

ABSTRACT

Intellectual capital (IC), these days, has a key role in the effort to increase the value of various companies. This is due to the awareness that IC is a platform for companies to be more competitive. The purpose of this research is to investigate the influence between IC and firm's financial performance. IC is the independent variable and firm's financial performance as the dependent variable.

Using 75 non financial companies data drawn from Indonesia Stock Exchange between years 2006-2008. This research uses The Pulic Model (Value Added Intellectual Coefficient – VAICTM) as the efficiency measure of three intellectual capital component; physical capital coefficient (VACA), human capital coefficient (VAHU), and structural capital coefficient (STVA) dan Partial Least Square (PLS) was used to examine the relationship between firm's financial performance VAICTM, where the three financial ratios selected as the proxy measure for firm performance (ROE, EPS and ASR).

The findings show that: IC influences positively to financial company's performance; IC influences positively to future financial company's performance; the rate of growth of a company's IC (ROGIC) does not influences to the future financial company's performance and the contribution of IC to company performance differs by industry.

Keywords: Intellectual Capital, Performance, Partial Least Square (PLS)