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FUNDAMENTAL ASPECTS OF THE COMPANY IN INCREASING DIVIDENDS

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ABSTRACT

This study aims to examine the influence of debt policy, free cash flow, profitability, liquidity, and firm size on dividend policy in mining companies listed on the Indonesia Stock Exchange for the period 2019–2023. The sampling method used is purposive sampling with a total of 75 companies. The data processing technique employed is multiple linear regression analysis using the Statistical Package for the Social Sciences (SPSS) version 25. The test results in this study indicate that free cash flow has a positive and significant influence on dividend policy, while debt policy, liquidity, and firm size do not have a significant effect on dividend policy. Meanwhile, profitability has a negative and significant effect on dividend policy.

Keywords: *debt policy, dividend policy, firm size, free cash flow, liquidity, profitability*

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh kebijakan hutang, *free cash flow*, profitabilitas, likuiditas dan ukuran perusahaan terhadap kebijakan dividen pada perusahaan pertambangan yang terdaftar di Bursa Efek Indonesia periode tahun 2019 – 2023. Metode yang digunakan untuk memilih sampel ialah metode *purposive sampling* dengan jumlah 75 perusahaan. Teknik pengolahan data yang digunakan adalah metode regresi linier berganda dengan menggunakan bantuan aplikasi *Statistical Package for the Sosial Sciencess* (SPSS) versi 25. Hasil pengujian dalam penelitian ini menunjukkan bahwa *free cash flow* memberikan pengaruh positif dan signifikan terhadap kebijakan dividen, namun kebijakan hutang, likuiditas dan ukuran perusahaan justru tidak memberikan pengaruh yang signifikan terhadap kebijakan dividen. Sementara itu pada profitabilitas memiliki pengaruh negatif dan signifikan terhadap kebijakan dividen.

Kata Kunci: kebijakan hutang, kebijakan dividen, ukuran perusahaan, *free cash flow*, likuiditas, profitabilitas

A. INTRODUCTION

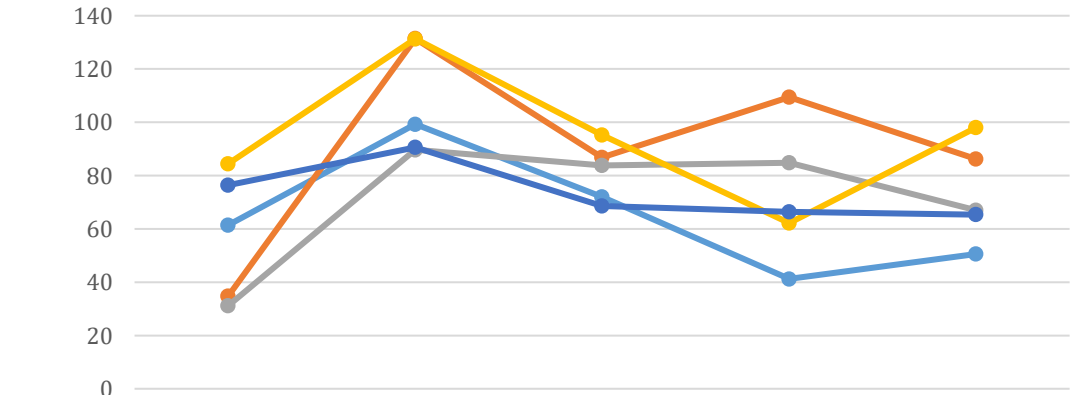
A company basically consists of a group of individuals who have a common goal in building and running the business. The main objective of the company is to obtain profits generated through operational activities and incidental activities. In an effort to achieve this goal, companies often require funding support from external parties, who in turn expect a return in the form of dividends. Investors or shareholders are a group of individuals who have a share of ownership in the company because they have provided capital as a form of investment. Investment itself is the process of investing in a company with the hope of obtaining future profits. Investors channel their funds with the aim of getting returns in the form of dividends and capital gains. Dividends given by the company to shareholders serve to increase the value of the company's shares as well as indicate the level of liquidity of the company. According to (Lidya & Efendi, 2019) managers who act as representatives of company owners must establish policies aimed at optimizing the company's share price in order to increase value for shareholders.

Shareholders tend to focus on dividends. In the process of making a decision to invest in a company, they consider the dividend policy implemented by the company. Dividend policy refers to a company's decision regarding the distribution of dividends to investors. This policy is determined by the financial manager of the company, taking into account whether the profits generated will be distributed to shareholders or kept to ensure the availability of operational funds in the future. Since shareholders' welfare is important, dividend policy is a crucial aspect to be regulated. However, dividend policy often creates conflicts between managers and shareholders due to differences in information held by the two parties. This conflict is known as the agency problem. In general, managers have a

deeper understanding of various aspects of the company, especially finance, compared to shareholders. This information imbalance is often referred to as asymmetric information.

Conflicts that occur between principals and agents can also cause agency costs. This cost can be minimized by supervising the management in exercising its authority. One form of supervision carried out by shareholders against management is through the cash dividend policy. This policy can be seen through the dividend payout ratio, which is the percentage of company profits distributed to shareholders in cash. The amount of the dividend payout ratio affects shareholders' investment decisions and the company's financial condition. In addition, this ratio can also be a tool to control agency problems.

This research was conducted on mining sector companies which are one of the ten stock sectors listed on the Indonesia Stock Exchange. Subsectors within mining companies include coal mining, natural gas and petroleum production, and mineral and metal mining. During the Covid-19 pandemic, this subsector faced similar challenges, mainly due to the implementation of health protocols and *Pembatasan Sosial Bersakala Besar* (PSBB), which resulted in disruption of production and distribution activities. The following is a graph of the average dividend payout ratio of mining companies during 2019-2023.



	2019	2020	2021	2022	2023
ADRO	61.32	99.3	72.07	41.25	50.62
BSSR	34.7	131.38	86.77	109.35	86.12
BYAN	31.13	89.69	83.89	84.73	66.97
GEMS	84.32	131.35	95.29	62.19	98.1
ITMG	76.39	90.57	68.68	66.48	65.34

Picture 1. Graph of Average Dividend Payout Ratio Development in the Mining Sector in 2019-2023
Source: www.tradingview.com

Based on Figure 1 above, we can see that the chart shows the performance of five coal mining companies (ADRO, BSSR, BYAN, GEMS, ITMG) from 2019-2023. In general, 2020 was the peak performance for most companies. GEMS and BSSR recording the highest numbers at 131.35 and 131.38. Conversely, 2022 was the period with the lowest values, especially for ADRO (41.25) and GEMS (62.19). By 2023, some companies, such as GEMS and ADRO, begin to show improvement, although they are still below their peaks. The overall trend shows fluctuations influenced by global market dynamics, with GEMS and BSSR emerging as the strongest performers over the past five years. ITMG, on the other hand, has faced a consistent decline since 2020.

Previous research conducted by (Sudiartana & Yudantara, 2020) shows several fundamental aspects of the company that can affect dividend policy, including firm size variables and profitability with SIZE and ROA indicators, each of which reflects the company's financial stability and shows its profitability. According to research by (Sari & Budiasih, 2016) also shows several aspects that can affect dividend policy, namely managerial ownership variables and free cash flow with MJRL and FCF indicators, each of which reflects the level of alignment between managers and shareholders and shows the company's financial ability to pay dividends.

Research that discusses the relationship between the influence of firm size, profitability, managerial ownership, and free cash flow on dividend policy includes several studies, according to researches by (Prastya & Jalil, 2020); (Dewi & Muliati, 2021); (Atmoko, Defung, & Tricahyadinata, 2017) revealed that firm size has a positive effect on dividend policy. According to (Nurfatma & Purwohandoko, 2020) reveals that firm size has a negative effect on dividend policy. Meanwhile, according to (Devi & Mispiyanti, 2020); (Idawati & Sudiartha, 2014) shows no effect on dividend policy.

According to researches by (Utama & Gayatri, 2018); (Prastya & Jalil, 2020); (Ginting, 2018); (Anggraeni & Riduwan, 2020); (Devi & Mispiyanti, 2020); (Dewi & Muliati, 2021); (Idawati & Sudiartha, 2014); (Ratnasari & Purnawati, 2019) revealed that profitability has a positive effect on dividend policy. Research by (Nurfatma & Purwohandoko, 2020) revealed that profitability has a negative effect on dividend policy. Meanwhile, according to (Hardi & Andestiana, 2018) profitability has no effect on dividend policy. Research conducted by (Firdaus, Mujino, & Rinofah, 2020) reveals that managerial ownership has no influence on dividend policy. According to researches by (Sidharta & Nariman, 2021); (Firdaus et al., 2020) states that free cash flow has a positive effect on dividend policy. However, in research by (Utama & Gayatri, 2018); (Nurfatma & Purwohandoko, 2020); (Prastya & Jalil, 2020) revealed that free cash flow has no effect on dividend policy.

Based on the phenomena described and the results of various previous studies, the variables analyzed still show mixed results, so further research needs to be carried out. Researchers decided to replace the managerial ownership variable by adding debt policy and liquidity research variables, both of which are relevant because they affect the allocation of funds between dividend payments and debt obligations and can show the company's direct ability to pay dividends. By considering these problems and background, researchers are interested in raising a research topic entitled "Fundamental Aspects of the Company in Increasing Dividends".

B. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signal Theory

Signal theory is a concept that explains that information regarding the distribution of cash dividends by companies to investors can be an important consideration (Sudiartana & Yudantara, 2020). According to (Utama & Gayatri, 2018) this information serves as an indication or sign regarding the company's future prospects. This condition arises due to the existence of information inequality (asymmetric information) between company managers and investors. Therefore, dividend policy is seen by investors as a signal regarding the opportunities and prospects that the company has in the future.

Signaling theory is an important foundation in understanding dividend policy as a communication mechanism between management and investors. Dividend policy is used to reduce uncertainty, provide information about financial conditions, and increase trust and firm value. This theory is relevant in various studies on dividends as it helps explain how financial policies can influence market perceptions.

Agency Cost Theory

According to (Sari & Budiasih, 2016) when supervising and monitoring manager behavior, shareholders must be willing to spend monitoring costs called agency costs. Agency cost theory provides a strong theoretical basis in explaining the importance of dividend policy as a means to reduce conflict between management and shareholders. By distributing dividends, companies can control opportunistic management behavior, reduce agency costs, and increase investor confidence.

Life Cycle Theory

According to (Ramandini & Yuyetta, 2019) Life cycle theory states that in dividend payments, larger companies will pay higher dividends than growing companies. The company's dividend policy follows the life cycle of the company. In life cycle theory, a good dividend policy is one that directs the company to distribute its free cash flow throughout the company's life cycle. This theory states that the more mature a company is and if the company already has internal funds that exceed investment opportunities, the dividends distributed by the company will be higher.

Dividend Policy

According to (Anggraeni & Riduwan, 2020) dividend policy focuses on profit allocation, namely how much is distributed as dividends to shareholders and how much is kept to support the company's internal needs. Dividend distribution aims to maximize shareholder welfare, encourage investment interest in the capital market, evaluate company performance based on the amount of dividends, and become a means of communication between management and shareholders. In addition, dividend payments are often considered an indicator of a company's future growth and prospects.

The Effect of Debt Policy on Dividend Policy

According to (Hardi & Andestiana, 2018) the relationship between debt policy and dividend policy which is positive indicates that the greater the debt policy, the greater the use of debt compared to equity in the company's funding structure. Increased dividend payments encourage opportunities to obtain additional capital from external sources, including debt. Meanwhile, there are several studies showing that debt policy has no effect on dividend policy, including research conducted by (Anggraeni & Riduwan, 2020); (Sidharta & Nariman, 2021). Based on this explanation, the hypothesis that can be formulated is as follows:

H1*: Debt Policy has a positive effect on Dividend Policy*

The Effect of Free Cash Flow on Dividend Policy

According to (Sari & Budiasih, 2016) shows that free cash flow has a positive influence on dividend policy. This finding indicates that an increase in free cash flow will be followed by an increase in dividend payments. This is in line with researches by (Firdaus et al., 2020); (Sidharta & Nariman, 2021) which explains that the higher the free cash flow, the greater the probability of dividend payments, and vice versa. However, there are also several studies that show that free cash flow has no effect on dividend policy, namely in researches by (Utama & Gayatri, 2018); (Nurfatma & Purwohandoko, 2020); (Prastya & Jalil, 2020). Based on this explanation, the hypothesis that can be formulated is as follows:

H2*: Free Cash Flow has a positive effect on Dividend Policy*

The Effect of Profitability on Dividend Policy

According to (Sudiartana & Yudantara, 2020) shows that profitability has a positive influence on dividend policy. This finding indicates that the size of the profit profit obtained by the company will contribute to the influence on the size or size of the dividend distribution payment. If the profit owned by the company is large, the dividends that must be distributed are also large, and vice versa. This is in line with researches by (Utama & Gayatri, 2018); (Prastya & Jalil, 2020); (Ginting, 2018); (Anggraeni & Riduwan, 2020); (Devi & Mispiyanti, 2020); (Dewi & Muliati, 2021); (Idawati & Sudiartha, 2014); (Ratnasari & Purnawati, 2019). However, these results contradict research conducted by (Hardi & Andestiana, 2018) which shows that profitability has no effect on dividend policy. Based on this explanation, the hypothesis that can be formulated is as follows:

H3: *Profitability has a positive effect on Dividend Policy*

The Effect of Liquidity on Dividend Policy

According to (Ratnasari & Purnawati, 2019) menunjukkan shows that liquidity has a positive influence on dividend policy. This finding indicates that a high current ratio value reflects the company's ability to manage current assets and pay off current liabilities effectively, thus allowing the profits earned to be distributed as dividends. The high level of company liquidity illustrates a better ability to pay off maturing debt, which in turn increases the amount of dividends that can be distributed. This is in line with research by (Idawati & Sudiartha, 2014) which shows an influence on dividend policy. However, this research is not in line with (Sudiartana & Yudantara, 2020); (Nurfatma & Purwohandoko, 2020); (Prastya & Jalil, 2020); (Ginting, 2018); (Anggraeni & Riduwan, 2020); (Devi & Mispiyanti, 2020); (Dewi & Muliati, 2021) which shows no effect on dividend policy. Based on this explanation, the hypothesis that can be formulated is as follows:

H4: *Liquidity has a positive effect on Dividend Policy.*

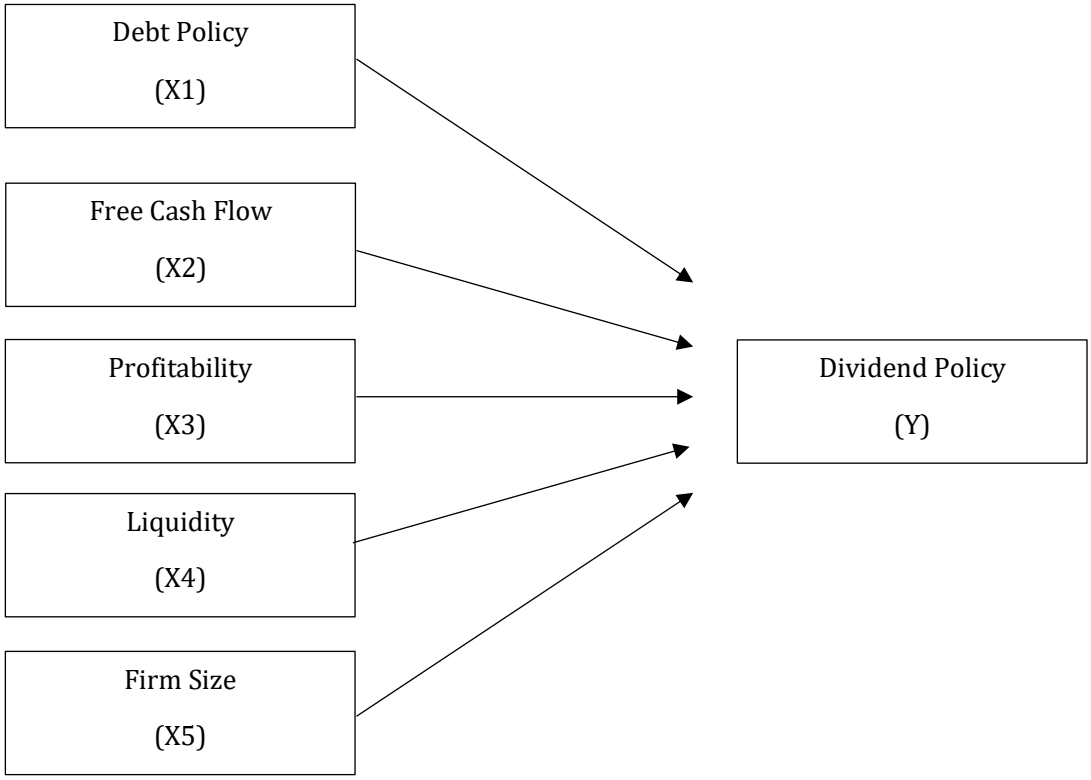
The Effect of Firm Size on Dividend Policy

According to (Dewi & Muliati, 2021) shows that firm size has a positive influence on dividend policy. This finding indicates that companies with large assets and good growth tend to signal the ability to generate significant profits, so the likelihood of dividends distributed is also higher. This is in line with (Prastya & Jalil, 2020); (Atmoko et al., 2017) which shows an influence on dividend policy. However, this result contradicts with (Devi & Mispiyanti, 2020); (Idawati & Sudiartha, 2014) which shows no influence on dividend policy. Based on this explanation, the hypothesis that can be formulated is as follows:

H5: *Firm Size has a positive effect on Dividend Policy*

Research Framework

The model in this study can be described through the following illustration:



Picture 2. Research Framework
Source: Researcher

C. RESEARCH METHODS

This research applies quantitative methods. Quantitative methods refer to research whose main data are in the form of numbers and are analyzed with statistical techniques. According to (Sugiyono, 2019) this method is based on the philosophy of positivism and is used to research certain populations or samples. Data collection is carried out using research instruments, while data analysis is carried out by quantitative statistical methods. The purpose of this research is to test the hypothesis that has been set

Scope

The data used in this study were obtained from the company's audited annual reports and financial statements, which are available on the Indonesia Stock Exchange website. This study uses secondary data as a source of information. Data was collected through the website www.idx.com by taking the financial statements of companies in the mining sector as a research sample covering the period 2019 to 2023.

Population and Sample

The population in this study includes all mining companies listed on the Indonesia Stock Exchange (IDX). This research uses purposive sampling method, namely sampling based on predetermined criteria. The selected sample meets the following criteria:

1. Mining companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023.
2. Mining companies that consistently pay dividends during the observation period.
3. Mining companies that have complete data relevant to all research variables for the period 2019-2023.

According to information obtained from the Indonesia Stock Exchange, there are 52 companies listed in the mining sector. These companies are then filtered again according to predetermined criteria. So that 15 companies were selected from a total of 52 companies listed on the Indonesia Stock Exchange that qualified as samples. Given that the research period lasted for 5 years, the number of samples used in this study was 75 samples.

Variables

Dividend Policy

Dividend policy in this study is measured by the Dividend Payout Ratio (DPR) indicator which refers to (Wiagustini, 2010). The following below is the formula table

$$Dividend\ policy = \frac{Dividend\ per\ share}{Earnings\ per\ share}\ x\ 100\%$$

Debt Policy

Debt policy in this study is measured by the Debt to Equity Ratio (DER) indicator which refers to (Hery, 2016). The following below is the formula table:

$$Debt\ to\ Equity\ Ratio\ (DER) = \frac{Total\ Debt}{Total\ Equity}\ x\ 100\%$$

Free Cash Flow

Free cash flow in this study is measured by the FCF percentage indicator which refers to (Sari & Budiasih, 2016). The following below is the formula table:

FCF = Cash flow from operation – (net capital expenditure + change working capital)

$$FCF\ Prosentase = \frac{FCF}{Total\ Assets}\ x\ 100\%$$

Profitability

Profitability in this study is measured by the Return on Assets (ROA) indicator which refers to (Wiagustini, 2010). The following below is the formula table:

$$Return\ on\ Assets\ (ROA) = \frac{Net\ profit\ after\ tax}{Total\ Assets}\ x\ 100\%$$

Liquidity

Liquidity in this study is measured by the Current Ratio (CR) indicator which refers to (Ginting, 2018). The following below is the formula table:

$$Curremt\ Ratio\ (CR) = \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}\ x\ 100\%$$

Firm Size

Firm size in this study is measured by the SIZE indicator, which refers to (Dewi & Muliati, 2021). The following below is the formula table:

$$Company\ size\ \ (SIZE) = Ln\ (Total\ Assets)$$

Data Analysis Method

The data analysis method used in this research is multiple linear regression analysis using the help of data management tools in the form of Statistical Package for Sosical Sciences 25.0 (SPSS). The multiple linear regression model can be formulated in the following equation:

DPR = = α0 + β1 DER + β2 FCF + β3 ROA + β4 CR + β5 SIZE + e

Description:
DPR = *Dividen Payout Ratio*
α0 = Constant
β1 = Regression Coefficient
X1 = Debt to Equity Ratio (DER)
X2 = Free Cash Flow (FCF)
X3 = Profitability (ROA)
X4 = Liquidity (CR)
X5 = Firm Size (SIZE)

Data Analysis Technique

The data analysis techniques used in this study are descriptive statistic analysis, normality test, heteroscedasticity test, autocorrelation test, and multicorrelation test. Hypothesis testing in this study uses multiple linear regression analysis, T test, F test, and coefficient of determination test.

D. RESULTS AND DISCUSSION

Overview

The purpose of this study is to analyze and evaluate the effect of debt policy, free cash flow, profitability, liquidity, and firm size on dividend policy. This study takes mining companies listed on the Indonesia Stock Exchange (IDX) as the object of study, with an observation period of five years, namely 2019 to 2023. Based on the predetermined sample criteria, 15 companies met the requirements from a total of 52 mining companies listed on the IDX during that period. Thus, the total observations used in this study amounted to 75. In the data management process, data transformation is carried out using the Square Root (SQRT) method to meet the normal distribution requirements in the normality test. After the data was managed, five outlier data were found, so the final amount of data analyzed in this study was 70 observations.

Data Analysis

Descriptive Statistic Analysis

Descriptive statistic analysis aims to present an overall picture of the data, which includes information such as the average value (mean), standard deviation, as well as the highest (maximum) and lowest (minimum) values (Ghozali, 2018). The results of data processing using SPSS produce a summary of descriptive analysis as follows:

Table 1. Descriptive Statistic Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout Ratio	70	.0000	1.5000	.557890	.4299252
Debt to Equity Ratio		.3589	2.2712	.882223	.4668045
Free Cash Flow		1.0000	1.4461	1.224976	.0812812
Return on Assets		1.0000	1.3023	1.206733	.0708094
Current Ratio		.7645	2.8063	1.471127	.4569143
SIZE		18.5040	31.4456	22.017668	3.4967931

Source: Data Processed by Researcher, 2024

After transforming the data using the SQRT method and eliminating outliers in 70 observational data, the results of descriptive statistical analysis are obtained as follows: (1) Debt to Equity Ratio (Debt Policy) variable Average of 0.882223, with a minimum value of 0.3589, a maximum value of 2.2712, and a standard deviation of 0.4668045. (2) Variable Free Cash Flow (FCF) Average of 1.224976, with a minimum value of 1.0000, a maximum value of 1.4461, and a standard deviation of 0.0812812. (3) Variable Return on Assets (Profitability) The average reached 1.206733, with a minimum value of 1.0000, a maximum value of 1.3023, and a standard deviation of 0.0708094. (4) Current Ratio (Liquidity) variable has an average of 1.471127, a minimum value of 0.7645, a maximum value of 2.8063, and a standard deviation of 0.4569143. (5) Firm Size Variable Average of 22.017668, with a minimum value of 18.5040, a maximum value of 31.4456, and a standard deviation of 3.4967931. (6) Dividend Payout Ratio (Dividend Policy) variable has an average of 0.557890, a minimum value of 0.0000, a maximum value of 1.5000, and a standard deviation of 0.4299252.

Multiple Linear Regression Analysis

Multiple linear regression method is used because there are several independent variables that are analyzed to measure their impact on the dependent variable. This technique also allows researchers to determine the pattern of the relationship between these variables, whether the relationship formed shows a positive or negative direction (Ghozali, 2018). The results of data processing using SPSS produce a summary of multiple linear regression analysis as follows:

Table 2. Multiple Linear Regression Analysis

	Coefficient (B)	**t-Stat**	**Sig.**
Constant	3.405	3.836	.000
Debt to Equity Ratio	-.215	-1.938	.057
Free Cash Flow	1.989	2.152	.035
Return on Assets	-4.007	-5.074	.000
Current Ratio	-.307	-1.840	.070
SIZE	.009	.693	.491

Source: Data Processed by Researcher, 2024

The multiple linear regression method is used to evaluate whether the hypothesis formulated can be accepted or rejected using the regression coefficient value as an indicator. Based on the data in the table, the resulting multiple linear regression model is formulated as follows:

$$Y = 3{,}405 - 0{,}215X_1 + 1{,}989X_2 - 4{,}007X_3 - 0{,}307X_4 + 0{,}009X_5 + e$$

Description:
X1 = Debt to Equity Ratio (DER)
X2 = Free Cash Flow (FCF)
X3 = Return on Assets (ROA)
X4 = Current Ratio (CR)
X5 = SIZE

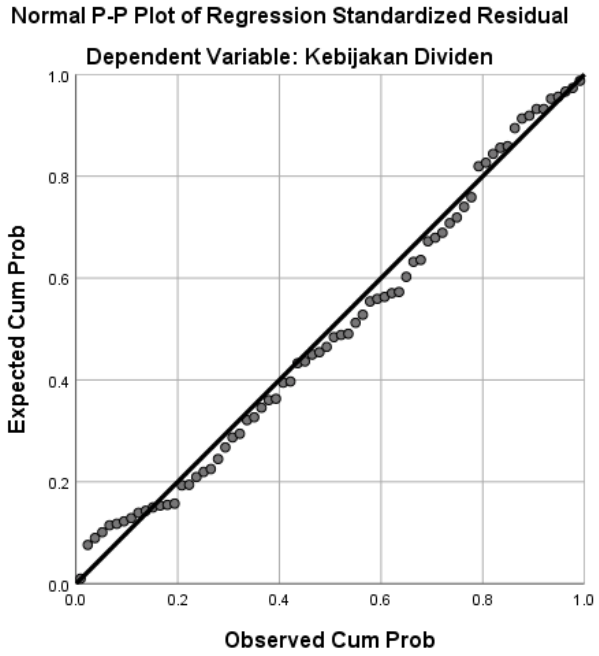
This equation describes the relationship between the dependent variable (Y) and the five independent variables (X_1 to X5). The coefficient of each variable shows how much influence each independent variable has on the dependent variable, either in a positive or negative direction, assuming that other factors remain unchanged.

Classic Assumption Test

The classic assumption test was used to ensure that the linear regression model used produces valid, unbiased, and efficient estimates where there are several main tests, namely normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test (Ghozali, 2018).

Normality Test

The normality test aims to test whether the residual data in the regression model is normally distributed. Residual normality is one of the important assumptions in regression analysis, because the regression estimation results are only valid if the residuals follow a normal distribution (Ghozali, 2018). (Ghozali, 2018) suggests using the Kolmogorov-Smirnov test and graph visualization to evaluate residual normality. Meeting the normality assumption allows regression results to be more valid and interpretations to be more accurate.



Picture 3. *P-P Plot* Graph
Source: Data Processed by Researcher, 2024

The scattered data follows the diagonal line and is near it indicating that the data has a normal distribution. This shows that the data has met the criteria for normality. To strengthen the conclusion of the graph, statistical testing is also carried out using the *Kolmogorov-Smirnov* non-parametric method. If the resulting significance value (Sig) is greater than 0.05, then the data is considered normally distributed and can be used to build regression models. Normality testing using the *Kolmogorov-Smirnov* method is as follows:

Table 3. Normality Test of *Kolmogorov-Smirnov* Method

N	70
Asymp. Sig. (2-tailed)	.200

Source: Data Processed by Researcher, 2024

Based on the results of the *Kolmogorov-Smirnov* statistic test after removing outliers, 0.200 was obtained. Since 0.200 is greater than 0.05, it can be concluded that the data follows a normal distribution.

Multicollinearity Test

The Multicollinearity test is used to detect a very strong linear relationship between two or more independent variables in the regression model. If there is high multicollinearity, the estimated regression coefficients can be unstable and can cause errors in drawing conclusions (Ghozali, 2018). The results of data processing using SPSS produce a summary of the multicollinearity test as follows:

Table 4. Multicollinearity Test

	Tolerance	VIF
Debt to Equity Ratio	.654	1.529
Free Cash Flow	.310	3.229
Return on Assets	.559	1.789
Current Ratio	.300	3.329
SIZE	.901	1.110

Source: Data Processed by Researcher, 2024

The multicollinearity test results show that the tolerance value for each independent variable is greater than 0.10 and the VIF obtained is smaller than 10. This indicates that there is no multicollinearity between the independent variables, in accordance with the criteria where multicollinearity does not exist if the VIF is less than 10 and the tolerance value is greater than 0.10.

Autocorrelation Test

The autocorrelation test is used to detect a correlation between residuals (errors) in one regression model and another, which should be independent of each other (Ghozali, 2018). The results of data processing using SPSS produce a summary of the autocorrelation test as follows:

Table 5. Autocorrelation Test

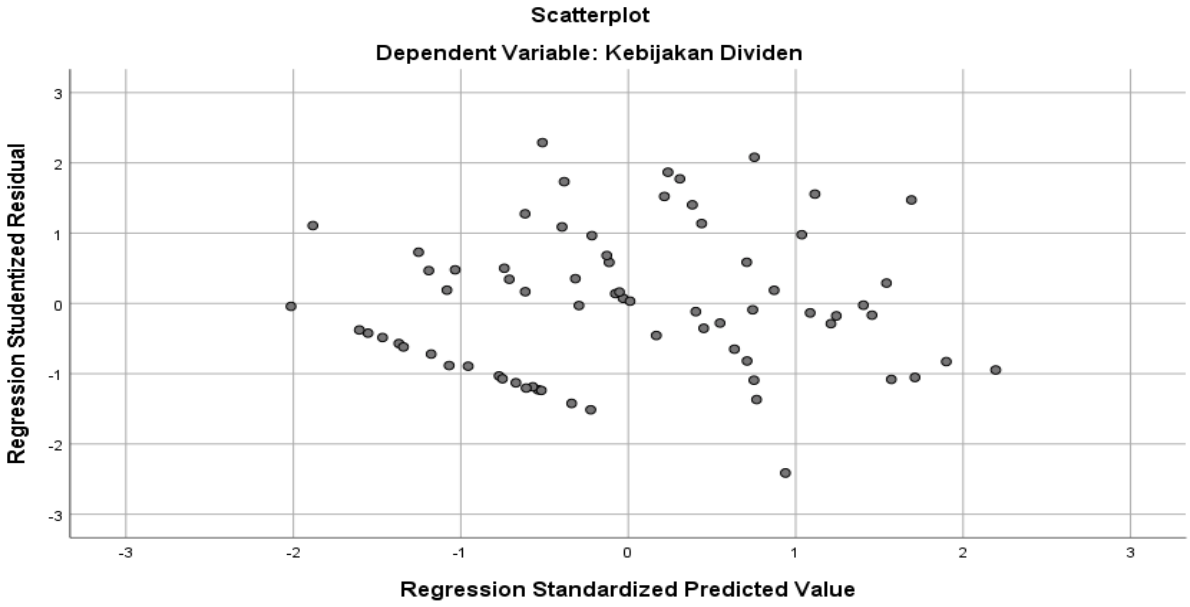
Durbin – Watson	1.824

Source: Data Processed by Researcher, 2024

The autocorrelation test results above show the *Durbin-Watson* value obtained is 1.824 which is in the range 1.7683 < 1.824 <2.2317. Thus, it can be concluded that no autocorrelation occurs. The value of 1.7683 is the upper limit (dU) listed in the *Durbin-Watson* table, while 2.2317 is obtained from the calculation of 4 minus dU (4-1.7683).

Heteroscedasticity Test

The heteroscedasticity test aims to check whether the variance of the residuals in the regression model is inconsistent. One of the basic assumptions in linear regression is that the variance of the residuals (errors) should be fixed or homogeneous (homoscedasticity). If the variance of the residuals varies or is not constant, this can lead to the emergence of heteroscedasticity problems, which can affect the efficiency of estimating regression coefficients and reduce prediction accuracy (Ghozali, 2018).



Picture 4. Scatterplot Graph
Source: Data Processed by Researcher, 2024

The scatterplot graph shows that the data is randomly distributed around the number 0 on the Y axis, without any clear pattern. This condition indicates that the regression model does not experience heteroscedasticity problems.

R^2 Test

The coefficient determination test (R2) is a measure used in regression analysis to indicate how well the regression model explains the variation in the dependent variable (Ghozali, 2018). The following below are the results of the SPSS summary:

Table 6. R^2 test

Adjusted R Square	.347

Source: Data Processed by Researcher, 2024

The R Square value reaches 0.347. This shows that 34.7% of variations in dividend policy can be explained by debt policy variables, free cash flow, profitability, liquidity, and firm size. Meanwhile, the remaining 65.3% is influenced by other factors outside the scope of the variables examined in this study.

F Test

The f test is used to test whether the regression model as a whole has a significant relationship between the independent variable and the dependent variable. In other words, this test evaluates whether the independent variables jointly affect the dependent variable (Ghozali, 2018). The following below is the result of the SPSS summary:

Table 7. F test

F Value	Sig.
8.346	0.000

Source: Data Processed by Researcher, 2024

The significance value of the f test shows a result of 0.000, which is smaller than 0.05. This indicates that the independent variables, namely debt policy, free cash flow, profitability, liquidity, and firm size, simultaneously have a significant influence on dividend policy in mining companies. Thus, the research model used can be considered valid for further analysis.

T Test

The t test is used to test the significance of the effect of each independent variable on the dependent variable in linear regression analysis. In the context of research, this test helps determine whether an independent variable has a statistically significant relationship with the dependent variable (Ghozali, 2018). The results of data processing using SPSS produce a summary of the t test as follows:

Table 8. T test

	Coefficient (B)	t-Stat	Sig.
(Constant)	3.405	3.836	.000
Debt to Equity Ratio	-.215	-1.938	.057
Free Cash Flow	1.989	2.152	.035
Return on Assets	-4.007	-5.074	.000
Current Ratio	-.307	-1.840	.070
SIZE	.009	.693	.491

Source: Data Processed by Researcher, 2024

The results of hypothesis testing using the t test are shown as follows:

Analysis of the effect of debt policy on dividend policy shows a negative coefficient value with a significance value of 0.057 which is greater than 0.05. These results indicate that debt policy does not have a significant effect on dividend policy. Analysis of the effect of free cash flow on dividend policy shows a positive coefficient value with a significance value of 0.035, which is greater than 0.05. These results indicate that free cash flow has a significant positive effect on dividend policy. Analysis of the effect of profitability on dividend policy shows a negative coefficient value with a significance value of 0.000 which is greater than 0.05. These results indicate that profitability has a significant negative effect on dividend policy. Analysis of the effect of liquidity on dividend policy shows a negative coefficient value with a significance value of 0.070 which is greater than 0.05. These results indicate that liquidity has no effect on dividend policy. The analysis of the effect of firm size on dividend policy shows a positive coefficient value with a significance value of 0.491, which is greater than 0.05. These results indicate that firm size has no effect on dividend policy.

Discussion

1. The Effect of Debt Policy on Dividend Policy

The analysis results show that the debt policy variable has a coefficient of -0.215 with a significance level of 0.057, which is greater than 0.05. This shows that debt policy has no effect on dividend policy. Companies with a capital structure that involves shareholders and creditors not only prioritize the interests of lenders in fulfilling their obligations, but also pay attention to the interests of shares through dividend distribution (Anggraeni & Riduwan, 2020). This finding contradicts with research by (Hardi & Andestiana, 2018) which concluded that debt policy affects dividend policy. This result is consistent with (Sidharta & Nariman, 2021) which found that debt policy has no effect on dividend policy.

2. The Effect of Free Cash Flow on Dividend Policy

The results of the analysis show that the free cash flow variable has a coefficient of 1.989 with a significance level of 0.035 which is smaller than 0.05. This shows that free cash flow has a positive and significant effect on dividend policy. An increase in free cash flow will apparently encourage an increase in dividend distribution (Sari & Budiasih, 2016). This finding contradicts with research by (Utama & Gayatri, 2018); (Nurfatma & Purwohandoko, 2020); (Prastya & Jalil, 2020) which concluded that free cash flow has no effect on dividend policy. These results are consistent with (Firdaus et al., 2020); (Sidharta & Nariman, 2021) which found that free cash flow has a positive and significant effect on dividend policy. This finding is in line with the signaling theory where increasing dividend payments are usually interpreted as a positive indicator for investors, indicating that the company has strong cash flow and confidence in the potential for future profits.

According to signaling theory, when a company issues dividends, management is sending a message to the market that they are confident in the sustainability and financial strength of the company. With abundant free cash flow, the company can provide higher dividends, which are considered a reflection of good performance. According to Agency Cost Theory, the greater the free cash flow, the higher the incentive to pay dividends, in order to reduce

conflicts between managers and shareholders and control the use of company cash. According to the Life Cycle Theory, the more mature the company, the greater the free cash flow, and the higher the likelihood of the company paying dividends. So, higher free cash flow at the maturity stage is one of the main indicators in dividend decision making, because the company no longer has many attractive investment opportunities.

3. The Effect of Profitability on Dividend Policy

The results of the analysis show that the profitability variable has a coefficient of -4.007 with a significance level of 0.000 which is smaller than 0.05. This shows that profitability has a negative and significant effect on dividend policy. The negative relationship between return on assets and dividend payout ratio reflects that a decrease in company profitability has implications for reducing dividends that can be distributed to shareholders (Atmoko et al., 2017). This finding contradicts with (Sudiartana & Yudantara, 2020); (Utama & Gayatri, 2018); (Prastya & Jalil, 2020); (Ginting, 2018); (Anggraeni & Riduwan, 2020); (Devi & Mispiyanti, 2020); (Dewi & Muliati, 2021); (Idawati & Sudiartha, 2014); (Ratnasari & Purnawati, 2019) which concluded that profitability has a positive and significant effect on dividend policy. These results are consistent with (Nurfatma & Purwohandoko, 2020) which found that profitability has a negative and significant effect on dividend policy.

4. The Effect of Liquidity on Dividend Policy

The analysis results show that the liquidity variable has a coefficient of -0.307 with a significance level of 0.070 which is greater than 0.05. This shows that liquidity has no effect on dividend policy. Although the current ratio should reflect the availability of cash to pay dividends, this ratio can also give a negative perception, which ultimately does not affect the company's dividend policy (Ginting, 2018). This finding contradicts with (Ratnasari & Purnawati, 2019); (Idawati & Sudiartha, 2014) which shows that liquidity has a positive and significant effect on dividend policy. These results are consistent with (Sudiartana & Yudantara, 2020); (Nurfatma & Purwohandoko, 2020); (Prastya & Jalil, 2020); (Anggraeni & Riduwan, 2020); (Devi & Mispiyanti, 2020); (Dewi & Muliati, 2021) which found that liquidity has no effect on dividend policy.

5. The Effect of Firm Size on Dividend Policy

The analysis results show that the firm size variable has a coefficient of 0.009 with a significance level of 0.491 which is greater than 0.05. This shows that firm size has no influence on dividend policy. This shows that the sales value of a company does not guarantee that the company will distribute dividends (Devi & Mispiyanti, 2020). This finding contradicts with (Dewi & Muliati, 2021); (Prastya & Jalil, 2020); (Atmoko et al., 2017) which shows that firm size has a positive and significant effect on dividend policy. These results are consistent with (Idawati & Sudiartha, 2014) which found that firm size has no effect on dividend policy.

E. CONCLUSSION AND RECOMMENDATION

This study shows that free cash flow has a positive and significant effect on dividend policy. In contrast, debt policy, liquidity, and firm size do not show a significant effect on dividend policy. On the other hand, profitability has a significant negative relationship with dividend policy. In this study there are also limitations that can be considered for further researchers, which is the observation duration only covers five years (2019-2023), which may lead to less representative data due to potential inconsistencies over the period. The research sample size is relatively small, covering only 15 of the 52 companies that pay dividends, so companies that do not pay dividends are not represented. The presence of outliers in the data requires transformation using the SQRT (Square Root) method after several normalization attempts. There is a suggestion that can be considered and utilized for future researchers, namely that the number of independent variables be expanded or moderating variables added to produce more accurate and in-depth findings. In addition, it is important to consider internal factors such as institutional ownership and company growth (growth), as well as external factors such as dividend taxes and applicable legal regulations.

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