

## **ABSTRACT**

*The purpose of this study was to examine the effect of intellectual capital to market value and financial performance of banking firms. This study used Pulic model-Value Added Intellectual Coefficients (VAIC<sup>TM</sup>) to examine the relationship between intellectual capital with market value and financial performance. The market value was measured by market to book value ratio (M/B), the company's financial performance measured by return on assets (ROA), return on equity (ROE) and growth in revenue (GR). Independent variables used in this study was the performance of intellectual capital as measured by VAIC<sup>TM</sup>. Dependent variable used in this study is M/B, ROA, ROE, and GR.*

*The sample study is a banking company listed in Indonesia Stock Exchange (IDX) year period 2008-2010. The collection of research data using purposive sampling method. Data obtained amounted to 87 companies in the period 2008-2010. This study uses linear regression to analyze the data.*

*The result showed that significant intellectual capital negatively effect the market value (M/B), a significant positive impacton financial performance as measured by ROA and ROE, but no effect on GR.*

*Key words : intellectual capital, market to book value ratio (M/B), return on asstes (ROA), return on equity (ROE), growth in revenue (GR).*