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Determination of Ownership Structure, Profitability, and Liquidity on Dividend Policy in Companies Listed on the JII

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Abstract

This study analyzes the effect of ownership structure, profitability, and liquidity on dividend policy in 18 companies listed on the Jakarta Islamic Index (JII) for the 2019-2023 period.Secondary data in the form of company financial reports obtained from the Indonesia Stock Exchange were analyzed using panel data regression with Eviews software. The findings indicate that managerial ownership (MNRG) exerts a negligible influence on dividend policy (DPR), given the negligible proportion of managerial shares relative to public shares.Conversely, Return on Assets (ROA) demonstrates a positive and significant relationship with DPR, suggesting that higher profitability leads to increased dividend distribution likelihood. The study further found that Net Profit Margin (NPM) exerts no significant influence on DPR, suggesting that net profit is predominantly allocated to support the company's operational needs.The Current Ratio (CR) was found to have a positive and significant effect on DPR, indicating that a higher liquidity level in the company corresponds with its greater capacity to pay dividends. Consequently, this study validates that profitability and liquidity emerge as the predominant factors influencing dividend policy in companies listed on the Jakarta Islamic Index (JII) during the 2019-2023 period.

Keywords: *Dividend Policy, Profitability, Liquidity, Jakarta Islamic Index (JII).*

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A. INTRODUCTION

In the contemporary era of globalization, investors seek to attain a equilibrium between the prospect of substantial returns and an acceptable degree of risk. They allocate capital with the objective of attaining optimal returns while concurrently monitoring risk factors that may emerge.Returns can manifest in the form of capital gains derived from stock investments and interest income derived from bond investments (Arilaha, 2019).Dividends offer added value to investors beyond the potential appreciation in share prices. Accordingly, companies that consistently distribute substantial dividends tend to be regarded as more appealing investment options by investors (Nurhidayah, 2020). Certain companies have a propensity to pay dividends at regular intervals and at relatively high rates, thereby attracting the interest of investors. This can be interpreted as a company strategy to retain and attract investors, as well as to convey positive signals regarding the company's financial health and stability.

Table 1. Data on Dividend Payout Ratio Development

NO	Stock Code	Dividend Payout Ratio (%)				
		2019	2020	2021	2022	2023
1	ANTM	35.00	35.00	50.31	50.00	100.06
2	ADRO	62.00	99.92	69.63	40.57	51.81
3	INDF	50	50	31.95	35.50	0.0
4	TLKM	90.00	81,78	59.99	80.19	71.98
5	BRIS	10.00	0.0	24.87	10.04	14.96
6	UNTR	39.8	40	44.99	129.37	41.08
7	KLBF	37,3	58	51.47	52.78	52.54
8	UNVR	99.6	99.6	99.34	99.29	50
9	SMGR	10	40	50.63	70.05	26.39
10	PGAS	100	0.0	69.51	66.53	83.79

Source : idx.co.id 2024.

As demonstrated in the above table, annual fluctuations in the dividend payout ratio (DPR) mirror the dynamics of dividend policy, which is influenced by internal company policies, market conditions, and profit management strategies.For investors, dividend policy serves as a significant signal of financial performance and the company's future profitability prospects. However, it is imperative to acknowledge that not all companies on the Indonesia Stock Exchange (IDX) consistently distribute dividends, as the decision is influenced by a variety of internal funding needs, business expansion plans, and the level of profitability and liquidity of the company.Therefore, an in-depth understanding of the factors that influence dividend policy is critical for investors, management, and other stakeholders.

The present study hypothesizes that one of the factors that has the potential to influence dividend policy is the ownership structure, especially managerial ownership (MNRG). The rationale for this hypothesis is as follows: when management has significant share ownership, there is potential for alignment of interests between management and shareholders, which can encourage dividend distribution as a form of corporate accountability. Conversely, if the portion of managerial ownership is low, management tends to have greater flexibility in allocating profits according to the company's internal interests (Marsinah, 2021). Furthermore, the extent of profitability, as measured by Return on Assets (ROA) and Net Profit Margin (NPM), is a pivotal factor in determining a company's capacity to generate profits. Companies with high profitability tend to be better able to distribute dividends (Bustaman, 2019).

The current ratio (CR) is a pivotal metric in determining dividend policy, as it offers insight into a company's liquidity. Firms with high liquidity possess greater financial flexibility to meet short-term obligations while allocating dividends to shareholders (Arilaha, 2019). The present study's focus on companies included in the Jakarta Islamic Index (JII) for the 2019-2023 period is particularly relevant, given that companies in this index not only consider financial aspects but are also required to comply with sharia principles. This entails a prohibition on engaging in business activities that are contrary to sharia principles and the obligation to maintain sources of income that are free from haram elements.

Consequently, this adds a unique dimension to the decision-making process related to dividend policy (Mayola et al., 2018).

Prior studies have demonstrated that company decisions regarding dividend distribution to shareholders are significantly influenced by the company's profit level and the company's share ownership structure (Bustaman, 2019). Conversely, research by Muhtarom (2019) offers a novel perspective on the various factors that play a role in a company's dividend policy. It is imperative for company management to deliberate on the ownership structure when formulating decisions concerning dividend policy, as an optimal ownership structure can motivate companies to augment dividends for shareholders.The discordant outcomes underscore the intricacy inherent in discerning the factors that influence dividend policy. Further research is requisite to attain a comprehensive understanding of the relationship between ownership structure and dividend policy.

This study endeavors to identify and analyze the factors that influence the company's dividend policy.By comparing the results of this study with two previous studies and adding liquidity factors, it is expected that this study will contribute significantly to the development of financial science.Thus, this study will further explore important company factors such as ownership structure, profitability and liquidity that can affect dividend policy.This can help company management determine the results of considerations in dividend distribution policies to shareholders.

By expanding the research scope to encompass company liquidity as a novel factor, this study not only continues the exploration of the role of ownership structure and profitability in dividend policy but also makes a significant contribution to the literature on finance and management.The inclusion of liquidity as a new research variable is expected to provide a more nuanced understanding of the company's capacity to pay dividends. The primary objective of the study is threefold: first, to make a significant contribution to the understanding of the factors that influence dividend policy; second, to provide valuable information to stakeholders in the capital market; and third, to provide an overview of further research in this field for the development of deeper knowledge and understanding..

B. LITERATURE REVIEW

Bird In The Hand

The Bird in the Hand theory, initially proposed by Gordon (1956) and subsequently elaborated upon by Lintner (1962), posits that investors prioritize the receipt of dividends in the present over the anticipation of future profits from capital gains. This preference is attributed to the perceived certainty and lower risk associated with dividends, as opposed to the potential volatility of stock price increases (Darmawan, 2019). Investors tend to avoid the uncertainty inherent in stock price fluctuations; as such, companies that consistently distribute dividends can attract more investors (Darmawan, 2019).

Arilaha (2019) posits that dividend decisions are influenced by the company's ability to generate stable cash flow; companies with high free cash flow tend to distribute larger dividends to meet investor preferences. Furthermore, Eka Yuliyanti and Anis Turmudhi (2024) posit that factors such as profitability, liquidity, and the company's financial policies play a pivotal role in determining the amount of dividends distributed, thereby corroborating the theory that consistent dividends serve as a positive signal to the market regarding the company's financial stability and reduce investor uncertainty.

Agency

The concept of agency theory elucidates the relationship between management (agent) and capital owners (principals) (Lesmono & Siregar, 2021).In the context of agency theory, the employment contract plays a pivotal role in regulating the relationship between the principal and the agent. This contract stipulates the distribution of outcomes from their collaborative efforts, encompassing both profits and potential risks. The objective is to devise a contract that is equitable for both parties, ensuring that the agent discharges their duties diligently and the principal provides commensurate compensation (Alkausar et al., 2020).The ideal contract is one that strikes a judicious balance between obligations and compensation, thereby motivating optimal performance from both parties.

Jensen and Meckling (1976), agency theory elucidates a relationship in which a principal (the appointing party) delegates tasks to an agent (the appointed party) to carry out certain work on behalf of the principal, or to provide services, and at the same time gives the agent the authority to make decisions related to the work. Company management acts as a professional agent who has a deeper understanding of managing company operations, with the aim of maximizing profits for company owners through cost efficiency. Concurrently, the company proprietor or shareholder (principal) endeavors to attain optimal profits from the investment that has been executed.As a form of appreciation, the principal furnishes incentives to agents in various forms, both financial and non-financial (Lesmono & Siregar, 2021).In this case, this theory possesses relevance to the independent variable in this study, namely the ownership structure. The relevance of agency theory in this study is demonstrated by its ability to explain how the dynamics of the relationship between shareholders and management affect company performance.

Signalling

Signaling theory, also referred to as signal theory, is a concept in finance that deals with the issue of corporate executives having an information advantage over investors and being incentivized to disclose information to the public. This disclosure is expected to increase the company's stock price (Mariani et al., 2018).Signaling theory plays a crucial role in understanding the importance of companies communicating information to users of financial statements. Financial statements reflect the implementation of conservative accounting policies by management, which contributes to more accurate profit generation (Dwi Poetra, 2019).Signaling theory is a major factor in the relationship between value and a company's financial performance (Dwi Poetra, 2019).In this case, investors can interpret information as good or bad news.An increase in the company's profit indicates a healthy financial condition, so it is considered positive news. Conversely, a profit decline is perceived as unfavorable news, reflecting the company's poor condition.In this study, the signal theory's relevance to the variables of profitability and liquidity is examined.

Dividend Policy

Dividend policy is a management decision regarding the distribution of profits to shareholders or their reinvestment (Silaban & Purnawati, 2019).The dividend payout ratio is a measure of this policy, defined as the proportion of profits allocated for cash dividends (Hesniati & Hendra, 2019). Consequently, the level of the dividend payout ratio can influence investor decisions and impact the company's financial condition (Hesniati & Hendra, 2019). The distribution of dividends directly reduces a company's internal cash availability, while retaining profits provides greater flexibility in managing internal cash to support future operations and investments.Consequently, dividend policy exerts a significant impact on both investors and the company.A healthy and stable company is one that is able to pay dividends consistently and provide benefits to shareholders (Deitiana et al., 2021). The present study will measure dividend policy by the Dividend Payout Ratio (DPR).

Managerial Ownership

Managerial ownership is defined as the proportion of a company's shares held by its managerial personnel. This particular form of ownership has been shown to exert a considerable influence on the performance of the company. This influence stems from the fact that managerial owners have a vested interest in enhancing the value and profits of the shareholders (Soebagyo & Iskandar, 2022). Consequently, they play a pivotal role in the decision-making process concerning dividend policies within the company. A prevailing concern among company management is the avoidance of risk to reduce debt and maintain dividend distribution to general shareholders.

Managerial ownership arises from the simultaneous execution of dual roles by company managers, functioning as both managers and owners of the company. This phenomenon arises from their participation in the company's capital structure, signifying that managers, in addition to managing the company, possess a direct financial stake through share ownership (Muhtarom, 2019). The alignment of managerial ownership, measured by the percentage of shares owned by managers, has been shown to reduce conflicts of interest, prevent opportunistic behavior, and function as a performance incentive (Sari & Wulandari, 2021).

Profitability

Profitability is defined as a company's ability to generate profits through optimal operations and asset utilization (Bakhtiar, 2020). It is an important factor that indicates the value of a company, as the ability to generate profits through efficient operations and effective asset utilization will increase the value of the company.Profitability refers to a company's capacity to generate profits through effective utilization of its assets. It is also indicative of the efficiency with which a company carries out its operations to achieve profit goals.A profitable company is usually able to distribute dividends regularly to shareholders (Eka Yuliyanti & Anis Turmudhi, 2024).This can be seen from the profitability ratio in this study using two profitability ratios, namely ROA and NPM.

Liquidity

Liquidity is a critical aspect of financial management, as it ensures that a company can meet its short-term financial obligations while maintaining sufficient financial resources to generate profits. The capacity to sustain adequate liquidity is a crucial indicator of a company's financial health, and it is a fundamental element in the evaluation of a business's financial soundness (Pandeirot & Sumanti, 2021).Effective and profitable liquidity management is therefore paramount for the operation of any business. High liquidity is indicative of effective financial management, where a company can manage its assets to meet maturing obligations with ease (Baros et al., 2022). This condition enables the company to allocate profits to accelerate capital turnover and distribute dividends to shareholders. Furthermore, a high level of liquidity serves as an indicator of the balance between current assets and current liabilities, reflecting the company's capacity to manage cash flow effectively (Maria Ati Peti et al., 2023).The present study will focus on one of the liquidity ratios, namely the current ratio (CR).

Teoritical Framework

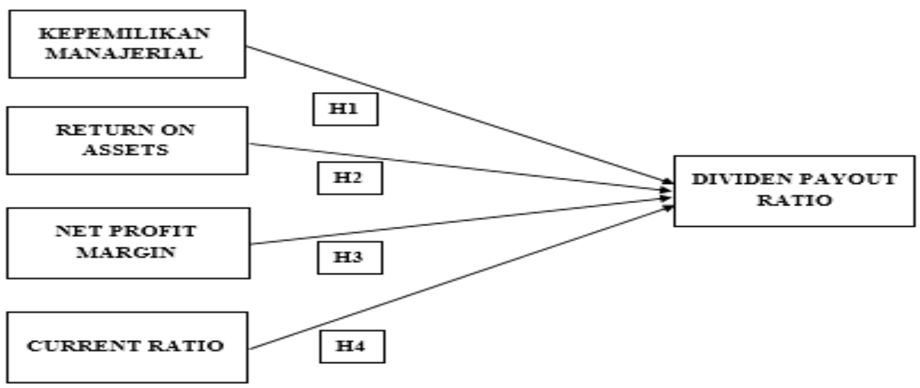

Figure 1. Framework of Thought

Utilizing the aforementioned theoretical framework, this study proposes multiple hypotheses designed to assess the correlation between independent and dependent variables. Specifically, the study focuses on the dividend payout ratio (DPR) of companies listed on the Jakarta Islamic Index (JII).Each hypothesis is methodically designed to elucidate the impact of specific financial factors on a company's dividend policy within the context of the Islamic capital market in Indonesia. The hypotheses are expected to contribute to understanding the dynamics of company dividend decisions that take into account aspects of managerial ownership, profitability, and liquidity.

C. RESEARCH METHODS

Variable Measurement

Table 2. Operational Definition and Measurement of Variables

Variable	Indicator
Ownership Structure	$(\text{MNRG}) = \frac{\text{Total Managerial Shares}}{\text{Total Shares Outstanding}} \times 100\%$
Profitability	$\text{Return On Asset} = \frac{\text{Operating Expenses}}{\text{Total Assets}} \times 100\%$
	$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sales Data}} \times 100\%$
Liquidity	$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$
Dividend Policy	$\text{Dividen Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}} \times 100\%$

Source: Islamic Bank Financial Statement Analysis Book (Widyaningsih et al., 2021).

Data Analysis Method

This research method employs an associative quantitative approach to examine the relationship between the variables studied, as described by Sugiyono (2019).The study focuses on companies listed on the Jakarta Islamic Index (JII) during the 2019–2023 period.The research sample consists of 18 companies selected through a purposive sampling method based on specific criteria: First, the companies were required to present complete financial statements during the research period. Second, the companies had to be available for data relevant to the research variables, namely Return on Assets (ROA), Net Profit Margin (NPM), and Current Ratio (CR). Third, the companies had to demonstrate consistency of recording in JII during the research period. Finally, the companies had to distribute dividends regularly.This selective sample selection was implemented to obtain valid and representative data to support the accuracy of the analysis.

The data were collected using secondary data obtained from the company's financial statements, which were retrieved from the Indonesia Stock Exchange's official website (www.idx.co.id).To analyze the relationship between ownership structure, profitability, liquidity, and dividend policy, this study employed the panel data regression method, utilizing EViews software.This method was selected because it possesses the capability to integrate time series and cross-section data, thereby producing a more comprehensive and robust analysis. The utilization of panel data regression analysis enables a more profound examination of the relationships between variables, while concurrently controlling for potential unobserved heterogeneity that may emerge during the study period.

D. RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Statistik Deskriptif

	DPR	MNRG	ROA	NPM	CR
Mean	50.36386	0.530000	6.238554	7.379518	7.460241
Median	48.90000	0.560000	4.920000	3.400000	2.400000
Maximum	100.0000	0.850000	26.47000	83.60000	40.10000
Minimum	8.000000	0.000000	-2.320000	0.700000	0.400000
Std. Dev.	24.67693	0.237209	6.221671	13.41212	10.45362

Source: data processed by researchers

A descriptive statistical analysis was conducted to provide an overview of the data characteristics of 18 companies listed on the Jakarta Islamic Index (JII) during the 2019-2023 period. The statistics encompass the maximum, minimum, average (mean), median, and standard deviation values of the Dividend Payout Ratio (DPR), Managerial Ownership (MNRG), Return on Assets (ROA), Net Profit Margin (NPM), and Current Ratio (CR) variables. The results of the analysis indicate that the average DPR attained 50.36%, with a maximum value of 100% and a minimum of 8%, and a standard deviation of 24.68.

This variability reflects substantial differences in dividend distribution policies among the sample companies.MNRG registered an average of 0.53 with a standard deviation of 0.24, suggesting variations in managerial ownership, though generally at relatively low levels. The average ROA of 6.24% with a maximum value of 26.47% and a minimum of -2.32% indicates significant differences in the ability to generate profits.NPM shows an average of 7.38% with a wide distribution, marked by a maximum value of 83.60% and a minimum of 0.70%. The CR average of 7.46 is accompanied by a standard deviation of 10.45, suggesting a presence of companies with notably high liquidity, counterbalanced by a few companies with low liquidity. This finding underscores the heterogeneity of financial characteristics among companies in JII, which bear implications for dividend policy.

Panel Data Regression

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.033532	(17,68)	0.0208
Cross-section Chi-square	36.993433	17	0.0034

Source: data processed by researchers

Table 3. Hausmant Test

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	3.195073	4	0.5257

Source: data processed by researchers

Table 4. Langrange Multiplier Test

		Test Hypothesis	
	Cross-section	**Time**	**Both**
Breusch-Pagan	3.261618	1.865992	5.127610
	(0.0709)	(0.1719)	(0.0235)

Source: data processed by researchers

Table 7. REM Test

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	30.50725	6.800089	4.486302	0.0000
MNRG	5.812589	10.99169	0.528816	0.5984
ROA	2.084846	0.389357	5.354590	0.0000
NPM	-0.060562	0.186872	-0.324080	0.7467
CR	0.565186	0.219752	2.571923	0.0120
R-squared	0.630734			
Adjusted R-squared	0.896413			
F-stati stic	9.636392			
Prob(F-statistic)	0.000002			

Source: data processed by researchers

The present study employed a three-stage process to ascertain the most suitable panel data regression model: the Chow test, the Hausman test, and the Lagrange multiplier (LM) test.The initial stage involved the Chow test, which aims to distinguish between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The results of the Chow test indicate a cross-section F value of 2.033532 with a probability of 0.0208 (<0.05) and a cross-section Chi-square of 36.993433 with a probability of 0.0034, suggesting that the FEM model is more suitable than CEM. The Hausman test was employed to ascertain the most suitable model: FEM or Random Effect Model (REM). The results of the Hausman test yielded a Chi-square statistical value of 3.195073 with a probability of 0.5257 (>0.05), indicating that REM is a more suitable model than FEM.Finally, the LM test was conducted to compare CEM with REM. The Breusch-Pagan value in this test shows a probability of 0.0709 (>0.05), which further strengthens the decision to use REM as the best model.The selection of REM is based on the consideration that this model is able to overcome data variability that arises from differences in individual companies and observation time, while maintaining estimation efficiency.

The findings of the panel data regression analysis employing the REM method demonstrate that the Return on Assets (ROA) and Current Ratio (CR) variables exert a substantial influence on the Dividend Payout Ratio (DPR), with coefficients of 2.084846 (p-value: 0.0000) and 0.565186 (p-value: 0.0120), respectively. This indicates that a one percent increase in ROA can lead to a 2.08% increase in DPR, while a one-unit increase in CR can result in a 0.57% increase in DPR.Conversely, the Managerial Ownership (MNRG) and Net Profit Margin (NPM) variables did not demonstrate a substantial effect on DPR, as evidenced by the p-values of 0.5984 and 0.7467, respectively. The R-squared value of 0.6307 signifies that 63.07% of the observed variation in DPR can be attributed to the independent variables examined, while the adjusted R-squared value of 0.8964 indicates an optimal model fit to the data. The F-statistic value of 9.636392 with a probability of 0.000002 (<0.05) confirms that the MNRG, ROA, NPM, and CR variables simultaneously have a significant effect on DPR. This finding underscores the significance of profitability and liquidity in determining dividend policy, while managerial ownership and net profit margin do not exert a substantial influence in the context of companies listed on JII during the study period.

The Influence of MNRG on DPR

The results of the study indicate that managerial ownership (MNRG) does not have a significant effect on the Dividend Payout Ratio (DPR) in companies listed on the Jakarta Islamic Index (JII) for the 2019-2023 period. This finding aligns with the Agency Theory perspective proposed by Jensen and Meckling (1976), which posits that minimal share ownership by management fosters the potential for conflicts of interest between management as agents and shareholders as principals.When managerial ownership is low, management exhibits greater flexibility to prioritize internal policies that support long-term growth, such as business expansion or increasing company value through capital appreciation, rather than distributing profits in the form of dividends. This assertion is further substantiated by the observations of Mukti & Esra (2023), which demonstrate that firms with minimal managerial ownership prioritize dividend policy as a secondary concern.

Moreover, this observation calls into question the applicability of the Bird-in-the-Hand Theory, proposed by Gordon (1956) and Lintner (1962). This theory posits that investors exhibit a preference for income certainty derived from dividends over the potential gains from risky capital investments. However, within the context of JII companies with low managerial ownership, management's priorities shift towards fortifying the internal financial structure and optimizing fund allocation for business expansion. Consequently, while investors often seek dividends as an indication of a company's financial stability (Darmawan, 2019; Eka Yuliyanti & Anis Turmudhi, 2024), this preference does not always align with management decisions, particularly in companies that prioritize a long-term perspective and have limited share ownership by managers.

This finding lends further support to the notion that managerial ownership structure plays a pivotal role in the context of managing sharia companies, as elucidated by Agency Theory.In the context of JII companies, management with a minimal ownership share tends to adopt a more conservative financial policy, thereby maintaining liquidity and prioritizing profit reinvestment to support long-term business sustainability in accordance with sharia principles.This observation further underscores the conclusion that low management involvement as shareholders can diminish their incentives to provide positive signals through dividend payments. Consequently, these outcomes corroborate extant literature positing that low managerial ownership is associated with a propensity to retain profits to preserve financial flexibility, as opposed to the regular distribution of dividends (Sari & Wulandari, 2021; Soebagyo & Iskandar, 2022).

The Influence of ROA on DPR

The findings of this study offer substantial support for the second hypothesis, which posits that the Return on Assets (ROA) has a positive effect on the Dividend Payout Ratio (DPR) in companies listed on the Jakarta Islamic Index (JII) during the 2019–2023 period. The t-statistic value of 5.354590 was determined to be greater than the t-table of 1.66008, with a p-value of 0.0000 (<0.05), thereby indicating a robust and significant relationship between ROA and DPR.This finding suggests that companies with high ROA possess a greater capacity to generate profits from their assets, consequently motivating management to allocate larger dividends to shareholders. ROA serves as a reliable indicator of the efficiency with which assets are utilized to generate stable income. Companies that optimize their assets efficiently tend to have stronger cash flows, enabling them to meet operational needs while allocating profits for dividends.Investors frequently consider ROA a primary factor in investment decision-making, as high ROA reflects the potential for consistent returns and reduced risk. Furthermore, consistent and increasing dividends can enhance market confidence in the company, thereby sending a positive signal regarding its long-term financial performance.

From a financial management perspective, companies with strong ROA possess greater flexibility in formulating dividend policies that benefit shareholders without compromising internal growth.Increased profits resulting from operational efficiency encourage companies to distribute competitive dividends to attract and retain investors (Shaleh & Margyanita, 2023). This finding is in line with research by the same authors that states high profitability encourages increased dividend payments as a form of appreciation to investors. This phenomenon aligns with the Bird in the Hand theory, which posits that investors place a higher value on certain dividends than on potential future capital gains. Consequently, companies with high ROA not only exhibit effective operational performance but also play a pivotal role in fostering positive relationships with shareholders through consistent and sustainable dividend policies.

The Influence of NPM on the DPR

The findings of the Net Profit Margin (NPM) analysis indicate that the third hypothesis is to be rejected, thereby suggesting that NPM exerts minimal influence on DPR. This conclusion is corroborated by the t-statistic value of -0.324080, which is lower than the t-table of 1.66008, with a p-value of 0.7467 (>0.05). This insignificant effect of NPM on DPR is attributed to the company's propensity to retain operating profits to meet internal needs, such as debt repayment, business development, and the settlement of other operational obligations.While NPM is a measure of operational efficiency, the profits obtained are not invariably allocated for dividends. Some companies favor a reinvestment strategy for long-term growth. This finding is consistent with the research by Nugraha & Finanto (2021) and Setyahani et al. (2023), which also found that high net profit margins are not always in line with dividend payment policies, especially if the company prioritizes operational stability and strengthening the capital structure.

The Influence of CR on DPR

The results of the hypothesis test demonstrate that the fourth hypothesis is accepted, signifying that CR exerts an influence on DPR. This assertion can be reinforced by comparing the t-statistic with the t table, where the t count (2.571923) exceeds the t table (1.66008) and sig. (0.0120) is less than 0.05. This finding indicates that the CR ratio exerts a significant influence on the DPR of companies listed on JII from 2019 to 2023.The CR ratio is a measure of a company's ability to manage its finances, particularly in meeting short-term obligations. Companies with the capacity to pay short-term debt possess greater financial flexibility, including the ability to allocate cash for dividend payments. Consequently, a high CR ratio may increase a company's probability of distributing larger dividends. This finding aligns with the conclusions reported by Monica Putri (2019).

E. CONCLUSION

Summary

This study finds that among the variables examined, Return on Assets (ROA) and Current Ratio (CR) exhibit a substantial impact on the Dividend Payout Ratio (DPR) in companies listed on the Jakarta Islamic Index (JII) during the 2019-2023 period.The study's findings suggest that the level of return on assets and a company's capacity to meet its short-term obligations are pivotal in shaping dividend policy. Conversely, the variables of managerial ownership and Net Profit Margin (NPM) were found to have an insignificant impact on DPR.The negligible influence of managerial ownership is hypothesized to be attributable to the percentage of shares owned by management being comparatively negligible in relation to shares owned by the public, thereby constraining its involvement in decision-making processes pertaining to dividend policy. Conversely, NPM, a metric of profitability, does not directly impact dividend policy, as companies may consider other factors, such as investment needs, corporate growth, and internal policies, when determining dividend distribution to shareholders.The findings of this study are anticipated to serve as a valuable reference for company management and investors, assisting them in comprehending the factors that influence dividend policy, particularly in the context of Indonesian companies operating in accordance with sharia principles.

Suggestion

The findings of the research indicate that investors should prioritize the company's Return on Assets (ROA) and Current Ratio (CR) when making investment decisions. These factors have been demonstrated to exert a substantial influence on dividend payment policy. Investors can leverage this information to identify companies with high profits and adequate liquidity, which possess the capacity to offer substantial dividends. Conversely, managerial ownership (MNRG) and net profit margin (NPM) have been found to exert no influence on dividend policy; thus, they can be regarded as supplementary factors, though not as primary determinants in the decision-making process.It is recommended that subsequent research extend the scope by incorporating additional variables that have the capacity to influence dividend policy.The objective of this research is to elucidate the factors that underpin corporate decision-making.

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