

Review of: "Economic Empowerment: Unveiling Asian Bank Performance Trends"

Karunanithi Ravirajan¹

¹ Larsen & Toubro (India)

Potential competing interests: Paper Peer Reviewer

Body

Article Name: Economic Empowerment: Unveiling Asian Bank Performance Trends

Peer Reviewed By Dr Ravirajan K

The paper "Economic Empowerment: A Quantification of the Factors Undermining Asia Bank Performance" is a novel, all-inclusive research that focuses on the identification of several factors impeding banks in Asia from operational optimization, and consequently analyzes data from 71 banks over the period 2010 to 2022. This research paper employed a new technique, sGMM (an extended GMM technique), as its main methodology, ensuring that it has the possibility to conduct a more stringent analysis of the relations between profit and efficiency as well as financial metrics. The research will deal with several important issues in present research which present a comparative analysis, based on the Asia market's diversity, that is capable of comparing different markets' situations ranging from global financial hubs such as Malaysia and the UAE to higher growing ASEAN markets of Malaysia and Vietnam, and in addition, the advanced but still emerged Korean economy.

Among the paper's strengths is the novel and impressive account of factors that are multidimensional in their contribution to bank performance across different economic environments. The research has used a cross-country analysis to make a comprehensive study of the profitability factors that differ in the diverse banking systems, thereby catering to the vacuum in the existing literature that often focused on relatively more homogeneous settings. Furthermore, the research, based on an extended, wide-ranging, and reliable dataset produced by Bank Focus for five economies, imparts it with better external validity and generalizability.

Yet the work addresses certain limitations. The framework is centered on commercial banks, and the Annexure focuses on quantitative data. This narrows down the scope and depth of the conclusions. Among the important things that one can consider as unanswered questions are financial sectors at large, qualitative insights, and the political, social, and technology influences. The above-mentioned study also had the issue that its time frame (2010-2022) narrowed down the generalizability number to the current banking sector too. If the study period is between 2010 and 2022, in that era, especially in South Asia, the banking sector encountered a lot of digital transformation and technological upgradation.

Besides, international compliance mechanisms such as BASEL and other prudential mechanisms are made compulsory components of bank risk management, but in this paper, they are not discussed briefly, and their impact on NIM (Net Interest Margin) and operational efficiency is not addressed. Also, non-performing assets and digital transformation in banking, such as AI and ML, are not discussed. These are essential components of economic empowerment with respect to bank business.

While the hypothesis tells about the data and its approach, which includes econometric instruments sGMM, it is widely held that the methodological framework is new, rather than the old OLS model, which is relied on heavily in dynamic panel data analysis. The use of different monetary indicators, including the Return on Assets, the Return on Equity, the Profit Margin, and the Net Interest Margin, adds to the analytical depth of the study. It is complemented by additional covariate indicators like technical, resource, and profit efficiency. Additionally, I suggest that the paper should include hypotheses to evaluate the technological upgradation with respect to efficiency or profit margin.

In the environment of the banking business at present, the findings of this research can affect a great many strategic decisions of the banking industry and thus help build policies and practices for commercial banking in Asia. The paper makes two key contributions to the subject matter. Firstly, the study reveals the multifarious determinants of banks' performance arising from various distinct factors, including dynamics of the times, which means the analysis is field relevant to the tasks ahead in the rapidly changing environment of the banking business, especially during the tumultuous events of the COVID-19 pandemic and trade wars. The paper's focus on the Asian markets is somewhat appropriate, too, since the area is emerging as a critical dimension in the global economic environment. Overall, this work is a good attempt to assess how well banks are performing now in the era of the latest bank behavior patterns in the South Asian geography.