The Effect of Debt-to-Equity Ratio and Net Profit Margin on Dividend Payout Ratio at PT Mayora Indah Tbk During 2013-2024

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Abstract

This study examines the effect of capital structure and profitability on dividend policy at PT Mayora Indah Tbk during the 2013–2024 period. Using a quantitative approach with multiple regression analysis, the Debt to Equity Ratio (DER) represents capital structure, Net Profit Margin (NPM) measures profitability, and the Dividend Payout Ratio (DPR) reflects dividend policy. The results show that, partially, DER has a significant negative effect on DPR, indicating that higher leverage constrains dividend distribution. NPM also has a significant negative effect on DPR, suggesting that profitability is often retained as internal financing rather than distributed as dividends. Simultaneously, DER and NPM significantly affect DPR. The coefficient of determination of 54.9% indicates that more than half of dividend payout variation is explained by these variables. The findings highlight the strategic role of leverage and profitability in dividend policy decisions.

Keywords: Debt to Equity Ratio, Net Profit Margin, Dividend Payout Ratio

JEL Classification: G32, G35

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Introduction

Companies face new opportunities and challenges as globalization becomes increasingly complex. Rapid changes in technology, shifting consumer preferences, and intensifying market competition have made industry dynamics and business growth more unstable. Under such conditions, companies are required to continuously adapt, manage resources efficiently, and maintain business continuity despite economic uncertainty. In this context, capital formation becomes a crucial element in supporting business activities. Capital invested by shareholders, both individual and corporate, significantly increases a firm's capacity to finance operations and growth.

In conducting business activities, companies must also consider dividend policy as an integral part of financial management. Dividend decisions determine whether net income is distributed to shareholders or retained as an internal source of financing. Darmadji and Fakhruddin in Darsono (2018) define dividends as a portion of net income distributed by the issuing company to shareholders, either in the form of cash or stock dividends. When profits are distributed, internal funds decrease; conversely, when profits are retained, a company's operational funding capacity increases, thereby reducing dependence on external financing. Dividend policy is commonly measured by the Dividend Payout Ratio (DPR), which is closely related to company profitability, represented by Net Profit Margin (NPM), and capital structure, represented by the Debt to Equity Ratio (DER).

According to Kasmir (2017), the Debt to Equity Ratio is a financial indicator used to measure the proportion between total liabilities and shareholders' equity. This ratio reflects the extent to which equity is used as collateral for debt. A lower DER indicates a healthier financial condition, while a higher DER suggests greater financial risk due to heavier debt obligations. Meanwhile, Harjito and Martono (2018) define Net Profit Margin as the ratio between net profit after tax and total sales, which reflects a firm's efficiency in generating net income from its sales activities. A higher NPM indicates better company performance and profitability.

Numerous empirical studies have examined the relationship between DER, NPM, and DPR across various companies and time periods; however, the findings remain inconsistent. Studies by Ompusunggu et al. (2022) and David et al. (2023) report that the Debt to Equity Ratio has a significant effect on the Dividend Payout Ratio, whereas Khoiruzaid et al. (2024)

and Prabowo (2020) find no significant effect of DER on dividend policy. Empirical evidence from Indonesian capital market studies further supports the role of leverage in shaping dividend policy. Safii and Surahman (2023), in a study published in the *Indonesian Financial Review*, find that higher debt levels significantly influence dividend distribution decisions, as firms with greater leverage tend to restrict dividend payments to preserve liquidity and prioritize debt servicing.

Similarly, prior studies examining the effect of profitability on dividend policy also report mixed results. Kevin et al. (2019) and Nuraeni (2023) find that Net Profit Margin does not affect the Dividend Payout Ratio, whereas Rafika (2019) and Ganar (2018) report a significant effect of profitability on dividend distribution. Interestingly, when DER and NPM are analyzed simultaneously, studies such as Anton et al. (2018) and Khoiruzaid et al. (2024) show that capital structure and profitability jointly influence dividend policy. This suggests that dividend decisions are better understood through the interaction between leverage and profitability rather than through individual financial indicators.

The relationship between leverage and corporate financial outcomes has also been examined from a firm value perspective. Dianti (2024), in a study published in the *Indonesian Financial Review*, finds that the Debt to Equity Ratio significantly affects Economic Value Added (EVA) at PT Adhi Karya (Persero) Tbk. Higher leverage increases financial pressure and constrains value creation, encouraging firms to adopt more conservative financial policies. Although this study focuses on firm value, its findings are highly relevant to dividend policy, as firms facing leverage-induced risk tend to limit dividend distribution to maintain financial stability and liquidity.

Despite the extensive literature, previous studies generally rely on a limited number of financial variables, focus on cross-sectional or multi-firm panel data, and cover relatively short observation periods. Moreover, empirical evidence examining the simultaneous relationship between Debt to Equity Ratio, Net Profit Margin, and Dividend Payout Ratio within a single consumer goods firm over a long-term horizon remains scarce. This limitation creates an opportunity for more in-depth research that focuses on firm-specific financial dynamics over an extended period.

This study explicitly addresses this gap and offers a clear novelty in both methodological and empirical dimensions. Unlike most previous research, this study adopts a single-firm longitudinal approach by examining PT Mayora Indah Tbk over a twelve-year period (2013–

2024). This design allows for a deeper analysis of internal financial decision-making dynamics, minimizing inter-firm heterogeneity that often obscures the true relationship between capital structure, profitability, and dividend policy. Furthermore, this study explicitly examines the simultaneous interaction between leverage (DER) and profitability (NPM) in shaping dividend policy, rather than treating these variables in isolation.

PT Mayora Indah Tbk was selected as the research object because it is one of the leading companies in Indonesia's processed food and beverage industry and has consistently distributed dividends over the years. Established in 1977, the company produces a wide range of food and beverage products and has an extensive domestic and international distribution network. The availability of complete financial reports and its consistent dividend policy make PT Mayora Indah Tbk a suitable case for long-term financial analysis.

This study employs a quantitative approach using regression analysis to provide empirical evidence on the influence of capital structure and profitability on dividend policy. Specifically, this research aims to:
(1) analyze the partial effect of the Debt to Equity Ratio on the Dividend Payout Ratio;
(2) analyze the partial effect of the Net Profit Margin on the Dividend Payout Ratio; and
(3) examine the simultaneous effect of capital structure and profitability on dividend policy within a long-term corporate context.

Through this approach, the study contributes novel firm-specific empirical insights into dividend policy behavior in Indonesian consumer goods companies and enriches the dividend policy literature by demonstrating how leverage and profitability interact over time to shape dividend decisions in an emerging market context

Literature Review

Management according to Afandi (2020), is a collaborative process between employees to achieve organizational goals using the functions of planning, organizing, directing, and supervising. This is done by utilizing organizational resources such as people, materials, methods, money, machines, and markets efficiently and effectively. According to Tumanggor (2021), management is often defined as a science, a strategy, and a profession. It is called a science because management is seen as a field of knowledge that systematically seeks to understand why and how people work together. Based on the explanation above, management can be defined as a process that involves planning, organizing, controlling and supervising which is carried out with the aim of achieving predetermined goals effectively and efficiently.

According to Rahardjo (2021), finance is a specific functional area found in business administration majors related to cash flow and payment obligations. According to Hasan (2022), finance is the science and art of managing money, which impacts the lives of every individual and every organization. Finance deals with the processes, institutions, markets, and instruments involved in the transfer of money between individuals and between businesses and governments. The conclusion is that finance is a scientific discipline that involves various aspects such as fund management, investment and studying how to manage funds efficiently and effectively to achieve organizational goals.

Financial management according to Irfani (2020) is a company's financial management activity related to efforts to find and use funds efficiently and effectively to achieve company goals. Meanwhile, according to Jatmiko (2017), financial management is an activity related to planning, directing, monitoring and controlling financial resources in a company. So it can be concluded that financial management includes all activities related to the allocation of funds in various forms of investment, funding, asset acquisition, and asset management, with the main objective of minimizing costs efficiently in order to maximize the company's value.

According to Wijayanto (2019), there are several objectives of financial management, namely: maximizing company value, maintaining financial stability in a state that is always under control, and minimizing company risks in the present and future.

Financial statements are the final result of the accounting process, presenting information about a company's financial condition, business performance, and cash flow over a specific period. These documents serve as the basis for decision-making by both internal and external parties, such as management, investors, creditors, and other stakeholders. According to Fahmi in Wulan (2024), financial reports are information that describes the financial condition of a company, and furthermore, this information can be used as a description of the company's financial performance. According to Kasmir (2019), the existence of financial reports provided by company management is very helpful for shareholders in the decision-making process, and is very useful in seeing current and future conditions. According to Kasmir (2019), there are several types of financial reports, namely: balance sheet, profit and loss report, statement of changes in equity, cash flow report, and notes to the financial statements. This is important for calculating financial ratios such as Debt to Equity Ratio, Net Profit Margin and Dividend Payout Ratio.

Financial ratios are tools used to assess the performance of company management through various aspects, such as activity ratios, liquidity ratios, solvency ratios, and profitability ratios.

Focus on this research, used the Debt to Equity Ratio which is included in the solvency ratio. According to Hery (2017), the solvency ratio is a ratio used to assess the extent to which a company's assets are financed by debt. According to Kasmir (2019), the Debt to Equity Ratio is a ratio used to measure debt to equity. This means that this ratio determines how much of a company's equity is used as collateral for debt. The higher the DER, the higher the company's obligation to pay off its debts. High debt will reduce the company's profitability because it has to retain its profits to pay off debts first.

The interaction between capital structure and profitability has also been highlighted in recent empirical studies. Budhiarjo et al. (2025) find that capital structure significantly influences profitability in Indonesian consumer goods firms, indicating that leverage decisions affect how efficiently firms generate profits. Their findings suggest that firms with higher debt exposure tend to manage profitability more conservatively to maintain financial stability. Although the study focuses on profitability outcomes, its implications extend to dividend policy, as firms with constrained profitability management may choose to retain earnings rather than distribute dividends.

Profitability According to Awulle in Rusnaeni (2024), profitability reflects how well a company converts sales or revenue into net profit. High profitability is generally considered an indicator of a company's financial health and sustainability. Net profit margin is included in the profitability ratios. According to Harjito and Martono (2018), Net Profit Margin is the sales profit after accounting for all costs and income taxes. It shows the ratio of net profit after tax to sales. The higher the net profit margin means the company has the ability to generate profits which will affect the increase in the company's Dividend Payout Ratio.

Profitability plays a central role in corporate financial decision-making, not only in determining dividend policy but also in shaping overall firm value. Empirical evidence from Indonesian public companies indicates that profitability is often utilized to strengthen internal financial capacity rather than to maximize short-term shareholder distribution. A study by Lubis and Hena (2025) on PT Adhi Karya, published in the *Indonesian Financial Review*, shows that profitability significantly affects firm value, suggesting that retained earnings are strategically allocated to support long-term corporate performance. This finding implies that high profitability may lead firms to prioritize internal financing, which can indirectly reduce dividend payouts.

Previous studies also emphasize the role of solvency and profitability in shaping corporate financial outcomes, particularly in the food and beverage sector. Susilawati (2025) finds that solvency and profitability are key determinants of firm value in Indonesian food and beverage companies, highlighting that firms with higher leverage tend to adopt more conservative financial strategies. Although the study focuses on firm value, its findings are relevant to dividend policy, as financial stability and profitability jointly influence managerial decisions regarding profit allocation. This supports the argument that high profitability does not automatically lead to higher dividend payouts when firms prioritize long-term financial resilience.

According to Mnune (2019), the Dividend Payout Ratio is a financial decision related to the policy of whether the profits earned by the company will be paid to shareholders in the form of dividends or retained to strengthen the capital structure. A high Dividend Payout Ratio benefits investors because of the large dividends, but it can weaken a company's finances. Conversely, a low DPR strengthens a company's finances but can discourage investor interest.

Corporate profitability is closely linked to solvency conditions and working capital management. Empirical evidence from Indonesian listed companies shows that higher debt exposure affects a firm’s ability to generate sustainable profit growth. A study published in the *Indonesian Financial Review* examining PT Betonjaya Manunggal Tbk over the 2012–2023 period finds that the Debt to Asset Ratio significantly influences profit growth, while working capital turnover plays a complementary role in enhancing operational efficiency. These findings suggest that firms facing higher debt pressure tend to manage profitability more conservatively, prioritizing financial stability over aggressive profit distribution. This evidence is relevant to dividend policy analysis, as constrained profit growth and higher solvency risk may encourage firms to retain earnings rather than increase dividend payouts.

Dividend Policy Theories

Dividend policy decisions are closely related to several foundational theories in corporate finance. **Agency Theory** suggests that dividends can reduce agency conflicts by limiting free cash flow available for managerial discretion. Firms with higher leverage tend to prioritize debt obligations, thereby reducing dividend payments.

Pecking Order Theory explains that firms prefer internal financing over external financing. High profitability does not necessarily increase dividend distribution, as retained earnings are often used to finance future investments. Meanwhile, **Signaling Theory** posits that dividend payments convey information about future prospects. However, in capital-intensive firms, profitability signals may be overridden by long-term financing considerations.

Although prior studies have examined the relationship between financial ratios and dividend policy, their findings remain inconclusive. Some studies report positive relationships, while others find no effect or even negative associations. These inconsistencies indicate that dividend policy is highly context-dependent, influenced by firm-specific strategies, industry characteristics, and financing preferences. Therefore, examining a single firm over an extended period provides a more controlled setting to understand the internal mechanisms behind dividend decisions.

Dividend policy decisions are closely related to agency conflicts and signaling mechanisms within firms. From the agency perspective, dividend payments can serve as a mechanism to reduce free cash flow under managerial discretion, particularly in firms with higher leverage. Empirical evidence from Indonesian listed companies supports this argument. Zelpani and Budi (2025), in their study on PT Gudang Garam Tbk, demonstrate that leverage and profitability significantly influence managerial financial decisions, where higher Debt to Equity Ratios tend to constrain dividend-related policies due to creditor monitoring and agency considerations. Furthermore, from a signaling perspective, their findings suggest that profitability signals may be subordinated to long-term financial stability, especially in capital-intensive firms. This indicates that dividend policy reflects not only performance signals but also agency-driven financing priorities.

Based on the conceptual framework of this study, it illustrates the relationship between Debt to Equity Ratio, Net Profit Margin as independent variables, and Dividend Payout Ratio as dependent variables. Therefore, the hypothesis proposed in this study is as follows:

H1 : It is suspected that there is a partial influence of the Debt to Equity Ratio on the Dividend Payout Ratio.

H2 : It is suspected that there is a partial influence of Net Profit Margin on the Dividend Payout Ratio.

H3 : It is suspected that there is a simultaneous influence of Debt to Equity Ratio and Net Profit Margin on the Dividend Payout Ratio.

Research Methods

This type of research is descriptive quantitative, which functions to explain the relationship between independent variables, namely Debt to Equity Ratio and Net Profit Margin, and the dependent variable, namely Dividend Payout Ratio in the company PT Mayora Indah Tbk. The data used is secondary data from the financial reports of PT Mayora Indah Tbk for twelve years (2013-2024) through the company's official website and the research time required is from September 2024 to July 2025.

The population used in this study is the financial statements of PT Mayora Indah Tbk for 2013-2024, with the sample used being the balance sheet report, profit and loss statement and statement of changes in equity. Purposive sampling technique was used in sample selection, with the main criteria being the completeness and availability of relevant financial data for each year.

To ensure more focused measurement of each research variable, operational definitions and indicators were established. Table 1 displays the operationalization of the independent variables, namely the Debt-to-Equity Ratio (DER) and Net Profit Margin (NPM), and the dependent variable, the Dividend Payout Ratio (DPR). Each variable is explained conceptually and measured using specific indicators referenced in the relevant literature.

Table 1 Operasional Variables

Variables	Definition	Indicator
Debt to Equity Ratio (X_1)	To show how much the owner's capital is able to cover the debt to the owner.	$\frac{Total\ Debt}{Total\ Equity}\ X\ 100\%$

Net Profit Margin (X_2)	To assess a company's ability to generate profits from revenue, reflecting management's efficiency in managing costs and revenue.	$\frac{Net\ Profit}{Sales} X\ 100\%$
Dividend Payout Ratio (Y)	To show and assess the results of the comparison between cash dividends per share and earnings per share.	$\frac{Dividend}{Net\ Profit} X\ 100\%$

Source: Sugiyono (2019)

The data collection technique used in this study is the browsing technique to search for information by thoroughly searching various sources to increase the material related to the research object, namely in the form of the financial report of PT Mayora Indah Tbk for the 2013-2024 period by downloading it from the company's official website, namely www.mayoraindah.co.id. and also using library techniques, which are data collection techniques, where researchers bring together various data or information from a number of references that are closely related to the research object and topic.

The data analysis techniques in this study are descriptive statistical tests, multiple regression analysis tests, t tests, F tests and coefficient of determination tests (R2) using SPSS software version 25. Multiple linear regression was selected as the analytical tool because it allows for the simultaneous examination of multiple independent variables and their individual effects on dividend policy. Given the relatively stable corporate structure and consistent reporting practices of PT Mayora Indah Tbk, this method is considered appropriate to capture long-term financial relationships within a single firm context.

Results and Discussions

According to Sugiyono (2018:147), descriptive statistics provide a picture or description of data that appears from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution skewness). In quantitative research, descriptive analysis is aligned into the form of tables, curves or diagrams as a foundation to be explained narratively and descriptively for easy understanding.

Descriptive Statistic

Table 2 Descriptive Statistic

Variable	N	Minimum	Maximum	Mean	Std. Deviation
DER	12	56,20	150,97	98,0833	29,75423
NPM	12	2,91	10,31	7,4267	1,96424
DPR	12	11,77	89,76	33,7417	20,41424
Valid N (listwise)	12				

Source: Data processed using SPSS version 25 output

Descriptive statistics show that the independent variable Debt to Equity Ratio (DER) has a minimum value of 56.20 and a maximum of 150.97, with an average value of 98.08 and a standard deviation of 29.75. These findings indicate significant differences in the company's capital structure throughout the study period. These differences indicate that PT Mayora Indah Tbk has used low to high levels of leverage in several years, influenced by financial strategy, funding needs, and market conditions.

Descriptive statistics show that the independent variable, Net Profit Margin (NPM), had the lowest value of 2.91 and the highest value of 10.31, with an average of 7.43 and a standard deviation of 1.96. This finding indicates relatively moderate variations in profitability throughout the study period. These differences indicate that PT Mayora Indah Tbk experienced changes in net profit margin driven by variations in efficiency and market dynamics.

Descriptive statistics show that the dependent variable, Dividend Payout Ratio (DPR), has a minimum value of 11.77 and a maximum value of 89.76, with a mean of 33.74 and a standard deviation of 20.41. This indicates significant variation in dividend distribution levels during the study period. This variation indicates that PT Mayora Indah Tbk experienced changes in dividend policy due to profitability dynamics and management decisions.

Multiple Linear Regression Test

This model is conducted to see how much influence the independent variables have on the dependent variables, namely Debt to Equity Ratio and Net Profit Margin on the Dividend Payout Ratio of PT Mayora Indah Tbk.

Table 3 Multiple Linear Regression Test

Variable	Unstandardized B	Std. Error	t-value	Sig.
(Constant)	131,506	26,472	4,968	,001
DER	-,342	,150	-2,284	,048

NPM	-8,644	2,270	-3,809	,004

Source: Data processed using SPSS version 25 output

In the table mentioned above, the findings for the multiple linear regression analysis test are as follows:

$$Y = 131{,}506 - 0{,}342\ DER - 8{,}644\ NPM + e$$

Hypothesis Testing

t test

The purpose of this test is to understand whether the independent variable has an independent influence on the dependent variable. In this study, to determine the ttable value, it is determined at a significance level of 5% (a = 0.05), with df = n – k – 1

Table 4 t test

Variable	t value	t-table (a=0,05)	Sig.
(Constant)	4,968	2,262	,001
DER	-2,284	2,262	,048
NPM	-3,809	2,262	,004

Source: Data processed using SPSS version 25 output

Based on a significance value of 0.05 and df = n-k-1, the t table value is 2.262. The table above shows that: Debt to Equity Ratio (X1) on Dividend Payout Ratio (Y) as seen that the calculated t value is -2.284 > 2.262, which means tcount > ttable. With a significance value of 0.048 < 0.05. Thus, independently or partially, the Debt to Equity Ratio (X1) variable has an influence on Dividend Payout Ratio (Y). The influence of Net Profit Margin (X2) on the Dividend Payout Ratio (Y) is shown by the calculated t value of -3.809 > 2.262, which means that tcount > ttable. With a significance value of 0.004 < 0.05. Thus, independently or partially, the Net Profit Margin (X2) variable also has an influence on the Dividend Payout Ratio (Y).

F test

The F-test aims to understand and determine whether the independent variables, namely the Debt to Equity Ratio (X1) and Net Profit Margin (X2), have a simultaneous influence on the dependent variable, namely the Dividend Payout Ratio (Y). The significance level in the F-test is 5% or 0.05.

Table 5 F test

Model	Df	Mean Square	F	Sig.
Regression	2	1445,561	7,684	,011[b]
Residual	9	188,144		
Total	11			

Source: Data processed using SPSS version 25 output

The F-test results table obtained an F count of 7.684 > 4.26, which means the F count value > F table. The significance value was found to be 0.011 < 0.05. This means that the Debt to Equity Ratio (X1) and Net Profit Margin (X2) variables simultaneously have a significant influence on the Dividend Payout Ratio (Y).

Coefficient of Determination Test (R2)

Based on the number of independent variables used in the study, the coefficient of determination test is listed in the Adjusted R Square table value section and is shown as a percentage (%). The goal is to determine and understand the level at which the dependent or connected variable can be simultaneously triggered by the possible size of the independent or free variable. A relatively low coefficient of determination indicates that the independent or free variable is inadequate or limited in its ability to describe the fluctuations of the dependent variable.

Table 6 Coefficient of Determination Test (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,794[a]	,631	,549	13,71548

a. Predictors: (Contant), NPM, DER
b. Dependent Variable: DPR

Source: Data processed using SPSS version 25 output

The independent variables, namely Debt to Equity Ratio and Net Profit Margin, have a coefficient value with a Dividend Payout Ratio of 0.549, as shown in Table 4.16. This means that the independent variables have an impact of 54.9% on the dependent variable, and other additional variables not included in this study have an impact of 45.1%.

This study found that, partially, both capital structure and profitability had a significant negative effect on the dividend policy of PT Mayora Indah Tbk. A high Debt-to-Equity Ratio limits the company's ability to distribute dividends because it increases the financial burden. Conversely, despite increasing net profit, the significant negative effect of Net Profit Margin indicates management's tendency to retain a significant portion of profits for internal financing or expansion, resulting in lower dividend income.

Overall, these results indicate that increases in leverage and profitability do not automatically translate into increases in the Dividend Payout Ratio. Dividend policy depends more on a company's decision to balance internal capital needs with investor demands. This finding aligns with several previous studies that highlight differences in partial effects between companies, influenced by corporate strategy and the surrounding macroeconomic conditions.

Discussion

This study offers a clear empirical and methodological novelty in examining dividend policy behavior in Indonesian listed companies. Unlike most previous studies that rely on cross-sectional or multi-firm panel data, this research employs a long-term single-firm longitudinal approach covering a twelve-year period (2013–2024) at PT Mayora Indah Tbk. This design allows for a deeper investigation of internal financial decision-making dynamics by minimizing inter-firm heterogeneity and revealing patterns that may not be observable in short-term or multi-firm analyses. The results show that both the Debt to Equity Ratio (DER) and Net Profit Margin (NPM) have a significant negative effect on the Dividend Payout Ratio (DPR), both partially and simultaneously. While these findings are broadly consistent with prior studies, this research explicitly clarifies why previous results appear mixed or insignificant, particularly when leverage and profitability are observed over a longer time horizon within the same firm.

The negative relationship between profitability and dividend payout identified in this study can be explained through solvency considerations. Evidence from Indonesian firms reported in the *Indonesian Financial Review* indicates that higher debt intensity, as reflected by the Debt to Asset Ratio, constrains profit growth and encourages firms to adopt more conservative financial strategies (Dianti, 2024; *The Influence of Debt to Asset Ratio and Working Capital Turnover on Profit Growth at PT Betonjaya Manunggal Tbk, 2012–2023*). This condition suggests that profitability is often allocated to strengthen internal financial capacity and support operational continuity rather than to increase dividend distribution. Consequently, dividend policy becomes part of a broader strategy to balance profitability, solvency risk, and long-term sustainability.

The negative effect of the Debt to Equity Ratio on the Dividend Payout Ratio supports the findings of Ompusunggu et al. (2022) and David et al. (2023), who argue that firms with higher leverage tend to reduce dividend distribution due to the obligation to prioritize debt repayment and interest expenses. The novelty of the present study lies in demonstrating that this leverage constraint remains persistent and statistically significant even in a large, mature, and consistently dividend-paying consumer goods company, thereby extending prior evidence beyond sectoral or pooled samples.

Consistent results are also reported by Safii and Surahman (2023), who find that companies with higher debt exposure tend to limit dividend payments to preserve liquidity and fulfill debt obligations. This similarity indicates that the dividend policy of PT Mayora Indah Tbk reflects a broader pattern among Indonesian listed firms, where leverage reduces managerial flexibility in allocating profits to shareholders.

The leverage–dividend relationship can further be explained by firm value considerations. Dianti (2024) provides evidence that higher leverage significantly reduces Economic Value Added (EVA), signaling increased financial risk and tighter financial constraints. Under such conditions, firms tend to prioritize risk control and value preservation rather than shareholder distribution. Dividend payments are therefore restrained as part of a broader trade-off strategy between maintaining financial stability and meeting shareholder expectations, strengthening the argument that leverage plays a central role in shaping conservative dividend policies in Indonesian firms.

From an agency and signaling perspective, the findings of this study are also aligned with prior evidence. Zelpani and Budi (2025) show that in highly leveraged firms, profitability is often directed toward maintaining financial stability rather than increasing shareholder payouts. Higher leverage intensifies creditor monitoring and reduces free cash flow available for discretionary distribution, thereby limiting dividend payments and reinforcing agency-based explanations of dividend policy.

Similarly, the negative relationship between Net Profit Margin and Dividend Payout Ratio indicates that profitability is strategically retained as internal financing. This result is consistent with findings in the food and beverage sector reported by Susilawati (2025), who highlights that profitability interacts with solvency considerations in shaping corporate financial policies. This study advances existing literature by explicitly showing that profitability can exert a negative effect on dividend payouts when internal financing priorities dominate, challenging the conventional assumption of a uniformly positive profitability–dividend relationship.

However, the results differ from those reported by Khoiruzaid et al. (2024) and Prabowo (2020), who found no significant effect of leverage on dividend policy. The present study contributes novel insight by demonstrating that such discrepancies are largely attributable to differences in research design and observation horizon. While previous studies predominantly employed cross-sectional or multi-firm panel data, this research adopts a long-term single-firm framework, allowing leverage effects to emerge more clearly over time.

The study also confirms that Net Profit Margin has a significant negative effect on the Dividend Payout Ratio, supporting the findings of Rafika (2019) and Ganar (2018). However, unlike the conventional assumption that higher profitability leads to higher dividend payouts, this study demonstrates that increased profitability is associated with lower dividend distribution. This finding provides a unifying explanation for earlier inconclusive results reported by Kevin et al. (2019) and Nuraeni (2023).

Further supporting this interpretation, Lubis and Hena (2025) demonstrate that profitability in Indonesian firms is more strongly associated with firm value enhancement than with direct shareholder distribution. In addition, Budhiarjo et al. (2025) show that capital structure decisions influence profitability management, reinforcing the view that dividend policy is the outcome of an integrated financial strategy involving leverage control, profitability allocation, and long-term value creation.

From a theoretical standpoint, these findings are consistent with the pecking order theory, which posits that firms prioritize internally generated funds to support operational expansion and long-term sustainability. Evidence from Indonesian firms published in the *Indonesian Financial Review* further confirms that profitability is frequently used to strengthen internal financing capacity rather than to increase dividend payments, particularly in firms with long-term growth strategies.

Finally, the simultaneous effect of DER and NPM on DPR aligns with the findings of Anton et al. (2018) and Khoiruzaid et al. (2024). The adjusted R-square value of 54.9% constitutes an additional empirical contribution, indicating that more than half of dividend policy variation can be explained by leverage and profitability when analyzed jointly within a single-firm longitudinal setting.

Overall, the key novelty of this study lies in its ability to reconcile inconsistent prior findings by demonstrating that the effects of leverage and profitability on dividend policy become theoretically coherent and empirically robust when examined through a long-term, firm-specific lens. By employing a twelve-year single-company analysis in the Indonesian consumer goods sector, this research extends dividend policy literature beyond descriptive associations and provides more nuanced evidence on how internal financing priorities shape dividend decisions in emerging market firms.

Conclusions

This study aimed to understand the effect of the Debt-to-Equity Ratio and Net Profit Margin on the Dividend Payout Ratio at PT Mayora Indah Tbk during the 2013-2024 period, both partially and simultaneously. The following are the conclusions of this study:

First, The Debt to Equity Ratio was partially proven to have a significant negative effect on the Dividend Payout Ratio at PT Mayora Indah Tbk during the 2013-2024 period. This is reflected in the statistical test results, with a calculated t-value of -2.284, which is greater than the t-table of 2.262, and a significance level of 0.048 < 0.05. This finding indicates that the higher the leverage level, the lower the company's ability to distribute dividends due to the burden of debt and interest that must be prioritized. In other words, a capital structure that relies too heavily on debt can suppress dividend distribution rates.

Second, Net Profit Margin was also shown to have a significant negative effect on the Dividend Payout Ratio partially at PT Mayora Indah Tbk for the 2013-2024 period. This is supported by the t-count of -3.809, which is greater than the t-table of 2.262, with a significance value of 0.004 <0.05. This condition indicates that the net profit obtained is not fully allocated for dividends, but rather is used more as internal funds or expansion, resulting in a decrease in the dividend distribution rate. Thus, increased profitability does not necessarily align with an increase in the Dividend Payout Ratio.

Third, Simultaneously, Debt to Equity Ratio and Net Profit Margin have a significant influence on the Dividend Payout Ratio at PT Mayora Indah Tbk for the 2013-2024 period. This is indicated by the calculated F value of 7.684, which is greater than the F table of 4.26

with a significance level of 0.011 < 0.05 and a coefficient of determination of 54.9%. This means that 54.9% of the variation in the Dividend Payout Ratio can be explained by these two variables, while the remaining 45.1% is influenced by other factors outside this study, such as revenue growth, cash flow, company size, and managerial policies implemented.

This study contributes to the dividend policy literature by demonstrating that profitability and leverage effects on dividend decisions are not universally positive and depend heavily on corporate financial strategy. Practically, the findings provide guidance for managers and investors in understanding how internal financing priorities may override short-term dividend expectations, particularly in capital-intensive consumer goods firms.

The researchers offer several recommendations that are expected to provide useful input for relevant parties, considering the findings of this study and the limitations mentioned above. These recommendations include: For Practitioners, given that the Debt-to-Equity Ratio and Net Profit Margin variables have been shown to have a significant impact on the Dividend Payout Ratio, companies are expected to focus more on their capital structure and profitability performance. A company's ability to distribute dividends will increase if management carefully and prudently manages its debt structure and strives to improve operational efficiency.

For Investors, before making investment decisions, investors are encouraged to consider financial indicators such as the Debt-to-Equity Ratio and Net Profit Margin if they wish to benefit from dividends. This is because a high Debt-to-Equity Ratio tends to reduce the company's ability to distribute dividends due to its large debt burden. Meanwhile, the Net Profit Margin indicates the company's effectiveness and efficiency in generating profits.

For future researchers, this study used one company and two independent variables. It is recommended that future research include multiple companies from the same or different industrial sectors to obtain more representative results. Furthermore, the addition of other variables could deepen the analysis, improve the quality of the research, and provide insight into the factors that may influence the Dividend Payout Ratio.

Acknowledgements

The author wishes to convey deep appreciation to the Faculty of Economics and Business, Universitas Pamulang, as well as to PT Mayora Indah Tbk for their invaluable support during the completion of this study. Heartfelt thanks are also directed to the academic advisors, thesis examiners, and the author's family for their constructive feedback, encouragement, and unwavering support.

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