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THE EFFECT OF OVERINVESTMENT ON FIRM PERFORMANCE WITH DIVIDEND POLICY AS A MODERATING VARIABLE

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Abstract

Mining in Indonesia is an industry that fluctuates due to demand and supply factors. Overinvestment is a positive error term derived from the investment demand function. Overinvestment indicates that the company will tend to increase the size of the company and undertake several projects with a net value of a negative impact that harms the company's shareholders because of the company's interests. To reduce the effect of overinvestment, the company applies a dividend policy to minimize the negative impact on company performance. This study aims to see how the effect of overinvestment on company performance, how the effect of dividend policy on company performance, and how the impact of dividend policy moderates the relationship between overinvestment and company performance in the mining sub-sector listed on the Indonesia Stock Exchange in 2018 - 2022. The method used in this study uses panel data regression analysis. This study uses quantitative causal research with a unit of analysis of the mining sub-sector group from 2018-2022. The data collected are cross-sectional and time series data obtained from the Indonesia Stock Exchange (BEI), Yahoo Finance, and the website of each mining subsector that provides research data. Based on the results of research and discussion in the previous chapter, overinvestment has a positive and significant effect on the performance of mining companies; this shows that the higher the overinvestment, the higher the performance of mining companies. Likewise, the dividend policy has a significant positive effect on company performance; this shows that the higher the dividend policy of mining companies, the higher the company's performance. A dividend policy can moderate the effect of overinvestment on the performance of mining companies, with the adverse effects of overinvestment being suppressed by a reasonable and appropriate dividend policy. Recommendations for mining companies to carefully consider dividend payments because dividend policy significantly impacts company performance, and companies must be careful to avoid investments that result in overinvestment, which can later reduce company performance. Recommendations for regulators, especially the head of the company and finance, also need to be careful in determining dividend policy because the wrong dividend policy risks reducing company performance. Academics and further researchers can also re-examine this research by providing more detailed specifications for the sample taken, especially the specific characteristics of investment, company performance, and dividend policy.***Keywords*:** Dividend Policy, Firm Performance, Overinvestment

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1.2 INTRODUCTION

As regulated by Law Number 4 of 2009, mining includes all stages of research, management, and exploitation of coal and minerals. This includes post-mining activities other than general research, feasibility, exploration, development, processing, shipping, refining, shipping, and sales, as well as mining (JDIH BPK, 2009). Mining is non-renewable and fluctuating because prices can change significantly quickly. Prices of mining mineral commodities, such as gold, copper, and nickel, are influenced by demand and supply factors, government policies, and exchange rate fluctuations (CNBC Indonesia, 2021).

Over the last five years, there have been fluctuations from an economic perspective in the performance of Indonesian mining companies. This fluctuation is caused by changes in stock market value and is influenced by demand and supply factors. External factors, such as the fall in the Indonesian stock market, inflation, and unemployment rates, influence stock price fluctuations. Changes in the rupiah exchange rate against foreign currencies also caused the decline in share prices. Meanwhile, internal factors refer to the company's performance as well as the company's financial problems that have the potential to cause fluctuations (ojk.go.id, 2023).

Even though it experiences fluctuations that cause an overinvestment effect in the mining sector, investors believe it is a promising investment with a high rate of return (CNBC Indonesia, 2021). Overinvestment occurs because investors allocate too much of their funds, resulting in an excessive increase in production. This happens when the price of mining commodities rises significantly, encouraging companies to invest more capital in new projects, which can cause the company to experience losses or even bankruptcy (katadata.co.id, 2021).

Fluctuations in company performance for the 2018-2022 period. Judging from the average company performance, the return on assets (ROA) of 56 out of 63 companies is considered. In 2019, there was a decrease of -0.71% from 2018, initially 3.37%. PT Mitra Investindo Tbk caused the most prominent decline due to capital deficiencies, which resulted in falling prices and losses (CNBC Indonesia, 2020).

This decline could be overcome in 2020 by increasing performance growth to 0.49% even though the Covid-19 pandemic was occurring that year, the increase in performance was caused by the addition of business permits for mining services, which resulted in increased fluctuations in mining production (CNBC Indonesia, 2020). The increase was 7.50% in 2021 and 11.69% in 2022. This increase was due to increased commodity prices and investor demand in the mining sector (ekon.go.id, 2022).

Apart from that, if we look at the average sales growth in 2018 and 2019, the average sales growth value in the mining sector is almost equivalent to the average sales growth amount of 4.2 trillion rupiah. However, in 2020, there was a decline in sales growth with a value of 3.6 trillion rupiah. COVID-19 caused a decrease in sales growth, so the financial burden incurred by the company was very high (CNN Indonesia, 2020). However, sales increased on average to 4.8 trillion in 2021 and 8.3 trillion rupiah in 2022, almost double the previous year. According to (minerba.esdm.go.id, 2023) mining commodity prices in 2021-2022 are booming, which is positive for the country's financial economy.

There is a significant difference, where the average performance decreased in 2019, but in that year, the average sales increased slightly compared to the previous year. Meanwhile, in 2020, the average company performance increased to 0.49% from -0.71% in the last year, but average sales decreased from 4.231 trillion to 3.638 trillion that year. In 2020, investment realization amounted to US$ 4.01 billion, and the government wants to see more money invested in the mineral and coal industry; in 2021, it amounted to US$ 5.98 billion, equivalent to 84.4 trillion rupiah. The Director of Energy and Mineral Resources (ESDM) said this increase aimed to spur economic growth in the face of the COVID-19 pandemic. In addition, investment fell 38% from 2019, amounting to 6.50 billion US$. In line with the increase in investment, the government is also targeting non-tax state revenue from the mineral and coal mining industry of IDR 39.1 trillion in 2020, or the equivalent of an increase of 13%, IDR 34.6 trillion. Coal production reached 561 million tonnes, and mineral production, including nickel, exceeded the target of 550 million tonnes (CNBC Indonesia, 2021).

Therefore, the Ministry of Energy and Mineral Resources (ESDM) is worried because in the electricity, mineral and coal, oil and gas, and EBT subsectors, the investment value in each subsector experiences differences every year, and there are times when these subsectors experience a decrease in investment value. The Ministry of Energy and Mineral Resources believes that the decline in investment results from the decline in global economic conditions, especially the decline in market demand for ESDM investment (esdm.go.id, 2023).

However, this reduction is being monitored by the General Chair of the Indonesian Mining Experts Association (Perhapi) so that mining production does not experience oversupply, which could be detrimental to the company. If there is an oversupply in the global market, it will not be able to expand to the domestic market because the supply is already limited. So, it requires companies to look for new investors to increase their investments in the company by influencing the attractiveness of investment in ESDM (idxchannel.com, 2021). Another thing that can influence a person's attractiveness to invest in the mining sector is the significant dividends. These dividends can also help companies reduce the impact of overinvestment. However, companies can also consider providing dividends or profits to their investors (esdm.go.id, 2023).

In Indonesia, the mining sector has potential reserves of mining materials; however, overinvestment due to excessive capital allocation can negatively impact investment. In the mining sector, the dividend policy also has risks for the mining sector itself because if the industry distributes too high, it can cause the mining sector to lack the ability to deal with emergencies such as future investment. The mining sector can also consider other factors such as investment, debt, firm size, growth, liquidity, and tangibility, which can help to reduce the risk of overinvestment and dividend policy on company performance. Therefore, this study will examine 2018 to 2022, which shows a significant increase and decrease in stock prices. Some previous studies have been researched in countries such as Vietnam and China, which has created a research gap in analyzing the impact of overinvestment and dividend policy on company performance. This study aims to determine the effect of overinvestment and dividend policy on company performance in the mining sector listed on the IDX and issuing dividends for the last five years.

1.3 LITERATURE REVIEW

Investment

In a business world that continues to develop rapidly, understanding investment is very important. There are several definitions of investment. In the opinion of Hartono (2022), investment is excess funds or assets that are committed not to be used at this time, which is expected to be helpful in the future.

Unlike a business, investment is managing funds in the present with the hope of receiving profitable funds in the future (Nuzula et al., 2020). Improving a person's life in the future and avoiding inflationary pressures that can decrease the value of wealth is the goal of investing (Handini et al., 2020).

Overinvestment

To avoid overinvestment, companies and investors must conduct a thorough investment analysis, consider all potential risks, and monitor investment performance. According to (Nguyen et al., 2020) overinvestment is a positive error term obtained from the investment demand function. Apart from that, overinvestment shows that companies tend to increase the size of the company, carrying out several projects with a negative net value that are detrimental to their shareholders because of their interests (Chi et.al, 2019).

(Chi et al., 2019) argue that overinvestment will increase when the level of new investment exceeds the investment potential provided by growth opportunities. Companies that overinvest result in more significant earnings disappointment in subsequent periods and cause an increase in the risk of corporate default (Chen, 2021).

This overinvestment tendency is expected to have a significant impact on payment guarantee decisions through its interaction with the debt ratio because the pursuit of managers' interests can result in overinvestment tendencies, such as investing in projects with a negative net value, which is detrimental to the value of the company in the end (Cho et al., 2021).

The problem of overinvestment will be reduced when the company makes specific plans regarding debt, dividends, and direct investment, changing one of the variables to maintain profits and company performance (Nguyen et al., 2020).

Firm Performance

Firm performance is an increase in social responsibility carried out by companies by better assessing environmental performance, which can improve business performance (Rahmawardani et al., 2020). Firm performance can also depend on corporate strategy and internal processes, such as market trends' increasing variety and variability (Corvino et al., 2019).

Firm performance will be negatively impacted if company prioritizing more investment opportunities tend to incur more costs to exploit them (Al-Gamrh et al., 2020). Firm performance can be measured using profit after tax divided by total assets (Kristanti et al., 2019).

Debt

The country's debt level can reduce growth through higher public investment and public spending (Yoong et al., 2020). Capital that contains debt is usually used to provide dividends to reduce free assets where the cash is under the control of the company manager, as well as minimizing agency costs (Kusumaningrum, 2023).

Project debt is repaid with future cash flows generated by the project, so it is not based on debtor credit or guarantees but on project profitability, a project financing funding scheme (Cho et al., 2021).

Firm Size

Company size results from various things, such as capital costs, growth, and net cash flow from investment decisions (Irani et al., 2023). The assets a company needs to its size; in other words, the size of a company is based on how large or small its assets are. A company is considered significant if all its assets can generate profits; if significant assets are provided due to large investments, it will have a good impact by generating high profits (Tumba et al., 2021).

Company size is calculated as the logarithm of the market value of ordinary equity outstanding at the end of the period; companies with significant assets are expected to have a lower risk of claims (Chen, 2021). Its size influences a company's performance and investment opportunities; company size can be described as the log of its total assets (Al-Gamrh et al., 2020).

Growth

Growth can be the basis for measuring firm performance (Hapsari et al., 2021). This growth can be supported by expanding investment from the government (Yoong et al., 2020). The growth of the capital market greatly influences positive and negative responses that impact a country's policies (Fariska et al., 2020).

Sales growth is what companies and the country's economy as a whole want (Al-Gamrh et al., 2020). Sales growth in a company is the result of company sales; high profits are obtained from sales growth (Tumba et al., 2021) To support company growth, companies must have clean working capital capabilities as a potential source of funds; this is often ignored by most companies (Setianto et al., 2019).

Liquidity

Liquidity is a working capital buffer if the company suddenly runs out of cash (Setianto et al., 2019). Companies with high liquidity will be better prepared to pay their debts when they fall due; high liquidity can affect solvency, reducing company profits (Tumba et al., 2021). High liquidity can provide more investment funding, making it profitable and increasing company efficiency (Nguyen et al., 2020).

Tangibility

Tangibility is a fixed asset in a company that is used as collateral for debt. If the tangibility value is more excellent, the possibility of getting a loan is also greater. Tangibility in a company is calculated by the amount of wealth that can be used as collateral, in other words, to reduce risk

(Tumba et al., 2021). Tangibility is a physical asset or property owned by a company and can be used to produce products and services (Alarussi, 2021).

Dividend Policy

The company sets a dividend policy to determine how much profits will be distributed as dividends (Yunita et al., 2016). A company will later determine a dividend policy for its shareholders or investors, whether the income will be retained as retained earnings or used as investment payments in the future (Mauris et al., 2021).

Dividend policy also describes the decisions taken by the company regarding the dividends that will be distributed to investors. This policy varies according to company policy (Tumba et al., 2021). A dividend policy can reduce risk and conflicts of interest when this policy can encourage increased investor involvement in monitoring the company's operational activities (Siladjaja et al., 2020). From the explanation above, the research model and the hypothesis of this research are as follows (Figure 1)

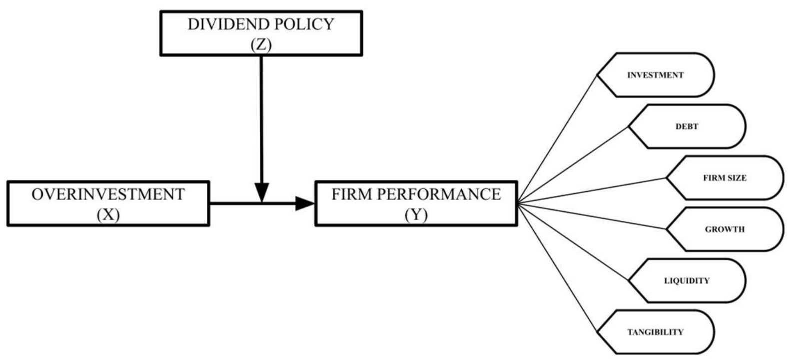

Figure 1. Research Model

Source: Processed by Researchers (2023).

Hypothesis 1 : The effect of overinvestment on firm performance

Hypothesis 2 : The effect of dividend policy on firm performance.

Hypothesis 3 : The effect of dividend policy moderates the relationship between overinvestment and firm performance.

2. METHOD

This research uses a type of causal research according to its objectives. Sekaran & Bougie, (2016) believe that causal research investigates causal relationships between variables; in other words, they investigate whether changes in one variable affect other variables. This study uses a quantitative approach. According to (Pandoyo & Sofyan, 2018) a quantitative approach is based on strict standards of logic, truth, law, and prediction based on logical positivism.

The unit of analysis used by the mining sub-sector group from 2018-2022. According to (Sekaran & Bougie, 2016), the unit of analysis is the amount of data collected during data analysis. The researcher did not intervene in the data, and the researcher's involvement in this research could have been more or more. According to (Sekaran & Bougie, 2016) the minimal approach is that the researcher does not disturb the flow of events that usually occur; in other words, the researcher does not change certain variables in the setting. Based on the research's time, the researcher used cross-sectional and time series data.

The research population covers 63 mining subsectors on the IDX between 2018 and 2022. However, only 56 mining subsectors have financial reports and only 10 companies have paid dividends over the last five years. Fifty research data were generated with a sample of 10 companies in the mining subsector and a research time of 5 years. Researchers use data collection techniques and sources for research documentation. Annual financial reports from the mining company's official website, BEI, and Yahoo Finance are secondary data sources for 2018-2022.

Using statistics has been supported by looking at the truth of the resulting hypothesis. Researchers can conduct correlational analysis to determine the relationship between research variables (Sekaran & Bougie, 2016). Quantitative analysis and secondary data from IDX, Yahoo Finance, and the company's official website for 2018-2022 were used to analyze the data in this research. Excel 365, SPSS, and Eviews 13 will be used to process the data obtained.

This research uses several tests, such as descriptive analysis testing, which produces values for average, variance, standard deviation, maximum, sum, minimum, kurtosis, range, and skewness (Pandoyo & Sofyan, 2018). The values in the sample and population will agree if the standard deviation is minimal, and vice versa (Pandoyo & Sofyan, 2018). Then, the selection of the panel data model was tested. Panel data is a combination of cross-section and time series data, which can improve the quality and quantity of data (Hussein et al., 2021). The tests include the Common Effect Model, Fixed Effect Model (FE), and Random Effect Model (RE) with several tests, including the Chow test, Hausman test, and Lagrange multiplier test, must be carried out to identify the optimal regression model method that is suitable. After model selection, researchers conducted panel data regression using the Chow test with Common Effect or Fixed Effect criteria and panel data estimation.

$H0 : Common\ Effect\ (p > 0{,}05)$

$H1 : Fixed\ Effect\ (p < 0{,}05)$

It can be seen from the probability level to determine the assumption between H0 and H1 that is accepted in this study. If the probability level is above 0.05 or 5%, accept H0 and vice versa. Furthermore, panel data regression using the Hausman test with Fixed Effect and Random Effect criteria and panel data estimation are as follows.

$HO : Menggunakan\ Metode\ FEM\ (p < 0{,}05)$

$H1 : Menggunakan\ Metode\ REM\ (p > 0{,}05)$

Eviews is used to test the redundant effects set for the Hausman test. The probability level can be used to determine whether assumptions H0 and H1 are valid. The H0 assumption is accepted if the probability level is more significant than 0.05 or 5%, or vice versa. Then, panel data regression using the Lagrange Multiplier test with Random Effect and Common Effect criteria with panel data estimation is as follows.

$HO : Common\ Effect\ (p < 0{,}05)$

$H1 : Random\ Effect\ (p > 0{,}05)$

It can be seen from the probability level that the assumption between H0 and H1 was accepted in the study. If the probability level is above 0.05 or 5%, accept H0 and vice versa. Then, from the panel data regression test, the best model will be selected. Furthermore, hypothesis testing is carried out to test the truth of a statement statistically to conclude whether to accept or reject the statement of the problem formulation.

3. RESULTS AND DISCUSSION

3.2 Result

In this study, dividend policy acts as a moderating variable, testing the impact of overinvestment on firm performance. Several control variables include debt, firm size, growth, liquidity, and tangibility. The research sample and population used in this study are companies that published their financial reports for the last five years and issued dividend policy obligations to investors over the previous five years, namely mining companies listed on the Indonesia Stock Exchange (IDX) for 2018-2022. Thus, researchers used 10 out of 63 companies as samples. Researchers use a documentation strategy based on company data sources and data collection techniques. Annual reports from the official websites of mining companies, the Indonesia Stock Exchange, and Yahoo Finance for 2018-2022 are secondary data collected by researchers. Descriptive statistics are carried out to describe the value of the research variables by looking at the mean, standard deviation, minimum, and maximum values of the data for each of these research variables, as shown in the following table.

Table 1. Descriptive Statistics

Variabel	Obs	Mean	Std, Dev	Min	Max
FIRM PERFORMANCE	50	0.2086	0.1819	0.0064	0.7960
OVERINVESTMENT	50	0.1028	0.1052	0.0003	0.4900
DIVIDEND POLICY	50	2666.2488	12558.1921	1.2164	84968.7101
DEBT	50	4.4645	5.1020	0.2315	19.8188
FIRM SIZE	50	23.3089	1.2611	21.0763	25.8618
GROWTH	50	31.5031	55.1457	-39.0172	210.3332
LIQUIDITY	50	2.1736	1.7739	0.5337	9.5920
TANGIBILITY	50	0.2684	0.2199	0.0406	0.8295

Source: Eviews Output Results (2024); Data has been processed.

From Table 1, we can see that the dependent variable, namely firm performance, has a mean value of 0.2086, which is higher than the standard deviation of 0.1819, meaning that the data is heterogeneous with variables that have a high level of deviation with a minimum value of 0.0064 and a maximum value of 0.7960.

Standard, Fixed, and Random Effects Models are three regression model techniques used in panel data regression analysis. Several tests, including the Chow test, Hausman test, and Lagrange Multiplier test, must be performed to identify the optimal regression model method that fits the research data. From the results of the panel data model selection, the best model in this study is the fixed effect model as follows.

Table 2. Panel Data Model Selection

Effects Test	Statistic	d.f	Prob.
Cross-section F	4.022451	(9,24)	0.0030
Cross-section Chi-square	38.625412	9	0.0000

Source: Eviews Output Results (2024); Data has been processed.

As seen in Table 2, the probability value of 0.0030 is smaller than the threshold of 0.05. Therefore, a decision to reject the null hypothesis (H0), which on the conclusion that the fixed effect model is the best in this study with the following panel data regression results.

Table 3. Panel Data Regression

Variable	Coefficient	Std. Error
C	0.616487	0.480442
OVERINVESTMENT	0.372467	0.124078
DIVIDEND POLICY	32318.73	8964.775
DEBT	-973906.4	5425884.
FIRM SIZE	-0.022059	0.019706
GROWTH	0.001035	0.000251
LIQUIDITY	0.039049	0.010657
TANGIBILITY	-0.183743	0.068298

Source: Eviews Output Results (2024); Data has been processed.

The panel data regression equation from the data processing results in Table 3 as follows.

$$\begin{aligned}\boldsymbol{Firm\ Performance} &= \mathbf{0,61} + \mathbf{0,37}\ \boldsymbol{Overinvestment} + \mathbf{32318,73}\ \boldsymbol{Dividend\ Policy} \\ &+ (\mathbf{973906,4})\ \boldsymbol{Debt}\ + (\mathbf{0,02})\ \boldsymbol{Firm\ Size} + \mathbf{0,001}\ \boldsymbol{Growth} \\ &+ \mathbf{0,03}\ \boldsymbol{Liquidity} + (\mathbf{0,18})\ \boldsymbol{Tangibility}\end{aligned}$$

Table 4. Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
OVERINVESTMENT	0.434868	0.136705	3.181074	0.0032
DIVIDEND POLICY	34305.42	7830.012	4.381273	0.0001
MODERATION	-449702.9	98784.01	-4.55238	0.0001
DEBT	1411084	333222.	0.423466	0.6747
FIRM SIZE	-0.009043	0.015278	-0.591913	0.5579
GROWTH	0.000872	0.000207	4.216371	0.0002
LIQUIDITY	0.041121	0.009506	4.325743	0.0001
TANGIBILITY	-0.184340	0.052068	-3.540391	0.0012
C	0.296159	0.372030	0.796063	0.4317
Weighted Statistics				
R-squared	0.786374	Mean dependent var		0.160362
Adjusted R-squared	0.734585	S.D. dependent var		0.104254
S.E. of regression	0.065162	Sum squared resid		0.140122
F-statistic	15.18440	Durbin-Watson stat		1.837635
Prob(F-statistic)	0.000000			

Source: Eviews Output Results (2024); Data has been processed.

The equation that can used to predict company performance according to the high and low overinvestment, dividend policy, moderation, debt, firm size, growth, liquidity, and tangibility is as follows.

$$\boldsymbol{Y = 0,296159 + 0,434868\ X1 + 34305,42\ X2 + (449702,9)\ X3 + 1411084.)\ X4 + (0,009043)X5 + 0,000872\ X6 + 0,041121\ X7 + (0,184340)X8}$$

Therefore, hypothesis 1 has a p-value of 0.0032 <0.05, where these results indicate that overinvestment significantly affects company performance. Hypothesis 2 is accepted with a p-value of 0.0001 <0.05, suggesting that dividend policy significantly impacts company performance. In hypothesis 3, accepted with a p-value of 0.0001 <0.05, these results indicate that dividend policy can moderate the effect of overinvestment on company performance.

3.3 Discussion

The Effect of Overinvestment on Performance

Hypothesis 1 in this study is accepted, and it concluded that overinvestment significantly affects company performance. Mining companies with high overinvestment tend to have high company performance. Significant investments in mines can bring positive performance to the company if managed well and if market conditions are favorable. The following are some of how heavy investment in mining can improve company performance (Ditjen Minerba, 2020).

Significant investments in mines can increase a company's production capacity, resulting in increased revenues and profits; with increased production, companies can meet growing market demand or increase market share. Significant investment in the exploration and discovery of new mining resources can open up new opportunities for companies to exploit more extensive and profitable reserves (greatnusa, 2023).

Investments in new technologies and operational process improvements can increase the operational efficiency of mining companies, which can affect product quality, production costs, and production time. Investment in new or expanding existing mines can help a company diversify its business portfolio. It can reduce the risk of dependence on one type of resource or one operating location (Ditjen Minerba, 2020). This research is in line with the study conducted by (Assad et al., 2023; Bai et al., 2023; Fan et al., 2022; Irawan et al., 2021; Khediri, 2021; Lee et al., 2018; Muchtar et al., 2018) which shows that overinvestment has a positive effect on company performance.

The Effect of Dividend Policy on Company Performance

Hypothesis 2 in this research is accepted, and it concluded that dividend policy significantly affects company performance. Mining companies with a high dividend policy tend to have high company performance. Dividend policy is vital for company management and can influence performance in several ways. However, the impact is not always positive, and a consistent and increasing dividend policy can be a positive signal to the market about the company's financial health and stability (Mutmainnah et al., 2019). It can increase investor confidence and encourage share prices to rise. Investor confidence can also increase with stability in dividend payments, reducing share price volatility and increasing the company's market value (Dzulfikar et al., 2023).

A conservative dividend policy can force company management to manage capital carefully and avoid excessive spending or risky investments, leading to more efficient management and focus on projects that provide good returns (Sinaga, 2019). High or too frequent dividend payments can reduce the funds available for investment in growth projects or operational improvements, hindering the company's ability to grow and compete. Suppose a company pays dividends that exceed the cash flow generated. In that case, this can cause pressure on the company's working capital, which can cause the company to seek additional financing or cut investments needed for growth or operations (Adnyana, 2020).

The overall impact of dividend policy on company performance depends significantly on the company's individual situation, where the company operates, and investor preferences. Therefore, company management can consider various factors before deciding on a dividend policy. (Adrianingtyas, 2019; Alipudin et al., 2014; Ghazali Rahman, 2021; Kartika et al., 2022; Mahmudah et al., 2020; Mariana, 2017; Nurzaeni et al., 2022; Sudiyatno et al., 2018; Vionita et al., 2023) in their research shows the results that dividend policy affects company performance.

Dividend Policy moderates the effect of Overinvestment on Company Performance

Hypothesis 3 is accepted, and it concluded that dividend policy can moderate the effect of overinvestment on company performance. When a company has a stable and sustainable dividend policy, management will pay more attention to capital expenditures, including mining investments; this can help prevent overinvestment (Artiani et al., 2023). A consistent and sustainable dividend policy can also signal to the market about the company's financial wisdom. If a company prioritizes high dividend payments, investors may interpret it as a sign that it does not plan to use these funds for investments that can potentially improve long-term performance (Ishlah et al., 2023).

It can reduce share price volatility and minimize the risk of investors worrying about inefficient use of funds or excessive overinvestment (Hariyanti et al., 2021). Consistent dividend payments can also help limit excess liquidity that might encourage management to make inappropriate investments, and by establishing a healthy dividend policy, companies can ensure that they only use available funds for the most profitable investments (Hariyanti et al., 2021).

However, dividend policy is not the only factor influencing a company's investment decision-making. Therefore, each dividend policy must adjusted to the company's specific conditions and needs.

4. CONCLUSION

Based on the research results and discussion in the previous chapter, overinvestment has a positive and significant effect on the performance of mining companies. Shows that the higher the overinvestment, the higher the performance of the mining company. Likewise, dividend policy has a significant positive effect on company performance; this shows that the higher the dividend policy of a mining company, the higher the company's performance. Moreover, dividend policy can moderate the influence of overinvestment on mining company performance, suppressing the adverse effects of overinvestment by having a reasonable and appropriate dividend policy.

Recommendations for mining companies to carefully consider dividend payments because dividend policy significantly impacts company performance, and companies must be careful to avoid investments that result in overinvestment, which can later reduce company performance. Recommendations for regulators, especially company heads and finance, also need to be careful in determining dividend policy because the wrong dividend policy risks reducing company performance. Academics and future researchers can also re-examine this research by providing more detailed specifications for the samples taken, particular investment characteristics, company performance, and dividend policy.

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