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Determining Factors of Dividend Payout Ratio in The Top Five Banking Companies on The Indonesian Stock Exchange

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Abstract

One manifestation of investing is getting dividends or giving the company free bonuses, which are distributed to investors based on excess profits generated in a certain period. This research seeks to examine the influence of profitability and capital structure on the dividend payout ratio, which includes indicators of net profit margin (NPM), return on assets (ROA), return on investment (ROI), and debt-to-equity ratio (DER). Panel data regression analysis is used in this research to answer the problem formulation with an observation period from 2018-2022. The research results show that net profit margin and debt-to-equity ratio have a negative and significant effect on the dividend payout ratio, while return on assets and return on investment do not have a significant effect on the dividend payout ratio of the top five banking companies listed on the Indonesia Stock Exchange.

Keywords: Net Profit Margin, Return On Assets, Return On Investment, Debt to Equity Ratio, Dividend Payout Ratio.

1. Introduction

Dividend policy is considered one of the foundations of financial prosperity expected by every shareholder (Modigliani & Miller, 1963). Dividend policy involves two interested and conflicting parties, namely the interests of shareholders with their dividends and the interests of the company with its retained earnings. Therefore, dividend policy strategies, especially in banking companies, are an important pillar in strict risk management, which can ultimately increase bank survival (Trinh et al., 2022). This is because banks have unique financial characteristics and are different from other public companies. Therefore, dividend payment policy strategies can reduce agency problems and facilitate greater public monitoring, especially for top five bank companies in Indonesia.

Banking companies with increased dividend payments mark the company's transition to a more mature life cycle stage with increased growth opportunities and lower risk-taking. In Indonesia itself, there are the top five largest banks in terms of assets, namely PT. Bank Central Asia Tbk (BBCA), PT. Bank Mandiri Tbk (BMRI), PT. Bank Negara Indonesia Tbk (BBNI), PT. Bank Rakyat Indonesia Tbk (BBRI), and PT. Bank Tabungan Negara Tbk (BBTN).

Based on Figure 1, it can be seen that the company prices of five banks listed on the Indonesia Stock Exchange over the last five years have experienced a stable trend. This shows that the banking sector can achieve optimal profit results by combining all natural resources. Therefore, the high value of the company reflects the high prosperity of shareholders (Susellawati et al., 2022).

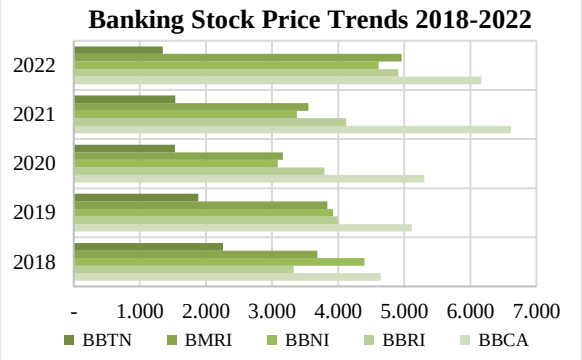

Figure 1. Banking sector price trends Quarter IV 2018-2022 (Source: Yahoo Finance, 2023)

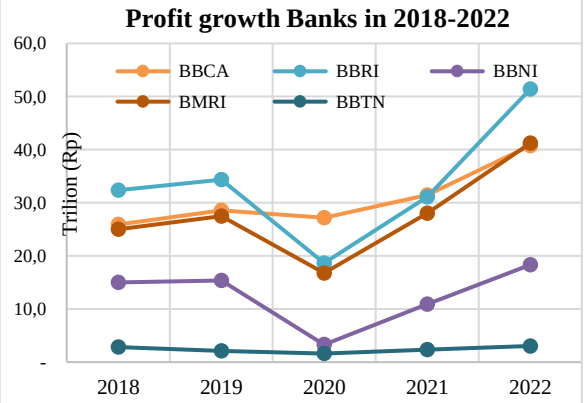

Figure 2. Profit Growth Banks in 2018-2022 (Source: Indonesia Stock Exchange, processed by researchers, 2023)

However, Abadiyah (2023) revealed that not all companies with good performance in the past have prospects for success in the future. This is shown in Figure 2, which illustrates that the net income of five

banking companies has steadily increased over the past five years. However, the pattern formed between net income generated did not increase in the value of dividends distributed as a whole. For example, PT Bank Mandiri Tbk. (BMRI) at the end of 2022, recorded a net profit of IDR 41.21 trillion, an increase of 46.90 percent from the previous year. But in fact, the dividends given decreased by 39.30 percent, of course, this pattern is contrary to Lintner (1956) theory regarding dividend policy. Therefore, dividends and profits are important in assessing the company's success (Indah & Rokhim, 2023). Moreover, dividend policy is an investor's preference to get definite profits in addition to capital gains (Arsyad et al., 2021).

Financial performance is essentially an analytical tool needed to understand the picture and achievement of a company's success in achieving company goals, namely net profit (Benu et al., 2023). The ratios commonly used by investors are net profit margin, return on assets, return on investment, and debt-to-equity ratio, which are often associated with a contribution to the level of dividend payments to shareholders.

A series of literature studies have proven that there is a relationship between financial performance and the dividend payout ratio using various indicators and different case studies. In related literature, such as research by Lubis et al., (2024) found that net profit margin positively and significantly influences the dividend payout ratio. In contrast, return on assets and leverage, which are proxied by the debt-to-equity ratio, have a negative and significant influence, which can reduce the level of the dividend payout ratio. A similar topic was also carried out by Fricila & Sukoco, (2022), Return on assets, return on equity, net profit margin, and debt-to-equity ratio partially influence the dividend payout ratio.

Another study was also found in Mutiarahim's literature, (2020), namely, that return on investment and debt to equity ratio do not influence the dividend payout ratio. Further research from Benu et al., (2023); and Handayani & Santoso, (2021) The debt-to-equity ratio does not affect the dividend payout ratio, while the return on assets significantly affects it. The empirical analysis also found a different conclusion. of Tanjung et al., (2022), namely, the debt-to-equity ratio had a significant effect on the dividend payout ratio, while the net profit margin had no effect on it.

Overall, there are still flaws resulting from inconsistencies in answers to previous research findings. Therefore, this research is interesting to study further, especially in the case of the top five banking companies in Indonesia. This is because these banks have jumbo assets and still dominate the standings of the largest banks in Indonesia for the last few years, which, of course makes it very attractive for shareholders to invest in them and gain profits not only from the amount of capital gains but also from the nominal amount of dividends shared by top five banking companies.

Based on this background, this research will examine the influence of Net Profit Margin (NPM), Return on Assets (ROA), Return on Investment (ROI), and Debt to Equity Ratio (DER) on the top five banking companies listed on the Indonesia Stock Exchange. It is hoped that the results of this research will provide valuable insights into banking financial dynamics and risk management strategies in a complex economic context. Apart from that, the implications of this research are also expected to provide an important contribution to the development of financial literature regarding dividend policy and factors that influence company financial decisions.

2. Literature Review

2.1. Agency Theory

According to agency theory, the dividend payout ratio is one of the control mechanisms used by shareholders to reduce the risk of agents (management) acting not following the interests of the principal shareholders. (Jensen & Mecking, 1976). A lower dividend policy does not always indicate agent actions that do not side with the principal, and sometimes, companies choose to retain profits for future investments that can benefit shareholders. A significant amount of information asymmetry allows insiders to engage in behavior that only prioritizes personal interests without being detected by outside investors. (Naveed, 2021).

2.2. Trade-Off Theory

The trade-off theory coined by Modigliani & Miller (1963) states that many factors can influence dividend policy, including consideration of the company's capital structure. Therefore, choosing between debt and equity can influence a company's dividend policy. According to Brigham & Houstan (2011), dividend policy is optimal if dividend growth is always balanced so that it can maximize a company's share price. Dividend policy is used as a way to reduce agency costs; larger dividend payments will also increase the opportunity to obtain additional funds from external sources (Hansen & Crutchley, 1989).

The dividend payout ratio or dividend to net profit ratio can be understood as the result of carefully evaluating the advantages and disadvantages of dividend payments. In this case, dividend policy has significant implications for company value and investor perceptions of the company's performance and prospects.

2.3. The Relationship between Net Profit Margin and Dividend Payout Ratio

Net profit margin reflects the company's level of profitability. Companies with high NPM indicate that they can generate significant net profits from their revenues, which ultimately gives the company greater financial ability to pay dividends to shareholders. (Tanjung et al., 2022). In other words, there is a positive relationship between NPM and DPR.

Several scholars have studied the relationship between net profit margin and dividend payout ratio, such as Yasa & Wirawati, (2016), whose findings show that the size of the net profit margin contributed significantly to increasing the dividend payout ratio in manufacturing companies on the Indonesia Stock Exchange for the 2010–2013 period. Similar results were also found in another study conducted by Kadek et al., (2021); Lubis et al., (2024); and Nurhayati, (2018) that net profit margin positively and significantly affects the dividend payout ratio. Based on the brief explanation of the theory and empirical findings above, the hypothesis formulated in this research is proposed, namely:

H_1: Net Profit Margin positively affects the dividend payout ratio.

2.4. Relationship between Return on Assets and Dividend Payout Ratio

Return on assets reflects the company's ability to generate profits from each unit of assets owned. A high ROA shows that the company earns sufficient income, which can ultimately pay dividends to shareholders. (Fricila & Sukoco, 2022) . In other words, the greater a company's profits, the more significant the portion that should be distributed as dividends. According to Tanjung et al., (2022) Their research found that a greater ROA indicates better financial performance, which can influence investors' investment decisions. This means that ROA has a positive effect on the Dividend Payout Ratio.

This empirical evidence is in line with investigations conducted by Benu et al., (2023); A. Handayani & Santoso, (2021); and Wijaya & Solikhin, (2018) who confirmed that return on assets positively and significantly influences the dividend payout ratio.

Based on the brief explanation of the theory and empirical findings above, the hypothesis formulated in this research is proposed, namely:

H_2: Return On Assets positively affects the dividend payout ratio.

2.5. Relationship between Return on Investment and Dividend Payout Ratio

Return On Investment reflects how the company's investment performance is by measuring the efficiency of using company capital to generate profits, which can influence dividend payment policies (Mutiarahim, 2020). Companies with high ROI tend to have better financial capabilities to pay dividends to shareholders. Thus, the amount of ROI has a significant influence on the DPR.

Several previous studies were able to prove this, such as research by Kadek et al., (2021) which stated that the higher the ROI, the higher the dividend value. This result is confirmed by research by Arsyad, (2021) which reveals that return on investment has a positive and significant influence on the dividend payout ratio. Based on the brief explanation of the theory and empirical findings above, the hypothesis formulated in this research is proposed, namely:

H_3: Return on Investment has a positive effect on the dividend payout ratio

2.6. Relationship between Debt to Equity Ratio and Dividend Payout Ratio

The debt-to-equity Equity Ratio reflects a company's debt level, which has a more significant proportion than its equity. (Smith & Watts, 1992). Companies with high DER tend to have a higher level of financial risk. This is because they must fulfill interest obligations and principal payments on debt. When faced with a situation like this, quite a few companies take action by retaining most of their profits as financial reserves rather than paying dividends to shareholders.

A similar perception was also expressed by Angela & Budiman, (2022) their research revealed that the use of debt in company funding only impacts company management because if the company can fulfill all its short and long-term obligations, it will generate greater profits. This means that the higher the DER, the higher the dividends investors receive. Other evidence was also found by Lubis et al., (2024); Pattiruhu & Paais, (2020); and Tanjung et al., (2022) debt to equity ratio has a significant influence on dividend policy.

Based on the brief explanation of the theory and empirical findings above, the hypothesis formulated in this research is proposed, namely:

H_4: Debt to Equity Ratio has a positive effect on the dividend payout ratio.

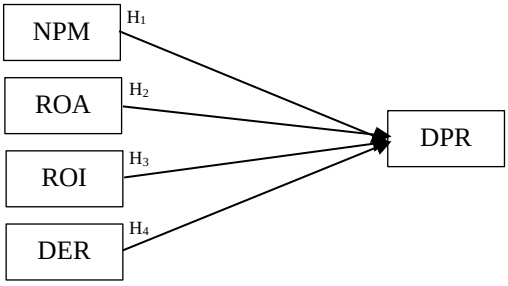

Figure 3. Research model

3. Methods

3.1. Data Types and Sources

This research adopts a quantitative method by quantifying data to be generalized through statistical test estimates so that it can produce solid and complete results (Sekaran & Bougie, 2017). The secondary data used in this study is from the company's financial reports over the last five years obtained from the official website www.idx.co.id, such as net profit margin (NPM), return on assets (ROA), return upon investment (ROI), debt to equity ratio (DER), and dividend payout ratio (DPR). Historical closure data of the banking sector shares obtained from www.yahoo.finance.com from January 2018 to December 2022 are also used. All collected data is processed using Microsoft Excel and Eviews 10 software.

This research equation model refers to a model of some previously conducted research, such as (Sumachdar & Hasbi, 2011; Abadiyah, 2023; Bustani et al., 2021). The variable data sources can be seen in Table 1.

Table 1. Data sources per variable

Var	Formula	Sources
Dependent Variabel		
Debt to Equity Ratio	$DER = \frac{\text{Total Liability}}{\text{Total Equity}}$	https://www.idx.co.id/en/about-idx/annual-report
Independent Variable		
Net Profit Margin	$NPM = \frac{\text{Earning After Ta}}{\text{Net Sales}}$	https://www.idx.co.id/en/about-idx/annual-report
Return on Investment	$ROI = \frac{\text{Earning After Tax}}{\text{Total Assets}}$	https://www.idx.co.id/en/about-idx/annual-report
Debt to Equity Ratio	$DER = \frac{\text{Total Liability}}{\text{Total Equity}}$	https://www.idx.co.id/en/about-idx/annual-report

Note: Researcher Prossed Data, 2024

3.2. Population and Sample

The population used in this research is banking companies listed on the Indonesian Stock Exchange. The sampling technique was carried out using purposive sampling using criteria that were taken into consideration in determining the sample in this research, including:

1) The sample is a banking company listed on the Indonesia Stock Exchange for the 2018-2022.
2) Companies that consistently publish data for each research variable during the 2018-2022.
3) A liquid banking company that is included in the LQ45 cluster.

Based on the validity and homogeneity of the data, the number of companies selected in the sample is the top five banking companies that were selected. The list of samples is described in Table 2.

Table 2. Research sample list

No	Sample Code	Issuer's Name
1	BBCA	PT Bank Central Asia Tbk.
2	BBRI	PT Bank Rakyat Indonesia Tbk.
3	BMRI	PT Bank Mandiri Tbk.
4	BBNI	PT Bank Negara Indonesia Tbk.
5	BBTN	PT Bank Tabungan Negara Tbk.

Note: Researcher Processed Data, 2024

3.3. Panel Data Regression Analysis

Testing the research hypothesis is done with panel data regression analysis using Eviews 10 software. Three tests are conducted to select the most appropriate model for managing panel data: the Chow test, the Hausman test, and the Lagrange multiplier (LM) test. The Chow test aims to find and choose the best model between common effects (CEM) and fixed effects (FEM). The Hausman test aims to compare and select a fixed effect model (FEM) or a random effect model (REM). The Lagrange multiplier was then tested using the Bruesch-Pagan test method to determine the best model between random effects (REM) and common effects (CEM).

Furthermore, to ensure that the regression model meets the basic assumptions, the researchers conducted a classic assumption, multicollinearity test. This was followed by regression tests of panel data, which include a t-test, an F-test, and an R-square to help describe and analyze the data. The following regression formula is built:

$$DPR = \alpha + \beta 1NPM + \beta 2ROA + \beta 3ROI + \beta 4DER + e \quad (1)$$

Information:

DPR = Dividend Payout Ratio
α = Constant
$\beta 1$-$\beta 4$ = Multiple Regression Coefficient
NPM = Net Profit Margin
ROA = Return on Assets
ROI = Return on Investment
DER = Debt to Equity Ratio
e = Error Term

4. Results

4.1. Results of Descriptive Statistical Analysis

Descriptive statistics are carried out to provide an overview of the data, as seen from the minimum, maximum, average (mean), and standard deviation values resulting from the research variables. The descriptive statistical output results are in Table 3.

Table 3. Descriptive statistics

	NPM	ROA	ROI	DER	DPR
Mean	34.21640	3.342400	4.851600	7.467600	53.52160
Median	29,05000	1.860000	1.840000	6.330000	40.25000
Maximum	63.69000	25.60000	28.90000	17.07000	394.2500
Minimum	1.770000	0.070000	0.180000	4.280000	0.920000
Std. Dev.	19.80907	5.571520	8.644885	3.737062	75.80440
Observations	25	25	25	25	25

Source: Data processed by Eviews 10

Based on Table 3 of the descriptive statistics above, it can be seen that the Net Profit Margin (NPM) variable has the lowest value of 1.77000 and the highest value of 63.69000 with an average value of 34.21640 and a standard deviation of 19.80907. For Return On Assets (ROA), the lowest value is 0.070000, and the highest is 25.60000, with an average value of 3.342400 and a standard deviation of 5.571520. Return On Investment (ROI) has the lowest value of 0.180000, and the highest is 28.90000, with an average value of 4.851600 and a standard deviation of 86.44885. Debt to Equity Ratio (DER) has the lowest value of 42.80000, and the highest is 17.07000, with an average value of 7.467600 and a standard deviation of 3.737062. Then, the Dividend Payout Ratio (DPR) has the lowest value of 0.920000 and the highest value of 394.2500 with an average value of 53.52160 and a standard deviation value of 75.80440.

4.2. Results of Analysis of Best Model Selection

4.2.1 Chow test (F test)

The Chow test was conducted to compare to select a regression model, between common effect and fixed effect, where the significance level is 0.05. The following are the results of the Chi-Square test (Chow test) in Table 4.

Table 4. Test chow

Effects Test	Statistics	df	Prob.
Cross-section F	1.155080	(4.16)	0.3669
Chi-square cross-section	6.342206	4	0.1750

Source: Data processed by Eviews 10

Based on Table 4, the probability of the Cross-section Chi-square is 0.1750 > 0.05. These results show that the common effect model is more appropriate than the fixed effect in the Chow test.

4.2.2 Hausman test

The Hausman test method was used to select the best model between fixed and random effects, with a significance level of 0.05. Table 5 shows the Hausman test results.

Table 5. Hausman test

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	4.620320	4	0.3285

Source: Data processed by Eviews 10

Based on Table 5, the random cross-section probability value is 0.3285 > 0.05. Thus, the Hausman test results show that the random effect model is more appropriate than the fixed effect model.

4.2.3 Lagrange Multiplier Test

Based on Table 6, the probability value is 0.8175 > 0.05, so the results of the Lagrange multiplier test show that the common effect model is more appropriate than the random effect model.

Table 6. Lagrange multiplier test

Null (no rand. effect) Alternatives	One-sided cross-section	Period One-sided	Both
Breusch-Pagan	0.053280 (0.8175)	0.335947 (0.5622)	0.389227 (0.5327)

Source: Data processed by Eviews 10

4.3. Results of Classical Assumption Analysis

4.3.1 Multicollinearity Test

Table 7 shows that the correlation coefficient value between the independent variables in this study is < 0.85, meaning that even though the correlation figure for each variable is high, the model can still produce an estimator that is unbiased, linear, and has minimum variance (Ajija et al., 2011). Therefore, it can be concluded that the data used in this research is free from multicollinearity problems.

Table 7. Multicollinearity test

	NPM	ROA	ROI	DER
NPM	1.000000	0.461578	0.158345	-0.618710
ROA	0.461578	1.000000	-0.006944	-0.294902
ROI	0.158345	-0.006944	1.000000	-0.294669
DER	-0.618710	0.294902	-0.294669	1.000000

Source: Data processed by Eviews 10

4.4. Hypothesis Analysis Results

Table 8 reports the statistical output of factors that influence the dividend payout ratio (DPR), and the equation formula obtained is as follows:

DPR = 240.6036 - 2.183456(NPM) + 0.326960(ROA) -1.208128(ROI) - 14.40937(DER) = e (2)

Table 8. Panel data multiple regression hypothesis testing

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	240.6036	64.29703	3.742063	0.0013
NPM	-2.183456	0.972625	-2.244910	0.0362
ROA	0.326960	2.846462	0.114447	0.9100
ROI	-1.208128	1.709949	-0.706529	0.4880
DER	-14.40937	4.951128	-2.910321	0.0087

Source: Data processed by Eviews 10

4.4.1 Partial T-test

Based on Table 8, it can be seen that the influence of Net Profit Margin (NPM) on the Dividend Payout Ratio (DPR) results in a probability value of 0.0362 < 0.05 so that NPM affects DPR, with the direction of the influence being negative at -2.183456. The probability value for the Return On Assets (ROA) variable is 0.9100 > 0.05, so ROA has no effect on the Dividend Payout Ratio (DPR). The direction of the influence is positive at 0.326960. The Return On Investment (ROI) variable shows a probability value of 0.4880 > 0.05, so it has no effect on the Dividend Payout Ratio (DPR). The direction of the influence is negative at -1.208128. The Debt to Equity Ratio (DER) variable shows a probability value of 0.0087 < 0.05, so DER affects the Dividend Payout Ratio (DPR), with a negative influence of -14.40937.

4.4.2 F Test (Simultaneous)

The simultaneous test or F test simultaneously shows that the variables Net Profit Margin (NPM), Return On Assets (ROA), Return on Investment (ROI), and Debt to Equity Ratio (DER) do not affect the Dividend Payout Ratio (DPR), because the value Prob. (F-statistic) of 0.096885 > 0.05.

Table 9. Simultaneous test

F-statistic	2.276533
Prob (F-statistic)	0.096885

Source: Data processed by Eviews 10

4.4.3 Determinant Coefficient Test (R^2)

In accordance with the Common Effect Model (CEM) regression results, the R2 value is 0.312860 or 31%. This explains that NET, ROA, ROI, DER, can only explain and influence the Dividend Payout Ratio (DPR) variable of 31.28%. Meanwhile, the remaining 68.72% is explained by other variables outside this research model.

Table 10. Test R^2

R-squared	0.312860
Adjusted R-squared	0.175432

Source: Data processed by Eviews 10

5. Discussion

5.1. The Influence of Net Profit Margin on Dividend Payout Ratio

Based on the statistical results in Table 8, it can be seen that the probability value of the net profit margin variable is 0.036 < 0.05 by obtaining a coefficient value of negative 2.183456, which shows that the net profit margin has a negative and significant effect on the dividend payout ratio. The findings of this test are in line with the views of Ganar et al., (2018), and Parera, (2016) that an increase in net profit margin will reduce the dividend payout ratio means that the company's ability to generate large profits cannot be used as a guarantee to provide dividends to investors. It is also assumed that the marginal net profit is small, so the company's profit margin cannot be used to pay its dividends. However, this is not in line with research conducted by Yasa & Wirawati, (2016) which states that the more excellent the profits obtained, the more productive the company's performance will be, which will then result in the more significant the dividends paid to shareholders (Lubis et al., 2024).

In this case, the top five banking companies must balance the need to pay dividends to shareholders and maintain funds for investment or other operational activities. Low NPM can indicate poor operational performance or limited profit margins, which indirectly limits the company's ability to allocate part of its profits as dividends.

5.2. The Effect of Return On Assets on the Dividend Payout Ratio

Referring to the statistical results in Table 8, it can be seen that the probability value of the return on assets variable is 0.9100 > 0.05 by obtaining a coefficient value of 0.326960, which shows that return on assets does not have a significant effect on the dividend payout ratio. The findings of this test are not in line with research by Benu et al., (2023); and SR Handayani & Shaferi, (2008) who found that ROA positively and significantly influences the dividend payout ratio. However, quite a few contradictory results have also

been found, which state that an increase in ROA will reduce the level of dividend payments (Lubis et al., 2024; Septiani et al., 2020). Regarding this condition, the top five banking companies consider that dividend decisions do not depend on the company's operational performance in using its assets. So, the research results show that return on assets does not significantly affect the debt-to-equity ratio.

5.3. The Effect of Return On Investment on the Dividend Payout Ratio

Observing the statistical results in Table 8, it can be seen that the probability value of the return on investment variable is 0.4880 > 0.05 by obtaining a coefficient value of negative 1.208128, which indicates that return on investment does not have a significant effect on the dividend payout ratio. The findings of this test are in line with the research (Mutiarahim, 2020) which states that return on investment does not contribute to the dividend payout ratio. This indicates that the company is less able to optimize its effectiveness in generating profits by utilizing fixed assets, so the increase in return on investment cannot be used as a benchmark to consider the amount of dividends distributed to investors.

The results of this research are also in line with investigations by Mutiarahim, (2020), and Angela & Budiman, (2022) which confirms that high and low returns on investment do not significantly influence dividend policy. This argument is in contrast to research by Ginting et al., (2020) which reveals that the higher net profit generated reflects the company's ability to pay dividends to shareholders.

5.4. The Influence of Debt to Equity Ratio on Dividend Payout Ratio

Examining the statistical results in Table 8, it can be seen that the probability value of the return on investment variable is 0.0087 < 0.05 by obtaining a coefficient value of negative 14.40937, which shows that the debt to equity ratio has a negative and significant effect on the dividend payout ratio. The findings of this test are in line with research by Lubis et al., (2024); and Tanjung et al., (2022) The level of debt estimated by the debt-to-equity ratio plays a role in reducing the level of dividend payments distributed to shareholders. In other words, the greater the value of the debt to equity ratio, the greater the decrease in the value of the dividend payout ratio.

This finding is further supported by empirical analysis conducted by Ida, (2018) ; and Hantono et al., (2019), Companies with high DER will be more careful in managing financial risks and prefer to maintain adequate financial reserves or liquidity rather than pay dividends, especially when market or economic conditions are unstable. Based on the research findings, it is hoped that the implications of this research can help develop further knowledge and can be used as reference material or recommendations for further research. This can lead to further research that is more focused and in-depth in understanding the dynamics of dividend policies by companies.

This research implies that investors and potential investors who want to invest need to pay attention to the company's financial performance to predict the rate of return on investment and must pay attention to other factors that can influence a company's dividend payment decisions. For issuers, it is hoped that the implications of this research can be used as consideration or evaluation material in determining better policies and decisions that will be made to determine dividend policy. So, companies can adjust their financial strategies to optimize company value.

This research is not free from limitations that the researchers consciously discovered. One of them is the research sample, which only focuses on the top five banking companies listed on the Indonesia Stock Exchange, so the research results cannot yet be generalized to companies in other sectors which have different performance characteristics from banking companies. Therefore, researchers recommend that future research conduct studies on other companies so that they can obtain comprehensive answers regarding the factors that influence dividend payment policies. Another limitation lies in the research method, which only uses multiple regression analysis or ordinary least squares (OLS) to test the partial and simultaneous influence of independent variables: net profit margin, return on assets, return on investment, and debt to equity ratio on dividends. payout ratio. Therefore, scholars can then adopt the moderated regression analysis (MRA) method or structural equation modeling (SEM) method, which, in the end, can increase and develop further knowledge about dividend policy analysis

6. Conclusions

Referring to the statement in the preambular part, the purpose of this investigation is to determine the impact of profitability and capital structure, which includes net profit margin (NPM), return on assets (ROA), return upon investment (ROI), and debt to equity ratio (DER) indicators, on the dividend payout ratio (DPR) of the top five bank companies listed on the Indonesian Stock Exchange during the period 2018–2022. The findings of the study contain some important conclusions, among others: indicators of net profit margin and debt to equity ratio have significant

negative effects on the dividend payout ratio, while return on assets and return on investment do not affect the dividend payout ratio in the top five banking companies during the January 2018 to December 2022 observation period.

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