A rate of return (profitability) earned by the company is a major source of funding for the company. After obtaining a profit, the company must decide the steps that will be taken concerning the money it has gained; whether to save the money as retained earnings to be used as a venture capital in the future, which may be more profitable, or to distribute the money to the shareholders as dividends. This study aims to investigate the effect of profitability (Return on Investment (ROI), Return on Equity (ROE), and Net Profit Margin (NPM)) toward the dividend payout ratio for the companies listed on the Jakarta Islamic Index (JII) in 2008-2010 and to determine the most dominant variable affecting the Dividend Payout Ratio (DPR) either simultaneously or partially.

Objects in this study are the companies listed on the Jakarta Islamic Index (JII) in 2008-2010. The numbers of samples taken by using purposive sampling are 18 companies. The study uses multiple linear regressions; classic assumption namely normality, multicollinearity, heteroscedasticity, and autocorrelation; and hypothesis test as the method of analysis.

Based on the F test, it is shown that the independent variable namely Return on Investment (ROI), Return on Equity (ROE), and Net Profit Margin (NPM) simultaneously have a significant effect on Dividend Payout Ratio (DPR). It is indicated by the values of the F test which obtains 20.054 with 0.000 as the F significant level obtained. The independent variable is able to explain the dependent variable at 51.9% and the rest, 48.1% is influenced by other variables which are not included in the model. Partially, it is only ROE variable which affects DPR variable with a significance value of t 0.037 < α (5%). Whereas, ROI variable obtains a significance value of t 0.314 > α (5%) and NPM variable obtains a significance value 0.211 > α (5%). Thus, ROI and NPM have no significant influence on DPR. On the other hand, the variable that has the most influence on DPR is ROE. It is indicated by the fact that the variable which gives the biggest contribution value among the three independent variables involved in this study is ROE that is 53.00%.