



Impact of Inflation and Financial Ratios on Dividend Distribution in Healthcare Sector Companies Listed on the Indonesia Stock Exchange (2020-2022)

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

Article Information

DOI: <https://doi.org/10.9734/ajebe/2024/v24i101524>

Open Peer Review History:

This journal follows the Advanced Open Peer Review policy. Identity of the Reviewers, Editor(s) and additional Reviewers, peer review comments, different versions of the manuscript, comments of the editors, etc are available here: <https://www.sdiarticle5.com/review-history/124424>

Original Research Article

Received: 06/08/2024
Accepted: 08/10/2024
Published: 15/10/2024

ABSTRACT

Objective: To examine the influence of inflation, current ratio, debt to equity ratio, and return on equity on dividend distribution in health sector companies during the 2020 to 2022 period, because this period includes the COVID-19 pandemic.

Study Design: This kind of research is quantitative and depends on the Indonesia Stock Exchange for the acquisition of secondary data.

Study Location and Duration: 2020–2022 listings of health sector firms on the Indonesia Stock Exchange.

Methodology: Purposive sampling was used in this study to identify 10 companies that met the objectives of the investigation. The analysis technique used is panel data regression, the analysis tool EViews 12.

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Results: Research findings show that inflation, DER, and ROE do not have a significant negative impact on dividend distribution, while CR shows a significant positive impact. This shows that liquidity plays an important role in dividend distribution decisions during the Covid 19 pandemic.

Implication: This study underscores the importance of maintaining adequate levels of liquidity for healthy companies when determining dividend policy, especially during the Covid 19 pandemic. Investors and policymakers are advised to consider these factors when evaluating a company's financial health and dividend prospects.

Keywords: Inflation, current ratio; debt to equity ratio; return on equity; healthcare sector; dividend distribution policy.

1. INTRODUCTION

In the unstable monetary condition-most especially during the year 2020-2022, being influenced by the COVID-19 pandemic, studies of the dividend distribution policy in healthcare sector companies become increasingly important. The distribution of dividends which will be applied to those listed on IDX [1] would affect the business liquidity position, investment prospects, financial structure, and funding flow. This distribution will not only affect the investment opportunity of shareholders but also reflects the financial health and growth prospects of the company. In this respect, the corporations have to consider various issues that may affect their dividend distribution policy. This research is conducted to find out how the dividend distribution policies of business in the Indonesian healthcare sector are affected by inflation, Current Ratios (CR), Debt to Equity Ratios (DER), and Return On Equity (ROE) from 2020 to 2022. The investors would also have to consider the economic factors that may have implications for the financial stability of the company with calls for a diversified dividend payout. Inflation is taken to be one of the most important macroeconomic variables and is often a source of concern for economic actors, the government included, because it may hurt production costs and weaken public welfare [2]. Considering health sector companies, business operations and financial health may be influenced by inflation in the following ways. Growth in inflation may increase the operating costs of the business, such as the cost of staff and prescription drugs and medical supplies. In addition, inflation depletes the purchasing power of people, which may consequently lower the income and profits of the company.

Another crucial financial measures of stability and performance are the current ratio, debt to equity ratio, and return on equity that determine the stability and financial performance of a

company. These factors might affect the managerial decisions about dividend distribution. Indicating the company's liquidity, the current ratio is one of the major determining factors of the pattern of dividend distribution. It has also been observed that companies with high levels of CR normally pay higher dividends to their shareholders [3]. Companies having higher Current Ratios are considered to be in a better position to continue the distribution of dividends, since the increase in value of CR will raise investor confidence in continuous distribution by the company.

The dividend distribution policy is also influenced by the debt to equity ratio, a measure of the firm's capital structure. The debt to equity ratio gives the link between a company's debt and its equity, thus giving an overview of how much of the company's capital is financed by debt. This DER is of the leverage ratio and is an important indicator that gives evidence about how dependent the company is on debt in its capital structure and can influence decisions concerning dividend distribution and even financial stability [4]. Since companies with high DER tend to be more conservative in distributing dividends, this study proxies the firm's leverage ratio with the Debt to Equity Ratio, or DER, which is the indicator of capital structure that is often the focus of attention. This is because having a debt obligation that must be met may impact the company's ability to keep paying consistent dividends, thus impacting the stability of the company's finances. Variable DER negatively and significantly influences the company's dividend distribution policy as measured by DPR-meaning that the higher the DER, the higher the degree of leverage. The higher the level of DER, the higher the account of debt and interest expenses are; the company will be more keen on paying off the debt and retaining its profits to small dividends being distributed [5].

Return on Equity may also be influenced by the change in the policy of dividend distribution with

regard to earnings utilization in the direction of debt repayment or reinvestment. Profitability or ROE ratio conveys the efficiency of the business in generating profit. Higher interest costs, due to inflation, reduce net income and thus directly reduce ROE because ROE is based upon the ratio of net income to shareholder equity. More specifically, since it is the rate of return from the investment that reflects the company's profitability, which influences management decisions on profits reinvestment, ROE or Return On Equity will be an important determinant in deciding the extent of dividends to the owners. This means that if a company goes through a drop in profit, its ability to pay dividends increases [6].

For example, through the announcement of new plans of the company or the announcement of strong financial results, the profitability of firms may be improved as a result of signals being conveyed to investors. Conversely, the profitability of a firm and its capability to implement its dividend policy are closely connected. For example, when income increases, the dividend policy can as well increase [7]. Since the company generates huge revenues, due to this fact, the dividends no doubt have a significant effect on the future potential growth of the business; hence, this research is necessary as noted by [8]. Study of a company's dividend policy is based on its latest financial statements so as to guarantee investors that the dividend policy implemented would yield positive returns to all investors.

Past studies have focused on debt ratios, asset growth, earnings as well as firm size. The significance of the dividend policy of any particular sector is obscured by the fact that some of the investigated companies, within a research sample, are involved in many sectors [8]. Not many of them have precisely focused on health-related businesses in a global health crisis that are directly affected by changes in government regulations and increasing economic pressures. Thus, it will be relevant to find out how financial ratios and inflation affect the dividend distribution policy in firms in the health sector listed on IDX for the 2020–2022 period. Hopefully, the findings of this research will add to the growing volume of literature on the relationship between inflation and financial ratios with dividend distribution and also be of help to the managers in conducting their firms' affairs in a more financially rewarding way in a manner that builds and sustains shareholders' confidence

in both the business and the capital market at large.

The novelty in this study is that researchers want to put more emphasis regarding health-related businesses listed between 2020 and 2022 on the Indonesia Stock Exchange when the country was hit by the Covid-19 pandemic, so the author wants to see whether inflation and financial ratios affect the distribution of dividends in health sector companies because the government is particularly concerned about health sector businesses during the Covid-19 epidemic. This sector's dividend policy is influenced by inflation and financial ratios that researchers need to identify due to the economic uncertainty, inflationary pressures, and changes in government regulations caused by the pandemic of Covid-19.

2. THEORETICAL REVIEW

The Covid-19 outbreak has caused economic uncertainty from 2020 to 2022, making an analysis of dividend policy in healthcare corporations more important than ever. One of the macroeconomic variables, inflation, can affect a business's profitability and purchasing power, which can therefore affect the ability of the business to distribute dividends. It further utilizes financial indicators ROE, DER, and CR to assess the company's financial performance and stability. These assessments probably exert some influence on management decisions to disburse dividends. This study will investigate the impact that CR, DER, ROE, and the rate of inflation have upon the dividend policy of Indonesian healthcare enterprises during the mentioned period.

2.1 The Effect of Inflation Rate on Dividend Distribution

According to Bank Indonesia (BI), inflation is also described as a widespread and persistent tendency toward price increases that hurts businesses by raising production costs while lowering revenue because of the community's declining purchasing power. When inflation happens, a community's currency purchasing power declines, requiring a greater amount of money than usual to cover its consumption needs for comparable items. The business community, society, and the economy as a whole are all negatively impacted by inflation [9]. As a result of rising costs for raw materials, which will make it harder for individuals to meet their

requirements and for businesses to manufacture goods, inflation will also lead to a decline in investment. Each of these conditions results in a loss to the profit made by the company and its intrinsic worth.

Because of the loss of purchasing power resulting from inflation, community savings and investments contract and only a fraction of the group holdings are remained [10]. Inflation affects dividend distribution in equal measure as it can lower business net profits and the cash that can be disbursed to shareholders resulting from higher costs of operation and commodities. This would most likely make companies retain the bulk of their proceeds with themselves so that the stability of their financial situation is maintained and more expansion can be fueled; it would mean less dividend payout to the shareholders, correspondingly. Unlike the studies by Elly & Hellen [11], Mlangi [12], Husaeni [13], and Utami [14] that contend inflation has no effect on dividend policy, studies by Natsir & Bangun [2] resulted in an indication that inflation influences dividend distribution with a positive inflation coefficient. This indicates that when the inflation goes up, then the dividend policy will go up too and significantly affects the DPR.

H1: Inflation affects dividend distribution.

2.2 The Effect of Current Ratio on Dividend Distribution

Liquidity is the capacity of an organization to meet its immediate financial obligations. Since liquidity is crucial to a company's success, businesses take liquidity seriously. Investors will view companies with strong liquidity as having performed well. An organization's ability to pay dividends and its level of liquidity are positively correlated with its cash reserves.

The cash ratio, quick ratio (sometimes called the acid test ratio), and current ratio are the three indicators of liquidity. This study uses the Current Ratio (CR) as a liquidity measure. The current ratio evaluates a company's ability to settle its current liabilities with its current assets. The corporation is more liquid the higher this ratio is. Research by Fitriana & Febrianto [3], Bramaputra [15], Akbar & Fahmi [16], Sinaga et al [17] and Dwiani & Muhammad [18] revealed that liquidity using current ratio measurements had an impact on dividend policy. This suggests that the amount of money a company pays its shareholders the dividend payout ratio will rise in

direct proportion to its liquidity. However, it is unrelated to the Dividend Payout Ratio. This contrasts with earlier studies by Sembiring et al. [4], Heliani et al. [19], Devi & Mispiyanti [20], Sembiring et al. [15] and Fajar et al [21], which found no relationship between current ratio and dividend policy. The ability of the business to pay dividends is unaffected by how well or poorly it can pay off its short-term debt. Dividend payments are also not well-executed by companies that have strong debt repayment capacities.

H2: CR (Current Ratio) has an effect on dividend distribution.

2.3 The Influence of Debt to Equity Ratio on Dividend Distribution

The firm's debt ratio, expressed as Debt to Equity Ratio (DER), shows how company funds are used to pay fixed costs, which are determined by balancing the usage of debt with some equity. The obligation increases with this ratio, and vice versa. The amount of net income available to shareholders will be impacted by this debt rise, which means that the company's high liabilities will further limit its capacity to pay dividends. A company's ability to pay its debts is demonstrated by the use of some of its equity as a down payment. The greater the ratio, the greater the obligation, and the lower the ratio, the more capable the company is of carrying out its obligations [15].

If the firm chooses that retained earnings will be used to pay off its debt, then only a very small portion of its revenue can be distributed as dividends. This means that the company must set aside the majority of its income for this purpose. The amount of net income available to shareholders will be impacted by this growth in debt; in other words, the more liabilities the company has, the less capacity it has to pay dividends. Dividend policy is partially influenced by DER, according to the findings of earlier research by Fitriani & Febrianto [3], Bawamenewi & Afriyeni [5], Prabowo & Alverina [22], Purnasari et al. [23], Cahyono & Asandimitra [24] and Sinaga et al [17]. This, however, contradicts research by Sembiring [4] which indicates that dividend policy is unaffected by the DER variable.

H3: DER (Debt to Equity Ratio) has an effect on dividend distribution.

2.4 The Influence of Roe on Dividend Distribution

One of the key objectives of investors is to maximize ROE with regard to the risk involved in making the investment. This ratio identifies the degree of return from using the invested capital available within the total equity to gain net profit. The tax preference theory states that a corporation will lower dividend payments to its shareholders in proportion to its profitability. This is due to the fact that ROE is a profit that is produced from its own capital, meaning that there is a significant chance that dividends may be taxable as income. Due to the high taxation, investors who dislike paying taxes will choose not to receive dividends. High ROE is also brought on by losses, excessive debt, and erratic profits, among other things. According to this study, raising ROE lowers the dividend payout ratio while having a big impact on the dividend policy of the company.

When a firm's Return On Equity (ROE) is high, it indicates that management is doing a good job of managing its own capital. This helps the company grow its internal funding capacity, which in turn leads to higher earnings down the road. Therefore, the ROE of the relevant company must be taken into account while making judgments about dividend policy. According to research by Devi & Mispiyanti [20], Nai et al. [25], Sudirtana & Yudiantara [26], Rokhayati [27], and Nurfalah et al [28] ROE significantly affects a company's dividend policy. This result is in line with what those studies found. This, however, contradicts studies by

Bawamenewi & Afriyeni [5], Sanjaya & Ariesa [29], Sembiring [4], Nugraha et al [30] and Rosalita [31] which found no significant relationship between DPR and the ROE variable.

H4: ROE (Return On Equity) has an effect on dividend distribution.

Based on the theoretical review above, a research framework can be formulated as presented in Fig. 1.

3. RESEARCH METHODS

This project is quantitative in nature, as it falls within the objectives of the study, which is to establish how the variables under study-inflation, return on equity, debt-to-equity ratio, and current ratio-affect the distribution of dividends. The approach used in this project is descriptive. It uses, in this case, past data, also known as historical data, including inflation rates from 2020 to 2022 and the financial statements of organizations concerned. The data used in this research is secondary data obtained mainly from the financial reports of health sector companies listed on IDX for the period of 2020-2022. With regard to the phenomenon being studied, 33 health sector companies listed on IDX for the years 2020-2022 were analyzed. The following are sub-populations: pharmaceutical companies, hospitals, and health service providers. The sample means the population that has been selected to be specifically observed and analyzed further.

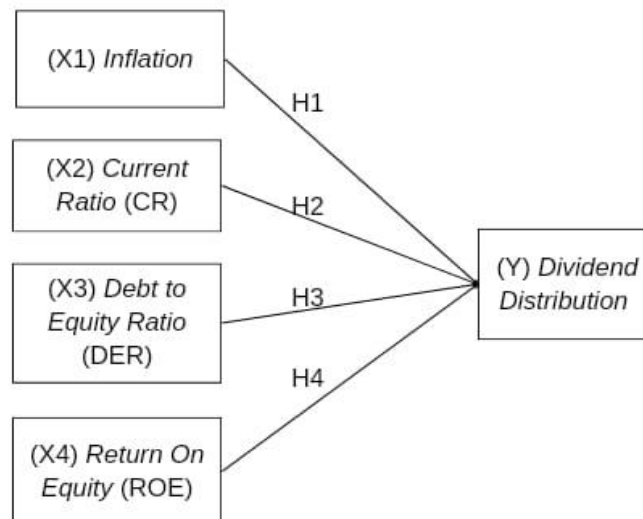


Fig. 1. Conceptual framework

Purposive sampling is a strategy used in selecting those samples that possess the characteristics that are of interest to the research objectives. Some of the characteristics employed include companies which constantly publish full annual financial reports between 2020 and 2022, and the companies that pay dividends sequentially between 2020 and 2022. The samples in this study are ten companies, while the study period targeted for three years, from 2020 to 2022. Therefore, there are thirty data sets used in this research.

Panel data regression is the methodology used in this study and has been processed using the Eviews 12 software. This is used because the panel data regression reviews the influence model and knows the influence of the dependent variable impacted by multiple independent variables, more than two. Panel data combines both cross-sectional and time series data. Time series data may be defined as a single variable or several variables observed through one unit over time, while cross-sectional data entails the gathering of observations taken from various units at one single point in time.

4. RESULTS AND DISCUSSION

4.1 Results

4.1.1 Descriptive analysis results

Descriptive analysis is meant to indicate and summarize the characteristic of the variables being studied, like minimum and maximum values, means, and standard deviation. It therefore aids in an overview: the distribution and dispersion of data. This may be of help to the researchers who are going to determine what influence each variable can make; it is also going to be easy to give advice to the company.

The descriptive analysis in Table 1 gives several important information: on average, inflation is

0.026003 with a standard deviation of 0.011709. The minimum value is 0.015600 and the maximum value is 0.042050. The CR has an average of 3.195667 with a standard deviation of 1.584275; the highest value, 6.58, was registered by Prodia Widyahusada Tbk. in 2021, and the lowest value of 0.940000 recorded by Phapros Tbk. in 2020. The Debt to Equity Ratio (DER) has an average of 0.219333 and a standard deviation of 0.365022, with a minimum value of 0.000000 and a maximum of 1.250000, also at Phapros Tbk. in 2020. The Return on Equity (ROE) averages 0.174000 with a standard deviation of 0.083153, the lowest value being 0.020000 at Phapros Tbk. in 2021, and the highest value of 0.360000 recorded by the Herbal Medicine and Pharmaceutical Industry of Sido Muncul Tbk. during the year 2021. And lastly, Dividend Payout Ratio or DPR with the average value is 3.567000 and standard deviation of 1.057062. Meanwhile, the minimum 1.790000 was contributed by Medikaloka Hermina Tbk. in 2022, and the maximum value of 5.990000 was shown by Prodia Widyahusada Tbk. in 2022.

4.1.2 Model selection test results

The Chow, Hausman, and Lagrange Multiplier tests have been performed to select the appropriate panel data regression model when necessary. The results of such tests are provided below. In panel data estimation, the Chow test selects the best-fitting model between the Fixed Effect Model or FEM and the Common Effect Model or CEM. This comparison between the fixed and common effect models is made through the Chow test, estimated by the Eviews software. The decision in the Chow test is based on the probability cross-section F value. Based on this, if the probability cross-section F value is above 0.05, then the Common Effect Model is taken, while if it is below 0.05, then the Fixed Effect Model is chosen.

Table 1. Descriptive analysis results

	Inflation	CR	DER	ROE	DPR
Minimum	0.015600	0.940000	0.000000	0.020000	1.790000
Maximum	0.042050	6.580000	1.250000	0.360000	5.990000
Mean	0.026003	3.195667	0.219333	0.174000	3.567000
Std. Dev	0.011709	1.584275	0.365022	0.083153	1.057062

Source: E-Views version 12 output

Table 2. Chow test results

Redundant Fixed Effects Test Equation: Untitled Cross-section fixed effects test			
Effects Test	Statistics	df	Prob.
Cross-section F	9.811524	(9.16)	0.0001
Cross-section Chi-square	56.241547	9	0.0000

Source: E-Views version 12 output

From Table 2, the probability value is 0.0000. Since the probability cross-section F value is less than 0.05 $\alpha = 0.05$, therefore the test result chose the fixed effect model.

By definition, the Hausman test applied to panel data regression decides which of the two models-fixed effect or random effect-is more appropriate when using Eviews. The test will determine the best model between the fixed effect and random effect models. According to Widarjono (2009), the Hausman test selects between fixed effects or random effects in the decision-making process with regard to the random cross-section probability value. In that perspective, the fixed effect model is accepted once the random cross-section probability value is below 0.05. Contrarily, when the random cross-section probability value is above 0.05, then the random effect model is the better model.

The p-value from Table 3 is 1.0000, which is greater than the α level of 0.05 significance, therefore, using the Hausman test criteria, the best estimation for the panel data regression model is by the random effect model.

The Lagrange multiplier, or the so-called Lagrangian multiplier test, is used in choosing between the two best panel data regression methods: the random effect model and the common effect model. It actually guides whether to adopt the random effects or stick with the common effects approach.

The probability value of 1.0000 is larger than the significance level threshold $\alpha = 0.05$. This suggests that based on the result from the Hausman test, the model that should be chosen is a random effect. In addition, since the probability value has outgrown the threshold, the best-fit estimation model for the panel data regression is a random effect.

4.1.3 Classical assumption test

In light of this model selection, one of the random effect models has been chosen and estimated by the Generalized Least Squares method. Since GLS is applied, thereby consider likely heteroscedasticity and autocorrelation problems inherent in panel data, no classical assumption test has been considered necessary.

Table 3. Hausman Test Results

Correlated Random Effects – Hausman Test Equation: Untitled Cross-section random effects test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross-section	0.000000	4	1.0000

Source: E-Views version 12 output

Table 4. Lagrange Multiplier Test Results

Lagrange Multiplier Test for Random Effects Null hypothesis: No effects Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives Test Hypotheses is			
	Cross section	Time	Both
Breusch Pagan	5.710982 (0.0169)	1.280789 (0.2578)	6.991771 (0.0082)

Source: E-Views version 12 output

Table 5. Results of Random Effect Model Test

Variables	Coefficient	Std. Error	T-Statistic	Prob.
constant	3.080968	0.925559	3.328782	0.0027
Inflation (x1)	-1.52961	15.61657	-0.097919	0.9228
CR (X2)	0.359580	0.145510	2.471162	0.0206
DER (X3)	-0.178067	0.697592	-0.255260	0.8006
ROE (X4)	-3.357838	2.598287	-1.292328	0.2081
F statistic = 2.480564				
Prob. = 0.069764				
R-squared = 0.284124				
Adj. R-squared = 0.169584				

Source: E-Views version 12 output

4.1.4 Multiple regression analysis

The result of the Random Effect Model analysis that examines the manner by which the distribution of dividends is made to bear the incidence of inflation, current ratio, debt to equity ratio, and return on equity as shown in Table 5.

Therefore, while the t-test analysis has identified that the variable X2 significantly influenced Y and the variable of X1, X3, and X4 did not impact significantly negatively on Y; from the F-test results, it is indicated that there is no significant combined effect of independent variables X on dependent variable Y. The coefficient of determination further showed that only 16.9% of the variation in the dependent variable was explained by the combined effect of the independent variables studied. This means that 83.1% of the variation in the dependent variable is not explained by the current model, and thus it is significantly influenced by other factors not studied here.

4.1.5 Results of regression equation test analysis

The discovered regression equation is $Y = 3.080968 - 1.52961X_1 + 0.359580X_2 - 0.178067X_3 - 3.357838X_4$. As the constant value is 3.080968, with an increase in one unit average or remaining constant, all independent variables, dependent variable Y will rise by 3.080968. This regression analysis has depicted changes in the pattern of the relationship between the independent and dependent variable Y. This means the regression coefficient of variable X1 is -1.52961, hence variable X1 has a negative relation to Y. That means one unit decrease in variable X1 will decrease Y by 1.52961 units. On the other hand, an increase in X1 will increase Y by 1.52961 units. Variable X2 is positively related to Y with a regression coefficient of 0.359580.

That is, with every one-unit increase in X2, Y rises by 0.359580 units, and vice-versa. And lastly, X3 also relates negatively to Y, but with a lesser magnitude than that of X1: the regression coefficient of -0.178067 would indicate that with every one-unit fall in X3, Y decreases by 0.178067 units, and vice-versa, when X3 increases. Last but not least, variable X4 has a regression coefficient of -3.357838, which means that with the decrease of variable X4, variable Y decreases by -3.357838.

4.2 Discussion

4.2.1 The impact of inflation on dividend distribution

This study has, therefore, included inflation as a control variable with a view to isolating its effect on dividend distribution from the other independent variables such as CR, DER, and ROE. From the obtained regression coefficient of -1.52961, the regression result indicates a negative association of inflation and dividend distribution. However, the latter is not significant statistically. The T-Statistic for inflation is -0.097919, and the probability value is 0.9228, which is greater than the 0.05 level of significance. Therefore, even though there is a negative relationship, the researcher concludes that the influence of inflation on the dividend distribution policy of the company is insignificant. Therefore, even though in the model, it is considered that its effect on decisions related to the distribution of dividends can be ignored without affecting the validity of other results coming from the main independent variables of the research. In the present research, the variable of inflation-the control one-does not have an important impact on dividend policy. This result is in agreement with earlier related studies on the topic by Elly & Hellen [11], Mlangi [12], Husaeni [13], and Utami [14], which also

came to a close that inflation does not considerably impact the dividend policy. However, it disagrees with the results of Natsir & Bangun [2], who established that inflation does indeed positively affect dividend distribution. This means that the influencing factors of dividend policies are likely to be complex and may take different turns from one study or context to another.

4.2.2 The impact of current ratio (CR) on dividend distribution

The analysis shows that the Current Ratio influences the level of Dividend Payout positively and significantly, with a regression coefficient of 0.359580, t-statistic of 2.471162, and significance of 0.0206. This means that those firms with higher liquidity are most likely to adopt aggressive dividend policies and at the same time feel more confident to pay off their short-term obligations.

These findings confirm the earlier research from Fitriana & Febrianto [3], Bramaputra [15], Akbar & Fahmi [16], Sinaga et al [17] and Dwiani & Muhammad [18] since they also found that liquidity proxied by CR significantly affect dividend policy. The result of this therefore leads to the conclusion that, with an increased liquidity of the company, the dividend payout ratio increased. This contradicts the findings of Heliani et al. [19], Devi & Mispriyanti [20], Sembiring et al. [15], and Fajar et al. [21], which stated there was no significant association between CR and dividend policy. The contradiction shows how multifarious the factors may be that determine dividend decisions either here or elsewhere.

4.2.3 The impact of debt to equity ratio (DER) on dividend distribution

In the light of the Debt to Equity Ratio, the present study finds that it does not considerably impact dividend distribution. From the regression result, the regression coefficient is negative, amounting to -0.178067 for DER and with a probability value of 0.8006, well above the level of 0.05 significance. This in turn suggests that changes in the capital structure of the company, as measured by variation of DER, do not considerably influence the dividend distribution policy of the company under study.

These findings support Sembiring's study [4] in terms of insignificance and disagree with various other previous studies such as Fitriani &

Febrianto [3], Bawamenewi & Afriyeni [5], Prabowo & Alverina [22], Purnasari et al. [23], Cahyono & Asandimitra [24] and Sinaga et al. [17] in aspects of a partial influence. These conflicting results across various studies suggest that factors affecting dividend policies are very complex, and the relationship between capital structure and dividend distribution perhaps can only be generalized in very particular contexts or study parameters.

4.2.4 The impact of return on equity (ROE) on dividend distribution

This study finds that ROE does not have a significant effect on dividend distribution. In this respect, ROE has a negative coefficient of -3.357838 with a probability value of 0.2081, which is greater than the 0.05 level of significance. Therefore, for this company, the variance in ROE has failed to significantly affect the dividend distribution policy of the firm.

These findings contradict the studies of Devi & Mispriyanti [20], Nai et al. [25], Rokhayati [27], Sudiartana & Yudiantara [26] and Nurfalalah et al [28] which assert that ROE has a significant association with dividend policy. However, current findings support the studies conducted by Sembiring [4], Bawamenewi & Afriyeni [5], Sanjaya & Ariesa [29], Nugraha et al [30] and Rosalita [31] which also document insignificant relationships between ROE and the dividend payout ratio.

This diversity between various studies substantiates the fact that dividend policies are influenced by a host of complex factors. It further evidences that the profitability-ROE relationship to dividend distribution depends on specific contexts according to company characteristics or the parameters of the study. Hence, ROE cannot be regarded as one of the major determinants of dividend distribution policy in the present study.

5. CONCLUSION AND SUGGESTIONS

From the research and discussion above, it can be concluded that inflation is expected to greatly affect the dividend distribution policies in health sector companies in Indonesia during the 2020-2022 period. During the 2020-2022 period, the world, including Indonesia, is battling the COVID-19 pandemic, which has hit the global economy very badly, affecting inflation rates. Increasing inflation in the pandemic phase does have an impact on company operating costs and, finally,

on the distribution capability of the company concerning its dividend policy. Therefore, unstable macroeconomic situations, together with the global health crisis, mean that inflation factors have to be considered by companies in deciding the dividend policy more seriously.

Apart from that, the liquidity ratio is proved to have a huge impact on dividend distribution. Firms with higher liquidity ratios are usually better positioned to pay dividends, as they can fulfill their short-term obligations in greater measure. In this respect, liquidity becomes a vital parameter for firms while making the policy concerning dividend distribution in the pandemic uncertainty period.

Meanwhile, ROE and Debt to Equity Ratio are insignificant in this study in correlation with the dividend policy. While generally, ROE is used for assessing profitability, whereas the DER is used to measure the level of indebtedness of the firm. These two variables are insignificant in the context of distribution of dividends by health sector companies in pandemic conditions. This might be due to the fact that the company prioritizes liquidity and stability at that time, given the high economic uncertainty prevailing during that period.

Based on this research outcome, some suggestions can be conveyed to the management and investors. First, it is important that company management takes into greater consideration the inflation factors in deciding its dividend policy. During the pandemic period, it is proven that inflation could have a huge impact on a company's capability of paying dividends; thus, good management of inflation impact needs to be performed so that the dividend policy remains sustainable.

The management of the firm also has to pay attention to the current ratio of the company, which is its liquidity. Good liquidity provides more room for decision-making regarding dividend payment in unforeseen situations such as a pandemic. Companies that are in a position to offer regular dividends in unstable global economic conditions are those with better liquidity.

The investors are also recommended to pay more attention to the macro-economic situation, especially inflation, in evaluating dividend prospects. To assess a company's distribution capability, investors should also consider its liquidity.

It would also go on to suggest that any future research target other macro-level variables that could influence the dividend policy, which would include the level of interest rates and monetary policies. Indeed, a deep analysis of the consequences of the pandemic on other industries, and generally other factors of macroeconomic origin, proves more complete and pertinent for management and investors who must make decisions involving the policy of dividend distribution.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image generators have been used during writing or editing of this manuscript.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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