

**IMPACT OF INTELLECTUAL HUMAN CAPITAL AND ICT ON BANK EFFICIENCY
IN MALAYSIA**



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Contents

1. Letter of Report Submission	iii
2. Letter of Offer (Research Grant).....	iv
3. Acknowledgements	v
4. Enhanced Research Title and Objectives.....	vi
5. Report	1
5.1 Proposed Executive Summary	1
5.2 Enhanced Executive Summary	2
5.3 Introduction	3
5.4 Brief Literature Review	4
5.5 Methodology	15
5.6 Results and Discussion	23
5.7 Conclusion and Recommendation.....	36
5.8 References/Bibliography	39
6. Research Outcomes	51
7. Appendix.....	52

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Dengan hormatnya perkara di atas adalah dirujuk.

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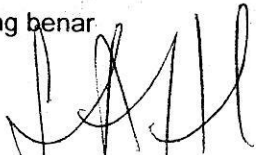
Bagi pihak Universiti kami mengucapkan tahniah kepada Prof/Prof. Madya/Dr./Tuan/Puan kerana kejayaan ini dan seterusnya diharapkan berjaya menyiapkan projek ini dengan cemerlang.

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Sekian, harap maklum.

“SELAMAT MENJALANKAN PENYELIDIKAN DENGAN JAYANYA”

Yang benar



PROF. MADYA DR. SABARINAH SH AHMAD
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/RS...

5. Report

5.1 Proposed Executive Summary

(Original proposal – 300 words) – 1 page only

This paper attempts to identify the significance of Information and Communications Technology (ICT) and intellectual human capital to the profit efficiency of commercial banks in Malaysia. The profit efficiency of commercial banks in Malaysia was estimated using the Stochastic Frontier Approach (SFA) on a sample of unbalanced panel data, covering 23 commercial banks, between 1995 to 2009. Based on the empirical results, both ICT and non ICT stock expenditure were found to exert significant positive impact on profit inefficiency, whereas intellectual human capital, size and ownership were negatively significant contributors.

5.3 Introduction

In the 9th Malaysian Plan (9MP), it was mentioned that the application of ICT in the service industries, such as e-banking and e-commerce, particularly in the banking and telecommunication subsectors, contributed a great deal to productivity (Malaysia, 2006). It is well recognized that a trained, skilled and well-educated workforce is critical in enhancing work and economic performance and sustaining competitiveness as Malaysia transforms into an ICT-driven and knowledge-based society. By using technology as a tool, ICT has emerged as an enabler in creating, manipulating and distributing information and communication to improve the quality and effectiveness of both the public and private sector programs and Services. Previously, under the Seventh Malaysia Plan 1996-2000, and more so under the Eighth Malaysia Plan 2001-2005, the government has placed much emphasis on ICT utilization during the implementation of policies and programs and the need to use this process as a means for the creation of new technologies. However, with increasing competition, ICT, being a basic infrastructure element for financial institutions, may no longer be regarded as a competitive edge, as every bank has already extensively embraced ICT in their operations to serve their customers better.

In the 10th Malaysian Plan (10MP), human intellectual capital is one of the main agenda. The government will focus on efforts to develop human capital development such as skills development and strong innovation capabilities. As mentioned in the 10MP, skilled and knowledgeable workforce is the cutting edge of a nation's competitiveness. In order to achieve skilled and knowledgeable workforce, education and training systems will have to be strengthened from early childhood to tertiary education.

In the era of globalisation and liberalisation, the commercial banks might be facing challenges in order to be cost and profit efficient. Human intellectual capital might play the role of achieving bank efficiency. Yildirim and Philippatos (2002) in their study of European countries, and Nikiel and Opiela's (2002) study of banks in Poland, found that the banks