# Abstract

The principal purpose of this study was to investigate the association between the efficiency of value added (VAIC$^{TM}$) by the major components of a firm's resource base (physical capital, human capital and structural capital) and three traditional dimensions of financial company's performance: profitability ROA, productivity ATO, and GR.

Data were drawn from 130 Indonesian banking sectors for three years, 2004-2006. It was an empirical study using partial least squares (PLS) for the data analysis. The paper tests three elements of VAIC$^{TM}$ and financial company's performance.

The findings show that: IC (VAIC$^{TM}$) positively influences to financial company's performance; IC (VAIC$^{TM}$) positively influences to future financial company's performance; and the rate of growth of a company's IC (ROGIC) is not influences to the future financial company's performance. Overall, the empirical findings suggest that human capital (VAHU) and profitability ROA remains the most significant indicator for VAIC$^{TM}$ and financial company's performance for three years. While physical capital (VACA) was significant only for 2006. The limitation of this research was: the data was drawn from all of Indonesian banking sectors, listed and unlisted, subsequently limited this research in choosing the financial performance measurement from the basis of market value.



**Keywords:** Intellectual Capital, VAIC$^{TM}$, company's performance, Indonesian banking sector, partial least squares.