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The Influence Of Free Cash Flow, Profitability and Growth Opportunity On Dividend Policy

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Abstract. *Dividends are one of the returns expected by shareholders apart from capital gains. Dividend distribution to investors gives a positive signal to investors for making investment decisions. The aim of this research is to analyze and explain the influence of free cash flow, profitability and growth opportunity on dividend policy. The number of samples in this research was 33 mining sector companies in 2018-2022. Data collection uses non-participant observation methods. The data analysis technique used is multiple linear regression analysis. The results of the analysis show that free cash flow has a significant positive effect on dividend policy, profitability has a significant positive effect on dividend policy and growth opportunity has a significant negative effect on dividend policy. The theoretical implication of this research is to provide knowledge and strengthen dividend policy theories related to free cash flow, profitability and growth opportunity. The practical implication of this research is that information on profitability and free cash flow produced by the company is used by the company to determine future investment directions or distribute dividends to investors as a form of good perception in the eyes of investors.*
Keywords: *Dividend Policy, Free Cash Flow, Profitability, Growth Opportunity*

1. INTRODUCTION

Mining companies usually operate in the form of an integrated business, which means the companies work together to carry out activities in the fields of production, exploration, construction and processing. Companies can also operate separately as separate businesses. Mining companies have a significant contribution to all areas of life in Indonesia. The results of a survey conducted by the United States Geological Survey (USGS), Indonesia was placed in sixth position in the world in terms of abundant mining resources, followed by perfect geological and natural conditions. This shows that Indonesia is a country rich in minerals and natural resources (Maulana et al., 2022).

In a country's economic growth, the mining sector has a major contribution to various aspects ranging from Foreign Direct Investment (PMA), Domestic Investment (PMDN), export activities, foreign exchange earnings, state income and gross domestic product. The mining

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sector has the potential to reduce unemployment and requires large funds, so companies will really need funds from investors to meet these funds (Sulistiawati et al., 2019).

Data from the Investment Coordinating Board (BKPM) The investment realization value for downstreaming for the January – September 2023 period is IDR 193.9 trillion, covering five sectors. The five sectors are the basic metal industry sector, metal goods, non-machinery and equipment worth IDR 56.7 trillion, the second is the mining sector worth IDR 41.9 trillion, the third is the transportation, warehouse and telecommunications sector worth IDR 40.9 trillion, the fourth is the chemical industry sector and pharmaceuticals worth IDR 28.7 trillion, the five housing sectors, industrial areas and offices worth IDR 25.5 trillion (Ministry of Investment, 2023).

The mining sector is an important part of Indonesia's development. Over the years, this industry has become an important part of the country's income (Risqi & Suyanto, 2022). Based on data from the Central Statistics Agency (BPS), in 2022 the mining and quarrying sector contributed 12.22 percent to national economic growth, increasing from the previous 8.98 percent in 2021 and 6.44 percent in 2020. In 2022, 93 companies were recorded on the Indonesian Stock Exchange in the mining sector. Data reported from the Indonesian Stock Exchange as of December 2022, total assets of mining companies reached 1,345.5 trillion, up 32.96 percent from 1,011.9 trillion in 2021.

Mining companies were chosen because they have different characteristics from other industries (Risqi & Suyanto, 2022). amidst the decline in share prices during the COVID-19 pandemic, the performance of share issuers in the mining sector was recorded as resilient compared to other sectors. Based on Indonesia Stock Exchange (IDX) statistics, the share price of the mining sector can grow by 23.69 percent compared to other sectors, even growing to become the only industry that does not experience losses even though it previously experienced a decline at the end of 2020.

Mining companies are also experiencing a positive trend as shown in terms of profitability. Of the 93 companies listed on the Indonesia Stock Exchange (BEI), the average mining company realized profits above 50 percent even though it was hit by the Covid-19 storm. There were 48 mining companies that realized profits in 2020. or 51.16 percent of mining companies are still profitable, this positive trend continues in 2021 and 2022 with 59 companies and 61 companies in the mining sector recording profits respectively.

The average ROA of mining companies was 1.07 percent in 2018, -0.47 percent in 2019, 0.15 percent in 2020, 4.07 percent in 2021, and 6.88 percent in 2022. In 2019 The mining index grew negatively, there were several factors contributing to this negative growth. Henan Putehry Securities analysts see the decline in the performance of the coal industry index in 2019 as being caused by an excess supply of coal on the global market. On the other hand, Artha Sekuritas analysts see coal issuers intensifying the mining index trend due to the sharp decline in coal prices in 2019 which put pressure on selling prices and margins .(Diana, 2023).

Prices of mining products in 2020 have experienced significant changes. Several mining commodities experienced price increases which increased the value of Indonesian mining exports by US$ 9.19 billion or 40.36 percent of the total amount of Indonesian mining exports. Apart from that, the biggest export growth was crude oil which jumped 463.39 percent yoy to US$ 2.23 billion due to increasing demand and skyrocketing crude oil prices.

Mining companies also consistently distribute dividends. Throughout the 2018-2022 period, mining companies on average distributed dividends of more than 10 percent per year, in 2018 it was 10.76 percent, 13.32 percent in 2019, 15.38 percent in 2020, 14.83 percent in 2021 and 19.54 percent in 2022. This Dividend Payout Ratio (DPR) shows the company's commitment and consistency in returning capital from investors in the form of dividends.

Investors consider the return of capital invested in shares in the form of capital gains and dividends (Kustina & Safitri, 2019). Capital gains are profits resulting from increases in share prices, while dividends are part of a company's profits given to shareholders. However, not all profits are given to shareholders because some are used for investment and business development.

Investors really need information about companies obtained through company financial reports and assessments of stock developments to reduce possible risks in the future. This is due to investment risks and investment characteristics that cannot be predicted (Meidiawati, 2016).

When investing, investors not only want capital gains, but also other profits in the form of dividends. Investors really need information about the company's dividend policy so that understanding this dividend policy can determine whether investors will invest their funds or invest in other companies .(Narayanti & Gayatri, 2020).

Dividend policy is a form of corporate action and is a company's commitment to provide a portion of the profits it earns to its shareholders. On the other hand, the dividend policy made by company management can show that the company has good prospects for the future.

The dividend policy of a company is important for investors for two main reasons. The first reason is that dividend payments affect company value through the company's share price.

Brigham & Houston (2019: 501)stated dividend policy is an action taken by company management that shows investors how management views the company's prospects. Signaling theory explains information asymmetry between management and parties with an interest in information. Information asymmetry occurs because management has more information, the company must provide information as a signal to investors to avoid information asymmetry.

Outside parties can provide positive and reliable financial information to reduce information asymmetry, which can increase credibility and business success (Brigham & Houston, 2019). Signaling theory explains how a company can inform users of financial reports, especially investors who will make investments. This signal can indicate management actions to fulfill investor desires.

Widiantari & Candradewi (2021)Dividend policy is considered a signal for investors when they assess a company. If the nominal dividend paid is high, then the value of the company is of course also high and conversely, the nominal dividend paid is low, then the value of the company is of course also low. The second reason is that retained earnings are the largest and most important source of internal capital for the company. If dividends are paid to shareholders, investors will feel more profitable as company owners but the company's internal cash will decrease, which means less money is available for investment and operating activities.

The Dividend Payout Ratio (DPR) value, which is the part of a company's net profit that is distributed as dividends, can be used to view and calculate a company's dividend policy. According to the Limited Liability Company Law (UU PT) Number 40 of 2007, all net profits after deducting the allowance for reserves as intended in Article 70 paragraph (1) are given to shareholders as dividends, unless determined differently at the GMS. Therefore, it can be concluded that all net profit which has been reduced by reserves is included in dividends.

DPR data for mining companies in 2022. The highest dividend payout ratio is owned by PT Petrosea Tbk. (PTRO) namely 188.91 percent, then followed by PT Golden Eagle Energy Tbk. (SMMT) of 160.87 percent, PT Bukit Asam Tbk. (PTBA) of 100.28 percent, PT Elnusa Tbk. (ELSA) of 99.62 percent. The lowest dividend payout in 2022 is owned by PT RMK Energy Tbk. (RMKE) of 7.87 percent.

*Bird in the Hand Theory*states that dividends distributed to shareholders will attract investors because dividends are more stable and certain than capital gains(Sintyana & Artini, 2018). In determining dividend policy, there are many important factors that must be considered by the company. From all these factors, the company will look at significant factors that will influence dividend policy.Baker et al. (2019)stated that there are 11 factors that influence a company's decision to provide dividends, namely past dividends, profitability, investment opportunities, concentrated ownership, net working capital, firm size, investor preference, earnings, free cash flow, corporate governance and industry type.Le*et al.*(2019)in his research in the ASEAN region there are 3 factors that influence dividend payments, namely free cash flow, leverageand growth opportunities. Based on previous empirical results, this research aims to replicate the research carried out by Le et al. (2019) with 3 factors that have an influence on dividend payment policies, namely free cash flow, profitability and growth opportunity.

*Free cash flow*be considered by company managers in making decisions regarding dividend policy. Free cash flow reflects the positive free cash flow available for business activities after allowance for funding and investment needs (Subramanyam, 2017). *Free cash flow*is the company's free cash flow that can be given to shareholders as dividends or given to creditors outside of cash flow for business operations. This is in line with the bird in the hand theory which states that companies pay dividends when the company has free cash flow and investors prefer payments in the form of dividends because they are more certain than capital gains. Free cash flow is used by shareholders as a measure to determine how well the company is performing in returning profits (Putri & Wirakusuma, 2022).Dewi et al. (2018) states The amount of cash available from operations after investment in net operational working capital and fixed assets is referred to as free cash flow. Problems between managers and shareholders often arise as a result of this free cash flow. There are differences in interests between the two parties that cause this to happen. Management/managers want to use this free cash flow to develop the company, but on the other hand, investors generally want large dividend returns (Sidharta & Nariman, 2021).

The results of research conducted bySidharta & Nariman (2021)states that the free cash flow variable has the most positive and significant influence on dividend policy. The results of other research conducted byLestari (2017) states that the free cash flow variable has the most significant positive influence on dividend policy when compared to other research variables. Research results byHapsari (2021) states that the free cash flow variable has the most significant positive influence on dividend policy. These results are in line with research conducted by Guizani (2017) states that free cash flow is the variable that has the most significant positive influence on the dividend payout ratio in companies registered on the Gulf Co-operation Council (GCC) country stock exchanges.

The second factor that influences dividend policy is profitability. The ability of a business to generate profits or profits is known as profitability. The higher a company's ability to generate profits, the better the company's future prospects in the eyes of investors (Kasmir, 2018:196). Profitability shows how well a company can generate profits using all the assets it has, which is the basis for paying dividends. Good profitability shows that all assets owned by the company can generate profits. Conversely, poor profitability indicates that all the assets owned by the company cannot generate profits.

Profitability is defined as a company's ability to generate profits, considered the most important factor. Companies are considered successful in running a business if they can generate high profits. (Soewignyo, 2020). Companies that generate profits are willing to pay larger dividends as proof of good financial performance (Oktaviani & Mulya, 2018). Based on signaling theory, companies pay dividends to tell investors that the company has succeeded in making money and has good prospects for the future. The amount of company profits will influence the amount of dividends distributed. If the company announces an increase in dividends, investors will consider the company's current and future conditions to be relatively good. (Sugiyanthi et al., 2020). Profitability is an absolute variable that a company needs if it wants to distribute dividends (Utama and Gayatri, 2018). Company profitability in this research is measured by return on assets (ROA). Return on assets (ROA) shows the results of the number of assets used by a company. A higher ratio value indicates that the company is considered to have the ability to optimize the assets it owns to generate profits (Artati, 2020).

The results of research conducted byRatnasari & Purnawati (2019) states that the profitability variable has the most positive and significant influence on dividend policy. Results of research conducted by Krishna (2020) states that the profitability variable has the most significant positive influence on dividend policy. Research results byBashir Tijjani & Sani (2016) states that the profitability variable has a significant positive effect on dividend policy. These results are in line with research conducted by Lee et al. (2022) states that the profitability variable that has the most significant positive influence is the dividend payout ratio in companies listed on the Vietnamese Stock Market.

The third factor that influences dividend policy is growth opportunity. Growth opportunity is the hope of all parties, both internal and external, which is expected to be able to provide a positive signal because there is an investment opportunity. This is in line with signaling theory, for investors the prospect of a company with high growth opportunities is a signal indicating that the company will provide profits because it is hoped that the investment that has been made will provide a high return in the future.

*Growth opportunities*can be projected through asset growth, Simbolon (2017) Fast growing companies must increase their assets. Therefore, a business with a high growth rate will require greater funds in the future to develop its business, because the company will retain a lot of profits to support its growth. Thus, the higher the growth rate of a company, the more funds it will need to develop its business, so that the dividends paid by the company will be smaller.

Research resultFanani Damayanti & Anwar (2022) shows that the growth opportunity variable has the most significant positive influence on dividend policy. Research results byHartawan & Lestari (2021) shows that the growth opportunity variable has the most significant positive influence on dividend policy. These results are in line with research conducted byLu et al. (2021) shows that growth opportunity has a significant positive effect on the dividend payout ratio in companies listed on the Chinese stock market.

Based on the explanation above, there are several things that differentiate this research from previous research, as well as the contribution of this research. First, this research wants to reexamine the relationship between the free cash flow, profitability and growth opportunity variables and dividend policy. Therefore, it is of interest to examine how these variables impact mining companies listed on the IDX. Second, this research plays a role in developing research related to factors that influence dividend policy using companies that generate positive profits every year over a 5 year period. Third, this research provides development in terms of the observation period as in research (Veronika, 2022) which uses the 2019-2021 period, while this research uses the observation period, namely 2018-2022. Fourth, this research uses 33 companies as research samples. This is in line with suggestions from researchWulandari et al. (2018) who hopes to increase the research sample for future researchers. The larger the sample, the more likely it is to reflect the population.

Conceptual Framework

Based on theoretical studies and empirical studies regarding the relationship between variables, the research concept can be explained through the following conceptual framework.

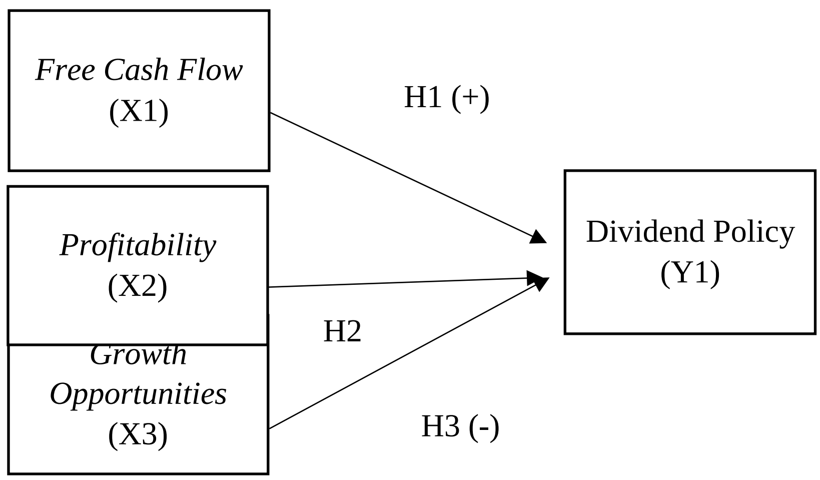

Figure 1. **Conceptual Framework**

Based on the conceptual framework in Figure 1, it can be explained that the independent variables Free cash flow (X1), Profitability (X2) and Growth opportunity (X3) influence the dependent variable (Y), namely Dividend Policy.

Research Hypothesis

The Influence of Free Cash Flow on Dividend Policy

*Free cash flow*is the cash flow available to a company in an accounting period, after deducting operational costs and other expenses. The more free cash flow there is in an organization, the more likely it is to pay dividends to shareholders (Main & Gayatri, 2018). The increase in dividends that will be given to shareholders will be shown by an increase in free cash flow (Kafata & Hartono, 2018). This is in line with the bird in the hand theory which states that investors prefer payment of profits or returns in the form of dividends because they are more certain than capital gains, so companies with positive free cash flow will have the ability to pay good dividends. Companies that have the ability to pay good dividends, this is a positive signal for investors in accordance with signaling theory which considers dividend payments to be a positive signal from the company for investors in making investment decisions. (Irawan & Apriwenni, 2021). Companies with free cash flow are considered to have high financial flexibility, so they have a high probability of distributing dividends in the hope of reducing agency problems that may occur due to using free cash flow (Prastya & Jalil, 2020).

Research by Rochmah & Ardianto (2020) which tested the influence of dividend premium and free cash flow on dividend policy in 186 samples of manufacturing companies listed on the Indonesia Stock Exchange (BEI) found that free cash flow significantly positively influenced dividend policy. Similar results were found in research byJournalist & Foundation (2017),Bahri (2017), Ananzonwu et al. (2018), Baker et al. (2019), Le et al. (2019)which states that increasing a company's free cash flow has a significant positive effect on the amount of dividends paid. Based on theoretical and empirical studies, the following hypothesis can be formulated from this research.

H1: Free cash flow has a significant positive effect on dividend policy

Effect of Profitability on Dividend Policy

Dividends are part of a company's net profit, which means dividends will be distributed to shareholders if the company makes a profit. The company's net profit will greatly influence the level of dividends, and if the company's profits increase, the company will be more able to pay dividends to its shareholders (Chandra & Darmayanti, 2022). Research byWidyo Iswara (2017) shows that if the profitability of a company is high, then the dividends that will be paid to shareholders will also be high, thereby explaining that if the level of profitability in the company is good it will give a positive signal in accordance with signaling theory. Good company profitability will be a reference for shareholders in making investment decisions.

Research conducted byJasman & Kasran (2017), Perwira & Wiksuana (2018), Ginting (2018) shows that profitability has a positive effect on dividend policy. Based on theoretical and empirical studies, the following hypothesis can be formulated from this research.

H2: Profitability has a significant positive effect on dividend policy

The Influence of Growth Opportunity on Dividend Policy

Dividend policy is influenced by several factors, one of which is company growth. The faster a business grows, the more funds it will need to finance its future expansion. A high sales growth rate will result in greater internal financing and new investment opportunities (Gunawan & Harjanto, 2019). Rather than providing dividends to shareholders, companies prefer to retain profits. This statement is in accordance with Modigliani Miller's theory, where companies can choose to distribute dividends or retain their profits.

In research conducted byLe et al. (2019) found that growth opportunities had a significant negative effect on dividend payment policies in capital markets in three ASEAN countries (Malaysia, Indonesia, and Thailand) from 2012 to 2016. The results showed that businesses in developing and developed countries made financial investments by the same one. The larger the size or growth of a company, the more likely it is that profits will be retained rather than distributed in the form of dividends. Similar results were also found in research conducted byBaker et al. (2019), Jaara et al. (2018), Al-Kayed (2017) and Jabbouri (2016) who in his research found that growth opportunity had a significant negative effect on dividend policy. Based on theoretical and empirical studies, the following hypothesis can be formulated from this research.

H3: Growth opportunity has a significant negative effect on dividend policy

2. RESEARCH METHODS

This research is included in the type of quantitative research. Quantitative research is carried out using data in the form of numbers as a tool for analyzing a phenomenon. This research focuses on mining industry companies listed on the IDX as research subjects to examine the research object, namely the value of dividend policy. This research uses four types of variables, namely the dependent variable in the form of dividend policy (Y), the independent variable in the form of free cash flow (X1), profitability (X2), and growth opportunity (X3). In this research, researchers examine the relationship between the independent variables (free cash flow, profitability and growth opportunity) and the dependent variable (dividend policy).

3. RESULTS AND DISCUSSION

Data Analysis Results

Classic assumption test

1) Normality test

The method used to determine the normality of the regression model in this research is the One Sample Kolmogorov-Smirnov Test. Data distribution is declared normal if the significance value of the One Sample Kolmogorov-Smirnov Test is > 0.05. It can be seen in Table 1 below.

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residuals
N			142
Normal Parameters, b	*Mean*		.0000000
	Std. Deviation		.16079077
Most Extreme Differences	*Absolute*		,081
	Positive		,081
	Negative		-.043
Statistical Tests			,081
Asymp. Sig. (2-tailed)			.024c
Monte Carlo Sig. (2-tailed)	*Sig.*		.293d
	99% Confidence Interval	*Lower Bound*	,281
		Upper Bound	.304

Source:(Data processed, 2024)

Based on the normality test results shown in Table 1 above, it can be seen that the Kolmogorov-Smirnov value is 0.081 and the Monte Carlo Sig value. Sig.(2-tailed) is 0.293. This shows that the data in the regression model is normally distributed with a Monte Carlo Sig value. (2-tailed) of 0.293 > 0.05. So, this data can be used for further research

2) Autocorrelation Test

The autocorrelation test aims to test whether in linear regression there is a correlation between residual errors in period t and errors in period t-1 (previous). The autocorrelation results in the Durbin Watson test (DW Test) can be seen in Table 2 below.

Table 2. Autocorrelation Test Results

Model Summary b					
Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*

1	.626 a	,392	,379	.16253	1,773

a. Predictors: (Constant), Free cash flow, Profitability, Growth opportunity

b. Dependent Variable: Dividend policy

Source: (Data processed, 2024)

Based on the test results in Table 2, the DW value is 1.773. The sum of these values and the conditions that are met are that the DW value is between the limit or upper bound (du) and (4-du), meaning there is no autocorrelation, namely dU = 1.7691 < 1.773 < (4-du) = 2.227.

3) Multicollinearity Test

Detecting the presence or absence of multicollinearity can be seen from the tolerance value or variance inflation factor (VIF). The value commonly used to indicate the presence of multicollinearity is a tolerance value ≥ 0.10 or the same as a VIF value ≤ 10.

Table 3. Multicollinearity Test Results

Coefficientsa			
		Collinearity Statistics	
Model		*Tolerance*	VIF
1	(Constant)		
	Free Cash Flow	0.641	1,560
	Profitability	0.593	1,685
	Growth Opportunities	0.906	1,104

Source: (Data processed, 2024)

Based on Table 3, it shows that the overall tolerance value for the independent variables has a value greater than 0.10 and for the VIF value for all variables the value is smaller than 10, so it can be concluded that there is no multicollinearity or no correlation between the independent variables.

4) Heteroscedasticity Test

The heteroscedasticity test aims to find out whether in the regression model there is an inequality of variance from the residuals of one observation to another. The Heteroskedasticity Test can be carried out using the White Test.

The results of the heteroscedasticity test can be seen in Table 4 below:

Table 4. Heteroscedasticity Test Results

Model Summary b				
Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.690 a	,477	,454	.15242

a. Predictors: (Constant), X3LNX2, Profitability, X1LNX2, X1X3, Free cash flow, Growth opportunity

Source: (Data processed, 2024)

Based on Table 4, the R square value is 0.477; then the calculated value = 142 × 0.477 = 67.734. Meanwhile, the value of c 2 tables (df = 142 - 1 = 141) is 170.809198. So, based on the description above count < table (67.734 < 70.809198), it can be concluded that this research model is free from symptoms of heteroscedasticity C^2 C^2 C^2

Results of Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the influence of the independent variables, including free cash flow, profitability and growth opportunity, on the dependent variable, namely the mining sector dividend policy listed on the Indonesia Stock Exchange in 2018-2022. The regression results can be seen in Table 5 below.

Table 5. Multiple Linear Regression Test Results

Coefficients[a]						
		Unstandardized Coefficients		*Standardized Coefficients*		
Model		*B*	*Std. Error*	Beta	*t*	*Sig.*
1	(Constant)	0.306	0.052		5,843	0,000
	Free Cash Flow	0.489	0.106	0.381	4,598	0,000
	Profitability	0.059	0.015	0.339	3,938	0,000

Growth Opportunities	-0.097	0.042	-0.162	-2,326	0.021

a. Dependent Variable: Dividend Policy

Source: (Data processed, 2024)

Based on Table 5 above, the regression equation can be stated as follows.

Y = 0.306 + 0.489 X1 + 0.059 X2 - 0.097 X3

The interpretation of the regression equation above is as follows.

1) A constant value of 0.306 indicates that if free cash flow, profitability and growth opportunity are equal to zero, then the dividend policy is 0.306.
2) The value of the regression coefficient A positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.
3) The value of the regression coefficient A positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable.
4) The value of the regression coefficient The negative sign means that it shows the opposite influence between the independent variable and the dependent variable.

Model Feasibility Test

1) Model Feasibility (F Test)

The F test is used to determine the extent to which the independent variable is able to explain the dependent variable, and can explain whether the regression model used is appropriate or not. The results of the F test can be seen in Table 6 below.

Table 6. F Test Results in Anova Table

ANOVAa						
Model		*Sum of Squares*	*Df*	*Mean Square*	*F*	*Sig.*
1	*Regression*	2,349	3	,783	29,636	,000b
	Residual	3,645	138	.026		
	Total	5,994	141			

Source: Data processed, 2024

Based on Table 6 above, it is known that the significant value of F is 0.000 < 0.05, this shows that the regression model used is feasible, so it can be continued for partial testing.

2) t test

The t statistical test basically shows the influence of one explanatory or independent variable individually in explaining variations in the dependent variable. The t test results can be seen in Table 7 below.

Table 7. Results of the t test in the Coefficients Table

Coefficientsa						
		Unstandardized Coefficients		*Standardized Coefficients*		
Model		*B*	*Std. Error*	Beta	*t*	*Sig.*
1	(Constant)	0.306	0.052		5,843	0,000
	Free Cash Flow	0.489	0.106	0.381	4,598	0,000
	Profitability	0.059	0.015	0.339	3,938	0,000
	Growth Opportunities	- 0.097	0.042	-0.162	- 2,326	0.021

a. Dependent Variable: Dividend Policy

Source: Data processed, 2024

Based on Table 7, it can be explained that the results of the t statistical test between each independent variable and the dependent variable are as follows.

a) The t test results show that the variable*free cash flow*has a positive regression coefficient value with a significant value of 0.000 <0.05, so*free cash flow*has a positive effect on the value of mining companies listed on the Stock Exchange in 2018-2022, therefore H1 is accepted. This explains that the bigger it is*free cash flow*so*dividend payout ratio*Mining companies listed on the Stock Exchange in 2018-2022 will experience an increase.
b) The t test results show that the profitability variable is proxied*return on assets*has a positive regression coefficient value with a significant value of 0.000 < 0.05, so that profitability has a positive effect on the value of mining companies listed on the Stock Exchange in 2018-2022, therefore H1 is accepted. This explains that the greater the proxied profitability*return on assets*so*dividend payout ratio*Mining companies listed on the Stock Exchange in 2018-2022 will experience an increase.
c) The t test results show that the variable*growth opportunities*has a negative regression coefficient value with a significant value of 0.021 <0.05, so*growth opportunities*has

a negative effect on the value of mining companies listed on the Stock Exchange in 2018-2022, therefore H1 is accepted. This explains that the bigger it is*growth opportunities*so*dividend payout ratio*Mining companies listed on the Stock Exchange in 2018-2022 will experience a decline.

Discussion of Research Results

The Influence of Free Cash Flow on Dividend Policy

The results of the t test show that free cash flow has a positive effect on the dividend policy of mining sector companies listed on the Stock Exchange in 2018-2022, meaning that the greater the free cash flow, the dividend policy of mining companies listed on the Stock Exchange in 2018-2022 will experience an increase. This is able to strengthen the bird in the hand theory which states that investors prefer payment of profits or returns in the form of dividends because they are more certain than capital gains, so companies with positive free cash flow will have the ability to pay good dividends.

The results of this research support the research of Lestari (2017), Guizani (2017), Hapsari (2021), and Sidharta & Nariman (2021) who found that free cash flow has a positive effect on company dividend policy. This positive direction means that as free cash flow increases, the company's dividend policy will also increase.

*Free cash flow*is the company's free cash flow that can be given to shareholders as dividends or given to creditors outside of cash flow for business operations. This research shows that the increase in free cash flow generated in the previous year shows that the company's prospects for generating profits in the future are also high, so that the dividend policy as reflected in the dividend payout ratio will also increase. This is supported by signaling theory which states that companies can send positive signals to investors through dividend payments.

The Influence of Profitability on Dividend Policy

The t test results show that profitability has a positive effect on the dividend policy of mining sector companies listed on the Stock Exchange in 2018-2022, meaning that the greater the profitability, the dividend policy of mining companies listed on the Stock Exchange in 2018-2022 will experience an increase. This is able to strengthen the signaling theory which states that a company that has high profits is a signal that the company has good prospects in the future so that investors will be interested in companies that have promising prospects by looking at the high value of profitability..

The results of this research support the research of Bashir Tijjani & Sani (2016), Ratnasari & Purnawati (2019), Kresna (2020), and Lee et al. (2022) who found that profitability had a positive effect on the company's dividend policy. This positive direction means that as profitability increases, the company's dividend policy also increases.

Profit is the level of net profit that a company can achieve when carrying out its operations. Profit that is worthy of being distributed to shareholders is profit after interest and tax. This research shows that the increase in profitability resulting from the previous year shows that the company's prospects for carrying out its operations in the future are also high, so that the dividend policy as reflected in the dividend payout ratio will also increase.

The Influence of Growth Opportunity on Dividend Policy

The results of the t test show that growth opportunity has a negative effect on the dividend policy of mining sector companies listed on the Stock Exchange in 2018-2022, meaning that the greater the growth opportunity, the dividend policy of mining companies listed on the Stock Exchange in 2018-2022 will experience a decrease. This can strengthen Modigliani Miller's theory which states that companies can choose to distribute dividends or retain their profits rather than providing dividends to shareholders, companies prefer to retain profits especially if there are new investment opportunities from the company.

The results of this research support the research of Al-Kayed (2017), Jaara et al. (2018), Baker et al. (2019), and Le et al. (2019) who found that growth opportunity had a negative effect on company dividend policy. This negative direction means that as growth opportunity increases, the company's dividend policy will decrease.

The faster a business grows, the more funds it will need to finance its future expansion. High growth rates will result in greater internal financing and new investment opportunities. This research shows that increasing growth opportunities require large amounts of funds, so that dividend policy as reflected in the dividend payout ratio has decreased because profits will be retained and used for existing growth opportunities. This is supported by Modigliani Miller's theory and signaling theory which states that companies can retain profits earned to increase the assets owned by the company and the addition of assets by the company is a positive signal for investors seeing that the company's prospects will improve.

4. CONCLUSION

Based on the results of the analysis and discussion that have been described, the following conclusions can be drawn.

1) *Free cash flow*has a positive and significant effect on dividend policy in mining sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The positive and significant influence of free cash flow on dividend policy is in accordance with the research hypothesis which indicates that if the company's free cash flow increases it will cause an increase in the company's dividend policy. Conversely, if the company's free cash flow decreases, the company's dividend policy will also decrease.
2) Profitability has a positive and significant effect on dividend policy in mining sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The positive and significant influence of profitability on dividend policy is in accordance with the research hypothesis which indicates that if the company's profitability increases it will cause an increase in the company's dividend policy. Conversely, if the company's profitability decreases, the company's dividend policy will also decrease.
3) *Growth opportunities*has a negative and significant effect on dividend policy in mining sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The negative and significant influence of growth opportunity on dividend policy is in accordance with the research hypothesis which indicates that if the company's growth opportunity increases it will cause a decrease in the company's dividend policy. Conversely, if the company's growth opportunity decreases, the company's dividend policy increases.

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