6.3%-6.5% while the combined real GDP growth of the ASEAN members is expected to be within the range of 4.4%-5%. With the more optimistic growth prospects for the economies of the industrialised and developing countries, world trade is estimated to expand in the range of 6%-7% in 2000 compared to 3.7% in 1999.

Malaysian Economic Performance

As the year under review unfolded, it was clear that the Malaysian economy was firmly on its recovery path, and the focus of policy shifted towards ensuring sustainable growth in the years ahead. Leveraging on its strong fundamentals, Malaysia withstood the Asian Financial Crisis of 1997-1998 and is now poised to restore the growth rates achieved during the pre-crisis period.

Looking back, 1999 saw the Malaysian economy turning around with a strong GDP growth rate of 5.8% compared with a contraction of 7.5% in 1998. The selective exchange control policy implemented in September 1998 enabled Malaysia to strengthen its macroeconomic fundamentals and put in place the requisite monetary and fiscal strategies to expedite the recovery process.

The Consumer Price Index (1994 = 100) moderated further from 5.3% in 1998 to 2.8% in 1999 as a result of the relative stability of the ringgit exchange rate, the absence of imported inflation and excess capacity in some industries.

The commendable economic performance continued into 2000 with a 10.3% GDP growth posted for the first six months of the year. Economic growth was also broad-based