International Conference on Sustainable Economics, Management, and Accounting (ICSEMA 2026)
Proceedings
Vol. 02 Year 2026, 2074 – 2084
ISSN: 3109-3337

DMO PRICE DISPARITY AND DIVIDEND POLICY ANOMALY AMID THE COMMODITY SUPERCYCLE: A STUDY OF INDONESIA'S COAL MINING SECTOR

Frederick Sam Wuisan[1*], Dian Purnomo Jati[2]

[12]Faculty Economic and Business/Management, Universitas Jenderal Soedirman, Indonesia

[*]Email corresponding author: frederick.wuisan@mhs.unsoed.ac.id

Article Information: Received --- June,25 2026, Published --- August, 10 2026

Abstract

This study investigates the dividend policy anomaly in Indonesia's coal mining industry during the commodity supercycle (2021-2023), when exposure to dual-price regulatory risk arising from the Domestic Market Obligation (DMO) and Domestic Price Obligation (DPO, US$70/ton) was expected to trigger managerial cash hoarding as predicted by Precautionary Motive Theory. This study contributes a novel measurement by quantifying Price Disparity on a firm-specific basis: the percentage gap between the global Coal Reference Price (HBA) and the DPO ceiling, weighted by each firm's domestic sales proportion extracted from audited geographic segment disclosures. Using panel regression on 13 coal mining firms listed on the Indonesia Stock Exchange from 2018 to 2024, the Fixed Effect Model was selected based on sequential specification tests. Empirical results demonstrate that Price Disparity has a positive and significant effect on the Dividend Payout Ratio, contrary to the direction predicted by Precautionary Motive Theory, leading to the substantive rejection of Hypothesis 1. This finding gives rise to the Regulatory Dual-Stream Hypothesis as a new theoretical contribution: firms exposed to DMO-DPO simultaneously hold a guaranteed domestic revenue stream and a large export windfall, a two-layer structure that stabilizes managerial confidence and accelerates dividend distribution capacity rather than suppressing it. The findings recommend that investors regard DMO-DPO exposure not as negative sentiment, but as a financial stabilizer supporting medium-term dividend yield prospects for domestically-oriented issuers.

Keywords: Commodity Supercycle, Dividend Policy, DMO Price Disparity, Captive Cash Flow, Coal Industry

INTRODUCTION

Dividend policy has consistently occupied a fundamental position in corporate financial management literature. Conceptually, this decision is not merely a routine distribution of residual earnings, but a strategic signaling instrument through which management projects the reliability of cash flows and optimism regarding the entity's future viability. Grounded in Agency Theory, optimal dividend policy serves a crucial governance mechanism function by disciplining managers and mitigating the potential misuse of free cash flows.

The significance of this policy becomes particularly complex in highly cyclical extractive industries such as coal mining. When markets enter a commodity supercycle, a period of extreme price escalation, issuers typically experience extraordinary windfall profits. Financial logic dictates that such abundant cash should be distributed to shareholders. However, the dynamics observed on the Indonesia Stock Exchange (IDX) during 2021-2023 present a phenomenon warranting investigation: amid record-breaking historical net profits, there are indications that management prioritized the accumulation of internal cash buffers at the peak of the upcycle.

This phenomenon directs attention to the heightened regulatory risk exposure in the domestic market. The Indonesian government has implemented two parallel, complementary

regulations. First, the Domestic Market Obligation (DMO) requires producers to sell 25% of actual production to the domestic market (Ministerial Decree of Energy and Mineral Resources 255/2020; 399/2023). Second, the Domestic Price Obligation (DPO) caps the maximum selling price at US$70 per metric ton for the supply of electricity for public use (Ministerial Decree 1395/2018). Extreme market distortion occurred when the Coal Reference Price (HBA) breached US$276/ton in 2022, creating a Price Disparity representing opportunity costs valued in trillions of rupiah. Based on Precautionary Motive Theory, such massive liquidity shocks would theoretically drive management to sacrifice dividend distribution to ensure operational continuity (Bates et al., 2009).

The empirical question that emerges is: does the relationship between DMO-DPO Price Disparity and dividend policy genuinely follow the negative direction as theoretically predicted, or does a counter-intuitive mechanism operate? A deeper examination of the regulatory structure reveals a unique characteristic rarely discussed in the literature: the DPO US$70/ton ceiling is only active when HBA ≥ US$70/ton; when HBA falls below US$70/ton, domestic prices follow the actual HBA, meaning the DPO functions as an asymmetric price floor protecting issuers during bearish phases. This characteristic, combined with the 10% production quota increase incentive for DMO-compliant firms (Ministerial Decree 1395/2018), allows for a counter-hypothesis that DMO-DPO actually serves as a captive revenue stabilizer triggering aggressive dividend distribution rather than suppressing it. This study refers to this proposition as the Regulatory Dual-Stream Hypothesis.

This study offers two novelties. First, quantifying Price Disparity as a firm-specific variable by combining macroeconomic variation (HBA-DPO gap) with microeconomic variation (firm-level domestic sales proportion from audited geographic segments per PSAK 5 standards). Second, proposing and testing the Regulatory Dual-Stream Hypothesis as a theoretical alternative to Precautionary Motive Theory. The theoretical contribution extends corporate finance literature with the perspective that government regulation appearing restrictive on the surface can paradoxically function as a financial stabilizer.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

The DMO-DPO Regulatory Framework in Indonesia's Coal Industry (2018-2024)

Indonesia's domestic coal policy is built upon two parallel yet conceptually distinct regulatory pillars. The Domestic Market Obligation (DMO) is a volume obligation: a minimum proportion of 25% of actual production must be sold to the domestic market. The Domestic Price Obligation (DPO), meanwhile, is a price obligation—a ceiling price of US$70 per metric ton (FOB Vessel, reference specification of 6,322 kcal/kg GAR) for coal allocated to public electricity supply.

The evolution of this regulatory framework can be traced through six significant Ministerial Decrees. Ministerial Decree 1395 K/30/MEM/2018 (9 March 2018) established the DPO ceiling of US$70/ton as the principal instrument. Ministerial Decree 23 K/30/MEM/2018 set the DMO percentage for 2018. Ministerial Decree 255.K/30/MEM/2020 established 25% DMO for 2021 and introduced the compensation mechanism. Ministerial Decree 13 K/HK.021/MEM.B/2022 formalized administrative sanctions and penalty guidelines. Ministerial Decree 267.K/MB.01/MEM.B/2022 refined DMO compliance provisions. Ministerial Decree 399.K/MB.01/MEM.B/2023 revised the DMO percentage calculation basis from RKAB (annual work and budget plan) to actual production and eliminated the penalty mechanism, replacing it with a compensation fund.

A critical DPO characteristic seldom discussed in the literature is its asymmetric nature. Pursuant to Ministerial Decree 1395/2018 Articles SECOND and THIRD, the US$70/ton DPO ceiling is only active when HBA is at or above that level. When HBA falls below US$70/ton, the coal selling price for public electricity follows the actual HBA and no ceiling applies. The economic implication is significant: DPO functions as a ceiling constraining revenue during bullish global markets, but transforms into a price floor protecting issuer revenue during bearish global markets. This regulatory asymmetry provides the empirical foundation for the dual-stream argument.

Additionally, Ministerial Decree 1395/2018 Article SIXTH provides a crucial incentive: firms meeting the minimum DMO percentage may receive up to 10% production volume increase from the approved capacity, representing an economic reward for DMO compliance often overlooked in academic analyses.

Agency Theory

Agency Theory, as conceptualized by Jensen and Meckling (1976), provides the classical foundation explaining contractual dynamics between principals (shareholders) and agents (management). In the context of the coal industry during the commodity supercycle, firms generate abundant free cash flows. Management tends to have incentives to retain such cash flows for expansion or internal empire building, while shareholders demand cash distribution as dividends. Dividend policy through this theoretical lens functions as an instrument for disciplining management and reducing agency costs (Easterbrook, 1984).

Precautionary Motive Theory

Precautionary Motive Theory offers a rational perspective on corporate cash accumulation. Rooted in Keynes' (1936) liquidity preference concept, the theory was formalized by Bates, Kahle, and Stulz (2009), who documented that the average cash-to-assets ratio of U.S. public firms more than doubled (from 10.5% to 23.2%) between 1980 and 2006, with cash flow volatility as the primary determinant. The theory's core implication is that firms facing future cash flow uncertainty will accumulate cash reserves as a liquidity buffer, with the consequence of lower dividend payout ratios. In this study, this theory is employed as the null hypothesis: do DMO-DPO regulatory interventions and compensation threats act as liquidity shocks compelling management to respond defensively by suppressing dividends?

Signaling Theory and Captive Revenue

As a theoretical complement, Signaling Theory (Bhattacharya, 1979) argues that dividends serve as an information conveyance mechanism about cash flow prospects to capital markets. Firms with more stable revenue sources possess both the capacity and incentive to distribute higher dividends as quality signals. The concept of dual-stream revenue, comprising a guaranteed domestic stream regulated by DPO and a volatile export stream priced at global HBA, provides the analytical foundation for the counter-hypothesis: that DMO-DPO, despite appearing as a regulatory burden, actually creates a structurally stable revenue composition that encourages aggressive dividend distribution rather than suppressing it.

Previous Research and Research Gap

Prior empirical studies have examined DMO-DPO regulatory impacts from diverse perspectives. Regarding capital market reactions, Sunardi et al. (2023) and Safitri et al. (2021) demonstrated that DPO policy announcements received negative responses characterized by significant abnormal negative returns. Regarding fundamental impact, more complex findings have emerged. Devi et al. (2025) examined DMO's effect on profitability across 25 coal mining firms during 2019-2023 and found a positive significant effect of DMO on ROA and ROE, consistent with Natalia et al. (2022), who positioned DMO as a national energy security instrument within the 4A+1S framework (availability, accessibility, affordability, acceptability, sustainability). In contrast, Wildani (2022) and Amri and Khajar (2023) found more nuanced impacts on profitability margins. Az-Zakiyyah (2023), through a gravity model approach, confirmed that DMO has a positive significant effect on Indonesian coal exports, a finding supporting the dual-stream revenue argument.

Studies on dividend determinants in the mining sector such as Alkatiri et al. (2024), Biharuddin et al. (2024), Khusen (2025), and Aji et al. (2024) generally focus exclusively on conventional micro-level variables including liquidity, profitability, leverage, and price earning ratio, without incorporating macro regulatory exposure. Pattiruhu and Paais (2020), in a broader context, highlight the complexity of interactions between financial ratios and dividend policy. This literature mapping reveals a significant research gap: no study has specifically quantified DMO-DPO Price

Disparity as a firm-specific proxy to test its effect on Dividend Policy, let alone one opening the possibility of a positive relationship differing from Precautionary Motive Theory predictions.

Hypothesis Development

Based on the predictions of Precautionary Motive Theory, the main hypothesis is formulated in the conventional negative direction. The price disparity between global HBA and the DPO ceiling reflects regulatory risk intensity. The wider the price gap during the commodity supercycle, the greater the opportunity cost and compensation threats looming over issuers. To secure cash buffers for operational continuity under the dual-price regime, management would theoretically respond to this shock by suppressing the dividend ratio:

H1: DMO Price Disparity has a negative and significant effect on Dividend Policy in coal mining sector firms.

RESEARCH METHODS

Research Design

Based on the nature of the research problem and analytical approach, this study is classified as quantitative explanatory (causal) research aimed at establishing the directional cause-and-effect relationship between macroeconomic regulatory shocks and corporate financial policy responses.

Population and Sample

The target population comprises all energy sector firms in the coal mining sub-sector listed on the Indonesia Stock Exchange (IDX) during 2018-2024. This period was deliberately selected because it covers the enactment of the US$70/ton DPO policy (March 2018) through the commodity supercycle anomaly (2021-2023). Purposive sampling was employed with the following criteria: (1) actively listed on IDX and not delisted during 2018-2024; (2) consistently publishing audited annual financial reports; (3) disclosing geographic revenue segments (domestic versus export) in Notes to the Financial Statements per PSAK 5 standards; and (4) possessing complete fundamental ratio data. After screening, 13 firms were obtained, yielding 86 firm-year observations (unbalanced panel). Two coal mining firms (RMKE and SGER) were excluded from the sample due to incomplete geographic segment disclosure, in accordance with the strict methodological criteria. Data were collected through documentation techniques via the IDX portal (idx.co.id), investor relations websites of each issuer, and the Ministry of Energy and Mineral Resources.

Variable Operationalization

The dependent variable (Y) is Dividend Policy, operationalized using the Dividend Payout Ratio (DPR), defined as total cash dividends in the current year divided by net profit after tax. The main independent variable (X1) is DMO-DPO Price Disparity (GAP), formulated firm-specifically to accommodate regulatory asymmetry:

$$GAP_{it} = \left[\frac{(HBA_{it}-70)}{HBA_{it}}, 0\right] x + \%\, Domestic_{it} \quad \text{..... (1)}$$

where HBA_t is the annual average Coal Reference Price (USD/ton), 70 is the DPO ceiling price (USD/ton), and %Domestic$_{it}$ is the proportion of firm i's domestic revenue relative to total revenue in year t, extracted from the geographic segment of Notes to the Financial Statements. The max(·, 0) operator reflects DPO's asymmetric nature as regulated in Ministerial Decree 1395/2018 Articles SECOND and THIRD: the ceiling is active only when HBA ≥ US$70/ton; when HBA < US$70/ton, no opportunity loss exists, hence GAP = 0. This formulation yields actual opportunity loss exposure percentages varying across firms, not merely a uniform macroeconomic variable. Four fundamental control variables are: Profitability (ROA = Net Profit / Total Assets); Leverage (DAR = Total Liabilities / Total Assets); Firm Size (SIZE = Natural Log of Total Assets); and Market Valuation (PBV = Closing Stock Price / Book Value of Equity).

Data Analysis Method

The research data takes the form of panel data combining 13 firms cross-section and 7-year time-series. Panel data regression analysis was executed using EViews 13 software. The best model

specification was determined through sequential tests: Chow Test (Common Effect vs Fixed Effect), Hausman Test (Fixed Effect vs Random Effect), and Lagrange Multiplier Test (Common Effect vs Random Effect). Standard error estimation employs the White period (cross-section cluster) robust approach to address potential heteroscedasticity and autocorrelation within cross-section units (Hoechle, 2007; Baltagi, 2021). The econometric equation applied is:

$$DPR_{it} = \alpha + \beta_1 GAP_{it} + \beta_2 ROA_{it} + \beta_3 DAR_{it} + \beta_4 SIZE_{it} + \beta_5 PBV_{it} + \varepsilon_{it} \quad \text{..... (2))}.$$

RESULTS AND DISCUSSION

This section examines the empirical phenomena and elaborates the analytical framework of findings regarding dividend policy dynamics of coal mining firms amid the commodity supercycle and DMO-DPO regulatory shocks.

Descriptive Statistics

Sample characteristics are presented in Table 1. The average DPR of issuers is 53.56% with a standard deviation of 52.87%, indicating high heterogeneity in dividend distribution practices. The firm-specific GAP variable has a mean of 0.1236 (SD 0.1447), peaking at 0.7469 in 2022 when HBA breached US$276/ton for domestically-oriented issuers. The average ROA of 18.74% confirms robust industry profitability throughout the observation period, peaking at 60.26% in 2022. It should be noted that GAP now varies across firms within the same year, reflecting different geographic segment structures, constituting an important methodological improvement over prior literature that merely used uniform macroeconomic disparity.

Table 1. Descriptive Statistics of Research Variables (N=86)

Variable	Mean	Std. Dev	Min	Max
DPR	0.5356	0.5287	-1.8179	2.3443
GAP	0.1236	0.2541	0.0000	0.7500
ROA	0.1781	0.1548	-0.0400	0.6000
DAR	0.4173	0.1765	0.0900	0.8000
SIZE	30.0752	1.3854	27.1800	32.7600
PBV	2.5359	3.4499	0.0000	19.7200

Source: EViews 13 data processing results (2025)

Model Selection and Classical Assumption Tests

Model specification testing was conducted sequentially (Table 2). The Chow Test rejects H_o (Prob = 0.0125 < 0.05), indicating that the Fixed Effect Model is superior to the Common Effect. The Hausman Test also rejects H_o (Prob = 0.0120 < 0.05), confirming that the Fixed Effect Model is more consistent and efficient than the Random Effect Model because individual firm effects correlate with independent variables. Based on this triangulation, the Fixed Effect Model (FEM) is established as the main estimation model. The Lagrange Multiplier Test is not required because the model selection pathway terminates at the Hausman Test.

Table 2. Panel Data Model Selection Test Results

Test	Statistic	df	Probability	Decision
Chow (CEM vs FEM)	F = 2.380778	(12, 68)	0.0125	FEM > CEM
Hausman (FEM vs REM)	χ^2 = 14.645296	5	0.0120	FEM > REM

Source: EViews 13 data processing results (2025)

Classical assumption tests validate model feasibility. The Variance Inflation Factor (VIF) test shows all independent variables have VIF values well below the threshold of 10 (GAP = 1.08; ROA = 1.55; DAR = 1.23; SIZE = 1.14; PBV = 1.41), confirming the model is free from multicollinearity. The initial Breusch-Pagan test detected heteroscedasticity (Prob = 0.0000), but this issue has been anticipated through the implementation of White period (cross-section cluster) robust standard errors, ensuring statistical inference remains valid (Baltagi, 2021). The Jarque-Bera test produced non-normal residuals (JB = 104.14; Prob = 0.0000), but with N = 86 being sufficiently large, the

Central Limit Theorem guarantees that t-test and F-test inferences remain robust (Gujarati & Porter, 2009).

Panel Data Regression Estimation Results

Summary estimation results for the three models (CEM, FEM, and REM) are presented in Table 3 for robustness comparison. The FEM, established as the main model, demonstrates simultaneous feasibility with an F-statistic probability of 0.000040 (< 0.01) and Adjusted R^2 = 0.3598, indicating that 36% of DPR variation can be explained by the model. Partially, the GAP variable (DMO-DPO Price Disparity) shows a POSITIVE significant coefficient (β = 126.4502; p = 0.0398) at α = 5%. The control variables (ROA, DAR, SIZE, PBV) are partially insignificant in the FEM.

Table 3. Panel Data Regression Estimation Results (Dependent Variable: DPR)

Variable	CEM		FEM**		REM	
	Coef.	Prob.	Coef.	Prob.	Coef.	Prob.
C	-154.6854	0.2187	320.5419	0.3359	320.5419	0.5150
GAP	60.1332*	0.1005	126.4502**	0.0398	126.4502**	0.0167
ROA	101.2773**	0.0104	-2.5014	0.9426	-2.5014	0.9568
DAR	-85.4877**	0.0121	-90.4915	0.1054	-90.4915	0.2352
SIZE	7.0500*	0.0978	-8.1834	0.4643	-8.1834	0.6211
PBV	0.7852	0.6378	0.7160	0.3283	0.7160	0.7647
Adj. R^2	0.2272		0.3598		0.1091	
Prob(F-stat)	0.000092		0.000040		0.013534	

Notes: *** p<0.01; ** p<0.05; * p<0.10. ** Selected model based on Chow and Hausman Tests.

Source: EViews 13 data processing results (2025)

Hypothesis Testing: DMO-DPO Disparity and Dividend Policy

Hypothesis 1 posits that DMO-DPO Price Disparity has a negative and significant effect on Dividend Policy, grounded in Precautionary Motive Theory. However, the empirical reality produced by the Fixed Effect Model presents a highly surprising finding: the GAP coefficient is positive at 126.4502 with a probability of 0.0398 (significant at α = 5%). The positive coefficient direction diametrically contradicts the precautionary motive assumption. Consequently, Hypothesis 1 (H1) is empirically rejected with substantive evidence, not merely failing to show negative significance, but proven significant in the opposite direction.

This finding is robust across model specifications: in CEM (β = 60.13; p = 0.100), FEM (β = 126.45; p = 0.040), and REM (β = 126.45; p = 0.017), the GAP coefficient is consistently positive. In FEM and REM, statistical significance is achieved at α = 5%. This consistency provides strong empirical evidence that the positive relationship between DMO-DPO exposure and dividend policy is not a model specification artifact, but a structural phenomenon in Indonesia's coal mining industry.

Regarding control variables, an important observation emerges from the significance pattern difference between CEM and FEM. In CEM, ROA (p = 0.010) and DAR (p = 0.012) are significant, but lose significance in FEM (ROA p = 0.943; DAR p = 0.105). This shift is not an indication of inconsistency but reflects the natural econometric structure: CEM combines between-firm variation (heterogeneity across issuers) and within-firm variation (temporal fluctuations within one firm), whereas FEM isolates within-firm variation after fixed effects absorption. The loss of ROA and DAR significance in FEM implies that year-to-year variation in profitability and leverage within the same firm is not sufficiently strong to predict DPR—dividend decisions are more dictated by structural firm characteristics (captured by fixed effects) and GAP exposure, rather than annual fundamental fluctuations. This actually reinforces the main narrative: DMO-DPO regulation becomes the dominant explanatory variable after firm characteristics are controlled.

Discussion: Regulatory Dual-Stream Hypothesis

The rejection of H1 with opposite coefficient direction opens a crucial new insight. This study proposes a theoretical proposition termed the Regulatory Dual-Stream Hypothesis to explain the empirical phenomenon. Unlike a symmetric four-pillar claim, this proposition is built upon two primary mechanisms and two supporting conditions that operate in a hierarchical rather than parallel manner.

Primary Mechanism 1: Export Windfall as the Dominant Driver

The most direct explanation for the positive GAP coefficient lies in the relationship between price disparity magnitude and the export windfall received by firms. By construction, GAP only takes a positive value when HBA is at or above US$70/ton, meaning every unit increase in GAP simultaneously reflects an increase in the HBA-DPO spread. When HBA surged to US$276/ton in 2022, GAP reached its peak at 0.75. More critically, firms were simultaneously receiving extraordinary export revenues at near-global prices for the 75% of their production sold outside the DMO quota. The industry's average ROA jumped from 6.6% in 2020 to 33.7% in 2022, a fivefold increase that generated free cash flow volumes sufficient to structurally eliminate the liquidity concern that is the root condition of Precautionary Motive Theory. Under these conditions, the opportunity cost from the DPO ceiling on the domestic sales portion was insufficient to trigger managerial cash hoarding. A higher GAP is therefore not merely a signal of greater regulatory burden but simultaneously a signal of a higher prevailing HBA and a larger export windfall that funds aggressive dividend distribution.

Primary Mechanism 2: Two-Layer Cash Flow Structure as a Confidence Anchor

The second primary mechanism operates through the structural composition of revenue rather than its magnitude alone. Firms exposed to DMO-DPO simultaneously hold two distinct revenue streams: a volatile export stream priced at the global HBA, and a domestically regulated stream priced at the DPO ceiling. While the domestic stream is priced below market, its volume is guaranteed by regulatory obligation and its counterparty, namely state electricity procurement, carries minimal default risk. This two-layer structure provides management with a degree of cash flow predictability unavailable to purely export-oriented commodity producers. Consistent with Signaling Theory (Bhattacharya, 1979), firms with more predictable revenue bases possess both the capacity and the incentive to commit to higher dividends as a quality signal to capital markets. Devi et al. (2025) found that DMO positively and significantly affects ROA ($\beta = 0.842$; $p = 0.000$) and ROE ($\beta = 0.938$; $p = 0.000$), providing empirical support that DMO-DPO exposure stabilizes rather than suppresses fundamental performance. The combination of a guaranteed domestic revenue stream and large volatile upside from exports, not either element in isolation, is what enables managerial confidence to distribute dividends aggressively without compromising the firm's cash position.

Supporting Condition 1: Asymmetric DPO as a Risk Perception Moderator

Pursuant to Ministerial Decree 1395/2018 Articles SECOND and THIRD, the US$70/ton DPO ceiling is only active when HBA is at or above that threshold. When HBA falls below this level, domestic coal prices follow the actual HBA without regulatory intervention. This asymmetric characteristic is important not because it functions as an active revenue protection mechanism. During the observation period, HBA remained substantially above US$70/ton in most years, meaning the downside protection was not empirically activated at scale. The characteristic remains relevant, however, because it shapes managerial risk perception. Management operating under DPO knows that the regulatory framework contains no mechanism that forces them to sell below market in a bearish environment. This eliminates the fear of regulatory-compelled losses during downturns and reduces the perceived permanence of DPO as a structural threat. In this sense, DPO asymmetry explains the absence of precautionary motive rather than the presence of dividend motive, and should be understood as a background condition that moderates risk perception rather than an independent revenue stabilizer.

Supporting Condition 2: Quota Incentive as a Compliance Rationalization

Ministerial Decree 1395/2018 Article SIXTH provides that firms meeting the minimum DMO percentage may receive up to 10% production volume increase from approved capacity. This incentive is best understood as an explanation for why DMO compliance behavior is sustained despite the existence of a large price gap, rather than as a direct mechanism driving dividend capacity. By ensuring that DMO compliance is not a zero-sum obligation, the quota incentive transforms firms' perception of DMO-DPO exposure from a pure regulatory burden into a calculated trade-off. Firms with higher domestic sales proportions and therefore higher GAP values are precisely the firms most embedded in the DMO compliance framework and most likely to be eligible for this production reward. In operational practice, the 10% additional quota can be materialized within the same financial year through RKAB (Rencana Kerja dan Anggaran Biaya) revisions, providing an immediate production capacity boost that firms with established export offtake agreements can convert into incremental revenue relatively quickly. This mechanism reinforces rather than contradicts the confidence anchor established by the two-layer cash flow structure, further reducing the perceived cost of maintaining aggressive dividend commitments under DMO-DPO exposure.

Synthesis

The four elements above operate in a hierarchical structure. The two primary mechanisms, namely export windfall and two-layer cash flow confidence, directly explain why GAP positively predicts DPR and why the coefficient magnitude is large (β = 126.4502). The two supporting conditions, namely DPO asymmetry and quota incentive, explain why managerial risk perception remains benign under DMO-DPO exposure, thereby permitting the dividend behavior observed. Together, they explain why firms with greater DMO-DPO exposure possess stronger capacity and willingness for aggressive dividend distribution during the commodity supercycle. It must be noted that this proposition remains strongest for the high-price environment characterizing the 2021 to 2023 observation window. Whether the two-layer cash flow structure continues to support dividend confidence when HBA approaches or falls below US$70/ton remains an open and critical empirical question for post-supercycle research).

CONCLUSION

This study empirically investigates the dividend policy anomaly of Indonesian coal mining issuers amid the commodity supercycle and DMO-DPO regulatory shocks through panel data regression on 13 IDX issuers during 2018-2024 (86 observations). Based on the Fixed Effect Model selected through the Chow Test (p = 0.0125) and Hausman Test (p = 0.0120), empirical results substantively reject Hypothesis 1: DMO-DPO Price Disparity positively and significantly affects dividend policy (β = 126.4502; p = 0.0398), opposite to the direction predicted by Precautionary Motive Theory.

This finding refutes the conventional assumption that domestic price regulation acts as a burden forcing management to hoard cash. Conversely, DMO-DPO proves to be a positive determinant of dividend distribution, a finding giving rise to the Regulatory Dual-Stream Hypothesis as the main theoretical contribution. Indonesia's regulatory framework creates an asymmetric mechanism: the US$70/ton DPO functions as a ceiling when HBA rises but transforms into a price floor when HBA falls, while DMO-compliant firms benefit from a two-layer revenue structure combining guaranteed domestic cash flows with large export windfalls. This combination of revenue stability and liquidity acceleration explains why firms with greater DMO-DPO exposure possess stronger capacity for aggressive dividend distribution.

The theoretical implication of this study is the extension of the corporate finance framework by demonstrating the dual nature of government price regulation, not merely as a restrictive burden, but also as a revenue stabilizer that promotes more aggressive dividend policies. Practically, these findings provide a crucial signal for investors: DMO-DPO exposure is not a negative sentiment to be avoided, but a positive indicator for medium-term dividend yield prospects among

domestically-oriented issuers such as PTBA and SMMT. For public policymakers, these results indicate that the DMO-DPO price policy with its US$70/ton ceiling does not disrupt capital market investment attractiveness from the perspective of profit distribution. However, authorities should remain vigilant regarding the sustainability of this mechanism if commodity price cycles return to normal levels or sub-US$70/ton, where DPO's price floor nature will be tested in providing genuine cash flow stability.

Research limitations include: (1) the observation window dominated by high-price anomaly periods, such that DPO's price floor nature has not been empirically tested; (2) the exclusion of two issuers (RMKE, SGER) due to insufficient geographic segment disclosure, although a reasonable consequence of stringent methodological criteria; and (3) the absence of corporate governance variables and actual DMO quota volumes and real compensation data from ESDM. It is suggested that future research: (1) extend the observation horizon to the post-supercycle price correction phase to test the applicability of the Regulatory Dual-Stream Hypothesis under normal market conditions; (2) incorporate Good Corporate Governance variables as moderating variables; (3) conduct comparative studies with other regulated industries (oil and gas, electricity) to test the generalizability of this new hypothesis; and (4) develop alternative proxies incorporating actual DMO quota volumes and real compensation funds issued by ESDM.

BIBLIOGRAPHY

Aji, M. D. P., Putra, B. Q. L., & Soeroto, W. M. (2024). Analisa Pengaruh Rasio Keuangan terhadap Dividend Payout Ratio (DPR) pada Perusahaan Sub Sektor Batubara. Co-Value: Jurnal Ekonomi, Koperasi & Kewirausahaan, 14(12), 823–832.

Alkatiri, R. F. A. K., Mbae, I., & Ratno. (2024). Likuiditas terhadap kebijakan dividen pada perusahaan pertambangan batu bara di BEI. Ekomen: Jurnal Ilmiah Ekonomi, 24(2), 72–85.

Amri, I., & Khajar, I. (2023). The effect of capping price and implementation of coal DMO on profitability by mediation of good corporate governance in mining companies in Indonesia. International Journal of Latest Research in Humanities and Social Science (IJLRHSS), 6(8), 29–40.

Az-Zakiyyah, N. A. (2023). Impact of gravity model and Domestic Market Obligation (DMO) on coal Indonesian export. Optimum: Journal of Economics and Development, 13(1), 38–48. https://dx.doi.org/10.12928/optimum.v13i1.6625

Baltagi, B. H. (2021). Econometric analysis of panel data (6th ed.). Springer Texts in Business and Economics.

Bates, T. W., Kahle, K. M., & Stulz, R. M. (2009). Why do U.S. firms hold so much more cash than they used to? The Journal of Finance, 64(5), 1985–2021. https://doi.org/10.1111/j.1540-6261.2009.01492.x

Bhattacharya, S. (1979). Imperfect information, dividend policy, and "the bird in the hand" fallacy. The Bell Journal of Economics, 10(1), 259–270. https://doi.org/10.2307/3003330

Biharuddin, A., Hamdun, E. K., & Ariyantiningsih, F. (2024). Pengaruh profitabilitas dan leverage terhadap return saham dengan kebijakan dividen sebagai variabel moderating pada perusahaan pertambangan. Jurnal Akuntansi Dewantara, 7(1), 42–55.

Brigham, E. F., & Houston, J. F. (2019). Fundamentals of financial management (15th ed.). Cengage Learning.

Dawwas, J. A., & Sundari, S. (2023). Pengaruh Harga Batu Bara Acuan, Kebijakan Dividen, dan Profitabilitas terhadap Nilai Perusahaan dengan Harga Saham sebagai Variabel Intervening. Jurnal Aplikasi Akuntansi, 8(1), 222–238.

Devi, O. S., Suryaningsum, S., & Sutoyo. (2025). Pengaruh Kebijakan Domestic Market Obligation dan Konservatisme Akuntansi terhadap Profitabilitas Perusahaan Pertambangan Batu Bara. Jurnal Akuntansi, 15(1), 39–52.

Easterbrook, F. H. (1984). Two agency-cost explanations of dividends. The American Economic Review, 74(4), 650–659.

Gujarati, D. N., & Porter, D. C. (2009). Basic econometrics (5th ed.). McGraw-Hill/Irwin.

Hoechle, D. (2007). Robust standard errors for panel regressions with cross-sectional dependence. The Stata Journal, 7(3), 281–312. https://doi.org/10.1177/1536867X0700700301

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Ministry of Energy and Mineral Resources of the Republic of Indonesia. (2018). Ministerial Decree No. 1395 K/30/MEM/2018 on Coal Selling Price for Electricity Supply for Public Interest. Jakarta.

Ministry of Energy and Mineral Resources of the Republic of Indonesia. (2020). Ministerial Decree No. 255.K/30/MEM/2020 on Fulfillment of Domestic Coal Requirements for 2021. Jakarta.

Ministry of Energy and Mineral Resources of the Republic of Indonesia. (2022a). Ministerial Decree No. 13.K/HK.021/MEM.B/2022 on Guidelines for Administrative Sanctions, Prohibition of Coal Sales Abroad, and Imposition of Fines and Compensation Funds for Fulfillment of Domestic Coal Requirements. Jakarta.

Ministry of Energy and Mineral Resources of the Republic of Indonesia. (2022b). Ministerial Decree No. 267.K/MB.01/MEM.B/2022 on Fulfillment of Domestic Coal Requirements. Jakarta.

Ministry of Energy and Mineral Resources of the Republic of Indonesia. (2023). Ministerial Decree No. 399.K/MB.01/MEM.B/2023 on Amendment to Ministerial Decree No. 267.K/MB.01/MEM.B/2022. Jakarta.

Keynes, J. M. (1936). The general theory of employment, interest and money. Macmillan.

Khusen, Z. F. (2025). Harga Batubara Acuan dan Kebijakan Dividen sebagai Determinan Fluktuasi Saham Subsektor Batubara di BEI. Jurnal Riset Mahasiswa Ekonomi (RITMIK), 7(4), 405–414.

Lestari, M. S., Supriyatna, Y., & Lhutfi, I. (2023). Pengaruh Profitabilitas, Leverage, Likuiditas, dan Kebijakan Dividen terhadap Harga Saham pada Perusahaan Subsektor Pertambangan Batu Bara yang Terdaftar di Bursa Efek Indonesia. Journal of Finance, Entrepreneurship, and Accounting Education Research, 2(2), 132–142.

Natalia, D., Yoesgiantoro, D., & Yusgiantoro, F. C. (2022). Analisis Kebijakan Domestic Market Obligation (DMO) Batu Bara Indonesia untuk Ketahanan Energi dan Mendukung Pertahanan. Jurnal Kewarganegaraan, 6(1), 483–504.

Pattiruhu, J. R., & Paais, M. (2020). Effect of liquidity, profitability, leverage, and firm size on dividend policy. Journal of Asian Finance, Economics and Business, 7(10), 35–42. https://doi.org/10.13106/jafeb.2020.vol7.no10.035

Safitri, T. D., Maharani, S. N., & Narullia, D. (2021). Market reactions to Domestic Market Obligation (DMO) coal price policy changes: Evidence from Indonesia. Journal of Applied Management (JAM), 19(2), 376–383. https://doi.org/10.21776/ub.jam.2021.019.02.13

Sunardi, S., Noviolla, C., Supramono, S., & Hermanto, Y. B. (2023). Stock market reaction to government policy on determining coal selling price. Heliyon, 9(2), e13454. https://doi.org/10.1016/j.heliyon.2023.e13454

Wildani, M. A. (2022). The effect of commodity supercycle and Domestic Market Obligation on profitability ratio. International Journal of Financial and Investment Studies (IJFIS), 3(2), 63–68