Ilomata International Journal of Management (IJJM)
P-ISSN: 2714-8971; E-ISSN: 2714-8963
Volume. 2 Issue 1 January 2021
Page No: 8-14 https://www.ilomata.org/index.php/ijjm

The Effect of Debt Financing and Equity Financing on Expense Ratio Profit
(Case Study of Sharia Commercial Banks Registered with Bank Indonesia Period 2011 - 2018)

Deni Sunaryo
Serang Raya University
Correspondent: denisunaryomm@gmail.com

Submitted : November 21, 2020 Revised : December 15, 2020 Published : January 30, 2021

ABSTRACT
This study aims to determine the effect of Debt Financing and Equity Financing on the Profit Expense Ratio. The population in this study is Sharia Commercial Banks registered in Bank Indonesia from 2011 to 2018 as many as 11 banks while the sample is determined by the purposive sampling method and meets the criteria of 2 companies. The analytical method used is multiple linear regression models. This method is also called quantitative because the research data is in the form of numbers and analysis using statistics. Regression analysis results obtained an f-value of 4.155 which means that simultaneously has a significant effect on the profit expense ratio. Partial test results with the t-test showed that debt financing was obtained t-value 1,803> t table 1,687 and significant 0.009 <0.05. then it can be said that debt financing has a significant effect on the profit expense ratio. For equity financing obtained t-value 2.913> t table 1.687 and significant 0.045 <0.05. then it can be said that equity financing has a significant effect on the profit expense ratio.
Keywords: debt financing, equity financing, profit expense ratio

INTRODUCTION

One of the goals of a company or banking is to get profits in maintaining the growth cycle of a company. From a population of 11 Islamic banking companies registered with Bank Indonesia, 2 companies including Bank Syariah Mandiri and Bank Muamalat Indonesia experienced fluctuations in profits throughout 2011-2018, indicating that of the 2 companies experiencing unfavorable conditions, so I was interested in examining why profits in the two companies fluctuate.

Islamic banks have many advantages because they are not only based on sharia, so transactions and activities are halal, but the character of sharia banks are open, so they do not specialize in Muslim customers, but also for non-Muslims. This proves that Islamic banks open up equal opportunities to all customers and do not differentiate between customers. Islamic banking began to glance. Especially based on scientific studies that the banking system without interest does not impact the economic crisis. The Islamic banking system no longer sees shari'ah as an ideology, because there is a phobia that arose before, when the word shari'ah arises it is feared to lead the people towards the implementation of Islamic sharia (state). To run a business that is by Islamic law, Islamic banking seeks to offer products that are free from usury.

The Islamic banking product scheme naturally refers to two categories of economic activity, namely production and distribution. The first category is facilitated through profit-sharing (mudharabah) and partnership (musyarakah) schemes, while the distribution of benefits of product results is carried out through the sale and purchase (murabahah) and rent (ijarah)

schemes. Based on these characteristics, the activities of Islamic financial institutions and banks can be categorized as investment banking and merchant/commercial banking. That is, Islamic banks can carry out economic activities related to investment (the real sector) and monetary.

Maintaining the level of profitability is important for companies because high profitability is the goal of every company. If seen from the development of the profitability ratio shows an increase it shows an efficient company performance. Some experts put forward as follows: Harmono states (2009: 109) "This profitability analysis illustrates the company's fundamental performance in terms of the level of efficiency and effectiveness of the company's operations in making profits. This study aims to determine and explain the effect of debt financing and equity financing on the profit expense ratio. This research is expected to provide additional knowledge about the effect of debt financing and equity financing on the profit expense ratio.

METHOD

Data analysis in this study used multiple linear regression analysis. Multiple linear regression analysis is an extension of simple linear regression by increasing the number of independent variables that were previously only one to two or more independent variables (Anwar Sanusi 2012: 134). The equation model in this study is as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + e$$

Information :
Y: Profit Expense Ratio
a: constant
b: regression coefficient
X1: debt financing
X2: equity financing
e: error

RESULTS AND DISCUSSION

Table 1.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Debt financing	64	1,00	4,56	2,1607	0,79191
Equity financing	64	1,03	5,00	1,2678	0,91913
Profit expense ratio	64	2,00	5,56	1,8233	0,71724
Valid N	64				

(Source: SPSS 20 Processing Results)

From table 1. above shows that the number of samples used was 64 samples. Also in the table above shows the average number of Profit Expense Ratio in 2 Sharia Commercial Banks is 2.8233 with a standard deviation of 0.71724. The average debt financing is 2,1607 with a standard deviation of 0.79191 and the average equity financing is 2.2678 with a standard deviation of 0.91913.

Table 2
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		64
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	0,79636597
Most Extreme Differences	Absolute	0,150
	Positive	0,150
	Negative	-0,095
Kolmogorov-Smirnov Z		0,946
Asymp. Sig. (2-tailed)		0,343

a. Test distribution is Normal.
b. Calculated from data.
(Source: SPSS 20 Processing Results)

Based on the results of the above table shows that the data is normally distributed. This is indicated by the Kolmogorov-Smirnov Z value of 0.946 and significant at 0.343, this means that residual data are normally distributed, this can be seen from the significance value of 0.343 greater than 0.05.

Table 3.
Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	debt financing	0,997	1,003
	equity financing	0,997	1,003

a. Dependent Variable: profit expense ratio
(Source: SPSS 20 Processing Results)

Based on the table above shows all independent variables have a Tolerance value> 0.10 and a VIF value <10. Thus it can be concluded that all the independent variables in this study did not occur multicollinearity. By using the Tolerance and VIF amount, it can be seen that the VIF Debt Financing is 1,003 <10 and the Tolerance value is 0.997> 0.10. Tolerance and VIF can be seen that VIF Equity Financing is 1,003 <10 and Tolerance value is 0.997> 0.10.

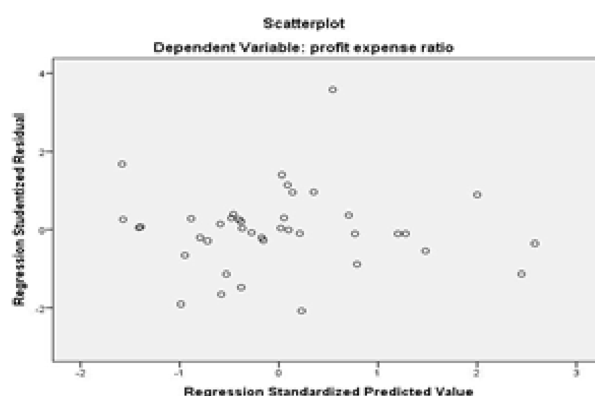

Figure 1. Heteroscedasticity Test Results
(Source: SPSS 20 Processing Results)

Based on Figure 1. above, it can be concluded that the regression model in this study did not occur heteroscedasticity. Because the points spread above and below the number 0 on the Y-axis.

Table 4.
Autocorrelation Test Results Runs Test

	Unstandardized Residual
Test Value[a]	-,11553
Cases < Test Value	32
Cases >= Test Value	32
Total Cases	64
Number of Runs	32
Z	-0,160
Asymp. Sig. (2-tailed)	0,873

a. Median

(Source: SPSS 20 Processing Results)

Based on table 4.4 shows the value of Test Value-0.11553 with a probability of 0.873> 0.05 which means that significant residuals are random or do not occur autocorrelation between residual values.

Table 5.
Multiple Linear Regression Analysis Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,214	0,455		4,864	0,000
debt financing	0,133	0,166	0,129	1,803	0,009
equity financing	0,126	0,138	0,147	2,913	0,045
1					

(Source: SPSS 20 Processing Results)

From the above table a regression equation can be formulated to determine the effect of Debt Financing and Equity Financing on the Profit Expense Ratio (PER) as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + e$$

$$PER = 2.214 + 0.133 DebtFinancing + 0.126 EquityFinancing + e$$

The constant-coefficient (Y) amounted to 2,214 can be interpreted that the value of the constant will be worth 2,214 if each Debt Financing and Equity Financing variable is 0.

Regression coefficient X1 (Debt Financing) from multiple linear calculations obtained a value of 0.133, this illustrates that if each increase of one percent of the variable with the assumption that other variables are fixed, it will increase the value of the company by 0.133.

The regression coefficient X2 (Equity Financing) from multiple linear calculations is obtained if at 0.126 this illustrates that if every increase of one percent of the variable with the assumption that other variables are fixed will increase the value of the company by 0.126.

Table 6.
Partial Test Results (t-test)

Coefficients[a]

Model		T	Sig.	Collinearity Statistics	
				Tolerance	VIF
	(Constant)	4,864	0,000		
1	debt financing	1,803	0,009	0,997	1,003
	equity financing	2,913	0,045	0,997	1,003

a. Dependent Variable: profit expense ratio

Effect of Debt Financing (X1) obtained t count value of 1.803> t table 1.687 with a significant probability value 0.009 <0.05, then debt financing has a positive and significant effect on profit expense ratio.

Effect of equity financing (X2) obtained t-value of 2,913> t table 1,687 with a significant probability value of 0.045 <0.05 then equity financing has a significant effect on profit expense ratio.

Table 7.
Simultaneous Test Results (f-test)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	0,661	2	0,331	4,155	0,000[b]
1	Residual	10,592	37	0,286		
	Total	11,253	39			

a. Dependent Variable: profit expense ratio
b. Predictors: (Constant), equity financing, debt financing

Based on table 7 above, by comparing the calculated statistics using table statistics if the F table statistics> F table statistics the results are significant. From the output table above it can be seen that F-value is 4.155 while F-table is 3.25. 4,155> 3.25 so the Debt Financing and Equity Financing variables have a significant effect on the Profit Expense Ratio.

Table 8.
Test Results for the Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,714[a]	0,509	0,008	0,53504	1,753

a. Predictors: (Constant), equity financing, debt financing
b. Dependent Variable: profit expense ratio
(Source: SPSS 20 Processing Results)

Based on the table above, the R square value or the coefficient of determination is 0.509. in other words, this shows that the percentage of variation in the value of the company can be explained by variations of the two independent variables, namely Debt Financing and Equity Financing only 50.9% while the remaining 49.1% is influenced by other factors.

CONCLUSION

Effect of Debt Financing based on hypothesis testing can be concluded that debt financing affects the profit expense ratio can be seen from the results of the t-value of 1,803 and comparing with t-table of 1,687 or (1,803> 1,687) it can be concluded that debt financing influences to profit expense ratio. It can be interpreted that the greater the debt financing the higher the profit expense ratio, the more money or credit lending transactions provided by the bank to the customer, it will generate profits or profits from each of the loans or loans. So that debt financing has a significant influence on the profit ratio of Islamic banks. The results of this study are in line with the results of research by Ika Susilawati (2014) who found that debt financing has a significant effect on profit expense ratio. The debt Financing variable influences and significantly affects the Profit Expense Ratio. It can be interpreted that the greater the debt financing, the higher the profit expense ratio. So that debt financing has a significant influence on the profit ratio of Islamic banks.

Effect of Equity financing based on the partial hypothesis testing results can be concluded that equity financing has a significant effect on profit expense ratio with a t-value of 2.913 and compares with t-table of 1,687 or (2,913> 1,687) then the equity financing variable has an effect on profit expense ratio. The amount of capital or savings provided by the customer will generate profits from each profit sharing activity. The results of this study are in line with the results of research by Muhammad Dika Hidayat (2014) which found that equity financing has a significant effect on profit expense ratio. Equity Financing has a significant effect on the Profit Expense Ratio. This shows that the higher the Equity Financing, the better the Profit Expense Ratio.

Based on the test results (F) simultaneously that the independent variables simultaneously influence the dependent variable. This can be seen in table 4.8 above the F-calculated value of 4.155 and comparing with the F-table of 3.25 then the F-count (4.155> 3.25). The two financing products, namely debt financing and equity financing, together provide an increase in the profit expense ratio of Islamic banks because both of them remain the choice of customers in financing according to the interests of each customer. The results of this study are in line with the results of research by Ika Susilawati (2014) simultaneously variable debt financing and equity financing have a significant and significant effect on the profit expense ratio of Islamic banks. The results of tests conducted simultaneously (together) show that Debt Financing and Equity Financing have a significant effect on the Profit Expense Ratio. With a Determination Coefficient level of 50.9%.

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