ABSTRACT

ANALYSIS OF THE EFFECT OF INTELLECTUAL CAPITAL ON MARKET PERFORMANCE AND COMPANY’S FINANCIAL

BY

ADITIA PRATAMA

This study aims to determine the effect of intellectual capital on market performance and financial performance in manufacturing companies listed in Indonesian Stock Exchange during the period 2007-2011. Sample obtained by using purposive sampling method. Base on existing criteria, there are 17 companies that became the study samples.

Then, hypothesis testing is done by using multiple regression analysis previously performed the first classical assumption test. The results shows that, independent variables, the intellectual capital performance (VAIC) affected to the market performance (PBV) and company’s financial (ROA) as dependent variables, and it’s by control variables, advertising expenditure (AD) and IC intensity (D_IC).

From the study it can be concluded that the intellectual capital performance (VAIC) has positive effect on market performance (PBV) and company’s financial (ROA), which means the better management of intellectual capital by the company also will be better the market performance and will increase the company’s financial.

Keywords: Intellectual capital, Market performance, Company’s financial.