ABTRACT

Sharia banking uses two main financing principles, namely financing with the principle of buying and selling (equity financing) and financing with the principle of profit sharing (debt financing). The bank's income is highly dependent on the profits derived from the allocated financing. Profits derived from the principle of buying and selling come from price increases determined by the agreement between the bank and the customer. Meanwhile, the profit-sharing principle income is determined based on the agreed ratio, and the bank's profit depends on the customer's profit.

This study aims to determine the effect of equity financing and debt financing on the profit expense ratio (PER) partially or simultaneously. This study took samples by purposive sampling and the population in this study were Jabar Banten Sharia Bank, Sharia Mandiri Bank and Bank Negara Indonesia Sharia. The data used for this study is the annual report for each bank for the 2016-2019 period. The analytical method used in this study is multiple linear regression analysis using SPSS 25 EBM software.

The results of this study indicate that equity financing and debt financing have a simultaneous effect on the profit expense ratio (PER). The results of the partial test in this study show that equity financing has no effect on the profit expense ratio. Meanwhile, debt financing has an effect on the profit expense ratio.

Keywords: *Equity financing, debt financing, profit expense ratio*