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The effect of intellectual capital on the financial performance of insurance companies listed on the Indonesia Stock Exchange (ISE)

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A B S T R A C T

The purpose of this study is to analyze the effect of Intellectual Capital (VAIC™), with major components of physical capital (VACA), human capital (VAHU), and structural capital (STVA), on financial performance, with indicators of Return on Assets (ROA) and Return on Equity (ROE). Data are taken from 10 insurance companies listed on the Indonesia Stock Exchange for four years, 2010-2013. The supporting data include reference books and journals of previous researches. The data analysis is conducted using Partial Least Square (PLS). The results show that intellectual capital (VAIC™) has significant effect on the financial performance. Physical capital (VACA) and human capital (VAHU) are significant indicators for VAIC™. Meanwhile, structural capital (STVA) is not significant. The indicators of financial performance, both ROA and ROE, are significantly affected by intellectual capital for four years.

A B S T R A K

Penelitian ini bertujuan untuk menganalisis pengaruh Intellectual Capital (VAIC™), dengan komponen utama modal fisik (VACA), modal manusia (VAHU), dan modal struktural (STVA), kinerja keuangan, dengan indikator Return on Assets (ROA) dan Return on Equity (ROE). Data diambil dari 10 perusahaan asuransi yang terdaftar di Bursa Efek Indonesia selama empat tahun, 2010-2013. Data pendukungnya termasuk buku referensi dan jurnal dari penelitian sebelumnya. Analisis data dilakukan dengan menggunakan Partial Least Square (PLS). Hasil penelitian menunjukkan bahwa modal intelektual (VAICTM) memiliki pengaruh yang signifikan terhadap kinerja keuangan. modal fisik (VACA) dan modal manusia (VAHU) merupakan indikator yang signifikan untuk VAIC™. Adapun modal struktural (STVA) tidak signifikan. Indikator kinerja keuangan, baik ROA maupun ROE, secara signifikan dipengaruhi oleh modal intelektual selama empat tahun.

1. INTRODUCTION

The financial statement of a company provides all information regarding the financial performance of the company. In the financial statement, particularly on the balance sheet, there is information on tangible assets, which can be assessed using monetary units. Meanwhile, the information on intangible assets tends to be ignored because it cannot be assessed using monetary units. Thus, this causes the values that affect the company's financial performance to be lost.

Intangible asset information is difficult to measure and identify. This makes such information unable to be known directly in the financial statement. So, the solution is by using intellectual capital approach in order to obtain more information. As a result, the company has the same value as the value creation

Ifada and Hapsari (2012) mentioned that Intellectual Capital is long-term capital consisting of Human Capital (HC), Structural Capital (SC) and Customer Capital (CC). Human Capital is the quality of company's human resources in the form of knowledge, skills, experience, commitment, good working relationships inside and outside the company, and so on. Structural Capital (SC) can be

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in the form of structures existing within an organization, corporate strategy, a series of processes and good work culture, as well as the company's ability to meet all company's activities. Customer Capital (CC) is the knowledge inherent in a good and sustainable relationship with the colleagues, such as distributor, supplier, customer, employee, community, government, and so forth.

One of the ways used to measure Intellectual Capital (IC) is a method used by Pulic (2000). Pulic does not measure it directly, but he uses a measure to assess the efficiency of added value of the results of intellectual ability of a company (Value Added Intellectual Capital - VAIC™). Components of the Value Added Intellectual Capital (VAIC™) can be viewed on the company's resources, namely human capital (Value Added Human Capital - VAHU), structural capital (Structural Capital Value Added - STVA) and physical capital (Value Added Capital Employee - VACA), This test was done by Clarke and Whiting (2010) in Australia and the results show that the employee capital is one component of VAIC™ which has the most significant effect on the company's financial performance.

Information on company's financial performance can be seen through the financial statements made by the company. One of them can be seen from the level of profit generated by the company in the income statement. One of the parties who need the information is the investor. Before investing in a company, an investor will certainly consider the company's performance in advance through its income statement. Thus, the investor will make a preliminary conclusion that the company have consistent high profits for five years can be used as a place to invest.

Rambe (2012) conducted a research on intellectual capital and return on assets and the results show that intellectual capital has significant effect on return on assets with a sample of 52 banking companies listed on ISE from 2010 to 2011. Herdyanto and Nasir (2013) conducted a research on the effect of intellectual capital on the growth of revenue (GR) in infrastructure, utilities, and transportation companies listed on ISE from 2009 to 2011. The results show that intellectual capital has no effect on the growth of revenue (GR).

The same research was also conducted by Ifada and Hapsari (2012) on the effect of intellectual capital ((IC) on financial performance using the measurement of Return on Equity (ROE), Earnings per Share (EPS) and Market to Book Value Ratio (MBV ratio). The results show that IC has positive significant effect on the company's financial performance and significant effect on the company's financial performance in the future

This study measures the effect of intellectual capital on financial performance of insurance companies listed on the Indonesia Stock Exchange (ISE). The reason for choosing the sample on the insurance companies is because the ability and the quality of human resources are necessary for the ongoing financial performance. Compared with the banking sector, the human resources in insurance sector need more direct communication to customers related to the company's product offerings. Therefore, this sector is dependent on the level of intellectual capital, especially in terms of human capital and employee capital. Where, in this sector, the continuity of the company is dependent on the service provided to the customer and the ability of each individual in performing the company's product offering.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Stakeholder Theory

Stakeholder theory focuses more on the position of stakeholders because it is considered powerful. The stakeholders group is a major consideration for companies whether to disclose or not to disclose any information contained in the financial statements. In the stakeholder theory, the company has stakeholders, consisting of not only shareholders, but also employees, customers, suppliers, creditors, government, and society. In the context of stakeholder theory, the profit in accounting is simply a size of return for shareholders, while the value added is a more accurate size created by the stakeholders and then distributed to stakeholders in a certain amount. Value added is considered more accurate to link the return, which is considered the size for the shareholder (Herdyanto and Nasir 2013). According to Ulum (2009), stakeholder theory aims to help the company's managers understand their stakeholder environment, able to manage their relationship with the corporate environment more effectively, increase the value of the effects of corporate activities, and minimize the losses that may be experienced by stakeholders.

Legitimacy Theory

Chariri and Ghozali (2007) revealed that legitimacy theory is a state or status, in which a system of corporate value is able to tune to the value system of the social system that looks larger, in which the company is part of it. When there is a real or potential difference between the two value systems, there

will appear a threat to the legitimacy of the company. Thus, with the presence of social disclosure, the company feels that its presence and activities are legitimate. The organization itself will certainly try to create alignment between the values existing in the company's activities and the norms existing in the social system, in which the organization is part of the system. As long as those two things are aligned, it is called company legitimacy. When there is a misalignment between the two systems, there will be a threat to the company legitimacy.

Considering its position as part of the community, the company's operations often affect the surrounding communities, hoping that its existence can be accepted as a member of society. However, the existence of the company can be threatened if the company does not make adjustments on the norms prevailing in a society, or may even harm the community members in the community. Therefore, the company, through its management, is trying to achieve the alignment between its organizational actions and the values shaped in general community and relevant public or its stakeholders. The alignment between organizational actions and its community values does not always run well as expected. Frequently, there will be differences between the organization and the social values that ultimately threaten the legitimacy of the company (Damayanthi 2011).

Intellectual Capital

In economic theory, intellectual capital has many meanings since it can be categorized as intangible assets. However, this intellectual capital rarely or even never appears in accounting practices. Intellectual Capital is a hidden value that cannot be separated from the financial statements, and is a component that can make the company able to compete excellently (Ulum 2009: 21-22).

According to Organization for Economic Cooperation and Development (OECD, 1999), Intellectual Capital is the economic value of two categories of intangible assets, namely organizational (structural) capital and human capital. Organizational or structural capital refers to the software system, network distribution, and supply chain. But, human capital includes human resources within an organization and the resources that come from outside the company relating to the organization, such as customers and suppliers. Although intellectual capital can be said to have many meanings, researchers and practitioners have identified three components of IC, namely human capital, structural capital and customer (relational) capital (Meditinos et al. 2011).

Capital Employed consists of five subcategories. The first category is to build brands. It can include customer satisfaction and quality standards of the brand itself. Second category is to build the company image. It can be a construct of mutualism and company name. The third category is to build business partners. It can be a collaboration and license agreement or franchise. The fourth category is to build distribution channel. And the fifth category is to build market share (Abeysekera, Indra and James 2004). The measurement of Intellectual Capita requires the calculation of Value Added (VA).

$$VA = OUTPUT - INPUT. \quad (1)$$

Relationship between Intellectual Capital and Stakeholder Theory

The main goal of stakeholder theory is to assist the company managers to understand their stakeholder environment and to manage the relationships existing in their company environment more effectively. However, the broader goal of the stakeholders themselves is to help the company managers to increase the value of the impact of their activities, and to minimize losses for the stakeholders (Ulum 2009: 5).

The essence is that the entire stakeholder theory lies in what will happen when the company and its stakeholders carry out their relationship. This theory can be tested in many ways, one of which is by using content analysis on the company's annual report, because the annual report is the most efficient way for the organization to communicate with stakeholder group (Wijayanti 2013).

The content analysis of IC disclosure can be used to determine the veracity of the communication that take place between them. In context to clarify the concept of IC, stakeholder theory should be viewed in two ways; ethics (moral) and managerial. In terms of ethics, all stakeholders have the right to be treated fairly by an organization, and manager should manage the organization for the benefit of all stakeholders. When the manager has been able to manage the organization optimally, especially in efforts of value creation for the company, this means that the manager has met the ethical aspects of this theory. The value creation, in this case, is performed by utilizing the entire potential of the company, either employees (human capital), physical assets (physical capital), or structural capital. Good management of all this potential will create value added to the company which then can push the company's financial performance for the

benefit of stakeholders (Ulum 2009: 84). In terms of managerial, it is found that the stakeholder's power to influence the company's management should be seen as a function of the level of stakeholder control over the resources needed by an organization. When the stakeholders want to control the resources of the organization, then the presumption is to improve their welfare. The welfare is achieved by increasing the rate of return produced by the organization.

In this case, the stakeholders concern to influence the management in the process of exploiting the existing potentials in the company. Only with proper and optimal management of all the potential, will the organization be able to create value added that later increase the company's financial performance. It is an orientation of the stakeholders in influencing management.

Relationship between Intellectual Capital and Legitimacy Theory

Legitimacy theory is closely related to the reporting of intellectual capital for the company can report its intangible assets. The company status can be legitimized through hard assets, which are recognized as a symbol of success in the company. The legitimacy theory states that the organization will continue to seek for ways to ensure the sustainability of its business within the limits and norms in society (Widarjo 2011), in which the organization seeks to ensure that all the activities of the company can be accepted by outsiders legally. Since the company's activities will not necessarily fixed but always change all the time, it is expected that the company respond to the changes.

Ditlevsen et al. (2013) stated that if an organization considers that its legitimacy is being questioned, the organization can adopt a number of aggressive strategies. First, the organization can find ways to inform stakeholders about the changes that occur in the performance and activities of the organization. Second, the organization can find ways to change the perception of stakeholders, without changing the actual behavior of the organization. Third, the organization can find ways to manipulate the perceptions of stakeholders by directing attention on certain issues to other related issues.

When this legitimacy theory is linked with the level of IC disclosure, it can be said that the company whose legitimacy is still in question can use the information disclosed in public disclosure to improve its legitimacy in the public eye. The company whose legitimacy is in question tends to have poor profitability conditions. The intellectual capital disclosure can be used by the company as a tool to convince the external parties on the legitimacy of the company. In this condition, the management will try to get legitimacy from the external parties, either investors, potential investors, creditors, or stakeholders, with its business strategy by revealing that the company is investing in intellectual capital.

Components of Intellectual Capital

Capital Employed

The element of capital employed is the most important component of intellectual capital (Ulum 2009: 87) and provides real value to the company. Ifada and Hapsari (2012) defined capital employed as the entire resources associated with the external parties of the company or stakeholders, such as customers, suppliers, distributors or partners in a research and development.

It can be concluded that capital employed is a harmonious relationship owned by the company with external parties, either derived from qualified suppliers, loyal customers or those who feel satisfied with the services provided by the company, as well as the company's relationship with government and business associates. Customer employed can arise from any parts outside the corporate environment to improve mutual business cooperation, thus improving the company's performance.

Human Capital

Human capital is the core of the intellectual capital itself. Ifada and Hapsari (2012) stated that human capital is closely related to expertise, talent and attitude of the employees which are widely reported. Ardana, Mujiati and Utama (2012: 135-149) stated that a good employee should maintain loyalty to the company, working relationship among employees, and good moral. Basically, human capital is related to knowledge and skills existing in the minds of every employee. If the company is not able to take advantage of its employees, their knowledge and expertise will be wasted and cannot generate a value creation for the company. Moreover, human capital could also be the core of creativity in the development of the company.

Structural Capital

Muhammad (2009) described that structural capital has association with the system and structure of a company that can help employees to achieve their intellectual performance optimally, so that they can improve the company performance in overall.

Structural capital can be classified into organizational learning, corporate culture, organizational structure, company's operational processes and information systems.

Value Added Intellectual Coefficient (VAIC™)

VAIC™ is a method, developed by Pulic in 1997, which is used to present information on value creation efficiency of tangible assets and intangible assets owned by a company. First, it starts from the company's ability to create value added (VA). According to Pulic (1998), VA is the most objective indicator to assess the success of a business and to demonstrate the company's capability in value creation (Ulum 2009: 86-87).

In addition, VAIC ™ also serves as a tool of control management that enables the organization to monitor and measure the performance of company's intellectual capital. VA is calculated as the difference between output and input. The value of output (OUT) presents the revenue and the entire sales made by the company. Meanwhile, the value of input (IN) covers the entire load used in the company to produce goods or services in order to generate revenue. According to Tan et al., (2007), the important thing of this model is that labor expenses are not included in the IN. Labor expenses are not included in the IN for employees play an important role in the process of value creation, which is not counted as a cost (Ulum 2009).

The main components of VAIC™ developed by Pulic can be seen from the resources generated by the company, such as physical capital (VACA - Value Added Capital Employed), human capital (VAHU - Value Added Human Capital), and structural capital (STVA - Structural Capital Value Added) (Ulum 2009: 87).

Value Added Capital Employed (VACA)

VACA is a measurement used to measure capital employed of the value added created by one unit of physical capital against the value added of the company. VACA is a comparison between value added (VA) and physical model employed (CA). In the process of value creation, the intellectual potential represented in labor expenses is not counted as a cost (input). Pulic assumed that if one unit of CA produces a greater return for a company, this means that the company can utilize CA better (Ulum 2008: 87).

$$VACA = VA \div CE. \quad (2)$$

Value Added Human Capital (VAHU)

VAHU shows the amount of Value Added (VA) that can be produced by the company with the funds spent on labor (Ulum 2008: 87-88). Human capital represents the company's ability to manage the individual knowledge capital of an organization which is presented by its employees as the strategic assets of the company due to the knowledge they have. The relationship between VA and HC indicates the HC to create value within the company. The value of VAHU generated shows that every IDR 1,000 of the company's equity is used to finance employee expenses.

$$VAHU = VA \div HC. \quad (3)$$

Structural Capital Value Added (STVA)

Structural Capital Value Added (STVA) shows the contribution of structural capital needed to generate IDR 1 from the value added of the company. In the model developed by Polic, STVA is counted by dividing structural capital (SC) with value added (VA). In Polic's model, SC is obtained from VA minus HC. STVA shows the contribution of structural capital in value creation. The smaller the contribution of HC in value creation, the greater the contribution of SC (Tan et al. 2007:80 in Ulum 2008).

$$STVA = SC \div VA. \quad (4)$$

Financial Performance

Performance, according to Yudhanti and Shanti (2011), is a description of the achievement of implementation or policy in an effort to realize the target, goal, vision and mission of a company. The concept of financial performance can be said as a series of financial activities in certain period reported in financial statement, such as income statement and balance, and is used as an analysis made to see how far a company performs the financial implementation regulation well and properly.

In conclusion, company performance is the description of company's financial condition analyzed using financial analysis tool to know the goodness or badness of the company's financial condition that reflects the performance in certain period. This is very important for the resources to be utilized optimally in the face of environmental changes. The management usually performs financial performance assessment in order to be able to fulfill their responsibility to investors and to achieve the target made by the company.

Return on Assets (ROA)

Return on Assets is a financial ratio used to measure financial performance. It can be seen from how the company generates profit using the total assets owned. Dewi et al. (2016) said that return on assets

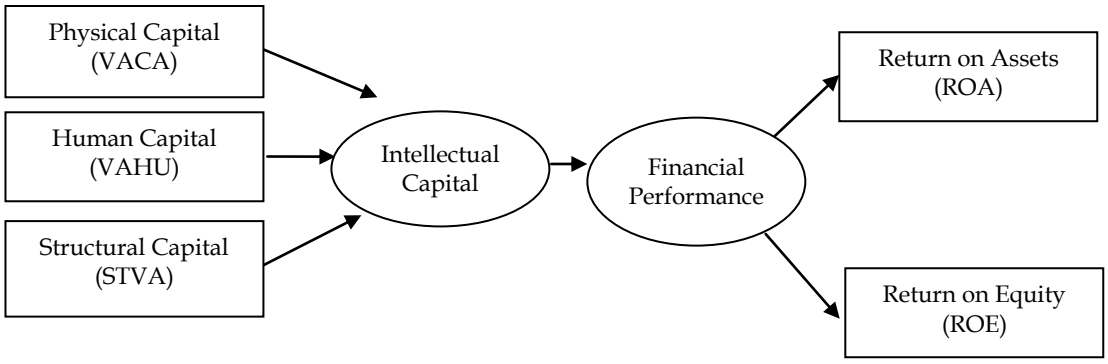

Figure 1
Framework

is the ratio of earnings before interest and taxes, and the total assets of the company. If the result of the ROA is positive, it means that the total assets used is to provide profit for the company. However, if the result of the ROA is negative, it shows that from the total assets used by the company, the company suffers losses.

ROA = Net Profit ÷ Total Assets. (5)

Return on Equity (ROE)

Return on Equity is the rate of return generated by the company for each unit of currency that becomes the capital of the company. ROE is used to measure not only the profitability, but also the efficiency of the company in managing the capital owned. Thus, the greater the value of ROE, the larger the profit that can be generated by the company without having to raise the capital. ROE is also the ratio used by investors to see the level of return on the capital they invested. So, ROE is essentially used by investors to find out the extent of the investment made in a company to be able to provide the appropriate level of return implied by the investor.

ROE = Net Profit ÷ Equity. (6)

Research Hypothesis

The research framework of this study is shown in Figure 1. The hypothesis of this study:

Ha : Intellectual capital has significant effect on financial performance.

3. RESEARCH METHOD

The population of this study is companies listed on the Indonesia Stock Exchange in the period of 2010-2013, while the samples used are Insurance Companies. The insurance sector is chosen because the capability and quality of human resources are needed in the continuity of financial performance. Compared with those in banking sector, the human resources in insurance sector have more communication that is direct with customers related to the company's product offerings. Therefore, this sector is dependent on the level of Intellectual Capital, particularly in terms of Human Capital and Employee Capital. In this sector, the continuity of the company is dependent on the service provided to customer and the ability of each individual in offering the company's product.

The sampling technique used in this research is purposive sampling method by using specific criteria that have been determined by the researchers. The sample criteria in this study are: (1) the insurance companies listed on the Indonesia Stock Exchange, (2) the insurance companies that consistently publish their financial statements during the period of 2010-2013, (3) the insurance companies whose financial statements have been audited, and (4) the insurance companies that do not suffer any losses.

The samples of this study are insurance companies listed on the Indonesia Stock Exchange that have been categorized under special characteristics mentioned above during the period of 2010-2013. The data used in this research are quantitative data. The technique of collecting data is done by using documentation. This is done by categorizing and grouping various sources and based on the Annual Reports published by ISE related to the matters investigated. The data were collected from January 2010 to December 2013.

The research variables used in this study are dependent variable and independent variable. The dependent variable of this research is financial performance with the indicators of Return on Assets (ROA) and Return on Equity (ROE). The Independent variable of this research is intellectual capital with the indicators of Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA).

Table 1
Results of Descriptive Statistic Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
VACA	40	0.105	2.826	1.00733	0.679156
VAHU	40	1.313	55.287	10.69202	12.156138
STVA	40	0.239	0.982	0.78798	0.182058
ROA	40	0.001	0.963	0.11589	0.193398
ROE	40	0.004	1.511	0.26119	0.325159

Source: Processed excel data, 2014.

Analysis Tools

Partial Least Square (PLS) model is used to test the relationship between intellectual capital and the financial performance of the insurance companies listed on the Indonesia Stock Exchange in the period of 2010-2013. The reason for choosing the Partial Least Square model is because the indicator of independent variables used by researchers, namely intellectual capital, cannot be measured using a linear regression model. In addition, it also considers the number of samples used, or as many as 40 insurance companies.

4. DATA ANALYSIS AND DISCUSSION

The purpose of this descriptive analysis is to provide a description of the independent variables and the dependent variables during the study period. The independent variables used in this study are VAIC™, with VACA, VAHU, and STVA as the indicators. While the dependent variable used is financial performance, with ROA and ROE as the indicators. The results of descriptive data processing show that all variables of each company in the research samples will be displayed based on the minimum value, maximum value, amount, and the mean value during the study period.

Based on Table 1, the minimum value of VACA is 0.105. The maximum value of VACA is 2.826. In overall, the mean value of VACA of the samples studied is 1.00733. The mean value of the maximum value of the sample possessed is far more than the minimum value. The higher the VACA value, the greater the proportion of capital to create value added. This indicates that the increasing capital of the company demonstrates the extent of the company's financial performance.

The minimum value of VAHU is 1.313, and the maximum value of VAHU is 55.287. In overall, the mean value of VAHU of the samples studied is 10.69202. The mean value of the maximum value of the sample possessed is far more than the minimum value. The value of VAHU shows that every IDR 1,000 of the company's equity is used to finance the company's personnel expenses amounted to 10692. The higher the VAHU value produced by a company, the greater the proportion of income generated.

The minimum value of STVA is 0.239, and the maximum value of STAFA is 0.982. In overall, the mean value of STVA of the samples studied is 0.78798. The mean value of the maximum value of sample possessed is not too far compared with the minimum value. The value of STVA shows the reserve in the form of facilities and supporting infrastructure.

The minimum value of ROA is 0.001, and the maximum value of ROA is 0.963. In overall, the mean value of ROA of the samples studied is 0.11589. The mean value of the maximum value of the sample possessed is far more than the minimum value. The value of ROA shows that the company is able to cover the total assets including Intellectual Capital with the net income it generates as many as 12 times during one period, and is able to create value added for the company that will affect the financial performance.

The minimum value of ROE is 0.004, and the maximum value of ROE is 1.511. In overall, the mean value of ROE of the samples studied is 0.26119. The mean value of the maximum value of the sample possessed is far more than the minimum value. The value of ROE shows that the company is able to cover the amount of stock returns that will be returned to the ordinary shareholders by using the net profit of the company as many as 26 times in one period, so the investor's confidence increased. Partial Least Square analysis is conducted to find out the relationship between the independent variables (intellectual capital) and the dependent variable (financial performance). The results of the analysis are shown in Table 2.

AVE analysis is done to meet the requirements of convergent validity, in which it is said to be valid if the value is above 0.05. From the AVE test result in the Table 2, it is found that the value is 0.943009. It means that the model used on the dependent

Table 2
Summary of Reflective Outer Model

Parameter	Results
AVE	0.943009
Cronbach Alpha	0.939677
Composite Reliability	0.970669

Source: Processed PLS data, 2014.

Table 3
Summary of Formative Outer Model

T-Statistics

Indicators	Results
VACA	4.0622
VAHU	2.0360
STVA	0.9845

Source: Processed PLS data, 2014.

Table 3
Summary of Inner Model

	Financial Performance	IC
R-Square	0.509101	-
T-Statistics	-	2.430012

Source: Processed PLS data, 2014.

variable is said to be valid because the value is more than 0.05.

The last test is using Cronbach's Alpha. The result shows the value of 0.939677, or above 0.70. It can be concluded that the reflective indicators of the construct are reliable or meet the reliability test. To reinforce this theory, the next analysis, Composite Reliability, is conducted. The value of Composite Reliability is slightly larger than the Cronbach's Alpha, and everything is considered to be very good because the value is greater than 0.70. From these results, it can be concluded that all indicators of the construct are reliable or meet the reliability test.

Based on the test results of Outer Model in Table 3, the formative indicators in the table can be seen through the calculation of t-statistics. The values of t-statistics of indicators of VACA, VAHU, and STVA are 4.0622, 2.0360, and 0.9845. From these results, it can be seen that the indicator of STVA cannot be used as a measure of Intellectual Capital for its value < 1.96.

From the Table 4, it can be seen that the value of R2 of reflective indicator is 0.509101. The value indicates that the model used for the period prior to the application of IFRS is moderate. It means that the strength of financial performance, which is affected by the Intellectual Capital, is moderate. From the results of the output and the table, it can also be seen that the value of t-statistic is 2.430012. The value is greater than 1.96 with a significance level of 5 percent. This means that the independent variable (intellectual capital) has significant effect on the dependent variable (financial performance).

Insurance companies need human resources with specialized skills. Some special certifications for insurance experts include Indonesia Insurance Expert Adjunct of Losses (AAAIK), Indonesia Insurance Expert of Losses (AAIK), Indonesia Life Insurance Expert Adjunct (AAAIJ), or Indonesia Life Insurance Expert (AAIJ). These skills need special education, so that the companies engaged in insurance sector require the specialists. Basically, intellectual capital is highly required by the insurance company. This study proves that intellectual capital has an effect on financial performance.

Intellectual capital in the form VACA consists of components, such as the cost incurred by the company to finance the training of employees. The competence of insurance requires special training. Based on the test results, it is proved that employee training is an important investment related to the intellectual capital. The higher the costs incurred for employee training, the better the performance of the company.

The value added human capital is measured from the amount of the cost spent for employees, including salaries for them. When the income of the employees is high, this means that the investment in the intellectual capital, which is inherent in the employees, is increasingly valued. This study proves that it has an effect on the better performance of the company.

Structural Capital (SC) includes all non-human storehouses of knowledge within the organization. SC consists of database, organizational charts, process manuals, strategies, routines and all the things that make the company's value greater than the value of the material. The research results show that, in general, the intellectual capital affects the company's performance. But, the indicator of structural capital is not proved to be the measure of intellectual capital. Presumably, this is because the detection related to the measurement of structural capital less reflects the facts.

Infrastructure system existing in the company and as the result of intellectual work of employees is important capital that must be owned by the company. The operational activities which are supported by good information systems, the routines which are documented in the system and procedures, and clear work procedure and written in the technical guidelines will make easy for anyone

working in the company. The learning process does not take long because the employees get clear instructions related to their duties, responsibilities, and performance measurement. The systemic activities will spur the company's performance due to the effectiveness and efficiency of operations caused by the intellectual capital of the company in the form of competent employees. However, the identification related to the matter is not so easy that the measurement is based only on the difference between the cost of training and personnel costs, not on the system produced by employees.

In general, intellectual capital has a strong influence which is proved in the adjusted R-square value. The implementation of IFRS, which is expected to affect the value of the presentation, is proved to be influenced by the intellectual capital measured in this study. Based on such evidence, intellectual capital is an important concept that can provide knowledge-based resources. If the intellectual capital, in the form of intangible asset, is used optimally, it will allow the company to execute its strategy effectively and efficiently. Thus, intellectual capital is the knowledge that provides information about the company's intangible value, which may affect the durability and contribute to the competitive advantage of the company.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to examine the effect of intellectual capital on financial performance. The observation period of this study is four years, from 2010 to 2013. This study uses secondary data obtained from www.idx.co.id, theory books, and supporting journals of previous studies. The samples are taken using purposive sampling consisting of 40 companies.

In this study, the analysis is expanded by comparing the period before the application of IFRS and the consideration of IC components. The development of the application of IFRS is necessary to be observed because the period of the study is from 2010 to 2013, in which based on the regulations, there occurred enforcement of mandatory application of IFRS in Indonesia. The expansion is carried out by the researchers for the depth of analysis of the test results.

In theory, intellectual capital affects the company's financial performance, in which high IC indicates that the human resources of the company are able to explain the variable of financial performance. IC will affect the high financial performance because the indicators used have a significant influence.

The test in this study is using Partial Least Square consisting of the testing of outer models and inner models. Judging from the results of data analysis and discussion, it can be concluded that (1) the test result of the effect of intellectual capital on financial performance of insurance companies in the period of 2010 - 2013 proves that intellectual capital has significant effect on financial performance, (2) the test result of the effect of intellectual capital on financial performance of insurance companies in the period of 2010 - 2011 and 2012 - 2013 proves that intellectual capital has significant effect on financial performance.

This study has limitations, which certainly affect the results such as: (1) the analysis of Human Capital on personnel expenses is less specific; (2) the components of the calculation of Intellectual Capital are too heterogeneous. Based on the limitations in this study, the next researchers are expected to use interviews as additional data on the calculation of employee expenses. The next researchers are also expected to add more variables or samples to lessen irregularities that may occur in the calculation of Intellectual Capital.

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