Malaysian banks should be innovative

by SATHISH GOVIND

Pic by Shiddieqiin Zon

MALAYSIAN banks should be more innovative and adopt "game changing strategies" in order to seize business opportunities that are currently abound within the region and the world, Pricewaterhouse-Coopers (PwC) partner Soo Hoo Khoon Yean *(picture)* said yesterday.

"They should look at acquisition or strategic alliance with non-banking sectors as way of complementing their business or working with technological related companies as a way of reducing their costs," Soo said.

He was speaking to newsmen in conjunction with the release of a joint study between PwC and New York-based think tank Centre for the Study of Financial Innovation (CSFI) which conducts its annual Banking Banana Skin survey.

The survey is based on responses from more than 700 bankers, banking regulators and close observers of the banking industry in 58 countries. Twelve respondents representing key banks in Malaysia also participated in the survey.

He said that Malaysian banks were currently over-cautious and prudent and they may loose out on ample business opportunities offered within the region but instead need to be more innovative and aggressive in expanding their operations.

He said that Malaysian banks should also introduce new products and move away from traditional banking products as a way out, ensuring its margins are not heavily squeezed.

Reviewing the findings of the survey, Soo said that macroeconomic risks were cited as the top of the list of 30 possible risks while the Malaysian respondents cited credit risks as their top concerns.

The detailed findings of the top 10 concerns as ranked by the global respondents for the 2012 Banking Banana Skins survey were macroeconomic risks, credit risks, liquidity, capital availability, political interference, regulation, profitability, derivatives, corporate governance and quality of risk management.

The top 10 concerns of the Malaysian respondents were credit risk, macroeconomic risk, quality of risk management, corporate governance, derivatives, interest rates, human resources, profitability, capital availability and liquidity.

He said that in concerns of credit risk by Malaysian respondents were attributed to slower economic growth prospects in 2012 and contagion effect from the eurozone with European banks pulling back Asian credit lines.

On other Malaysian concerns, Soo said that there were greater concerns of corporate governance as there was greater responsibility on board members who need to oversee larger, more complex and dynamic organisations and financial landscape.