ABSTACT

One of the company's goal is to maximize profits, this can be achieved if the company's management has a good performance. But sometimes companies deal with problems in increasing profits, which is one of the causes is the lack of carefulness of the company in overcoming financing problems. Therefore this study was carried out to find out how the effect of equity financing, debt financing, and non performing financing (NPF) on profitability of sharia commercial banks in Indonesia.

Samples are sharia commercial banks whose quarterly reports are published in the OJK *period 2012-2017 with a total of 11 Islamic banks using the purposive sampling method. Whereas for the analytical method used is the classic assumption test, multiple regression analysis, path analysis, and sobel test. There are two research models, in the first model regression of Islamic banking contract variables on the ratio of non performing financing. And the second model, regression of Islamic banking contracts on profitability ratios with non performing financing as intervening variables.*

The findings of this study indicate that equity financing has a positive and significant effect on NPF, and debt financing has a significant negative effect on NPF. Then in the second model using predictive NPF show that equity financing has a positive and significant effect on ROA, debt financing has a positive and significant effect on ROA, and NPF has a negative and significant effect on ROA. In the path analysis and sobel test found NPF was unable to mediate the relationship between equity financing to ROA, while for debt financing NPF mediated the debt financing relationship to ROA.

Keywords: equity financing, debt financing, non performing financing (NPF), and *return on assets (ROA).*