

**SIZE AND TOTAL FACTOR PRODUCTIVITY CHANGE IN  
MALAYSIAN NON-COMMERCIAL BANKING FINANCIAL INSTITUTIONS:  
A NON-PARAMETRIC MALMQUIST PRODUCTIVITY INDEX ANALYSIS**

**Fadzlan Sufian**

*Bumiputra-Commerce Bank Berhad, Planning and Research Department,  
21st Floor, 6 Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia*

**ABSTRACT**

The paper attempts to investigate productivity changes of the Malaysian Non-Commercial Banking Financial Institutions (NCBFI) during the post merger period of 2001-2004 by applying the non-parametric Malmquist Productivity Index (MPI) method. The empirical findings suggest that Malaysian NCBFI have exhibited productivity regress during this period due to efficiency decline rather than technological regress. The results also suggest that the finance companies have exhibited productivity growth due to technological progress, while the merchant banks on the other hand, were found to have exhibited productivity decline during all years due to technological regress. The relationship between different NCBFI size and productivity indicates that the majority of Malaysian NCBFIs which experienced productivity growth attributed to technological progress are large NCBFIs, while the majority of NCBFIs that experienced productivity decline due to technological regress belonged to the small NCBFI group. However, the results reject the divisibility theory, which suggests that there is no size advantage accrued to the larger NCBFI, implying that the small NCBFI group with its limited capabilities is disadvantaged compared to its larger counterparts in terms of technological advancements.