

ABSTRACT

The purpose of this research is to investigate empirically the impact of value added efficiency towards company financial performance. This research uses Nazari and Herremans (2007) Extended Value Added Intellectual Coefficient as the efficiency measure of physical and intellectual capital. The data drawn from three out of ten pharmaceutical industry listed in Indonesia Stock Exchange for the year of 2003-2009. Empirical result is obtained using linear regression analysis. From the result, it is discovered that intellectual capital components influence profitability of pharmaceutical industry in significantly positive way. However, this research only able to provide empirical evidence for significant positive impact of physical capital employed towards productivity, while the impact of the intellectual capital components towards productivity are vary.

Keywords: *Extended VAICTM, intellectual capital, financial performance, profitability, productivity.*

