

**A STUDY OF COMPETITIVE BEHAVIOUR OF MALAYSIAN COMMERCIAL
BANKS USING STRUCTURAL AND NON-STRUCTURAL MODEL**



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KELULUSAN PERMOHONAN PELANJUTAN TEMP OH PENYELIDIKAN

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Yang benar,


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5. Report

5.1 Proposed Executive Summary

The welfare of consumers can be affected by the number of sellers in the market, The consumers will benefit more if the market is competitive and is free from any form of manipulation. The banking industry has witnessed the historic banks consolidation in 2000 that resulted in the reduction of the number of domestic banks. Given the lesser number of domestic banks, the competitive behaviour of the banks might be affected. Does the industry become less competitive or more competitive? In the literature, there are two broad approaches undertaken in analysing the competitive conditions, structural approach and non-structural approach. Two widely used models are the Structure Conduct Performance paradigm and the Efficient Structure hypothesis. The difference between these two lies in the role of market power indicated by industrial concentration and efficiency (initially represented by the market share, but lately by its own measure). An issue that remains debatable is the relationship between market structure and firms' conduct or between market concentration and competition. As an alternative to the structural models, the non-structural models were introduced to offer new insights with regards to this relationship. It is also known as "new empirical industrial organization (NEIO), Coccoresse (2009). According to Bikker and Haaf (2002), three non-structural models have been developed, namely the Iwata model (Iwata, 1974), the Bresnahan model (Bresnahan, 1982) and the Panzar-Rosse model (Panzar and Rosse, 1987). It is found that the Panzar-Rosse model appears to be popular amongst the researchers like Matthews, Murinde and Zhao (2007) and Coccoresse (2009). The study aims to provide evidence of what has happened to the competitive conditions of the banking industry in Malaysia.