IMPACT OF INTERNET BANKING AND SOCIAL MEDIA ADOPTION ON PROFITABILITY OF LOCAL COMMERCIAL BANKS IN MALAYSIA

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MASTER OF SCIENCE
UNIVERSITI UTARA MALAYSIA
JUNE 2017
IMPACT OF INTERNET BANKING AND SOCIAL MEDIA ADOPTION ON PROFITABILITY OF LOCAL COMMERCIAL BANKS IN MALAYSIA

By

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Thesis Submitted to Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, in Partial Fulfillment of the Requirement for the Master of Science (Banking)
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ABSTRACT

This study investigated the impact of Internet Banking and social media adoption on the profitability of local commercial banks in Malaysia. A sample of eight local commercial banks in Malaysia for the period ranging from 1998-2016 was chosen for this study. Multiple regression analysis was used to identify the relationship between the dependent variable namely Net Interest Margin and independent variables including Internet Banking and social media which were in the form of dummy variables. Two control variables namely Loan Deposit Ratio and Loan Loss Provisions over Total Loans ratio were included to assure robustness and comparability in findings. Findings show that there was negative significant relationship between Internet Banking and social media on the profitability of local commercial banks in Malaysia at 0.01 significance levels. Thus, increasing usage of Internet Banking and social media by Malaysia’s local commercial banks caused margin compression in banks. Despite the reduction in term of bank profitability associated with Internet Banking and social media adoption, margin compression actually promote market efficiency in the long-term.

Keywords: Malaysia, Internet Banking, social media, multiple regression analysis, dummy variables
ABSTRAK


Kata kunci: Malaysia, Perbankan Internet, media social, analisis regresi berganda, pembolehubah dummy
ACKNOWLEDGEMENT

First and foremost, I would like to express my gratitude to my supervisor, Dr. Logasvathi a/p Murugiah for the advices in the process of completing Master Research Paper. The guidance from Dr. Logasvathi is very helpful toward the accomplishment of this project.

Subsequently, I am grateful to my family members and friends for the moral support, encouragement and continuous sharing of knowledge towards the completion of this project. I wish to express my words of appreciation to those that share their knowledge and opinions with me.

Last but not least, I would like to extend my indebtedness to all the staffs of School of Economics, Finance and Banking, UUM and anyone else for his or her contribution regardless directly or indirectly in the accomplishment of this project.
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<table>
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<th>Abbreviation</th>
<th>Full Form</th>
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<td>Net Interest Margin</td>
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<tr>
<td>LLPOTL</td>
<td>Loan Loss Provisions over Total Loans</td>
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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Traditional internet consumption such as email and general browsing had undergone significant revolution with the introduction of new digital technologies and websites that provide a more interactive and humanize services. Previously, majority of the internet were accessed through fixed-line connection to desktop, however with the emergence of WiFi and the growth of the mobile devices such as smartphones, tablets and laptop, the role of internet has changed.

E-banking is a process of performing banking transaction electronically without the need to visit physical branch. Electronic banking encompasses personal computer (PC) banking, Internet Banking, online banking and phone banking, in which different types of electronic banking are often used interchangeably. Internet Banking provides a mean of transferring funds from savings account to current account as well as third party account. Services provided under Internet banking include balance enquiries, bill payment, fund transfer, account statement and so on. The unique feature of Internet has made banking products and services available to customer across the boundary.

Online banking was first introduced in New York, United States followed by United Kingdom in early 1980s. In New York, online services was introduced as home banking services in four major city, namely Citibank, Chase Manhattan, Chemical and
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REFERENCES


## Descriptive Statistics

<table>
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a. Predictors: (Constant), LLPOTL, LDR, IB, SM  
b. Dependent Variable: NIM

ANOVA

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a. Dependent Variable: NIM  
b. Predictors: (Constant), LLPOTL, LDR, IB, SM

Coefficients

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a. Dependent Variable: NIM