
At this time, business development requires appropriate business strategy plan to maximize revenues and minimize costs to obtain return rate so as enhance company value for all stakeholders. One of the important financial strategies as part of business strategy plan for the company is managing its capital structure to meet funding of business activities. According to Weston and Brigham (1994), one of the financial managers‘major decisions is related to capital structure strategy. The capital structure consists of debt capital and equity capital. The combination between debt and equity capital give effects on the level of risk and the value of the company (Ross, Westerfield and Jordan, 2008). According to Fadhilah (2011) and Astuti (2012) in their research, the company’s capital structure has a significant effect on company’s financial performance. The measurement of financial performance as reflected in the financial ratios give an image of company’s profitability condition during a certain period.

One of the most improved industry in Indonesia is financial institution. The finance companies are part of financial institution which have grown their business during the period of 2009-2013, shown by the increase in financing receivables which are contributed by debt as main source of capital. The increase in financing receivables has caused the increase of financing income. However, the increase of debt also has caused the increase of interest and financing charges which affecting net income.

Based on the description of the background research, the purposes of this study are: (1) Analyzing capital structure and the financial performance of finance companies listed on the Indonesian Stock Exchange (BEI) in 2009-2013; (2) Analyzing influence of capital structure towards the financial performance of finance companies listed in the Indonesia Stock Exchange (BEI) in 2009-2013. Furthermore this will give recommendations to management of the company, investor of the capital markets, banking and regulators. This research includes quantitative econometric approach and explanatory research, which describes the relationship between two or more factors. The data used in this research is secondary data in the form of financial statements of finance company listed on the Indonesia Stock Exchange during the years 2009-2013. Nine companies as samples of finance company in this study were used quarterly and annual reports from the year 2009 to 2013, so there are 180 observation points. The data is then processed using analysis of panel data regression helped by software Microsoft Excel 2007 and Eviews 6. The dependent variable in this study is financial performance composed of return on assets ratio (ROA), return on equity ratio (ROE) and price-to-earnings ratio (PER). While the independent variable in the form of capital structure is the ratio of debt to total assets (DAR) and the ratio of debt to total equity (DER). This research was also supported by data from
The research results showed that the finance company listed on the Indonesia Stock Exchange during the years 2009-2013 have DER equity ratio in the amount of 2.48 times rely more on funding from the debt than equity. Debt used as a capital source generally comes from bank loans and bonds. Research also shows the average value of ROA and ROE of finance companies listed on the Indonesia Stock Exchange during the years 2009-2013 respectively of 6.06% and 17.03%. This indicates that finance companies in general have the ability to manage capital resources to generate return from utilization of the company’s assets or of the capital equity invested by shareholders and investors. The average value of PER of finance companies listed on the Indonesia Stock Exchange during the years 2009-2013 is in amount of 9.16 times. The result of panel data regression analysis showed that the capital structures (leverage ratio) have significant negative effect on profitability ratios of ROA and ROE, but they have significant positive effect on PER. This indicates that the increase of debt proportion as source of capital to finance the assets of finance companies will cause the decrease of profitability ratio because of the higher interest and financing charges.

Keywords: capital structure, data panel regression analysis, finance company, financial performance.