

# The Effect of Net Profit Margin (NPM) and Debt to Equity Ratio (DER) on Dividend Policy Dividend Policy Listed on the IDX30 Index for the period 2019-2023

Alan Refaldi<sup>1</sup>, Kardinal<sup>2</sup>

<sup>1,2</sup> Faculty OF Economics and Business, Departement OF Management, Multi Data Palembang

Article Info	ABSTRACT
<b>Keywords:</b> Net Profit Margin, Debt to Equity Ratio, Dividend policy.	This study aims to analyze the effect of Net Profit Margin (NPM), and Debt to Equity Ratio (DER), on Dividend Policy both partially and simultaneously. The research adopts a quantitative approach with a causal research design. The data used is secondary data derived from the annual financial statements of companies listed on the IDX30. The sampling technique employed is purposive sampling, resulting in 15 companies selected as the research sample. Data analysis techniques include classical assumption tests and multiple linear regression to examine the effect of each independent variable on the dependent variable, both partially and simultaneously. The partial test results indicate that NPM has a positive and significant effect on the Dividend Payout Ratio (DPR), and DER has a negative and significant effect on DPR. Based on the simultaneous test results, it is shown that NPM and DER collectively influence dividend policy.
This is an open access article under the <a href="#">CC BY-NC</a> license	<b>Corresponding Author:</b> Alan Refaldi Faculty OF Economics and Business, Departement OF Management, Multi Data Palembang Email: <a href="mailto:refaldialan@mhs.mdp.ac.id">refaldialan@mhs.mdp.ac.id</a>



## INTRODUCTION

The Indonesian Capital Market is a place where investors place capital through a variety of investment options, whose main goal is of course to get a return (level of profit). Stocks are the most popular type of investment (Priantinah, 2018). The capital market performs two functions at once, namely the economic function and the financial function, the capital market has a significant role in a country's economy. The capital market is said to have an economic function because the market provides facilities or vehicles for two interests, namely those who have funds (investors) and those who need funds (issuers). With the capital market, those who have funds can invest their funds in companies that need funds (Ihsaniah and Adam, 2020). According to Article 1 Paragraph 4 of Law No. 8 of 1995 concerning the Capital Market, the capital market is a party that organizes and provides a system and or means to bring together the sale and purchase offers of securities of other parties with the aim of trading securities between them (Haridhi, 2020).

Shares are proof of ownership of a company, this ownership includes all company assets, starting from net capital, profits generated, to debts owned by the company and others. The amount of ownership of a company is determined by the percentage of shares we

own of the company's overall shares (Maulani, 2022). In Indonesia, there is an IDX30 stock index consisting of 30 companies that have a high level of trading liquidity, large market capitalization, and good fundamental conditions. This stock index is useful because it helps investors determine their investment objectives in a company. With the IDX30 index, investors already have a clear reference of which companies they want to invest in. This way, you can expect the best investment returns.

Several studies have been conducted from the results of research conducted by Erric (2022) with the title Effect of Solvency, Asset growth, Firm size and Profitability on dividend policy in manufacturing companies on the IDX said that Solvency has no effect on dividend payout ratio, Asset growth affects dividend payout ratio, Firm size has no effect on dividend payout ratio, Profitability affects dividend payout ratio (Dhova, 2022). From the results of research by Dita Vickia Tanisa (2024) The results showed that Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Firm Size simultaneously affect stock prices. Partially, Net Profit Margin (NPM) has a significant and positive effect on stock prices. For Debt to Equity Ratio (DER) has no effect on stock prices, and Firm Size has a negative effect on stock prices (Tanisa, 2024). From the results of Permata Hatul's research (2022) Net profit margin, current ratio, and debt to equity ratio have a positive and crucial impact on the dividend payout ratio. Net profit margin, current ratio, and debt to equity ratio have a positive and crucial effect simultaneously on the dividend payout ratio (Juan et al. 2020). Anton et al research (2022) From this study it was concluded that DER and ROA have a significant influence on the Dividend Payout Ratio (DPR). While CR, Cash Ratio, and NPM have no significant effect on Dividend Payout Ratio (DPR) (Anton et al. 2018). Banusu's research (2022) ROA, NPM, and EPS have a positive and quite important effect on the dividend payout ratio, ROA, NPM, and EPS have a positive and quite important effect together on the dividend payout ratio (Banusu, Sia Niha, and Manafe n.d.).

The IDX30 Index is an index that evaluates the price performance of thirty stocks that have a large market capitalization, high liquidity, and good company fundamentals. On April 23, 2012, the IDX30 index was first released. It is expected that IDX30 will be a reference for investors who want to invest in stocks with large capitalization and liquidity. The LQ45 index takes the 30 best stocks from the IDX30 index. The IDX30 calculation started on December 28, 2004 with a base value of 100. Trading value, frequency, total trading days, and market capitalization are the main criteria for selecting IDX30 members. In addition, the IDX also considers qualitative elements relating to the underlying condition of the company, such as its financial state and growth opportunities. On February 1, 2019, IDX changed the calculation method of IDX30. A free-float, or free-floating, cap market is used to calculate the IDX30 index; the capitalization weighting method is limited by the restriction of shares in the index.

Net Profit Margin (NPM) is a measure that can show how much the company profits from revenue after reducing various costs. Net Profit Margin (NPM) is a company that has a higher net profit margin than competitors and the industry average will be considered successful in increasing its net profit. Net profit margin, also referred to as return on sales, is a financial ratio that shows the amount of net profit a company can earn for each rupiah of sales (Tannadi, 2020).

Debt To Equity Ratio (DER) shows the extent to which the owner's capital can cover debt to outside parties and is a ratio that measures the extent to which the company is financed from debt. In addition, capital shows the company's ability to meet obligations with existing capital. Debt to Equity Ratio is a ratio used to measure the ratio between total debt and total equity (Hery, 2021).” This ratio shows that the amount of funds provided by shareholders to the company is negatively correlated with the amount of funds provided to lenders. The following table 1.1 data on Net Profit Margin (NPM), Asset Growth, Debt to Equity Ratio (DER) and Firm size listed on the IDX30 index for the period 2019 - 2023.

**Table 1.** NPM and DER Data listed in the IDX30 Index for the Period 2019 - 2023

Variabel	Year				
	2019	2020	2021	2022	2023
<i>Net Profit Margin</i>	23.79	12.44	30.88	30.12	31.95
<i>Debt to Equity Ratio</i>	4.19	4.59	4.20	3.99	1.11

Net profit margin (NPM) experienced significant fluctuations in the company's profit margin. In 2020, there was a sharp decline from 23.79% in 2019 to only 12.44%. This drastic decline may reflect external challenges, such as global or regional economic conditions, changes in production costs, or declining sales. Although NPM recovered and increased to 30.88% in 2021 to 31.95% in 2023, these fluctuations indicate instability in profitability. Instability in NPM can cause uncertainty for investors and stakeholders as it reflects the company's inability to maintain a stable profit margin, which could be due to operational inefficiencies, poor cost management, or external variables such as market volatility. Debt To Equity ratio (DER) experiences fluctuating conditions every year where it can be seen from 2019 amounting to 4.19%, in 202 it increased by 4.59%, in 2021 it decreased by 4.20%, in 2022 it decreased by 3.99%, in 2023 it decreased by 1.11. The causes of the rise and fall of the Debt to Equity Ratio (DER) can be influenced by several factors, such as the company's financing policy, increasing or decreasing debt, using own capital, and changes in the capital structure.

## METHOD

This research approach is a quantitative research approach used to study certain populations or samples, collect data, and then analyze the data quantitatively to test the hypotheses that have been made (Sugiyono, 2018). The object of this research is Net Profit Margin (NPM), Asset Growth, Debt Equity Ratio (DER), Firm size. The research subjects and places of this research are companies listed on the IDX30 index for the period 2019 - 2023. The population in this study are companies in IDX30, totaling 50 companies that joined IDX30 in the period 2019 - 2023. With the sampling technique used in this study with purposive sampling technique, with the following criteria:

**Table 2.** Sample Selection Process

No	Kriteria Pemilihan Sampel	Total
1.	Companies listed on IDX30 Period 2019-2023	50
2.	Companies that are not consistently listed on IDX30 for the 2019-2023 Period	(35)
	Number of samples that meet the criteria	15
	Total sample 15 x 5 periods	75

## RESULTS AND DISCUSSION

### Normality Test

This test can be run through graph analysis. The decision-making basis of the analysis is: The hypothesis is accepted if the significance value is  $> 0.05$  because the data is normally distributed. The hypothesis is rejected if the significance value is  $< 0.05$  because the data is not normally distributed.

**Table 3.** Normality Test

#### *One-Sample Kolmogorov-Smirnov Test*

	<i>Unstandardized Residual</i>
<i>N</i>	60
<i>Normal Parameters<sup>a,b</sup></i>	
<i>Mean</i>	.0000000
<i>Std. Deviation</i>	11.62982693
<i>Most Extreme Differences</i>	
<i>Absolute</i>	.083
<i>Positive</i>	.081
<i>Negative</i>	-.083
<i>Test Statistic</i>	.083
<i>Asymp. Sig. (2 – tailed)</i>	.200 <sup>c,d</sup>

The data shows that the normality test results with the Asymp. Sig.  $0.200 > 0.05$ , it can be interpreted that the data is normally distributed.

### Hypothesis Test

To find out whether the hypothesis is acceptable or not, the t test and F test are used with the results which can be seen in the table as follows:

**Table 4. t Test  
Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-25.671	28.915		-.888	.379
NPM	5.259	2.408	.167	2.184	.033
DER	-7.293	.482	-.970	-15.146	.000

Based on the table above, the test analysis results are as follows: The t-count value on the Net Profit Margin variable is 2.184 greater than the t-table of 1.667 and the significance value of 0.033 is smaller than 0.05. This shows that the Net Profit Margin variable has a positive and significant effect on the Dividend Payout Ratio. The t-count value on the Debt to Equity Ratio variable is -15.146 smaller than the t-table of 1.667 and the significance value of 0.000 is smaller than 0.05. This shows that the Debt to Equity Ratio variable has a negative and significant effect on the Dividend Payout Ratio.

From the results of the F test, it can be seen that the F-table value is 2.50 which is obtained from the F-table, namely  $df = n(k + 1) = 75 - (4 + 1) = 70$  with the information that n is the amount of data and k is the number of independent variables. So that from the table above, the F-count value is  $58.617 > 2.50$  and a significant value of  $0.000 < 0.05$ . So it can be concluded that simultaneously Net Profit Margin and Debt to Equity Ratio have a positive and significant effect on Dividend Payout Ratio in companies listed on the IDX30 Index for the 2019-2023 period.

**Table 5. Coefficient of Determination (R2)**

Model	R	R Square	Adjusted R Square	Std. Error of The Estimates
1	.900 <sup>a</sup>	.810	.796	12.04531

Based on table 4 above, it shows that the value of Adjusted R Square is 0.796 or 79.6%. This shows that 79.6% of the variation in the independent variables, namely Net Profit Margin and Debt to Equity Ratio, can explain the variation in the dependent variable, namely the Dividend Payout Ratio. While the remaining 20.4% is explained by other factors outside this study, so it can be said that there are still other variables that can affect the Dividend Payout Ratio.

### Effect of Net Profit Margin on Dividend Payout Ratio

Based on descriptive analysis, it is proven that net profit margin has a positive and significant influence on the dividend payout ratio in companies listed on the IDX30 Index for

the 2019-2023 Period. Net Profit Margin can be said to be an indicator that is able to highlight how much the company profits from revenue after deducting various costs. The results of this study are in line with Rafika (2019) net profit margin reflects the company's ability to generate net from each of its sales (Rafika, 2019). The greater the net profit margin, the more productive the company's performance will be, so that the net profit earned will be greater, thus increasing the dividend payout ratio.

### **Debt to Equity Ratio on Dividend Payout Ratio**

Based on descriptive analysis, it is proven that the debt to equity ratio has a negative and significant effect on the dividend payout ratio in companies listed on the IDX30 Index for the 2019-2023 Period. Debt to equity ratio is useful for knowing the amount of money given by creditors or borrowers to business owners. This is in accordance with the theory expressed by Triyonowati (2022) if the company determines that the repayment of its debt will be taken from retained earnings, it means that the company must retain most of its income for these purposes, that only a small portion of income or earnings can be paid as dividends in other words the company must set a low dividend payout ratio (Triyonowati, 2022). Meanwhile, in Noviani Ikhsan (2022), Debt to equity ratio has no significant effect on dividend policy, while profitability and market value have a significant effect on dividend policy (Ikhsan and Lukiana, 2019).

### **CONCLUSION**

Based on the results of research on the Effect of Net Profit Margin, Asset Growth, Debt to Equity Ratio and Firm Size on Dividend Policy Listed in the IDX30 Index for the Period 2019 - 2023. The author draws conclusions, namely the t-count value of  $2.086 > t\text{-table } 1.667$  and sig value  $0.042 < 0.05$ . Indicates that the Net Profit Margin variable has a positive and significant effect on the Dividend Payout Ratio. Then, the t-count value is  $-13.819 < t\text{-table } 1.667$  and sig value  $0.000 < 0.05$ . Indicates that the Debt to Equity Ratio variable has a negative and significant effect on the Dividend Payout Ratio.

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