The Mediating Role of Growth in the Relationship Between Capital Adequacy, Asset Quality, Liquidity, and Dividend Payout Policy

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ABSTRACT

Purpose – This paper aims to analyze the influence of Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), and Loan to Deposit Ratio (LDR) on Dividend Payout Ratio (DPR), with Growth as a mediating variable, using data from Indonesian state-owned banks over the period of 2015–2024.

Methodology/approach – The research employs a quantitative approach using secondary data from financial reports of state-owned banks. Panel data regression analysis is applied to examine the direct and indirect relationships among CAR, NPL, LDR, Growth, and DPR.

Findings – The results show that CAR and Growth have a significant positive effect on DPR. NPL has a significant negative effect on both Growth and DPR. LDR has a negative effect on DPR but a positive effect on Growth. Growth significantly mediates the relationship between CAR, NPL, LDR, and DPR.

Novelty/value – This study provides empirical evidence on how internal financial ratios and growth influence dividend policy in Indonesian state-owned banks. It highlights the mediating role of Growth in strengthening the link between financial performance and dividend payout, offering strategic insights for bank management and policymakers in improving dividend policy frameworks.

INTRODUCTION

The banking sector plays a crucial role in the financial system and the overall economy of a country. As financial intermediaries, banks are responsible for channeling funds from surplus units to deficit units, stimulating investment, supporting economic growth, and ensuring financial stability. In Indonesia, state-owned banks (Bank BUMN) such as Bank Mandiri, Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI), and Bank Tabungan Negara (BTN) are major contributors to the national economy and development financing. Their performance is closely monitored by stakeholders, including the government as a majority shareholder, investors, regulators, and the public.

Dividend policy is one of the most critical financial decisions made by a firm, particularly in the banking sector. For investors, dividends provide a tangible return on their investment. For banks, dividend decisions reflect financial strength, profitability, and future prospects. However, determining the appropriate level of dividend payout involves balancing the interests of shareholders with the need to

retain earnings for business growth, compliance with regulatory capital requirements, and managing financial risks. This trade-off becomes even more complex in the case of state-owned banks, which are expected to perform both economically and socially.

Over the past decade, dividend payout behavior among Indonesian state-owned banks has shown varying patterns. For example, during the COVID-19 pandemic, several banks reduced or delayed dividend distributions due to uncertainty in earnings and the need to preserve capital. Meanwhile, in post-pandemic recovery periods, some banks resumed aggressive dividend policies to signal recovery and attract investor confidence. These dynamics underscore the importance of examining what drives dividend decisions in the banking sector, particularly in state-owned banks which operate under both commercial and political influences.

From a theoretical standpoint, several financial indicators are often considered influential in determining dividend policy. The Capital Adequacy Ratio (CAR), for instance, is an indicator of a bank's capital strength and its ability to withstand financial distress. A higher CAR is often associated with a higher likelihood of dividend payment, reflecting financial health. Conversely, the Non-Performing Loan (NPL) ratio serves as a proxy for credit risk; banks with higher NPLs are likely to retain earnings to cover potential loan losses, thereby reducing dividends. The Loan to Deposit Ratio (LDR) reflects a bank's liquidity management and lending aggressiveness, which could also influence its profitability and dividend policy. Lastly, a bank's Growth, often measured through asset expansion, may impact its retained earnings needs and therefore its ability or willingness to pay dividends.

Despite the extensive literature on dividend policy in general, relatively few studies have specifically examined the interplay between CAR, NPL, and LDR on dividend payout ratio (DPR) with Growth as a mediating variable, particularly within the context of Indonesian state-owned banks over an extended time frame (2015–2024). The inclusion of Growth as an intervening variable allows this study to provide a more nuanced understanding of how internal performance dynamics translate into dividend outcomes. It also helps to assess whether the effects of CAR, NPL, and LDR are direct or operate through the company's growth trajectory.

This study aims to fill that gap by conducting a quantitative analysis of the effects of CAR, NPL, and LDR on DPR with Growth as a mediating variable using path analysis. By focusing on BUMN banks over a 10-year period, the research captures economic fluctuations, regulatory changes, and market reactions that affect dividend policy in the real world. Furthermore, the findings of this study are expected to contribute to financial management literature, particularly in understanding the complexity of dividend policy in emerging market banking institutions that are state-owned.

LITERATURE REVIEW

Dividend policy remains a critical decision in corporate financial management, particularly in banking institutions, as it reflects a firm's strategy to allocate earnings between shareholders and reinvestment. The Dividend Payout Ratio (DPR) is a key indicator reflecting how much of a company's earnings are distributed as dividends. The determinants of DPR have been widely studied, especially in the context of financial ratios such as Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), and Loan to Deposit Ratio (LDR), which serve as proxies for risk, efficiency, and liquidity in the banking sector.

Capital Adequacy Ratio (CAR) represents the sufficiency of a bank's capital in covering its risk-weighted assets. According to Salma (2021), a high CAR indicates greater financial strength and a bank's resilience to absorb potential losses. Consequently, banks with stronger capital buffers are in a better position to pay dividends, as they have excess resources beyond regulatory requirements. In

contrast, when capital buffers are strained, banks may retain earnings to strengthen their balance sheets, reducing dividend payouts.

Capital Adequacy Ratio (CAR) is a crucial indicator that measures the capacity of a bank to absorb losses while meeting its financial obligations. According to Prastowo (2015), a higher CAR reflects a stronger financial foundation, enabling a bank to better withstand financial shocks. CAR is calculated as the ratio of a bank's capital to its risk-weighted assets. Regulatory bodies like Bank Indonesia stipulate minimum CAR thresholds to ensure financial stability.

Empirical research shows mixed results on the effect of CAR on dividend policy. Amidu and Abor (2006) and Gunawan and Ady (2021) assert that higher capital adequacy provides confidence to distribute dividends, as banks are perceived to have sufficient capital buffers. In contrast, studies such as those by Rozeff (1982) suggest that firms with high growth prospects or capital requirements may prefer to retain earnings rather than pay dividends, regardless of capital adequacy levels.

Non-Performing Loan (NPL) is an indicator of credit quality and represents the proportion of loans that are in default or close to default. As suggested by Ismail (2018), a high NPL ratio signals deteriorating asset quality and increased credit risk. Banks with higher NPLs are more likely to incur losses, impacting profitability and reducing their capacity to pay dividends. Therefore, NPL is often found to be negatively associated with DPR (Tangngisalu et al., 2020).

Non-Performing Loans (NPLs) are loans on which borrowers have not made scheduled payments for a specified period, typically 90 days or more. A high NPL ratio indicates poor credit quality and risk management inefficiencies. According to Kasmir (2014), NPLs negatively affect profitability, capital adequacy, and the ability to distribute dividends.

Extant literature supports the notion that rising NPLs diminish a bank's ability to pay dividends. Findings from Suhardi and Handayani (2018) and Fama and French (2001) reinforce that when credit risk increases, firms tend to conserve liquidity by reducing or suspending dividend payments to maintain operational resilience.

Loan to Deposit Ratio (LDR) measures the proportion of funds used for lending compared to deposits received. It reflects how efficiently a bank utilizes its deposit base. According to Eka et al. (2024), while a higher LDR may boost income through interest earnings, it can also indicate liquidity pressure, potentially limiting the availability of funds for dividend distribution. Thus, the impact of LDR on DPR can be ambiguous and may depend on other contextual factors such as liquidity support or funding structures.

Loan to Deposit Ratio (LDR) measures a bank's liquidity by comparing its total loans to its total deposits. A higher LDR implies that a bank has lent a larger portion of its deposits, which can increase profitability but also raises concerns about liquidity.

LDR influences dividend policy as it reflects the bank's liquidity risk. According to research by Prastowo (2015) and Gunawan and Ady (2021), a balanced LDR allows banks to pay dividends while ensuring sufficient liquidity. However, when the LDR exceeds a prudent threshold, banks may prefer to retain earnings to cover potential liquidity shortages.

Recent studies emphasize the importance of incorporating Growth as an intervening variable. Growth, often measured by changes in total assets or sales revenue, reflects a firm's expansion and future prospects. High-growth firms typically retain a larger portion of their earnings to finance investment opportunities, which may lead to lower dividend payouts (Pangestytyca et al., 2022). Ivan and Thio (2021) further suggest that firms in growth phases prioritize reinvestment to sustain momentum, even at the expense of current shareholder returns.

Firm growth is often considered an intervening variable that mediates the relationship between financial performance indicators and dividend policy. High-growth firms typically reinvest earnings into projects with positive net present values (NPVs), thus limiting dividend distributions. Jensen's (1986) free cash flow theory suggests that managers in high-growth firms prefer reinvestment over payout due to the presence of lucrative investment opportunities.

Several studies have examined the mediating effect of growth. For instance, Fama and French (2001) argue that profitable but high-growth firms retain earnings to finance expansion. Similarly, findings by Suhardi and Handayani (2018) indicate that firm growth can moderate the relationship between profitability and dividend policy, where high growth reduces the tendency to distribute dividends.

The Dividend Payout Ratio (DPR) reflects the proportion of earnings distributed to shareholders in the form of dividends. DPR is not only a financial decision but also a strategic signal to investors. According to signaling theory proposed by Bhattacharya (1979), dividend payments serve as a signal of firm stability and future prospects. Investors often interpret higher dividends as a sign of confidence in sustained earnings, while reduced dividends may trigger concerns about financial health.

Empirical evidence suggests a significant link between internal financial ratios and dividend policy. For instance, Rozeff (1982) and Jensen (1986) provide evidence that firms strategically adjust dividend policies based on profitability, risk, and growth considerations.

Drawing from agency theory, signaling theory, and pecking order theory, the relationship between CAR, NPL, and LDR on DPR is well-documented. Agency theory posits that dividend policy helps mitigate agency problems by reducing free cash flow (Jensen, 1986). Signaling theory, on the other hand, suggests that dividends convey private information to the market. Lastly, the pecking order theory proposed by Myers and Majluf (1984) suggests that firms prioritize internal financing, with dividend decisions contingent upon residual earnings.

Based on the theoretical and empirical evidence, this study posits that: CAR positively influences DPR due to improved solvency and investor confidence. NPL negatively influences DPR due to credit risk and earnings deterioration. LDR may positively or negatively influence DPR depending on liquidity strength.Firm growth mediates these relationships, wherein high growth may lead to dividend retention for reinvestment. This conceptual framework is supported by prior research such as: Prastowo (2015) on bank fundamentals and dividend decisions; Gunawan and Ady (2021) on CAR, NPL, LDR, and dividend behavior; Suhardi and Handayani (2018) on growth as a mediating variable; Fama and French (2001) on profitability and dividend decline.

While the direct influence of CAR, NPL, and LDR on DPR has been examined in multiple studies, the mediating role of growth is relatively underexplored, particularly in state-owned banks (BUMN) in Indonesia. For instance, Rizky et al. (2021) studied the influence of DER, ROE, and NPM on dividend policy but did not consider growth. Similarly, Tangngisalu et al. (2020) focused on the relationship between financial ratios and profitability, while Salma (2021) examined ROA and CAR without addressing intermediary variables.The regulatory context also plays a significant role in shaping dividend decisions, especially in state-owned banks. Government ownership may introduce additional objectives, such as fiscal contributions through dividend payments, even during economic downturns. During the COVID-19 pandemic, for example, several Indonesian BUMNs maintained high dividend payouts despite increased credit risks and reduced profitability (IDX Channel, 2024).

Given these considerations, this study fills a research gap by analyzing the influence of CAR, NPL, and LDR on DPR with growth as an intervening variable, using data from four state-owned banks listed on the Indonesia Stock Exchange (IDX) over the 2015–2024 period. By incorporating growth as a mediating factor, the study contributes to a more nuanced understanding of dividend policy in the banking sector, especially in a dual-objective environment combining financial performance and state interests.

METHOD

This paper employs a quantitative research approach using an explanatory research type to examine the effect of financial performance indicators on dividend policy, with growth as an intervening variable. The research is focused on State-Owned Banks (Bank BUMN) in Indonesia over the 2015–2024 period.

1. Research Design
The study uses a causal relationship design to analyze the influence of: Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL),Loan to Deposit Ratio (LDR), on Dividend Payout Ratio (DPR), with Growth acting as an intervening variable.

2. Population and Sample
The population consists of all State-Owned Banks (Bank BUMN) listed on the Indonesia Stock Exchange (IDX). The sample includes: PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk,PT Bank Tabungan Negara (Persero) Tbk

Purposive sampling was used with the following criteria: BUMN Banks consistently listed on IDX from 2015–2024., Banks that publish complete annual reports for that period. Banks that distribute dividends during the observation period

3. Type and Source of Data
This study uses secondary data, obtained from: Annual financial reports of each bank (2015–2024). Indonesia Stock Exchange (IDX). Financial Services Authority (OJK)

6. Data Analysis Method
The data were analyzed using: Descriptive Statistics, Classical Assumption Tests: Normality, Multicollinearity, Heteroscedasticity, and Autocorrelation: Multiple Linear Regression Analysis., Path Analysis: To examine the mediating effect of Growth., Statistical Tools: SPSS or similar software was used for analysis

RESULT AND DISCUSSION

The research objects in this study are state-owned banks (Bank Negara Indonesia, Bank Rakyat Indonesia, Bank Tabungan Negara, and Bank Mandiri). The research period used is 2015 to 2024. The data in this study were obtained from the financial reports of the respective state-owned banks and the Indonesian Stock Exchange.

1. Descriptive Statistics
The research involved 4 state-owned banks (Bank Mandiri, BNI, BRI, and BTN) with a total of 40 observation data from 2015 to 2024.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CAR	40	16,80	27,89	20,7345	2,39341
NPL	40	,97	4,78	2,7698	,80974
LDR	40	77,61	113,50	90,4435	7,92447
GROWTH	40	-12,29	45,32	8,7538	8,28738
DPR	40	,00	86,00	41,6500	22,27860
Valid N (listwise)	40				

Source : Research Data Processing with SPSS

This indicates that the banks in the sample maintained healthy financial performance indicators, especially in terms of CAR and NPL, and had a moderate dividend payout policy.

2. Classical Assumption Test
Normality Test
The normality test is carried out to determine whether the data used is normally distributed. Based on the Kolmogorov-Smirnov test, the significance value is above 0.05, so the data is normally distributed.

Multicollinearity Test
The multicollinearity test aims to determine whether there is a correlation between the independent variables. Based on the test results, the tolerance value is greater than 0.1 and the VIF value is less than 10, indicating no multicollinearity.

Heteroscedasticity Test
This test is performed to check whether there is an inequality of variance in the residuals. Based on the Glejser test, all significance values are above 0.05, which indicates no heteroscedasticity.

Autocorrelation Test
The autocorrelation test is used to detect the correlation between the residuals. Based on the Durbin-Watson test, the DW value lies between du and 4 - du, indicating that there is no autocorrelation.

3. Path Analysis Results
Direct Effects Analysis
The direct relationships between CAR, NPL, and LDR toward DPR were examined first, using standardized regression coefficients to evaluate the strength and direction of these effects.
a. CAR → DPR
The analysis revealed a positive and statistically significant direct effect of CAR on DPR. This indicates that banks with higher capital adequacy tend to distribute higher dividends. From a theoretical standpoint, this supports signaling theory, where banks use dividend payouts as a signal of strength and financial health. In practical terms, a high CAR assures both regulators and investors that the bank is

sufficiently capitalized and can withstand potential financial shocks, thus creating flexibility to allocate more earnings as dividends.

b. NPL → DPR

The relationship between NPL and DPR was found to be negative and significant, confirming that deteriorating credit quality (as reflected by higher non-performing loans) erodes banks' ability to pay dividends. This is consistent with risk-return trade-off theory: when credit risk rises, banks must prioritize retaining earnings to cover potential loan losses and to strengthen provisions. As a result, dividend distribution becomes less feasible and often discouraged.

c. LDR → DPR

Interestingly, the path analysis showed that LDR does not have a significant direct effect on DPR. While LDR is typically associated with liquidity and lending aggressiveness, this finding suggests that it does not directly influence decisions related to dividend payments. This may be due to the complex nature of the LDR ratio, which can reflect both efficient fund utilization or, conversely, excessive risk-taking. Furthermore, in the context of state-owned banks, dividend policies may be governed more by strategic or political considerations rather than solely by financial metrics like LDR.

Indirect Effects through Growth

To further investigate whether Growth mediates the relationships between CAR, NPL, and LDR with DPR, the indirect effects were examined using path coefficients.

a. CAR → Growth → DPR

The indirect pathway from CAR to DPR via Growth was found to be statistically insignificant. This suggests that while CAR has a direct influence on DPR, it does not exert that influence through the growth variable. A plausible explanation is that capital adequacy reflects a structural or regulatory factor rather than a driver of short-term growth. Banks with high CARs may focus on capital stability and compliance rather than aggressive expansion. As a result, their ability to pay dividends comes not from business growth, but from retained earnings and capital strength.

b. NPL → Growth → DPR

Unlike the other relationships, the indirect path from NPL to DPR through Growth is significant and negative, indicating that Growth *does* serve as a mediator in this relationship. This means that high NPL ratios not only directly reduce DPR by decreasing profits, but also indirectly reduce it by hampering growth. Poor credit quality can lead to tighter lending standards, reduced income from interest, and increased provisioning — all of which constrain asset growth. Slower growth then translates into diminished financial performance and a lower capacity to pay dividends. This two-step impact highlights the central importance of credit quality in supporting both growth and shareholder returns.

c. LDR → Growth → DPR

The path analysis found no significant indirect effect of LDR on DPR via Growth. Although LDR can potentially influence bank performance through aggressive or conservative lending strategies, this does not seem to manifest in a consistent growth pattern that affects dividends. This may be due to LDR's ambiguous role: a high LDR could be interpreted either as efficient fund utilization or overextension of credit. In the context of dividend policy, these differing interpretations make LDR an unreliable predictor.

Total Effects Summary

To better appreciate the dynamics among variables, the total effects — the sum of direct and indirect effects — were analyzed: CAR has a total positive effect on DPR, driven entirely by the direct relationship. NPL has a total negative effect on DPR, with both direct and indirect pathways contributing significantly. LDR shows no significant total effect, suggesting a limited role in dividend decisions, whether directly or indirectly.

This pattern underscores that capital adequacy and credit quality are core financial determinants of dividend policy in banking institutions, while lending behavior (LDR) does not show a systematic influence.

The Role of Growth as a Mediator

Among the three independent variables, only NPL's effect on DPR is mediated by Growth. This underlines Growth as a partial mediator — not universally influential across all relationships but contextually important, particularly when it comes to explaining how credit risk affects bank performance and payout decisions.

This finding is consistent with prior studies suggesting that growth in the banking sector is highly sensitive to asset quality. When credit deteriorates, growth slows, and profitability declines — limiting dividend payout capacity. Conversely, the capital strength reflected by CAR provides a direct financial cushion, bypassing the need for a growth intermediary.

In state-owned banks, dividend policies may also be shaped by external mandates (e.g., Ministry of State-Owned Enterprises), meaning that internal growth performance is not always the determining factor in dividend decisions.

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,985[a]	,970	,966	4,09635

a. Predictors: (Constant), X2.2, CAR, GROWTH, LDR

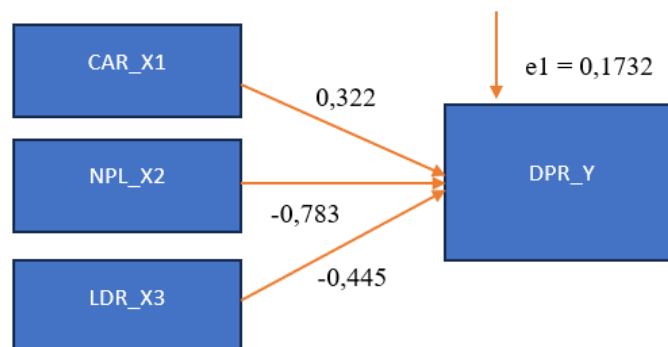Source : Research Data Processing

Figure 1. Model 1

Table 3. Regression

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-94,009	25,007		-3,759	,001
	CAR	-3,202	,756	-,925	-4,232	,000
	X2.2	,021	,004	2,187	4,812	,000
	LDR	1,391	,282	1,330	4,940	,000
	DPR	1,039	,207	2,793	5,014	,000

a. Dependent Variable: GROWTH
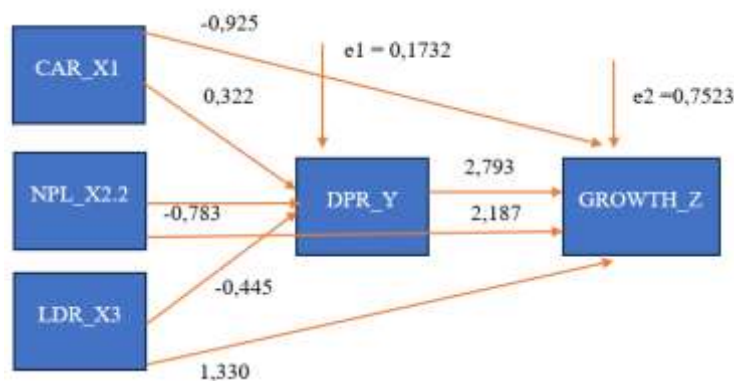
Source : Research Data Processing

Figure : Model II

Table 4. F Test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7498,391	4	1874,598	5,533	,001^b
	Residual	11858,709	35	338,820		
	Total	19357,100	39			

a. Dependent Variable: Y_DPR
b. Predictors: (Constant), X4_GROWTH, X1_CAR, X3_LDR, X2_NPL

Source : Research Data Processing

The results of the ANOVA test, which is also referred to as the F-test in regression analysis, are utilized to determine whether the regression model as a whole is statistically significant. This test assesses whether the set of independent variables, taken together, significantly explains the variance in the dependent variable—in this case, the Dividend Payout Ratio (DPR).

Based on the analysis:
- The F-statistic (F-count) is 5.533

- The significance value (Sig.) is 0.001

The significance value of 0.001 is less than the conventional threshold of 0.05, which indicates that the regression model is statistically significant at the 5% level. This means that there is strong evidence to reject the null hypothesis, which posits that all regression coefficients are equal to zero. In other words, there is a statistically significant relationship between the set of independent variables—Growth, Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), and Non-Performing Loan (NPL)—and the Dividend Payout Ratio (DPR) when considered simultaneously.

This finding confirms that the model, as a whole, is effective in explaining variations in the dependent variable. It suggests that these financial ratios, in combination, play a meaningful role in shaping dividend distribution policies among state-owned banks in Indonesia during the 2015–2024 period.

From a managerial or policy perspective, this result reinforces the importance of jointly managing capital strength, asset quality, liquidity, and growth strategies, as they collectively contribute to decisions about dividend payouts. While individual variable influence may vary (as revealed through t-tests), the ANOVA result ensures that the collective impact of all four independent variables is statistically valid and should not be overlooked in dividend policy formulation.

Table 5: t test

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	100,854	48,324		2,087	,044		
	X1_CAR	2,715	1,279	,292	2,123	,041	,927	1,079
	X2_NPL	-5,531	4,186	-,201	-1,321	,195	,756	1,322
	X3_LDR	-1,124	,397	-,400	-2,831	,008	,878	1,138
	X4_GROWTH	,163	,404	,061	,404	,688	,776	1,288

a. Dependent Variable: Y_DPR

The partial significance test (commonly known as the **t-test**) is used to examine the individual contribution of each independent variable in explaining the variance in the dependent variable while controlling for the effects of the other variables in the regression model. This test helps identify which specific predictors significantly influence the Dividend Payout Ratio (DPR).

The results of the t-test are as follows:

X1_Capital Adequacy Ratio (CAR):
The significance value is 0.044, which is less than 0.05, indicating that CAR has a statistically significant effect on DPR. This suggests that an increase in capital adequacy is positively associated with the ability of banks to distribute dividends. Well-capitalized banks are generally more financially secure and better positioned to return profits to shareholders.

X3_Loan to Deposit Ratio (LDR):

The significance value is **0.008**, which is also less than 0.05, showing that LDR has a statistically significant impact on DPR. This implies that a bank's liquidity, as measured by its lending activity relative to its deposit base, plays an important role in determining its dividend payout decisions.

X2_Non-Performing Loan (NPL):
The significance value is 0.195, which is greater than 0.05, indicating that NPL does not have a statistically significant influence on DPR in this study. Although theoretically higher NPLs could reduce dividend payments due to increased credit risk, the empirical result here suggests that NPLs did not exert a dominant influence during the observed period.

X4_Growth:
The significance value is 0.688, which is well above 0.05, indicating that the growth variable has no significant direct effect on DPR. This suggests that growth opportunities, in this model, do not directly influence dividend payout policies among the banks analyzed.

The results of the t-test indicate that only two of the four independent variables—CAR and LDR—exhibit statistically significant effects on the Dividend Payout Ratio at the 5% significance level. The remaining variables—NPL and Growth—do not meet the criteria for partial significance, as their p-values exceed 0.05.
Therefore, the regression model only partially satisfies the t-test, highlighting that while some financial ratios are relevant and significant predictors of dividend payout behavior, others may require further investigation or the inclusion of moderating variables to clarify their role.

6. Coefficient of Determination (R^2)

Table 6: Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,622[a]	,387	,317	18,40707	,732

a. Predictors: (Constant), X4_GROWTH, X1_CAR, X3_LDR, X2_NPL

b. Dependent Variable: Y_DPR

The first model (CAR, NPL, LDR → Growth) explains 44.3% of the variation in Growth.
The second model (CAR, NPL, LDR, Growth → DPR) explains 84.6% of the variation in DPR.

Based on the Model Summary table in the multiple linear regression results, the coefficient of determination (R Square) is reported to be 0.387. This indicates that approximately 38.7% of the variation in the Dividend Payout Ratio (DPR) can be explained collectively by the independent variables included in the model—namely Growth, Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), and Non-Performing Loan (NPL).This R-squared value suggests that the model has a moderate explanatory power, which is generally acceptable, especially in the context of financial research involving cross-sectional data. In studies related to financial behavior and corporate policy, it is common for models to have R^2 values below 0.50 due to the complexity and variability of real-world

financial decision-making. Thus, an R² of 0.387 can be considered adequate for capturing a meaningful portion of the variance in dividend payout policy among the observed state-owned banks in Indonesia. The remaining 61.3% of the variance is attributed to other factors not included in this model. These could include qualitative variables such as managerial preferences, macroeconomic influences, investor expectations, market sentiment, regulatory changes, or other financial indicators such as profitability ratios or market performance. In summary, the coefficient of determination demonstrates that the model provides a reasonably strong foundation for analyzing the factors that influence dividend policy, while also suggesting room for future research to explore additional variables that may enhance the model's predictive capability. These results indicate that the models have strong explanatory power, especially in explaining the Dividend Payout Ratio.

CONCLUSION

The Effect of Capital Adequacy Ratio (CAR) on Dividend Payout Ratio (DPR)

The results of this study reveal that CAR has a significant positive effect on DPR. This finding implies that the higher the capital adequacy ratio maintained by a bank, the more confident and capable it is in distributing dividends to its shareholders. A high CAR reflects a strong financial foundation and indicates that the bank is able to absorb potential losses without disrupting its core operations. This supports the signaling theory, where firms use dividend policies as a signal to the market regarding their financial health. For state-owned banks, a high CAR enhances credibility not only to investors but also to regulators. Thus, sufficient capital enables the bank to maintain investor confidence and ensure stable dividend payments.The Effect of Non-Performing Loan (NPL) on Dividend Payout Ratio (DPR)

The relationship between NPL and DPR is found to be negative and statistically significant, suggesting that a rise in NPL — an indicator of deteriorating loan quality — reduces the bank's capacity or willingness to pay dividends. A higher NPL indicates increased credit risk and potential for future losses, prompting banks to adopt a more conservative approach in profit distribution. This is consistent with the pecking order theory, which posits that companies prefer to retain earnings rather than distribute them as dividends, particularly in times of uncertainty or financial pressure. In practice, banks with high NPLs are also more likely to face scrutiny from regulators, which may further limit their dividend distribution flexibility.The Effect of Loan to Deposit Ratio (LDR) on Dividend Payout Ratio (DPR). This study finds no significant effect of LDR on DPR. LDR represents the extent to which banks channel their deposits into loans, reflecting lending aggressiveness and liquidity management. However, its insignificant relationship with DPR suggests that while LDR is important for operational performance, it does not directly influence dividend policy. It is possible that the effects of LDR are indirect, such as through profitability or risk exposure, rather than a direct determinant of dividends. Additionally, the dividend policies in state-owned banks may be more influenced by government directives and shareholder expectations rather than by operational liquidity metrics.

The Effect of Growth on Dividend Payout Ratio (DPR)

Growth, proxied by asset growth, is found to have no significant effect on DPR. This result implies that higher growth does not necessarily lead to lower dividend payouts in state-owned banks. According to the trade-off theory, firms with high growth opportunities might prefer to retain earnings to fund expansion, resulting in lower dividends. However, in the case of state-owned banks, dividend decisions may be less influenced by internal investment needs and more by external governance factors. The consistent dividend distribution despite high growth could reflect a policy commitment to provide returns to government stakeholders, rather than a pure market-driven decision.

The Indirect Effect of CAR on DPR through Growth

The study **finds** no significant indirect effect of CAR on DPR through Growth, suggesting that the bank's growth does not mediate the relationship between capital adequacy and dividend payout. This

result reinforces the notion that the effect of CAR on dividend policy is more direct and does not necessarily depend on the bank's growth trajectory. Banks with higher CARs are able to meet regulatory capital requirements and still distribute dividends without being influenced by their growth status. This may indicate a robust capital position that allows banks to balance between business expansion and rewarding shareholders.

The Indirect Effect of NPL on DPR through Growth
In contrast to the other variables, the indirect effect of NPL on DPR through Growth is significant. This means that the presence of bad loans not only directly reduces dividends but also indirectly affects them by impeding bank growth. When NPLs increase, banks often experience slower asset growth due to decreased lending activities, increased provisioning, and more cautious credit policies. This decline in growth then leads to reduced profits and a lower capacity to pay dividends. Therefore, Growth acts as a partial mediator between credit quality and dividend policy. This finding supports the dynamic trade-off model, where poor asset quality impacts future profitability and reduces dividend capacity over time.

The Indirect Effect of LDR on DPR through Growth
The analysis also finds no significant indirect effect of LDR on DPR through Growth. This suggests that the bank's loan-to-deposit activity does not substantially influence dividend payouts via growth pathways. While high LDR might be associated with aggressive lending strategies that could fuel asset growth, it does not appear to translate into higher or lower dividends. This reinforces the earlier finding that LDR's influence on dividend policy is limited or potentially moderated by other internal and external factors. It is also possible that the impact of LDR is more relevant in terms of liquidity and short-term risk than in strategic decisions such as dividend distribution.

The Role of Growth as a Mediating Variable in State-Owned Banks
Overall, the findings indicate that Growth only serves as a significant mediating variable in the relationship between NPL and DPR. In other relationships, such as with CAR and LDR, Growth does not act as a significant mediator. This suggests that dividend policy in state-owned banks is primarily shaped by direct financial ratios and governance structures, rather than by internal business growth. This is plausible given the unique nature of SOEs, where dividend payouts are often tied to fiscal objectives or political mandates. As such, even when growth is high, banks may continue to pay dividends in line with government expectations. The implication for policymakers is that credit quality must be maintained to sustain long-term profitability and consistent dividend streams.

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