

## FINANCIAL FREEDOM AND BANKS FINANCIAL PERFORMANCE: A REVIEW

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### ABSTRACT

Financial freedom, one of the ten components of economic freedom, is a measure of efficiency as well as a measure of independence from government control and interference in the financial and banking sector. If a domestic regulated banking sector eliminates or lowering its restrictions of certain regulatory barriers, the domestic banking sector is said as going through some financial freedom on the banking sector. Domestic banking sector with a high financial freedom banking environment is a circumstances where a minimum level of government interference exists. The central bank supervision and regulation on banks are limited only to enforcing contractual obligations and preventing fraud, credit is allocated on market terms where banks provide various types of financial services to individuals and companies, and banks are free to extend credit, accept deposits, and conduct operations in foreign currencies. Foreign banks entry business activities at domestic banking sector are also perform and treated by the authority body the same as domestic banks. Domestic government that eliminates or lowering certain regulatory barriers of financial freedom on domestic banking sector, has also lead the wake of rapid entry of foreign banks into the domestic bank sector. Subsequently, this study reviews the literature on the relationship between financial freedom in the banking sector, foreign banks entry and the domestic banks financial performance. This paper provides a platform for future empirical research.

**Keyword:** Financial freedom, banks financial performance.