Original Research Article

The Impact of Inflation, Current Ratio, Debt-to-Equity Ratio, Return on Equity: Dividend Distribution

ABSTRACT

Objective: To test the influence of inflation, Current Ratio, Debt to Equity Ratio, Return On Equity on dividend distribution in health sector companies listed on the Indonesia Stock Exchange (IDX) for the year 2020-2022.
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 is used in this study to identify 10 companies that meet the goals of the investigation. A panel data model processed with the Eviews 12 program is used in the analysis.
Results: For the years 2020 to 2022, the Indonesia Stock Exchange (IDX) does not experience a substantial negative influence on the dividend distribution of health sector enterprises due to inflation, debt to equity ratios (DER), or return on equity (ROE). Meanwhile, the Current Ratio (CR) has a significant influence on the dividend distribution of health sector companies listed on the IDX for the years 2020 to 2022.
The implication of this study is that companies are advised to pay attention to the Current Ratio (CR) in making dividend distribution decisions, because the company's liquidity has been proven to influence this policy.

Keywords: Inflation, Current Ratio, Debt to Equity Ratio, Return On Equity, Healthcare sector, Dividend distribution policy

1. INTRODUCTION

In an unstable monetary condition, especially during the period 2020 to 2022 which was influenced by the COVID-19 pandemic, dividend distribution policy in healthcare sector companies has become an increasingly important topic to study. The distribution of dividends applied to companies that are listed on the Indonesia Stock Exchange (IDX) [1] will have an effect on the liquidity position of the business, investment prospects, financial structure, and funding flow. This distribution not only affects the investment opportunities of shareholders, but also reflects the financial health and growth prospects of the company. As such, it is imperative that corporations take into account a multitude of issues that may impact their dividend distribution strategy. This study examines how the dividend distribution policies of Indonesian healthcare sector businesses from 2020 to 2022 are impacted by inflation, Current Ratios (CR), Debt to Equity Ratios (DER), and Return On Equity (ROE). Investors must take into account economic concerns, such as inflation, that may have an

impact on the company's financial stability in the midst of requests for a diverse dividend payout. Inflation is one of the most important macroeconomic variables and often worries economic actors, including the government itself, because inflation has the potential to have a negative impact on production costs and weaken public welfare [2]. In the context of health sector companies, The operations and financial health of the business can be significantly impacted by inflation in a number of ways. Growth in inflation may raise the operational expenses of the business, including the price of hiring staff and purchasing prescription drugs and medical supplies. In addition, inflation can also reduce people's purchasing power, thus potentially reducing the company's income and profits.

A company's stability and financial performance are also determined by financial measures like the current ratio (CR), debt to equity ratio (DER), and return on equity (ROE). These factors might influence managerial decisions on dividend distribution. Indicating the company's liquidity, the current ratio (CR) is a key factor in determining how dividends are distributed. Businesses that have high Current Ratio (CR) levels typically pay out greater dividends to their shareholders [3]. Companies with greater Current Ratios (CR) are typically thought to be more capable of continuously distributing dividends, since an increase in the CR value can boost investor confidence in the company's ability to do so.

The debt to equity ratio (DER), which is a measure of the company's capital structure, has an impact on dividend distribution policy as well. The link between a company's debt and equity is described by the debt to equity ratio (DER), which gives an overview of how much of the company's capital is financed by debt. This Debt to Equity Ratio (DER) is part of the leverage ratio and is an important indicator to assess how much the company relies on debt in its capital structure, which can affect dividend distribution decisions and the company's financial stability [4]. Because companies with high DER tend to be more cautious in distributing dividends, this study proxies the company's leverage ratio with the Debt to Equity Ratio (DER), an indicator of capital structure that is frequently the focus of attention. This is due to the obligation to meet debt payments that can affect the company's capacity to distribute dividends consistently, thus affecting the company's financial stability. DER has a negative and significant effect on the company's dividend distribution policy as measured by DPR, which means that a high DER indicates a high level of leverage. The higher the DER, the higher the level of debt and interest expense. The company will focus more on paying off the debt and retaining its profits so that the dividends distributed will be small [5].

Return on Equity (ROE) may also be impacted by modifications to the company's dividend distribution policy on the use of earnings for debt repayment or reinvestment. The ability of the business to turn a profit is gauged by the profitability ratio, or ROE. Higher interest costs due to inflation can reduce net income, which has a direct impact on decreasing ROE, keeping in mind that the ratio of net income to shareholder equity determines ROE. More specifically, because it indicates the company's rate of return on investment, which can influence management choices about how to allocate profits, ROE or Return On Equity is a significant factor in deciding how much dividends to the owners. Therefore, the company's capacity to pay dividends is increased if it experiences a decline in profit [6].

By unveiling new company plans or reporting strong financial results, for example, companies might improve their profits by sending signals to investors. On the other hand, a company's profitability and ability to implement its dividend policy are closely tied. Dividend policy may be increased in tandem with income growth [7]. Because of the company's huge revenues, dividends undoubtedly have a big impact on the potential for future growth of the business, which is why this research is necessary [8]. In order to assure investors that the dividend policy in place will provide positive returns for all investors,The study of a company's dividend policy is predicated on its most recent financial statements.

Debt ratios, asset growth, earnings, and firm size have all been studied in the past. The fact that some of the investigated companies are involved in many sectors within the research sample obscures the significance of dividend policy for any given industry sector [8]. As a result, during the 2020–2022 period, it is crucial to determine and evaluate how financial ratios and inflation affect dividend distribution policies in firms in the health sector that are listed on the IDX. One hopes that this research will provide more insight into the relationship between inflation, financial ratios, and dividend distribution, enabling managers of companies to manage their finances more effectively and to build and maintain shareholder trust 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 that were listed between 2020 and 2022 on the Indonesia Stock Exchange (IDX), when the country was hit by the Covid-19 pandemic, so the author wants to see whether inflation and financial ratios affect dividend distribution in health sector companies because the government is particularly concerned about health sector businesses during the Covid-19 epidemic. Researchers want to see how the impact of inflation and financial ratios affects dividend policy in this sector as a result of economic uncertainty, inflationary pressures and changes in government regulations during 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. Financial measures like Return On Equity (ROE), Debt to Equity Ratio (DER), and Current Ratio (CR) are also used to assess a company's financial performance and stability. These evaluations can have an impact on management choices about dividend payments. The impact of CR, DER, ROE, and inflation on dividend policy in Indonesian healthcare enterprises during this time will be assessed by this study.

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 circumstances results in a drop in the company's earnings as well as its overall worth.

Because inflation reduces purchasing power, the community's savings and investments fall and just a small portion of their holdings remain [10]. Inflation also affects dividend payments since it can lower business earnings and the amount of money available for shareholder distribution due to rising operating costs and commodity prices. Because of this, businesses might choose to keep the majority of their earnings in order to preserve their financial stability and fuel further expansion, which could mean that shareholders receive less dividend payments. In contrast to earlier studies by Elly & Hellen [11] and Mlangi [12], which

claimed that inflation had no effect on dividend policy, Natsir&Bangun's research [2] found that inflation has an impact on dividend distribution with a positive inflation coefficient, meaning that if inflation increases, dividend policy will increase and have a significant effect on 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 [14], and Akbar & Fahmi [13] 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. [16], and Devi &Mispiyanti [15], 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 EQUITYRATIO 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 [14].

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 Purnasari et al. [17], Bawamenewi&Afriyeni [5], Prabowo &Alverina [18], and Fitriana &Febrianto [3]. 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 primary objectives of investors is to maximize Return On Equity (ROE) while taking into account the risks associated with their investments. The amount of return from the usage of investment capital available in total equity to generate net profit is determined using the ROE ratio. 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 [15], Nai et al. [21], Sudirtana&Yudantara [20], Rokhayati [19], and others, 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 [22], and Sembiring [4] 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 Figure 1.

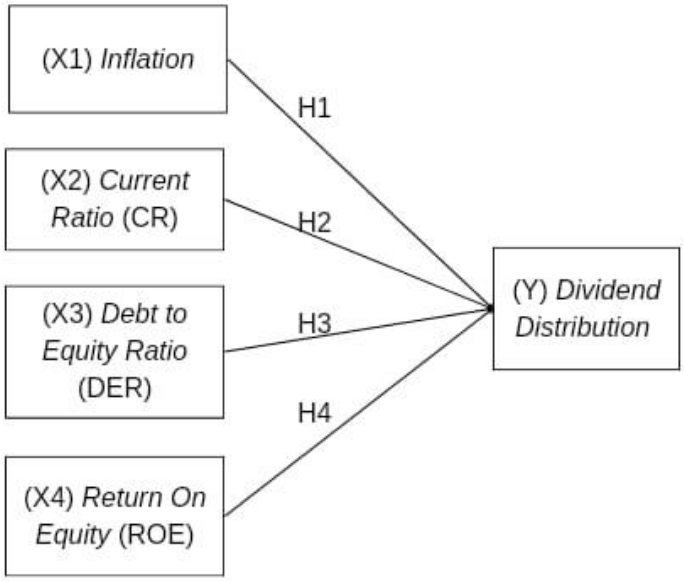

Figure 1. Conceptual Framework

3. RESEARCH METHODS

This research is classified as quantitative because it aligns with the study's objectives, which include examining how specific factors—such as inflation, return on equity, debt-to-equity ratio, and current ratio—impact dividend distribution. A descriptive approach is employed in this project, using historical or previously available data, such as inflation rates from 2020 to 2022 and financial statements of relevant organizations. The study utilizes secondary data, primarily sourced from the financial statements of health sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2022 period. Considering the observed phenomenon, this research focuses on all 33 health sector companies listed on the IDX between 2020 and 2022, including pharmaceutical companies, hospitals, and health service providers. The sample, drawn from this population, represents a subset selected for detailed observation and analysis.

Purposive sampling is a strategy that is used to choose samples that meet specific criteria related to the goals of the research. Companies that continuously release comprehensive yearly financial reports between 2020 and 2022 and those that pay dividends in a sequential manner between 2020 and 2022 are among the criteria that were employed. Ten businesses served as the study's samples, and the three-year study period ran from 2020 to 2022. Thus, thirty data sets were used in this investigation.

This study employs panel data regression as its methodology, processed using the Eviews 12 software. Panel data regression is used to assess the influence model and determine the impact of multiple independent variables (more than two) on the dependent variable. Panel data is created by combining cross-sectional and time series data. Time series data refers to one or more variables observed within a single unit over a specific period of time, while cross-sectional data involves observations collected from multiple units at a single point in time.

4. RESULTS AND DISCUSSION

4.1 RESULTS

4.1.1 DESCRIPTIVE ANALYSIS RESULTS

The purpose of descriptive analysis is to identify and summarize the characteristics of the variables being studied, including their minimum, maximum, mean (average), and standard deviation values. This helps provide an overview of the data's distribution and variability. This can help researchers determine the influence of each variable and make it easier to provide advice to the company.

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

The results of the descriptive analysis in Table 1 reveal several key insights. Inflation has an average value of 0.026003 with a standard deviation of 0.011709, a minimum value of

0.015600, and a maximum value of 0.042050. The Current Ratio (CR) shows an average of 3.195667 and a standard deviation of 1.584275, with the highest value of 6.58 recorded by Prodia WidyahusadaTbk. in 2021, and the lowest value of 0.940000 recorded by PhaprosTbk. 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 PhaprosTbk. in 2020. The Return on Equity (ROE) averages 0.174000 with a standard deviation of 0.083153, the lowest value being 0.020000 at PhaprosTbk. in 2021, and the highest value of 0.360000 recorded by the Herbal Medicine and Pharmaceutical Industry of Sido MunculTbk. in 2021. Lastly, the Dividend Payout Ratio (DPR) has an average of 3.567000 and a standard deviation of 1.057062, with the lowest value of 1.790000 recorded by Medikaloka Hermina Tbk. in 2022, and the highest value of 5.990000 recorded by Prodia WidyahusadaTbk. in 2022.

4.1.2 Model Selection Test Results

The Chow, Hausman, and Lagrange Multiplier tests are employed to choose the appropriate panel data regression model, if necessary. The results of these tests are outlined below. In panel data estimation, the Chow test is used to determine the best-fitting model between the Fixed Effect Model (FEM) and the Common Effect Model (CEM). This comparison between the fixed and common effect models is conducted through the Chow test, which is executed using the Eviews software. The decision in the Chow test is based on the probability cross-section F value. If the probability cross-section F value is greater than 0.05, the Common Effect Model is selected. Conversely, if the probability cross-section F value is less than 0.05, the Fixed Effect Model is chosen.

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

As shown in Table 2, the probability value is 0.0000. Since the probability cross-section F value is less than 0.05 ($\alpha = 0.05$), the fixed effect model was selected based on the test results.

The Hausman test, by definition, is used in panel data regression to determine whether the fixed effect model or the random effect model is more appropriate when using Eviews. The test aims to identify the optimal model between the fixed effect and random effect approaches. The decision-making process in the Hausman test is based on the random cross-section probability value (Widarjono, 2009). If the random cross-section probability value is less than 0.05, the fixed effect model is chosen. Conversely, if the random cross-section probability value is greater than 0.05, the random effect model is preferred.

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 3's results show that the probability value is 1.0000, which is greater than the significance level (α = 0.05). As a result, the Hausman test concludes that the panel data regression model is best estimated using the random effect model.

The Lagrange Multiplier (LM) Test, also known as the Lagrangian Multiplier Test, is used to determine the optimal panel data regression method between the random effect model and the common effect model. This test helps to decide whether to adopt random effects or stick with the common effects approach.

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	1.280789	6.991771
	(0.0169)	(0.2578)	(0.0082)

Source: E-Views version 12 output

The probability value of 1.0000 is greater than the significance threshold (α = 0.05), which indicates that the random effect model is the appropriate choice based on the Hausman test results. Since the probability value exceeds the threshold, the panel data regression estimation model is best suited for the random effect approach.

4.1.3 Classical Assumption Test

The random effect model was selected, and the Generalized Least Squares (GLS) method was used for estimation. Since GLS is applied, there is no need to conduct classical assumption tests, as GLS accounts for potential heteroscedasticity and autocorrelation issues that could arise in panel data.

4.1.4 Multiple Regression Analysis

The results of the Random Effect Model analysis, which investigated how dividend distribution is influenced by factors such as inflation, current ratio, debt to equity ratio, and return on equity, are displayed in Table 5.

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

The t-test analysis revealed varying effects of the independent variables on the dependent variable Y. While variable X2 showed a significant impact on Y, variables X1, X3, and X4 did not demonstrate significant negative effects. Interestingly, the simultaneous F-test analysis indicated no significant collective influence of the independent variables (X) on the dependent variable (Y). Further examination through the determination coefficient test showed that only 16.9% of the variation in the dependent variable could be attributed to the combined effect of the independent variables studied. This leaves a substantial 83.1% of the variation unexplained by the current model, suggesting that other factors not included in this investigation play a significant role in influencing the dependent variable.

4.1.5 Results of Regression Equation Test Analysis

Y = 3.080968 - 1.52961X1 + 0.359580X2 - 0.178067X3 - 3.357838X4 is the regression equation that was found. The dependent variable Y will increase by 3.080968 if all independent variables stay constant or increase by one unit on average, according to the constant value of 3.080968. The regression analysis reveals varying relationships between the independent variables and the dependent variable Y. Variable X1 shows a negative relationship with Y, as indicated by its regression coefficient of -1.52961. This means that for every unit decrease in X1, Y is expected to decrease by 1.52961 units, and conversely, an increase in X1 would lead to an increase in Y by the same magnitude. In contrast, variable X2 demonstrates a positive relationship with Y, having a regression coefficient of 0.359580. This implies that a one-unit increase in X2 is associated with a 0.359580 unit increase in Y, and vice versa. Lastly, variable X3 exhibits a negative relationship with Y, similar to X1 but of a smaller magnitude. Its regression coefficient of -0.178067 suggests that a one-unit decrease in X3 corresponds to a 0.178067 unit decrease in Y, and the opposite holds true for an increase in X3. Lastly, variable X4's regression coefficient is negative at -3.357838, meaning that a drop in variable X4 will result in a -3.357838 decrease in variable Y, and vice versa.

4.2 Discussion

4.2.1 The impact of inflation on dividend distribution.

This study incorporates inflation as a control variable to isolate its effect on dividend distribution from other independent variables like Current Ratio (CR), Debt to Equity Ratio (DER), and Return On Equity (ROE). The analysis reveals a negative relationship between inflation and dividend distribution, as shown by the regression coefficient of -1.52961.

However, this relationship lacks statistical significance. The T-Statistic for inflation is -0.097919, with a probability value of 0.9228, which exceeds the 0.05 threshold for significance. Consequently, while a negative correlation exists, the study concludes that inflation does not significantly influence the company's dividend distribution policy.
As a result, even while inflation is taken into account in the model, its influence on choices about dividend distribution can be disregarded without impairing the reliability of the findings from other key independent variables of the study. In this study, inflation, used as a control variable, does not significantly impact dividend policy. This finding aligns with previous research by Elly & Hellen [11] and Mlangi [12], who also concluded that inflation has no significant effect on dividend policy. However, it contradicts the results of Natsir&Bangun [2], who reported that inflation does influence dividend distribution. This discrepancy in findings highlights the complexity of factors affecting dividend policies and the potential for varied outcomes across different studies or contexts.

4.2.2 The impact of Current Ratio (CR) on dividend distribution.

The analysis shows that the Current Ratio (CR) has a significant positive impact on the Dividend Payout Ratio (DPR), with a regression coefficient of 0.359580, a t-statistic of 2.471162, and a significance level of 0.0206. This indicates that companies with higher liquidity tend to have more aggressive dividend policies and greater confidence in meeting short-term obligations. These findings align with previous studies by Fitriana &Febrianto [3], Bramaputra [14], and Akbar & Fahmi [13], which also found that liquidity, measured by CR, affects dividend policy. The results suggest that as a company's liquidity increases, so does its dividend payout ratio. However, these findings contradict studies by Heliani et al. [16], Devi &Mispiyanti [15], and Sembiring et al. [14], which found no significant relationship between CR and dividend policy. This discrepancy highlights the complexity of factors influencing dividend decisions across different contexts or studies.

4.2.3 The impact of Debt to Equity Ratio (DER) on dividend distribution.

This study finds that the Debt to Equity Ratio (DER) does not significantly influence dividend distribution. The analysis shows a negative regression coefficient of -0.178067 for DER, with a probability value of 0.8006, which is well above the 0.05 significance threshold. This suggests that changes in a company's capital structure, as measured by DER, do not substantially affect its dividend distribution policy in this context.
These results align with Sembiring's research [4], which also found no significant relationship between DER and dividend policy. However, they contradict findings from several other studies, including those by Fitriani &Febrianto [3], Bawamenewi&Afriyeni [5], Prabowo &Alverina [18], and Purnasari et al. [17], which reported that DER partially influences dividend policy.
This discrepancy in findings across different studies highlights the complexity of factors affecting dividend policies and suggests that the relationship between capital structure and dividend distribution may vary depending on specific contexts or study parameters.

4.2.4 The impact of Return On Equity (ROE) on dividend distribution.

This study finds that Return on Equity (ROE) does not significantly impact dividend distribution. The regression analysis shows a negative coefficient of -3.357838 for ROE, with a probability value of 0.2081, exceeding the 0.05 significance threshold. This suggests that changes in ROE do not substantially influence the company's dividend distribution policy in this context.

These results contradict findings from studies by Devi &Mispiyanti (2020), Nai et al. (2022), Rokhayati (2021), and Sudiartana&Yudantara (2020), which reported a significant relationship between ROE and dividend policy. However, the current findings align with research by Sembiring (2022), Bawamenewi&Afriyeni (2019), and Sanjaya & Ariesa (2020), which also found no significant relationship between ROE and the dividend payout ratio.
This discrepancy in results across different studies underscores the complexity of factors influencing dividend policies. It suggests that the relationship between profitability (as measured by ROE) and dividend distribution may vary depending on specific contexts, company characteristics, or study parameters. In this particular study, ROE cannot be considered a primary determinant of dividend distribution policy.

5. CONCLUSION AND SUGGESTIONS

5.1 Conclusion

It may be concluded from the research and discussion that the distribution of dividends is not greatly impacted by the control variable of inflation in this study. The current ratio (CR) has a major influence on the dividend distribution approach. There is no discernible correlation between Return on Equity (ROE) and the Debt to Equity Ratio (DER) variable in the dividend distribution data.

5.2 Suggestions

Several recommendations are made to the corporate management and investors in this study. Corporate management should take the current ratio into account when determining dividend policy, since it has been shown that the policy is influenced by the liquidity of the company. It is also advised that when evaluating dividend prospects, investors consider the company's liquidity situation. Furthermore, this study suggests further investigation that considers other macroeconomic issues that may significantly affect dividend policy.

REFERENCES

1. Istanti, SLW (2018). The Effect of Dividend Policy on Stock Prices in LQ 45 Companies. Potensio, 19(01).
2. Natsir, K., &Bangun, N. The Effect Of Inflation, Good Corporate Governance, And Investment Opportunity Set On Dividend Policy. Economics and Development, 62.
3. Fitriana, AI, &Febrianto, HG (2021). Cash Ratio and Debt to Equity Ratio on Dividend Policy. Proceedings of the National Multidisciplinary Symposium (SinaMu), 2.
4. Sembiring, S., Sinaga, RV, & Lase, B. (2022). The effect of leverage, liquidity and profitability on dividend policy of property and real estate companies listed on the Indonesia Stock Exchange for the period 2017-2019. Journal of Accounting & Finance Research, 141-155.
5. Bawamenewi, K., &Afriyeni, A. (2019). The Effect of Profitability, Leverage, and Liquidity on Dividend Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange. Pundi Journal, 3(1).
6. Iswara, PW (2017). The Effect of Liquidity Ratio, Profitability Ratio, Leverage Ratio, Company Size, and Asset Growth on Dividend Policy (Case Study on Manufacturing Industry Companies in the Food and Beverage Sub-Sector Listed on the Indonesia Stock Exchange for the 2012-2015 Period). JurnalBisnisTeknologi, 4(1), 33-47.
7. Purwaningsih, E. (2019). Ownership structure moderates the effect of profitability on dividend policy. Journal of Economics, Esa Unggul University, 10(2), 111-120.
8. Utami, ES, &Gumanti, TA (2019). Analysis of cash dividend policy in Indonesia stock exchange. Investment Management and Financial Innovations, 16(3), 97-105.

9. Pujiati, A., &Hadiani, F. (2020). Analysis of the Influence of Profitability, Dividend Policy, Inflation and Exchange Rate on Company Value. Journal of Applied Islamic Economics and Finance, 1(1), 160-170.
10. Wahyudi, K., Baining, ME, &Khairiyani, K. (2023). The Effect of Inflation, BI-7 Day Reverse Repo Rate (BI7DRR), and Exchange Rate on the Net Asset Value (NAB) of Sharia Stock Mutual Funds with Economic Growth as a Moderating Variable. Journal of Management Research, 1(1), 139-157.
11. Elly, OD, & Hellen, KW (2013). Relationship between inflation and dividend payout for companies listed at the Nairobi Securities Exchange. International Journal of Education and Research, 1(6), 1-8.
12. Mlangi, M. (2012). Relationship between inflation and dividend payout for companies listed at the Nairobi Securities Exchange (Doctoral dissertation, University of Nairobi, Kenya).
13. Akbar, F., & Fahmi, I. (2020). The effect of company size, profitability and liquidity on dividend policy and company value in manufacturing companies listed on the Indonesia Stock Exchange. Scientific journal of management economics students, 5(1), 62-81.
14. Bramaputra, ED, Musfitria, A., &Triastuti, Y. (2022). The effect of liquidity, leverage, company growth, and profitability on dividend policy in food and beverage manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2015. El-Mal: Journal of Islamic Economics & Business Studies, 3(3), 424-439.
15. Devi, E., &Mispiyanti, M. (2020). The Effect of Profitability, Liquidity, Company Growth and Company Size on Dividend Policy. Scientific Journal of Management, Business and Accounting Students (JIMMBA), 2(3), 376-391.
16. Heliani, H., Yulianti, R., & Hermawan, I. (2022). The Influence of Net Profit Margin, Current Ratio, Debt To Equity Ratio, Free Cash Flow and Firm Size on Dividend Policy (Doctoral dissertation, Bina Sarana Informatika University).
17. Purnasari, N., Sitanggang, UPB, Lestari, W., Purba, RD, &Juliarta, V. (2020). The Effect of Current Ratio, Debt To Equity Ratio, Return On Asset, Total Asset Turnover and Asset Growth on Dividend Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2015-2017. Scientific Journal of Management, Economics, & Accounting (MEA), 4(3), 1174-1189.
18. Prabowo, MAD, &Alverina, C. (2020). The Effect of Current Ratio, Debt to Equity Ratio, Return on Assets, Growth and Firm Size on Dividend Policy: A Study of Companies Actively Listed on the IDX that Distributed Dividends in the Period 2012-2015: Keywords: Current Ratio (CR), Debt to Equity Ratio (DER), Return On Assets (ROA), Growth, Firm Size, and Dividend Payout Ratio (DPR). Journal of Accounting, 12(1), 84-98.
19. Rokhayati, I., Harsuti, H., & Lestari, DP (2021). Analysis of Company Characteristics on Dividend Policy in Manufacturing Companies in the Basic and Chemical Industry Sectors Listed on the IDX. Journal of Accounting and Finance, 10(1), 51-57.
20. Sudiartana, IGP, &Yudantara, IGAP (2020). The Effect of Company Size, Liquidity, Profitability and Leverage on Dividend Policy. JIMAT (Scientific Journal of Accounting Students) Undiksha, 11(2), 287-298.
21. Nai, NL, Wiyono, G., &Maulida, A. (2022). The Influence of Profitability, Ownership Structure and Company Growth on Dividend Policy in Manufacturing Companies. Reslaj: Religion Education Social LaaRoiba Journal, 4(4), 1059-1075.
22. Sanjaya, G., & Ariesa, Y. (2020). The effect of return on equity, debt to asset ratio, and current ratio on dividend policy in basic and chemical industry sector companies listed on the IDX for the 2013-2018 period. Journal of Prima Management Business Economics, 1(2), 119-132.