CHAPTER V

CLOSING

5.1 Conclusion

Net Profit Margin has a negative but significant relationship with dividend payout ratio. As one of the proxies for profitability, Net Profit Margin can be considered by the management for deciding the dividend policy for dividend payment of the company. This is due to the increase in the company's profitability, which will be followed by the company's ability to generate large net profits, which will ultimately influence the amount of dividends that will be distributed to shareholders. However, the amount of dividend distribution must be determined by the shareholders through the Annual General Meeting of Shareholders (AGM).

Subsequently, this research found leverage provided a non positive and insignificant influence on DPR. This finding suggests that companies prefer to invest the remaining money they have rather than saving the money or paying it to shareholders to pay its debt. In addition, leverage does not affect dividend payments because of the similarity in treatment between debts to third parties, in this case dividends can also be referred to as debts to third parties that must be shared by the firm to shareholders.

This research found that liquidity has a negative and insignificant relationship with dividend payout ratio. This study uses Current Ratio as the proxy for liquidity. The result suggests that the Current Ratio is not considered by management in paying the Dividend Payout Ratio, where the Current Ratio owned by the company is calculated to pay short-term debt owned by the company. The expected negative relationship only occurs when the firm has already decided to pay dividends, which may significantly indicate liquidity constraining the magnitude of the payout.

On the other hand, company growth has a negative but significant relationship on dividend payout ratio. This finding suggests that companies with high asset growth rates would not necessarily pay high dividends because of the higher the company's assets growth rate, the lower the dividend payout ratio. The faster the company's growth, the greater the funds that must be issued by the company, so that the company anticipates uncertainty and in order to have financial flexibility. Agency theory explains that the relationship between company growth and dividends on the one hand can increase agency problems between managers and creditors because managers do not distribute dividends that should be the rights of investors.

Firm size has a positive but insignificant influence on dividend payout ratio. This finding suggests that the size of the company does not guarantee that they will pay more dividend. It would be better if the current income was invested in the investment opportunity that could produce a positive net present value so that the company had less obligation to pay dividends. Thus, large companies prefer to retain their earnings rather than distribute their income as dividends.

5.2 Research Limitation

After conducting the research, there are several limitations in this study, namely:

1. This study only uses a sample of non-financial companies listed in the LQ45 with a total sample of 160 observations so the research results cannot be generalized to all company. Therefore, it is suggested to obtain data from large samples of other companies that are excluded in this study that covers more other sectors and more year range.
2. The variables used in this research are limited to financial report variables, namely net profit margin, liquidity, leverage, company growth proxied by asset growth and firm size, where these variables are a small part of the factors that can influence dividend payout ratio. The results of this research show that these variables only have an influence of 12% on the dividend payout ratio variable in non-financial companies listed on the LQ45 in 2018-2022. The remainder is explained by other factors not examined in this study.
3. This study covers 5 years from 2018-2022. There is an unevenness in the company's financial condition in 2018 because the period above 2019 has anomalies due to the COVID-19 pandemic which can affect the company's condition so that it cannot be compared with the company's condition during the COVID-19 non-pandemic period.