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The Effect of Liquidity, Profitability, and Solvency on Dividend Policy in Mining Companies Listed on the Indonesia Stock Exchange

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Abstract: The development of the iron and steel sub-sector mining industry in Indonesia has shown significant growth in recent years. This sector has a strategic role in supporting national infrastructure development and contributing to state revenue. The purpose of this study is to analyze the effect of liquidity, profitability, and solvency on dividend policy in iron and steel sub-sector mining companies listed on the Indonesia Stock Exchange. This study uses a quantitative approach with descriptive and verification methods. The study population consists of 10 iron and steel sub-sector mining companies listed on the Indonesia Stock Exchange. The sampling technique is purposive sampling based on criteria so that the number of samples becomes 9 companies. The independent variables in this study include liquidity as measured by the Current Ratio, profitability as measured by Return on Asset, and solvency as measured by the Debt to Equity Ratio. While the dependent variable is dividend policy as measured by the Dividend Payout Ratio. Data collection techniques are carried out through documentation studies and literature studies. Data analysis uses panel data regression with the help of Eviews 12 software. The results of the study indicate that liquidity (CR) does not have a significant effect on dividend policy. While profitability (ROA) and solvency (DER) have a significant effect on dividend policy. Simultaneously, the three independent variables have a significant effect on dividend policy with a determination coefficient of 61.54%, while the rest is influenced by other factors not examined in this study.

Keywords: Liquidity, Profitability, Solvency, Dividend Policy.

Introduction

The capital market is a meeting place for people who have cash reserves (investors) and people who need cash (businesses) in the form of securities trading (Ardian et al., 2023). One of the capital market products is stocks, the movement of stock prices that occurs can make investors earn income or returns. The return obtained by investors on their funds invested in stocks is in the form of a share of the profit (dividends) and the difference between the selling price of the stock and the purchase price (capital gain) (Kusumawati & Anhar, 2019).

Dividends are profits or income of a company whose amount is determined and approved by the general meeting of shareholders to be distributed to shareholders (Hardianto, 2021). The dividend payment policy carried out by the company has a very

important impact on investors and companies that will pay dividends. The amount of dividends distributed to shareholders depends on the policy of each company, so in this case, management considerations are very necessary (Putri & Anggara, 2022). The decision to distribute dividends in Indonesia is regulated based on the General Meeting of Shareholders (GMS) which is regulated by Law No. 1 of 1995, Article 62 paragraphs 1 and 2.

Dividend policy is a major concern for investors because it provides an overview of the company's future prospects and financial stability. For companies, the decision to distribute dividends or retain earnings has significant implications for financial structure and growth strategy. The proportion of dividends paid from a company's profits is called the dividend payout ratio (Dividend Payout Ratio) (Hartono, 2018). The higher the ratio value, the more cash dividends are distributed to owners, resulting in a small proportion of profits being retained by the company. Dividend policy can be calculated using the Dividend Payout Ratio (DPR). Dividend Payout Ratios are often used as a benchmark or yardstick in capital investment by financial backers. Analysis of a company's financial statements is needed to determine the level of profitability (profit) and the level of risk or health of a company (Hernawaty et al., 2021). Financial factors such as liquidity, profitability, and solvency are thought to have a significant influence on dividend distribution decisions. Liquidity reflects the company's ability to meet short-term obligations, profitability shows the ability to generate profits, while solvency describes the company's funding structure and financial risk.

Liquidity is a very important factor and must be considered before making a decision to determine the amount of dividends to be paid. Liquidity is a consideration in dividend policy because dividends for the company are cash outflows, so the greater the company's overall cash position and liquidity, the greater the company's ability to pay dividends. Liquidity is measured by the Current Ratio (CR). Current Ratio is a comparison between current assets and current liabilities. Current Ratio or current ratio is calculated by dividing current assets by current liabilities (Martono & Harjito, 2016). Current Ratio hight can indicate that investors are increasingly confident in the company because the company is able to pay the dividends it has promised. So it can be said that the Current Ratio can have a significant positive effect on the Dividend Payout Ratio. This is in line with research conducted by Adila (2018), Fauhan (2022), and Martins (2021) which states that liquidity has a positive and significant effect on dividend policy. Meanwhile, Hanum, et al. (2020), Adam (2020), Yuliani (2021), and Oktavia (2021), show different results that liquidity does not have a positive and significant effect on dividend policy.

Profitability is an important component for companies that focus on profit. Profitability is the company's ability to make a profit. The company's profit comes from sales and investment decisions made by the company (Khairunnisa & Ardian, 2024). Profitability can be obtained from the level of profit of a company in carrying out its operational activities. The profit that will be distributed to shareholders is the profit that has been reduced by interest and taxes. If the profit obtained is large, the company's ability to pay dividends and continue its business activities will be greater. In this study, profitability is measured using Return on Assets (ROA). Return on Assets (ROA) is one of the profitability ratios that can measure the company's ability to generate profits from the assets used and is

able to measure the company's ability to generate profits in the past and then project them in the future (Sari et al., 2019). This is in line with the results of research conducted by Syahputra (2020), Adila (2018), Hanum, et al. (2020), Oktavia (2021), Fauhan (2022) and Martins (2021) which show that profitability has a positive and significant effect on dividend policy. Meanwhile, research conducted by Adam (2020), Yusuf (2017) and Permatasari (2018) showed different results that profitability does not have a positive and significant influence on dividend policy.

The next factor that can be considered by a company in distributing its dividends is solvency (Artarini et al., 2023). Solvency is a ratio used to measure the extent to which a company's assets are financed by debt (Kasmir, 2018). Nugrahanti (2019) stated that the solvency ratio measures the comparison of funds provided by its owners with funds saved to measure the extent to which the company's assets are financed by debt. The solvency ratio used in this study is the Debt to Equity Ratio (DER). Debt to Equity Ratio (DER) is a ratio that measures how far a company is financed by debt, where the higher this ratio, the more it shows a bad symptom for the company (Sartono, 2012). Therefore, the lower the Debt to Equity Ratio, the higher the company's ability to pay all its obligations. High debt will make the company prefer to retain its profits and use the profits to pay off debt, so companies with high debt levels tend to distribute dividends in small amounts. This theory is in line with research conducted by Yusuf (2017), Oktavia (2021), Fauhan (2022), Martins (2021) and Permatasari (2018) which states that solvency has a positive and significant effect on dividend policy. Meanwhile, research conducted by Adila (2018), Hanum, et al. (2020), Syahputra (2020), Adam (2020) and Yuliani (2021) showed different results that solvency does not have a positive and significant influence on dividend policy.

Indonesia is one of the countries with high potential reserves of mining goods such as the results of mining activities in the form of nickel, coal, oil and natural gas, tin ore, copper, gold, and so on. The potential for mining results is very large, so the mining sector contributes highly to state revenues, while still referring to sustainable principles in the utilization of Natural Resources (SDA) for the greatest prosperity of the people and the achievement of Sustainable Development Goals (SDGs) (Taufikurahman et al., 2023). As one of the main components in the manufacturing and construction industry, iron and steel companies listed on the Indonesia Stock Exchange (IDX) are an important highlight for investors in making investment decisions. Ajaib Sekuritas Asia Financial Expert, Chisty Maryani, sees the potential for growth in the performance of the iron and steel business this year. The demand for iron and steel products has the potential to increase as projected by The Indonesian Iron and Steel Industry Association (IISIA), which estimates growth of up to 6% to 17.3 million tons (GoogleNews, 2023). This provides a positive signal for investors regarding the prospects for the company's dividend policy. Investors may consider that positive growth in the performance of the iron and steel business has the potential to increase the company's profits, which in turn may impact the company's ability to distribute larger dividends to shareholders.

Table 1. Liquidity, Profitability, Solvency, and Dividend Payout Ratio (DPR) Ratios of Several Mining Companies in the Iron and Steel Sub-Sector Listed on the IDX for the 2019-2023 Period

Stock Code	Year	Current Ratio	ROA	DER	DPR
STEEL	2019	0.85	0.13	10.28	161.29
	2020	0.91	7.25	4.87	3.27
	2021	2.57	12.20	2.35	2.03
	2022	1.85	(14.10)	5.64	-
	2023	1.90	(0.20)	5.54	-
BTON	2019	4.53	0.01	0.25	10.53
	2020	4.71	0.02	0.24	3.21
	2021	3.47	0.04	0.37	1.49
	2022	2.98	0.13	0.45	0.36
	2023	3.12	0.05	0.41	0.82

Source: IDX.co.id, 2025

Based on Table 1., the Dividend Payout Ratio (DPR) shows interesting dynamics among the companies studied. In BAJA, the DPR experienced a drastic decline from 161.29% in 2019 to 3.27% in 2020, then continued to decline until there was no dividend distribution in 2022 and 2023. This decline occurred even though liquidity (CR) increased significantly from 0.85 in 2019 to 2.57 in 2021. This indicates that the increase in liquidity does not have a direct positive impact on dividend policy. BAJA's profitability (ROA) also experienced sharp fluctuations, with an increase from 0.13% in 2019 to 12.20% in 2021, but dropped drastically to negative in 2022 (-14.10%) and 2023 (-0.20%). Poor profitability (ROA) conditions in 2022 and 2023 appear to be the main reason for the absence of dividend distribution, even though solvency (DER) is relatively stable in the range of 5.54-5.64.

Meanwhile, BTON shows a more consistent dividend policy even though the DPR also experienced a downward trend from 10.53% in 2019 to 0.36% in 2022, before increasing to 0.82% in 2023. BTON's liquidity (CR) which is always above 2.98 indicates stability, but is not accompanied by a significant increase in DPR. BTON's profitability (ROA) which remains low, although it increased from 0.01% in 2019 to 0.13% in 2022, seems to be one of the factors limiting the increase in DPR. In addition, BTON's low and stable solvency (DER) in the range of 0.24-0.45 indicates a conservative financial structure, but is also not enough to encourage an increase in dividend policy. This shows that although the company's liquidity and solvency are relatively good, low profitability is the main inhibiting factor in dividend distribution.

Although several previous studies have examined the relationship between these factors and dividend policy, the results found are still diverse and inconclusive. Research on the mining industry on the IDX is also still limited, even though this sector has unique characteristics that can affect its dividend policy. Based on the inconsistency of previous research results and the background explanation above, the author is interested in conducting a study entitled "The Effect of Liquidity, Profitability, and Solvency on Dividend Policy in Mining Companies Listed on the Indonesia Stock Exchange ".

Formulation Problem

Based on the background above, the formulation of the problem in this study is as follows:

a. Does liquidity affect dividend policy in mining companies listed on the Indonesia Stock Exchange?
b. Does profitability affect dividend policy in mining companies listed on the Indonesia Stock Exchange?
c. Does solvency affect dividend policy in mining companies listed on the Indonesia Stock Exchange?
d. Do liquidity, profitability, and solvency simultaneously affect dividend policy in mining companies listed on the Indonesia Stock Exchange?

Literature Review

Signaling Theory

According to Brigham & Houston (2018) A signal is an action taken by a company to provide investors with an indication of how management views the company's prospects. This signal is information about what management has done to realize the owner's wishes. Information issued by the company is important because it influences investment decisions by parties outside the company. This information is important for investors and business people because information essentially presents information, notes or descriptions, both for past, current and future conditions for the company's survival and how it affects the company.

Dividend Policy

According to Rusanto in Artarini's research (2023)dividends are payments from companies to shareholders for the profits they earn, the amount of dividends to be distributed by the company is determined by the shareholders at the time of the GMS (General Meeting of Shareholders). Dividend policy is a company decision regarding the distribution of net profit to shareholders in the form of dividends or holding it in the form of retained earnings for additional capital used as investment financing in the future (Nugrahanti, 2019).

If the company chooses to pay out profits as dividends, the company's retained earnings will decrease, thus reducing future funding. Conversely, if the company chooses to retain profits to fund the company, the company's dividend payments will decrease, thus reducing investor interest in investing. The company's internal spending decisions are included in dividend policy. This shows how the amount of dividends paid affects the quantity of retained earnings and the company's overall internal funding sources (Pattiruhu & Paais, 2020). The company's dividend policy is also important because it will attract potential investors to invest in the company (Gennusi & Maharani, 2021).

Dividend policy or Dividend Payout Ratio (DPR) is used as an indication of how much percentage of the company's profit will be paid to shareholders in the form of cash dividends. In addition, a company's dividend policy also shows shareholders that the

company is making a profit and that shows that the company has a strong financial status. Here is the formula used:

Dividend Payout Ratio (DPR) = Dividend / (Net Profit) × 100%

Liquidity

Liquidity is a ratio used to measure a company's capacity to pay short-term liabilities that will mature (Kasmir, 2019). This ratio compares the amount of short-term liabilities owed with the amount of the company's current assets. Liquidity is one of the responsibilities of management to the company's owners, management is responsible to stakeholders through the disclosure of financial performance in the annual report, and the financial statements published by the company are known as decision-making tools. The estimated liquidity ratio analysis is used by managers as a guideline for choosing dividend policy provisions because the level of industry liquidity reflects the amount of cash available to meet current liabilities, if the low ratio level means that cash in a small industry can have an impact on dividend distribution for investors (Indrati, 2007). When the liquidity ratio is high, it indicates that the company is able (Saputri & Asrori, 2018) to pay its current liabilities. A high liquidity ratio indicates that the company's current assets are able to meet its short-term liabilities (Santosa et al., 2014).

According to Kasmir (2017) in the (Ardian & Sari, 2022) liquidity journal, it is useful to know the company's ability to finance and meet obligations or debts when billed or due. The current ratio can be calculated as follows:

Current Ratio = (Current Assets) / (Current Liabilities) × 100%

Profitability

According to Kasmir, (Kasmir, 2018) the profitability ratio is a ratio to assess a company's ability to seek profit. This ratio also provides a measure of the level of effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company. The profitability ratio is a ratio to assess a company's ability to seek profit. This ratio also provides a measure of the level of effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company (Nasution, 2018).

Meanwhile, according to Dewinta and Setiawan, (Dewinta & Setiawan, 2016) a company's profitability shows the company's ability to generate profits during a certain period at a certain level of sales, assets and share capital. The profitability ratio is a ratio to assess the company's ability to seek profits, this ratio also provides a measure of the level of effectiveness of a company's management, one of which is Return on Asset (ROA) (Kasmir, 2018).

The profitability ratio in this study is the Return on Asset (ROA) ratio. This ratio shows the company's ability to use all assets owned to generate profit after tax. The greater the ROA means the more efficient the use of the company's assets or in other words, a certain

amount of assets can generate greater profits and vice versa. Return on Asset can be calculated as follows:

Return on Assets = (Profit After Tax) / (Total Assets) × 100%

Solvency

Solvency is a financial ratio that measures a company's ability to meet all obligations, both short-term debt and long-term debt, while solvency shows the company's ability to pay off all existing debts using all its assets (Djakia & Z., 2020). Solvency is a ratio that measures the extent to which a company's assets are financed by debt, and shows how much the company's ability to meet all its obligations when the company is dissolved (Pangestuti, 2020). In other words, the solvency ratio or leverage ratio is a ratio used to measure how much debt the company must bear in order to fulfill assets.

Debt to Equity Ratio (DER) is used to measure the level of debt usage against the total equity owned by the company (Darmadji & Fakhruddin, 2018). A company with a high Debt to Equity Ratio (DER) means that the company bears a high risk because it has a high level of debt. Based on this understanding, referring to signaling theory, a high DER is a bad signal for investors. Here is the formula used:

Debt to Equity Ratio (DER) = (Total Debt) / (Total Equity) × 100%

Methodology

This study uses a quantitative research method with a descriptive and verification approach. The object of the study is limited to iron and steel sub-sector mining companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The population in this study is all iron and steel sub-sector mining companies listed on the IDX, with a sample of 9 companies selected using purposive sampling techniques based on the following criteria: (1) consistently registered on the IDX during the study period, (2) publishing complete financial reports. Only 1 company does not meet the criteria, namely ISSP (Steel Pipe Industry of Indonesia Tbk.). The following is a sample of the study after eliminating the criteria:

Table 2. Research Sample

No.	Kode Emiten	Nama Perusahaan
1	BAJA	Saranacentral Bajatama Tbk.
2	BTON	Betonjaya Manunggal Tbk.
3	CTBN	Citra Tubindo Tbk.
4	GDST	Gunawan Dianjaya Steel Tbk.
5	GGRP	Gunung Raja Paksi Tbk.
6	HKMU	HK Metals Utama Tbk.
7	KRAS	Krakatau Steel Tbk.
8	LMSH	Lionmesh Prima Tbk.
9	OPMS	Optima Prima Metal Sinergi Tbk.

The type of data used is secondary data in the form of annual financial reports and company dividend information obtained from the official BEI website (www.idx.co.id), related company websites, and other financial databases. The independent variables in this

study include liquidity as measured by the Current Ratio (CR), profitability as measured by Return on Asset (ROA), and solvency as measured by the Debt to Equity Ratio (DER), while the dependent variable is dividend policy as measured by the Dividend Payout Ratio (DPR).

Data collection techniques were carried out through documentation studies by collecting, recording, and reviewing secondary data in the form of financial reports and dividend information for sample companies. Data analysis used panel data regression analysis with the help of Eviews 12 software. The stages of data analysis include: (1) descriptive statistics, (2) selection of the best estimation model through the Chow test, Hausman test, and Lagrange test. Multiplier, (3) panel data regression analysis, (4) hypothesis testing consisting of the t-test for partial effects, the F-test for simultaneous effects, and the coefficient of determination (R^2) to measure the ability of the independent variable to explain the variation in the dependent variable.

Result and Discussion

Descriptive Statistical Analysis

Descriptive statistical analysis is a technique used to describe or summarize data briefly using measurements such as mean (average), standard deviation (data spread), median, mode, and others.

Table 3. Descriptive Statistical Analysis

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
CR	50	0.61	334.54	54.71	140.34
ROA	50	(29.76)	12.99	(0.14)	8.39
DER	50	0.01	145.03	19.76	86.03
DPR	50	12.54	161.29	7.03	34.28
Valid N (listwise)	50				

Based on table 3, the results of the descriptive statistical analysis can be seen, the Current Ratio (CR) variable shows an average of 54.71 with a standard deviation of 140.34, with a minimum value of 0.61 and a maximum of 334.54, indicating a fairly large variation in liquidity between companies. Return on Asset (ROA) shows a negative average of -0.14 with a standard deviation of 8.39, with a range of values from -29.76 to 12.99, indicating that some companies are experiencing losses. Debt to Equity Ratio (DER) records an average of 19.76 with a standard deviation of 86.03, ranging from 0.01 to 145.03, illustrating different levels of leverage. Meanwhile, the Dividend Payout Ratio (DPR) has an average of 7.03 with a standard deviation of 34.28, with a minimum value of 12.54 and a maximum of 161.29, indicating significant variations in dividend policies among mining companies.

Model Selection Test

a. Chow Test

The chow test is a test to determine the most appropriate fixed effect or common effect model used in panel data estimation. Decision making is done if, a) The Cross-section F probability value <0.05, meaning the fixed effect model is selected, b) The Cross-section F probability value >0.05, meaning the common effect model is selected.

Table 4. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Cross-section fixed effects test

Effects Test	Statistics	df	Prob.
Cross-section F	1.067561	(4.17)	0.0000
Cross-section Chi-square	5.602395	4	0.0000

Source: eviews data processing results, 2025

Based on the results of the Chow Test shown in table 4, the Cross-section F and Cross-section Chi-square probability values are 0.0000, which is smaller than the significance level of 0.05 (5%). These results indicate that the fixed effect model is more appropriate to use than the common effect model.

b. Hausman test

The Hausman test is a statistical test to choose whether the fixed effect or random effect model is most appropriate to use. Decision making is done if, a) The calculated Chi-square probability value is <0.05, meaning the fixed effect model is selected, b) The calculated Chi-square probability value is >0.05, meaning the random effect model is selected.

Table 5. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Cross-section random effects test

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross section	21.518669	3	0.0001

Source: eviews data processing results, 2025

Based on table 5, the results of the Hausman test show a Chi-square probability value of 0.0001, which is smaller than 0.05, so the appropriate model to use is the fixed effect model.

Panel Data Regression

The purpose of this multiple linear regression analysis is to test the effect of liquidity (CR), profitability (ROA), and solvency (DER), on dividend policy (DPR) in iron and steel sub-sector mining companies listed on the Indonesia Stock Exchange during 2019-2023. The following are the test results:

Table 6. Results of Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	255.6273	181.3853	1.409306	0.1768
CR	0.003113	0.003392	-0.917696	0.6316
ROA	3.098963	5.846480	3.530056	0.0029
DER	-1.508272	1.536462	-2.981653	0.0001

Source: eviews data processing results, 2025

Based on the test results table above, it can be seen that the test results in the multiple linear regression equation model are as follows:

DPR = 255.52 + 0.003CR + 3.099ROA – 1.508DER + e

Based on the results of the multiple linear regression analysis test above, it can be explained as follows:

The constant value of 255.52 means that the independent variables in this study, namely liquidity, profitability, and solvency, are considered to have a value equal to zero, so the value of this dependent variable is 255.52.

Liquidity (CR) has a regression coefficient value of 0.003, which means that if the liquidity value increases by 0.003, the company's dividends will also increase by 0.003.

Profitability (ROA) has a regression coefficient value of 3.099, which means that if the profitability value increases by 3.099, the company's dividends will also increase by 3.099.

Solvency (DER) has a regression coefficient value of -1.508, which means that if the DER value increases by 1.508, the company's dividends will decrease by 1.508.

Hypothesis Testing

a. t-test

The t-test is used to test the effect of each independent variable on the dependent variable. Decisions are made based on the probability of the t-statistic: a) if the probability value of the t-statistic <0.05, the independent variable has a significant effect, b) if the probability value of the t-statistic >0.05, the independent variable does not have a significant effect.

Table 7. t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	255.6273	181.3853	1.409306	0.1768
CR	0.003113	0.003392	-0.917696	0.6316
ROA	3.098963	5.846480	3.530056	0.0029
DER	-1.508272	1.536462	-2.981653	0.0001

Source: eviews data processing results, 2025

The t-test results show the influence of each independent variable on the dependent variable with the significance testing criteria at a 95% confidence level (α = 0.05). The following is a detailed interpretation for each variable:

Current Ratio (CR) has a t-statistic probability of 0.6316, which is greater than 0.05. This indicates that CR (liquidity) does not have a significant effect on DPR (dividend policy). The results of the study indicate that Current Ratio (CR) does not have a significant effect on dividend policy. The meaning of the results of this study is that the increasing Current Ratio (CR) will not affect the Dividend Payout Ratio (DPR). This could happen if the increasing cash is not utilized properly or is only stored and not invested or distributed in the form of dividends. Although the company has high current assets, this does not guarantee an increase in dividend payments to shareholders. This condition can occur due to several factors: first, the company prefers to keep its current assets as working capital reserves; second, the company prioritizes the use of current assets to pay off short-term debt rather than distributing dividends; or third, the company chooses to reinvest its current assets for business development. Thus, the amount of current assets owned by the company is not always directly proportional to the dividend distribution policy.

Return on Asset (ROA) shows a significant effect with a t-statistic probability of 0.0029, which is smaller than 0.05. This means that ROA (profitability) has an effect on DPR (dividend policy). The results of the study prove that Return on Asset (ROA) has a significant effect on dividend policy. The higher the ROA, the better the company's ability to generate profits by utilizing its assets. This increase in profit gives the company more flexibility in determining the amount of dividends to be distributed to shareholders. When a company is able to generate high profitability, they will distribute larger dividends as a positive signal to investors regarding the company's performance and prospects. This also reflects that the company has good management in managing its assets to generate profits that can be distributed to shareholders in the form of dividends.

Debt to Equity Ratio (DER) shows a significant effect with a t-statistic probability of 0.0001, less than 0.05. This indicates that DER (solvency) has an effect on DPR (dividend policy). The results of the study indicate that Debt to Equity Ratio (DER) has a significant effect on dividend policy. A high DER indicates that the company has a high level of debt compared to its own capital. This condition affects dividend distribution decisions because the company must allocate most of its income to pay debt obligations and interest. The higher the DER ratio, the greater the company's burden on creditors, which reduces the company's ability to pay dividends. This happens because the company prioritizes debt payments over dividend distribution to maintain creditor trust and avoid the risk of default. Thus, the level of solvency as measured by DER has an inverse relationship with dividend distribution policy.

b. F Test

The F test is used to test the hypothesis of regression coefficients simultaneously and to ensure whether the selected model is feasible or not in describing the influence of independent variables on the dependent variable. The test decision is taken based on the probability value of the F-statistic: a) if <0.05, the independent variables jointly affect the

dependent variable, and b) if >0.05, the independent variables do not affect the dependent variable.

Table 8. F Test Results

R-squared	0.615385	Mean dependent variable	46.67520
Adjusted R-squared	0.517691	SD dependent var	78.12815
SE of regression	82.22747	Akaike information criterion	11.91119
Sum squared residual	114943.1	Black criterion	12.30123
Log likelihood	-140.8899	Hannan-Quinn critter.	12.01937
F-statistic	7.666669	Durbin-Watson stat	3.082387
Prob(F-statistic)	0.000000		

Source: eviews data processing results, 2025

Based on the results of the F-test presented in table 8, the F-statistic value is 7.667 with a probability value (Prob) of 0.00 which is less than 0.05 (0.000000 < 0.05), so it can be concluded that simultaneously CR, ROA, and DER have a significant effect on the DPR variable.

c. Coefficient of Determination Test

The determination coefficient test (R- square) is also called the determination coefficient which explains how far the dependent data can be explained by the independent data. The following are the results of the R- Square value calculation:

Table 9. Coefficient of Determination

R-squared	0.615385	Mean dependent variable	46.67520
Adjusted R-squared	0.517691	SD dependent var	78.12815
SE of regression	82.22747	Akaike information criterion	11.91119
Sum squared residual	114943.1	Black criterion	12.30123
Log likelihood	-140.8899	Hannan-Quinn critter.	12.01937
F-statistic	7.666669	Durbin-Watson stat	3.082387
Prob(F-statistic)	0.000000		

Source: eviews data processing results, 2025

In table 9 it can be seen that the coefficient of determination (R- squared) of 0.615385 shows that dividend policy (DPR) can be explained by CR, ROA and DER by 61.54%, while the remaining 38.46% is explained by other factors outside the model.

Conclusion

Based on the research results above, the following conclusions can be drawn:

a. Liquidity (Current Ratio) does not have a significant effect on dividend policy (Dividend Payout Ratio) in iron and steel sub-sector mining companies listed on the Indonesia Stock Exchange for the 2019-2023 period. This indicates that the company's liquidity level does not directly affect dividend distribution decisions.
b. Profitability (Return on Asset) has a significant effect on dividend policy (Dividend Payout Ratio). This finding shows that the higher the profitability of the company, the greater the possibility of the company distributing dividends to shareholders.

c. Solvency (Debt to Equity Ratio) has a significant influence on dividend policy (Dividend Payout Ratio). This means that the company's capital structure plays an important role in determining the amount of dividends to be distributed.
d. Simultaneously, liquidity (Current Ratio), profitability (Return on Asset), and solvency (Debt to Equity Ratio) have a significant effect on dividend policy. This indicates that the three variables together influence dividend distribution decisions in the companies studied.

Suggestion

Based on the conclusions above, the following suggestions can be given:

a. Companies need to prioritize efforts to increase profitability through steps such as operational cost efficiency, optimizing asset use, and increasing revenue. Management can conduct periodic evaluations of the performance of each business unit, identify sources of waste, and develop more effective sales strategies. Return on Asset (ROA) targets should be set realistically by considering industry conditions and company capacity, for example by determining a minimum ROA target of 15% in the medium term.
b. Companies must manage the Debt to Equity Ratio (DER) optimally by maintaining a balance between debt and equity funding. Management needs to set a maximum DER limit, for example not exceeding 70%, and routinely conduct stress testing to ensure the company's ability to meet debt payment obligations without disrupting the dividend distribution plan. Companies can also consider restructuring debt or seeking lower-cost funding sources if necessary.
c. Although liquidity does not have a direct impact, companies still need to maintain a healthy cash position by maintaining a current ratio of at least 2:1. This can be achieved through working capital management, such as optimizing the cash conversion cycle, tight receivables management, and mature cash flow planning. Companies can also form a special reserve fund for dividend payments to ensure cash availability when the dividend distribution schedule arrives.

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