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## Intellectual Capital of Malaysian Banks

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### Abstract

The importance of intellectual capital has induced drastic movement in conducted of businesses by switching from traditional labour to knowledge labour whereby to compete with the incumbents and the newcomers. On this note, services sector especially banking industry plays a vital role in the development of economies that affected overall in gross domestic product compared to the other production sectors thus intellectual capital is important to the growth of banking sector in a nation. Therefore, the general objective of this study is to investigate the intellectual capital of Malaysian banks over the study period of 2007 to 2016 by employing Model of Value Added Intellectual Coefficient (VAIC). In view of the above scenarios, the specific objectives of this study is to investigate the sources of intellectual capital namely human capital efficiency (HCE), structural capital efficiency (SCE) and capital employed efficiency (CEE) of the Malaysian banking institution. The results of this study show that human capital efficiency is the most influential components in the intellectual capital among Malaysian banks. Thus, the findings of this study recommend on the bank's management and policy makers to increase on the efforts to encourage the utilizing in human capital which is treated as an effective alternatives in creating bank's value as well as consider the human capital as a single resources of the intellectual capital in improving on the efficiency performance of the banks.

**Keywords:** Intellectual Capital, Malaysian Bank, VAIC Model

### Introduction

Advancements in the information or knowledge economy has created a great impact on the increasing level of awareness and responsiveness on the importance of intellectual capital nationwide (Guthrie, 2001). However, the future benefits would only be loss if there is an existent of any ignorance and underestimation on intellectual capital (Roslender & Fincham, 2004). The evolution of the phases of social-economy has been proven based on the hierarchies among production factors which typically vary from one another. Beginning of the 1980s until present, the information society has started to develop with the world witnessing transformations and advancements in Information and Communication Technology (ICT) which thus changed the mechanism for the creation of wealth to be derived from labour, capital, natural resources, and entrepreneurship. In short, the efficient use of intellectual capital or intangible assets progressively gained a significant role in terms of the firms' performance. In fact, this transformation attached to