

ABSTRACT

The Effect of Asset and Equity on Human Cost, Intellectual Capital, Bank Non Financial Performance as Intermediary Institution, and Financial Performance in Indonesia Banking Industry

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The focus of this study is to examine theory of the firm consists of transaction cost, resource-based and knowledge-based view of the firm. This study also aims to verify the direct and indirect effect of firm resources, whether tangible (asset, equity, and human cost) or intangible (intellectual capital), on non-financial and financial performance of the firms in Indonesia banking industry.

This study gathered and analyzed data of 114 banks from totally 138 banks in Indonesia. Analysis performed using path analysis. The result indicates that asset has negative effect on bank financial performance in the form of net income but has positive effect on fee-based income. Equity shows positive effect on both net income and fee-based income. The study also indicates that although asset has indirect effect on intellectual capital through human cost as intervening variable. Using human cost, intellectual capital, and bank non financial performance as intervening variable, asset and equity has positive indirect effect on financial performance.

Moreover, while this study confirmed resource-based view of the firm, knowledge-based view of the firm, and intellectual capital concept but failed to confirm the transaction cost economy theory of the firm. To conclude, financial performance of the bank (net income, and fee-based income) depends on the bank resources whether tangible or intangible.

Key words: tangible assets, intangible assets, intellectual capital, theory of the firm, performance, banking.