ABSTRACT

Dividends are one of the key factors considered by investors in assessing a company's prospects, particularly in the banking sector. Banks with stable dividend policies and high profitability tend to be more attractive to investors. The Dividend Payout Ratio (DPR) reflects the proportion of net income distributed as dividends and can be influenced by various financial factors, one of which is profitability. Profitability indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) are used to measure a bank's ability to generate profits and maintain a sustainable dividend policy. This study analyzes the effect of profitability on DPR in the banking sector listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023 using a panel data regression approach. The models tested include the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), with the best model selected through the Chow test, Hausman test, and Lagrange Multiplier (LM) test. The results show that FEM is the most suitable model based on the specification tests. ROA and ROE have a significant effect on DPR, while NIM does not have a significant influence. The regression model used has a coefficient of determination of 87.6%, indicating that the variation in DPR is well explained by the profitability variables used in this study.

Keywords: Dividend Payout Ratio, profitability, ROA, ROE, NIM, panel data regression.