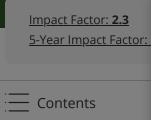
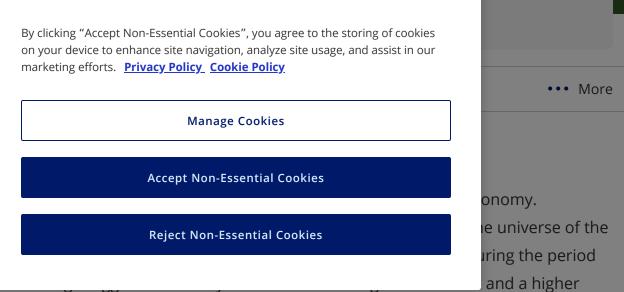
Global Business Review



Abstract

The present article of Specifically working domestic and foreign 2000–04. The empirical strategy are strategy as the strategy as the strategy are strategy as the strategy are strategy as the



loan concentration exhibit lower profitability level. On the other hand, banks that have a higher level of capitalization, a higher proportion of income from non-interest sources, and high operational expenses tend to exhibit higher profitability level. The results suggest that economic growth has a negative effect on Malaysian banks' profitability, while a higher inflation rate has a positive impact on Malaysian banks' profitability.



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- 1. The figure is as at end–2003, prior to the consolidation of finance companies into their respective commercial banking parents.
- 2. A guess would be that such relationship is observed in developed banking systems, which hire high quality and therefore, high cost staff. Hence, providing that the high quality staff is sufficiently productive, such banks will not be disadvantaged from a relative point of view.
- 3. In a contestable market, active firms are vulnerable to "hit and run" entry. For its existence, sunk costs must be largely absent. In the banking industry, some argue that most of the costs are fixed but not sunk, making it contestable (Whalen, 1988).

- 4. We would like to thank the anonymous referee for this suggestion.
- 5. We would like to thank the anonymous referee for this suggestion. For brevity purposes, we do not present the results here, but are available from the author upon request.
- 6. See Berger and Mester (1997) for a detailed discussion of this point.

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