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The Effect of Political Instability on the Financial Performance of Property and Real Estate Sector Companies Listed on the PSEi Composite for the Period 2001–2024

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ABSTRACT

Political instability is one of the external factors that may affect the institutional environment and corporate financial performance, particularly in the property and real estate sector, which is highly dependent on regulatory certainty and government policies. This study aims to analyze the effect of political instability, proxied by general elections, political coups, political reforms, martial law, and political protests, on corporate financial performance, as measured by Return on Assets (ROA). This study employs a quantitative approach using secondary data obtained from corporate financial statements available in the Osiris database for the 2001–2024 period. The research sample was selected using a purposive sampling technique and consisted of 37 property and real estate companies listed on the PSEi Composite, resulting in a total of 888 observations. The data were analyzed using panel data regression with the assistance of STATA 17 software. Additional analyses were conducted on sub-samples of large and small companies based on firm size. The results indicate that general elections, political reforms, martial law, and political protests have no significant effect on corporate financial performance. However, political coups have a negative effect on corporate financial performance.

Keywords: Financial Performance, Return on Assets, Political Instability, Property Sector, PSEi Composite.

1. INTRODUCTION

Financial performance conditions can be observed in companies that are members of the Philippine Stock Exchange Index (PSEi Composite). As the main index of the Philippine capital market, the PSEi Composite represents companies with a relatively large level of liquidity and asset accumulation so that it can be an overview of the performance of leading stocks from various sectors (Aquino, 2006). The Philippines itself is an emerging market that has an active capital market and is connected to regional and global economies (Narayan et al., 2014). The PSEi is also used by investors, analysts, and policymakers as a reference to look at the general condition of the Philippine capital market (Lim & Brooks, 2011). Companies included in the index go through a selection process based on aspects such as market value, trading volume, and regulatory compliance (PSE, 2021). These characteristics make the PSEi Composite company have adequate availability of historical information and data to analyze financial performance in the long term (Bekaert et al., 2007).

Based on Osiris data that has been processed by the author, the performance of ROA companies from various sectors listed in the PSEi Composite during 2001–2024 shows a changing pattern. These fluctuations show an increase and decrease in the company's ability to optimize assets to earn profits. Changes in ROA can reflect the influence of internal and external factors on a company's financial condition, especially since companies operating in the capital market must face competition while adjusting to changes in the business environment (Abdullah et al., 2022).

The movement of ROA in that period showed a fairly sharp decline in the 2008–2009 global crisis and again experienced pressure during the Covid-19 pandemic in 2020. After these two periods, the overall performance of ROA began to show recovery. Among the various sectors in the PSEi Composite, the property sector has a prominent characteristic as it exhibits relatively high volatility of ROAs. The movement is more volatile than the financial, industrial, and consumer sectors. When market conditions improve, such as in 2011–2012 and 2022–2023, the

ROA of the property sector can increase significantly, but in periods of economic and political pressure it also experiences a considerable decrease. This condition shows that the financial performance of property companies is quite sensitive to changes in the external environment, including government policies and political dynamics.

Based on the perspective of Institutional Theory, companies cannot be separated from the institutional environment that includes rules, regulations, and political stability (North, 1990). Disruption to the environment can increase uncertainty, hinder decision-making, and reduce the effectiveness of a company's operations (Bao & Cardoza, 2023). Political conditions are also one of the external factors that can affect a company's financial performance (Baker et al., 2016). Political instability has the potential to increase business risks, change market expectations, and reduce asset use efficiency and profitability which can be reflected through return on assets (ROA) indicators (Pástor & Veronesi, 2013).

A number of studies show that political turmoil can weaken social and institutional stability through declining trust in the government, increasing social tensions, and reduced effectiveness of state institutions (Aassve et al., 2024). This uncertainty creates a less conducive business environment because companies have to face policy risks that are difficult to predict (Aisen & Veiga, 2011). Changes in government policy direction can also increase market uncertainty, suppress profitability, and hinder business activities and company cash flows, thus impacting the efficiency of asset utilization (Ghosh, 2021).

The Philippines was chosen as the research location because it has relevant political characteristics to test the relationship between political instability and the financial performance of companies. As one of the emerging markets in Southeast Asia with an open economic system and a growing capital market, the Philippines has relatively high political dynamics (World Bank, 2024). Based on the Political Stability and Absence of Violence/Terrorism indicator from the Worldwide Governance Indicator, the level of political stability of the Philippines during the study period tends to be lower than that of several other emerging market countries in Southeast Asia, such as Indonesia, Malaysia, Thailand, and Vietnam. Despite the improvement trend at the end of the observation period, the Philippines' position is still relatively low and indicates greater political risks.

This condition strengthens the relevance of the Philippines as an object of research. As an electorally democratic country, the political dynamics of the Philippines take place in a clear institutional system, but still show quite intense political and social changes (Dressel, 2011). Political turmoil can affect market activity and ultimately have consequences for corporate performance (Pástor & Veronesi, 2013). The impact is not only at the macroeconomic level, but can also be reflected in the company's financial performance (Afrizal et al., 2025). Similar phenomena are seen in various global events, such as the Arab Spring, Brexit, and the Russia-Ukraine invasion, which suggest that political tensions can increase uncertainty and put pressure on corporate profitability (Shu et al., 2025).

The political dynamics of the Philippines have been going on since the early 2000s and are marked by a number of events that have the potential to affect economic stability and financial markets. These events include People Power II in 2001, the Oakwood Mutiny in 2003, and the election scandal in 2005 (Roberts, 2003). Instability was again seen through the Manguidanaio Massacre in 2009 and the imposition of martial law in Mindanao in 2017–2019 (Human Rights Watch, 2010). In addition, the passage of the Anti-Terrorism Act in 2020 triggered public protests, while in 2022–2024 various political actions were also influenced by the increase in the price of basic necessities, inflation, and government policies (David, 2020). The six-year election cycle can also increase market volatility due to concerns about changes in the direction of economic policy (Gayathri & Sophia, 2025).

Thus, the low political stability and high policy dynamics in the Philippines provide a strong context to test the influence of political instability on the company's financial performance. The property sector is seen as relevant because its activities have a high dependence on regulations, government policies, land use, and infrastructure development. The combination of the characteristics of the property sector and the political conditions of the Philippines is the basis for the research to analyze whether political instability can affect the financial performance of companies reflected through ROA.

Political instability can appear in several forms, such as political or constitutional reforms, political coups, elections, the imposition of martial law, and political protests (Kim & Sudduth, 2021). Political reform basically aims to improve governance and the quality of regulations that support economic activities (Khemani, 2020). However, changes in formal institutions may make companies need to adapt business strategies and resource management to new rules. Reforms can have a positive impact if they increase regulatory certainty, but in the short term they can also create uncertainty, hinder operational effectiveness, and reduce the optimization of company assets (Baker et al., 2016). Pástor & Veronesi (2013) explained that significant policy changes increase the uncertainty of the business environment so that companies tend to be more cautious in carrying out their activities and have the potential to experience a decrease in the effectiveness of asset utilization.

More extreme conditions can occur through political coups and the imposition of martial law. A political coup is an act of sudden seizure or overthrow of a government, generally involving military elements, which can disrupt government stability and increase business risks (Wing, 2023). Meanwhile, martial law indicates a serious disruption to the government so that civilian functions can be taken over by the military in crisis situations, such as rebellions or security threats (Bjørnskov & Voigt, 2018). Ouédraogo et al. (2020) found that a political coup can reduce ROA because policy uncertainty and institutional disruption make it difficult for companies to carry out business activities optimally. Unstable security conditions can also hamper operational activities, reduce the effectiveness of the company, and weaken the ability to maintain profitability (Del Prete et al., 2023).

General elections can also be a source of political uncertainty because government change has the potential to be followed by a change in policy direction. Although elections are part of a democratic mechanism, the period can increase uncertainty for

companies (Yusriadi et al., 2020). Baker et al. (2016) categorize the election period as a political uncertainty shock that can affect decisions and company performance. Julio & Yook (2012) and Pástor & Veronesi (2013) show that policy uncertainty during election periods can cause companies to postpone or limit certain activities so that the use of assets and profit-making capabilities is less optimal.

In addition, political protests can reflect increasing social pressures that have the potential to disrupt the business environment. This condition can cause operational disruptions, reduce investor confidence, and hinder the effective use of company resources (Goldstone et al., 2010). Aisen & Veiga (2011) showed that social instability due to demonstrations can suppress economic performance in the short term, while Espinosa-Méndez (2022) found that waves of social protests can reduce company profitability because it creates a less conducive business environment. Trakarnsirinont et al. (2023) also emphasized that political instability in developing countries can lower investor confidence and have a negative impact on financial performance.

Previous studies have further strengthened the relationship between political instability and corporate financial performance. Hussain et al. (2023) found that political instability has a detrimental impact on financial performance. Ouédraogo et al. (2020) showed that companies in developing countries experienced an average decrease in ROA of 2.7% in the year of the political crisis compared to the stable political period. Espinosa-Méndez (2021) found that civil unrest suppressed company profitability, particularly in the trade and industrial sectors, with an average performance decline of 3.5%. Zhang et al. (2025) also found that political turnaround was related to a 1.9% decrease in ROA as well as a 22% increase in volatility ahead of the transition of government. Meanwhile, Alim et al. (2024) showed that negative shocks in the form of political instability resulted in stock market volatility by 25%, higher than positive shocks in the form of political stability which increased volatility by 8%.

The findings suggest that changes in the institutional and political environment can put pressure on a company's financial performance. However, the effect can differ between companies because the ability to deal with external pressures is also influenced by the company's internal characteristics (Liu et al., 2025).

In addition to the differences in findings, previous studies also tended to use measures of political instability in aggregate, such as the political risk index or political uncertainty index, so they did not specifically distinguish between different forms of political events. Alim et al. (2024) and Jadah et al. (2024), for example, use these aggregate measures in analyzing political instability. In fact, each form of political event can have different consequences for company activities and decision-making processes.

Political instability is important to note because it can increase uncertainty in the business environment and affect company decisions and long-term growth opportunities (Phan et al., 2019). Thus, companies need to understand the various forms of political risk in order to prepare an appropriate anticipation strategy. This research is also expected to provide empirical evidence that is useful for investors and policymakers in understanding the relationship between political conditions and corporate financial stability.

Based on this description, there are several main problems. First, the financial performance of property sector companies reflected through Return on Assets (ROA) has changed from year to year, but its relationship with political dynamics is not yet empirically known. Second, the property sector is dependent on the stability of government regulations and policies, so changes in the political environment in the Philippines have the potential to affect the company's performance. Third, various political events during 2001–2024, such as political reforms, military coups, martial law enactments, elections, and political protests, can create uncertainty that impacts business activities.

Fourth, previous research has measured political instability in aggregate through the political risk index or EPU index, without describing the difference in impact of each type of political event. Fifth, studies on the relationship between political instability and corporate financial performance in Southeast Asia, especially the Philippines, are still relatively limited. This condition shows that there is a research gap in understanding the influence of political instability on the financial performance of property sector companies in the long term, especially in developing countries with high political dynamics.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Institutional Theory

Institutional Theory explains that organizational performance is not only determined by internal factors, such as resources, strategies, and managerial capabilities, but also by institutional conditions in the company's environment. North (1990) views institutions as *"rules of the game"* that regulate economic, political, and social interactions and provide certainty in organizational activities. Stable institutions help companies plan more definitively, while disruptions such as political instability can increase uncertainty and affect company decisions and performance.

Mayntz (1996) developed this view through three institutional pillars, namely regulative, normative, and cultural-cognitive. The regulatory pillar includes laws, government regulations, and public policies that have a strong relationship with property sector companies because their business activities are influenced by licensing, spatial planning, taxation, and investment policies. Political changes that cause regulatory uncertainty can hamper a company's operational activities and investment decisions.

Political instability is a form of institutional disruption that can create *institutional uncertainty*, so that companies have difficulty in estimating policy direction and business conditions (Pástor & Veronesi, 2013). Meyer and Rowan (1977) explain organizations need adapt institutional pressures to maintain their sustainability. In the context of property companies in the Philippines, political dynamics can influence development policies and business regulations. Therefore, Institutional Theory used explain relationship between political instability, institutional uncertainty, as well company's ability manage assets generate profitability which reflected through Return on Assets (ROA).

2.2 Financial Performance

Financial performance describes a company's ability to utilize its resources to generate profits and create economic value for shareholders. Brigham and Houston (2019) explain that financial performance is the result of managerial decisions related to investment, funding, and dividend policies that together affect the value of the company. Financial performance assessment is important to determine the company's ability to maintain business sustainability, develop business, and face competition. Harahap (2018) stated that financial performance analysis can help identify the company's internal conditions, including its strengths and weaknesses, so that it can be the basis for management decision-making.

2.3 General Elections

General elections are a democratic means to determine leaders legitimately while providing space for the public to channel their political choices. The implementation of peaceful, fair, and integrity elections can strengthen government legitimacy, accountability, and public trust in the government (Huntington, 1991). On the other hand, fraud, social polarization, political disputes, and low trust in organizing institutions can increase tensions and disrupt political stability (Baderung et al., 2025). Norris et al. (2014) emphasized that election integrity is an important element in maintaining political stability. In transitional democracies, high political competition also has the potential to cause conflict and instability after elections (Höglund, 2009).

2.4 political cudette

A political coup is an act of forcible seizure of power by a certain group, especially the military, outside of the applicable constitutional mechanism (Lehoucq, 2021). This condition is an extreme form of political instability because it can directly interfere with the legitimacy of the government (Powell & Thyne, 2011). Coups are generally related to weak political institutions, conflicts among elites, as well as imbalances in relations between the military and civilian authorities (Belkin & Schofer, 2003). When the government loses the ability to control the military and the constitutional mechanism is unable to resolve the conflict, the chances of a coup are greater (Feaver, 1999). In addition to shaking the government, a coup can also give rise to new conflicts and exacerbate political instability, as well as showing a weakening of confidence in the ability of the political system to resolve disputes peacefully (Belkin & Schofer, 2003).

2.5 Political Reform

Political reform is a change in the system and structure of government that is directed to improve democracy, transparency, and public accountability (Khemani, 2020). This process usually arises in response to the issue of political legitimacy and public demands for more open governance (Huntington et al., 1991). Reform can create competition between groups that support change and those that seek to maintain previous conditions, thus giving rise to political uncertainty in the short term (Diamond, 1999). The form of reform can be in the form of constitutional amendments, decentralization of power, or the establishment of new political institutions (Rodden, 2004). These changes have the potential to create pressure and conflicts of interest as political actors seek to maintain or regain power and legitimacy (Geddes et al., 2014). Thus, although reforms have the goal of strengthening the political system, the transition process can create uncertainty and temporary political competition (Ansell & Samuels, 2014).

2.6 Martial Law

Martial law is a condition when civilian authority is limited or partially transferred to the military with the aim of dealing with serious threats to state security (Teo, 2022). These policies include extraordinary measures that can be applied in situations of rebellion or social conflict and can include martial law, restrictions on civil rights, as well as stricter supervision of public institutions (Finer, 1976). The imposition of martial law also affects civil-military relations because prolonged military involvement in government can blur the boundaries of civilian and military authority and weaken law enforcement (Croissant et al., 2010). If it lasts too long, it has the potential to lower public trust and strengthen the military's dominance in politics (Bjørnskov & Voigt, 2022). Therefore, the repeated use of martial law can increase the risk of restrictions on freedoms and make democratic systems more closed and difficult to return to a fully civilian government (Mietzner, 2023).

2.7 Protes Politics

Political protests are a form of public participation to express dissatisfaction with government policies and actions (Borbáth, 2023). According to Tilly & Tarrow (2015), protest is an important means in democracy to channel public aspirations. However, if they take place on a large scale and uncontrollably, protests can increase political instability and have the potential to reduce the legitimacy of the government and trigger social conflicts (Davenport, 2007). Large-scale protests can also reflect a crisis of political representation, which is a condition when people feel that their aspirations are not channeled through formal mechanisms such as parliament (Norris, 2011). Gonzalez-Rossetti (2025) explains that political protests do not always arise spontaneously, but can be formed through joint mobilization supported by social conditions and community networks. The movement can even extend to different regions or times so that it develops into a larger movement (Beissinger, 2022). Thus, political protests can be an indicator of political instability because they show the tension between people's demands and the government's response. These conditions can encourage political change, but also have the potential to worsen the situation if not handled appropriately (Beissinger, 2022).

2.8 Firm Size

Firm size indicates the size or size of a company which is generally seen based on the total assets owned (Tri et al., 2020). Company size is related to financial performance because large-scale companies generally have wider resources and influence so that they have the potential to obtain higher profits (Natsir & Yusbardini, 2020). Doğan (2013) explained that the larger the total assets, the greater the company's capacity to utilize resources to generate profits. Companies with large assets also tend to have more stable conditions and better ability to generate profits (Kusnanto & Qalbia, 2024). In addition, the availability of assets can make it easier for companies to obtain funding and develop business activities more optimally, so as to support company performance (Renfiana & Ardana, 2021). Therefore, firm size can measured using total assets reflect company's overall resources, both current assets and fixed assets (Widyawati & Iswara, 2022).

3. RESEARCH METHODOLOGY

This research uses a quantitative approach, which is an approach that processes data in the form of numbers and analyzes it using statistical methods. This approach was chosen because the research aims to test the influence between variables objectively and measurably. Creswell (2014) explained that quantitative research is used to test theories through the measurement of relationships between variables expressed in the form of numbers.

The data used is quantitative data in the form of secondary data. According to Sugiyono (2013), secondary data is data that has been available and published so that it can be used for research purposes. Financial data of property & real estate sector companies listed on the PSEi Composite for 2001–2024 is obtained from the annual report through the Osiris database. Meanwhile, information on elections, political coups, political reforms, martial law, and political protests was gathered from online articles, news, reports, and official Philippine media.

The research was conducted on property & real estate sector companies listed in the Philippine Stock Exchange Index (PSEi) Composite. The research period covers 2001–2024 because in this range a number of important political events occurred, such as People Power II in 2001, Oakwood Mutiny in 2003, Maguindanao Massacre in 2009, the Marawi conflict and the implementation of martial law in Mindanao in 2017–2022, the passage of the Anti-terrorism Act in 2020, and various political protests in 2022–2024.

Population is a whole object or subject that has certain characteristics and is relevant to research (Sugiyono, 2013). The population of this study consists of 58 property & real estate sector companies listed on the PSEi Composite and have financial statements in the Osiris database for 2001–2024. The period is used to see changes in the company's financial performance during various political instability events.

Data collection in this study was carried out through documentation and literature studies. Sugiyono (2013) explained that documentation is used to obtain information from various written sources, such as records, archives, reports, and books that are relevant to the object of research.

This study applies panel data regression analysis that combines cross-sectional data and time-series data so that it is able to provide a more comprehensive picture of the relationship between variables. Data processing was carried out using STATA 17 to test the influence of elections, political coups, political reforms, martial law, and political protests on financial performance. Before hypothesis testing, the selection of a panel regression model was carried out through three approaches, namely the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The selection of the model was carried out by considering the results of tests such as the Hausman test, the Breusch test, and the Breusch-Pagan test (Gujarati & Porter, 2009).

4. RESULTS AND DISCUSSION

4.1 Research Results

Table 4.1 Chow Test Table

F (36,864)	4.80
Prob>F	0.0000

Source: Processing of STATA 17 data by researchers

Table 4.2 Hausman Test

Chi_Square	**0.00**
Prob>Chi2	**1.000**

Source: Staat17 data processing by Researcher

Table 4.3 LM Test

Chi-bar2	**182.16**
Prob> Chi-bar2	**0.000**

Source: Staat17 data processing by Researcher

The regression data panel has three alternative models, namely the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). Based on the Chow test, a Prob>F value of 0.0000 < 0.05 was obtained. These results show that H0 is rejected and H1 is accepted, so FEM is more appropriate than CEM. Furthermore, the Hausman test yielded a Prob>Chi2 value of 1,000 > 0.05. Thus, H0 is accepted so that REM is judged more accurately than FEM. The test was then followed by a Lagrange Multiplier (LM) test to compare CEM and REM. The results of the LM test showed a Prob>Chi-bar2 of 0.0000 < 0.05, so H0 was rejected and H1 was accepted. Therefore, the Random Effect Model (REM) is designated as the best model. The next analysis was carried out using the Generalized Least Squares (GLS) method.

Table 4.4 Normality Test Results

obs	W	Z	Prob > Z
888	0.73663	12.333	0.0000

Source: Staat17 data processing by Researcher

Classical assumption tests are performed to ensure that the regression model meets the BLUE (Best Linear Unbiased

Estimator) criteria. In the normality test using Shapiro-Wilk, a probability value of 0.0000 < 0.05 was obtained so that the residual was declared not to be normally distributed. However, these conditions do not directly cause the model to be unfeasible, especially since the study used a relatively large number of observations. Gujarati & Porter (2009) explained through the Central Limit Theorem (CLT) that the distribution of sampling estimators tends to be close to normal as the sample size gets larger. With 888 observations, the estimated results can still be used for analysis.

Table 4.5 Multicollinearity Test results

Variabel	LIVE	1/LIVE
General Elections	1.25	0.798055
political cudette	1.43	0.699560
Political Reform	1.16	0.860015
Martial Law	1.26	0.792604
Protes Politics	1.61	0.619681
Mean VIF		1.34

Source: Processing of STATA 17 data by the author (2026)

Table 4.6 Heterokedasticity Test Results

Test Statistics	Value
Chi2(1)	64.74
Prob>Chi2	0.0000

Source: Processing of STATA 17 data by the author (2026)

Table 4.7 Autocorrelation Test Results

Test Statistics	Prob > F
F(1,36)=2.2029	0.1630

Source: Processing of STATA 17 data by the author (2026)

The multicollinearity test showed a Mean VIF value of 1.34, which is well below the general limit of 10. Thus, the independent variables in the model do not show multicollinearity problems and there are no too high relationships between variables that can interfere with regression estimation. Furthermore, the heteroscedasticity test with Breusch-Pagan/Cook-Weisberg yielded a Prob>Chi2 of 0.0000 < 0.05. These results show that there is heteroscedasticity in the model, so that regression estimation uses Robust Standard Error so that the parameter test results are more reliable. Meanwhile, the autocorrelation test yielded a Prob>F of 0.1630 > 0.05. This means that no autocorrelation problems were found so that the residual in a period is not significantly related to the residual of the previous period.

Table 4.8 Panel Data Regression Results

Variabel	Coeficin	z	P>lzl	Remarks
General elections	0.7707055	11.13	0.260	Insignificant
political cudette	-3.338194**	-2.81	0.005	Signifikan
Political Reform	0.7713057	1.13	0.260	Insignificant
Martial Law	0.4650088	0.58	0.562	Insignificant
Protes Politics	0.0220909	0.39	0.700	Insignificant
Konstanta	2.681214	2.29	0.022	
Remarks			Value	
Number of Observations			888	
Number of Companies			37	
R2 Within			0.0000	
R2 Between			0.0000	
R2 Overall			0.0202	
Wald Chi2/F			11.89	
Prob>Chi2 / Prob>F			0.0363	

Keterangan: * p<0.05, ** p<0.01, ***P<0.001

Source: Data processed by Stata 17 by researchers (2026)

Panel data regression was used to test the influence of General Elections, Political Coups, Political Reforms, Martial Emergencies, and Political Protests on the financial performance of companies proxied through Return on Assets (ROA). Based on the REM model with Robust Standard Error, the study used 888 observations from 37 companies. The test results showed that the General Election had a coefficient of 0.7707055 with a p value of 0.260 so that it did not have a significant effect on ROA. Political Coup has a coefficient of -3.338194 with a p of 0.005, so it has a negative and significant effect on ROA. Meanwhile, Political Reform obtained a coefficient of 0.7713057 with a p of 0.260, Martial Emergency of 0.4650088 with a p of 0.562, and Political Protest of 0.0220909 with a p of 0.700. These three variables did not show a significant effect on ROA.

Simultaneously, the Wald Chi2 value of 11.89 with Prob>Chi2 of 0.0363 < 0.05 shows that the variables of General Elections, Political Coups, Political Reforms, Military Emergency, and Political Protests together have a significant effect on the company's financial performance. Based on the results of these estimates, the regression equations obtained are:

ROAit = 2.681214 + 0.7707055 PUit - 3.338194 KPit + 0.7713057 RPit + 0.4650088 DMit + 0.0220909 PPit + εit.

Based on the results of the estimated regression coefficient in all companies, a constant of 2.681214 was obtained. This value shows that when elections, political coups, political reforms, martial law, and political protests are considered unchanged, the ROA is estimated at 2.681214. The general election variable has a coefficient of 0.7707055 which indicates a positive direction towards ROA. This means that the increase in the general election by one unit is estimated to increase the ROA by 0.7707055 assuming other variables remain the same. In contrast, a political coup has a coefficient of −3.338194 so that a one-unit increase in the variable is estimated to reduce the ROA by 3.338194. Political reform showed a positive coefficient of 0.7713057, while martial law and political protests had a positive coefficient of 0.4650088 and 0.0220909, respectively. Thus, the three variables have a tendency to positively relate to ROA when the other independent variables are considered constant.

Table 4.9 Panel Data Regression Results by Company Size

Variabel	Large Companies			Small Companies		
	Coeficin	t	P>ltl	Coeficin	T	P>ltl
General Elections	-0.0972098	-0.18	0.858	1.452679	1.26	0.219
political cudette	-2.288717	-1.63	0.118	-2.627931	-1.62	0.116
Political Reform	-0.6474476	-1.05	0.304	1.122469	1.26	0.218
Martial Law	0.9789829	1.31	0.203	0.5539446	0.41	0.687
Protes Politics	0.0268046	0.37	0.715	0.0063658	0.07	0.947
Konstanta	5.117195***	4.07	0.001	1.235906	0.70	0.489
Observations	380			508		
R2 Within	0.0191			0.0190		
R2 Between	0.1224			0.1134		
R2 Overall	0.0184			0.0211		
Wald Chi2 / F	0.86			2.44		
Prob > Chi2/ Prob > F	0.5217			0.0613		

Source: Data processed by Stata 17 by researchers (2026)

Furthermore, the analysis is carried out based on firm size which is measured using total assets to see if the relationship between political variables and financial performance differs according to the scale of the company. The results of the grouping resulted in 23 companies in the large company category with 380 observations and 27 companies in the small company category with 508 observations. The difference in the number of observations is caused by changes in the company's total assets in each period so that a company can change categories. These changes can occur due to expansion, investment, asset divestiture, or changes in business activities. Century Properties Group Inc., for example, moved from a large enterprise in 2001–2002 to a small company in 2003–2009 and again to a large corporation in 2010. A similar condition was also seen in Vistamalls Inc., so firm size can be seen as a dynamic characteristic during the research period. The results of this test were processed using Stata 17 by the researcher (2026).

In the large company group, the regression equation is ROABesarit = 5.117195 − 0.0972098PUit − 2.288717KPit − 0.6474476RPit + 0.9789829DMit + 0.0268046PPit + εit. The constant of 5.117195 with a probability of 0.001 indicates that when all independent variables are zero, the ROA of a large company is estimated to be 5.117195 and is statistically significant. General elections have a coefficient of −0.0972098, so the direction is negative for ROA, while political coups also show a negative relationship with a coefficient of −2.288717. Political reform has a coefficient of −0.6474476 which also indicates a negative direction. Meanwhile, martial law and political protests had a positive relationship with ROA, at 0.9789829 and 0.0268046, respectively.

In the small company group, the regression equation is ROAKecilit = 1.235906 + 1.452679PUit − 2.627931KPit +

1.122469RPit + 0.5539446DMit + 0.0063658PPit + εit. A constant of 1.235906 with a probability of 0.489 indicates that the value is not statistically significant. In contrast to large companies, the general election for small companies has a positive coefficient of 1.452679. The political coup still shows a negative direction with a coefficient of −2.627931. Political reform was in a positive direction with a coefficient of 1.122469, while martial law and political protests also showed a positive relationship with ROA, at 0.5539446 and 0.0063658, respectively.

Overall, the regression results based on firm size show that there is a difference in the direction of the relationship between several political variables and ROA. General elections and political reforms show a negative direction for large companies, but positive for small companies. Political coups have consistently had a negative relationship with both groups of companies, while martial law and political protests both showed a positive relationship. These differences suggest that the characteristics of company size may relate to how the company responds to political conditions and changes in relation to the financial performance proxied through ROA.

A partial test was used to see the influence of each independent variable, namely general elections, political coups, political reforms, martial law, and political protests on the financial performance of property and real estate sector companies listed on the PSEi Composite during the period 2001–2024.

Based on the results of the t-test, the general election variable in the entire sample had a regression coefficient of 0.7707055 with a probability value of 0.260. Because these values are greater than the significance levels of 5% or 10%, H0 is accepted and H1 is rejected. Thus, the general election has not been proven to have a significant influence on the financial performance of companies in the property and real estate sectors. Despite the positive coefficient direction, the results do not show any statistical evidence that the general election is able to increase the company's ROA.

In large companies, elections produce a regression coefficient of −0.0972098 with a probability of 0.858. Probability values that exceed the significance level cause H0 to be accepted and H1 to be rejected. The negative coefficient indicates a tendency for large companies' ROA to decline when there is a general election, but the tendency is not statistically significant. Meanwhile, small companies have a regression coefficient of 1.452679 with a probability of 0.219. These results also show that the general election had no significant effect on ROA, so H0 was accepted and H1 was rejected. Although the coefficient is positive, there is not yet sufficient statistical evidence that elections increase the ROA of small companies.

In the overall sample, the political coup had a regression coefficient of −3.338194 and a probability of 0.005. The probability value is less than the significance level of 1% so H0 is rejected and H2 is accepted. This means that a political coup has a negative and significant effect on the financial performance of companies in the property and real estate sectors. The negative coefficient shows that the occurrence of a political coup tends to lower the ROA by 3.338194 assuming other independent variables remain constant.

For large companies, the regression coefficient of political coup is −2.288717 with a probability of 0.118. Since the probability value is greater than 5% or 10%, H0 is accepted. Thus, political coups have not been proven to have a significant effect on the ROA of large companies. The negative direction indicates a downward trend in ROA, but it is not statistically strong enough. In small companies, a coefficient of −2.627931 with a probability of 0.116 is obtained. The results also showed no significant influence, so H0 was accepted and H2 was rejected. In other words, although political coups have a tendency to lower the ROAs of small companies, this influence has not been statistically proven.

The political reform variable in the entire sample had a regression coefficient of 0.7713057 with a probability of 0.260. Since the probability is greater than the significance levels of 5% and 10%, H0 is accepted and H3 is rejected. Thus, political reform does not have a significant effect on the financial performance of companies in the property and real estate sectors. Positive coefficients only indicate the direction of the relationship, not a statistically proven influence.

In large corporations, political reform has a regression coefficient of −0.6474476 with a probability of 0.304. The result causes H0 to be accepted and H3 to be rejected because the probability is above the significance level. Although the negative coefficient indicates a downward trend in ROA, the relationship is not significant. The small company has a regression coefficient of 1.122469 with a probability of 0.218. The score also shows that political reform has no significant effect on the ROA of small companies, so H0 is accepted and H3 is rejected. The positive direction cannot be interpreted as an increase in ROA caused by political reforms.

The results of the t-test showed that martial law in the entire sample had a regression coefficient of 0.4650088 with a probability of 0.562. Since the probability is greater than the significance level of 5% or 10%, H0 is accepted and H4 is rejected. This means that martial law does not have a significant influence on the financial performance of companies in the property and real estate sectors. Although the coefficient is positive, there is no statistical evidence that it increases ROA.

In large companies, the military emergency regression coefficient is 0.9789829 with a probability of 0.203. These results showed no significant influence so H0 was accepted and H4 was rejected. The positive coefficient shows a tendency to increase ROA, but the increase cannot be statistically attributed to the military emergency. In small companies, the regression coefficient is 0.5539446 with a probability of 0.687. These results again show that martial law has no significant effect on ROA, so H0 is accepted and H4 is rejected.

The political protest variable in the entire sample produced a regression coefficient of 0.0220909 with a probability of 0.700. The value is higher than the significance level of 5% or 10%, so H0 is accepted and H5 is rejected. Thus, political protests have not been proven to have a significant influence on the financial performance of companies in the property and real estate sectors. Positive coefficients only indicate the tendencies of the relationship, not a significant influence.

In large companies, political protests have a regression coefficient of 0.0268046 with a probability of 0.715. The results showed that political protests had no significant effect on ROA, so H0 was accepted and H5 was rejected. Meanwhile, in small companies, a coefficient of 0.0063658 was obtained with a probability of 0.947. Very high probability values further demonstrate the absence of statistical evidence that political protests affect the ROAs of small companies. Thus, H0 is accepted and H5 is rejected.

Simultaneous tests were used to determine the influence of general elections, political coups, political reforms, martial law,

and political protests together on the financial performance of those proxied using ROA. In the overall sample of property & real estate sector companies listed in the PSEi Composite, a Wald chi-square value of 11.89 was obtained with a Prob > chi-square/F of 0.0363. Since the value is less than 0.05, H0 is rejected and the simultaneous hypothesis is accepted. These results show that all political variables together have a significant effect on ROA. Thus, although most variables do not show an individual influence, the combination of variables in the model is still able to exert an influence on changes in financial performance.

In large companies, the F-statistic is 0.86 and the Prob > F is 0.5217. The probability value is higher than the significance level of 5% or 10%, so H0 is accepted. This means that elections, political coups, political reforms, martial law, and political protests together do not have a significant impact on the financial performance of large companies in the property and real estate sectors.

Meanwhile, small companies produced an F-statistic of 2.44 with a Prob > F of 0.0613. At a significance level of 5%, H0 is accepted as 0.0613 > 0.05, so the simultaneous influence is declared insignificant. However, at a significance level of 10%, the value is less than 0.10 so H0 is rejected. Thus, the five political variables together have a significant effect on the financial performance of small companies at a significance level of 10%.

The determination coefficient test is used to measure the ability of independent variables to explain variations in the financial performance of companies proxied by ROA. In the overall sample of companies in the property & real estate sector, the R^2 value of Overall is 0.0202. This means that elections, political coups, political reforms, martial law, and political protests together were only able to explain 2.02% of the variation in ROA, while the other 97.98% were influenced by factors outside the research model.

In the large group of firms, an R^2 value of 0.0184 indicates that the five independent variables are able to explain 1.84% of the change in ROA. Thus, 98.16% of large enterprise ROA variations are explained by other factors not included in the model. Furthermore, in small companies, an R-square value of 0.0211 was obtained. This means that the research model was able to explain 2.11% of the ROA variation, while the remaining 97.89% was explained by other variables outside the research model.

4.2 Discussion

1. The Influence of General Elections on Financial Performance

The results of the study showed that the general election did not have a significant effect on the financial performance of companies as measured using Return on Assets (ROA), both in the overall sample and in groups of large and small companies. These findings indicate that the election period has not been able to explain the change in the company's ability to generate profits through its assets. Theoretically, elections can create uncertainty due to possible changes in leadership and government policies. However, the impact on the company is not always direct because it depends on expectations of business conditions and the company's ability to anticipate political risks.

In the property sector, political uncertainty has the potential to affect investment, project expansion, financing, and cash flow management because the company's activities are related to licensing, spatial planning, taxation, and infrastructure development. Nonetheless, elections are scheduled events so companies have the opportunity to mitigate them, such as maintaining liquidity, controlling costs, delaying risky investments, and adjusting project strategies. This condition can reduce political pressure on operational activities so that the impact on ROA is not large enough to reach a level of significance.

This finding can be explained through *Institutional Theory*, which views that companies operate in an environment influenced by formal rules, regulations, norms, and governance structures. As long as the election process remains constitutional, government institutions are running, business contracts are protected, and there are no drastic changes in regulations, company activities can still take place relatively normally. In addition, the characteristics of the property sector that have long-term investments make the company's decisions depend not only on short-term political conditions, but also consider the economic outlook, market demand, and long-term strategy.

The results of this study are different from Trakarnsirinont et al. (2023) who found that elections can improve company performance through optimism about new economic governance and policies. This finding is also different from Zhang et al. (2025) who show the negative impact of the general election on company performance. Differences in outcomes can be influenced by the characteristics of the country, the business sector, the strength of the institution, and the level of political tension. On the contrary, the results of this study are in line with Jadah et al. (2024) who show that political instability does not always have a significant impact on financial performance because companies are able to adjust operational strategies, control costs, and manage assets. Thus, elections have not yet become the main factor that determines the change in the ROA of property companies.

3. The Influence of Political Reform on Financial Performance

The results showed that political reform did not have a significant influence on the financial performance of companies, both in the sample as a whole and in groups of large and small companies. This means that political changes during the study period have not been able to explain changes in ROA. On a macro level, political reform has the potential to increase transparency, accountability, legal certainty, and government effectiveness. However, these benefits are not always directly reflected in the company's performance because it takes time to adjust strategies, procedures, licensing, investments, and internal governance to institutional changes. In the property sector, the adaptation process can also be related to changes in development rules and the company's relationship with the government so that the impact on profits and asset utilization does not necessarily appear in the same period.

From the perspective of Institutional Theory, political reform can produce benefits as well as adjustment costs for companies. Institutional improvements can create a more conducive business environment, but regulatory and bureaucratic changes can also create uncertainty and encourage companies to make adjustments to business procedures, contracts, and strategies. The two conditions can compensate for each other so that changes in ROA are not noticeable significantly. In addition, the low frequency of reforms and differences in the intensity of change between periods led to relatively limited data variation. Large companies may face more complex adjustments, while smaller companies have higher flexibility, but the differences have not been strong enough to generate significant influence. These results are in contrast to Trakarnsirinont et al. (2023) and Shakri et al. (2024) who found that constitutional reform can reduce ROA due to

bureaucratic changes, regulatory adjustments, and uncertainty during the transition period. These differences show that the impact of reforms depends on the direction of change, the quality of implementation, policy stability, and the company's ability to adapt.

4. The Influence of Martial Law on the Company's Financial Performance

Research shows that martial law does not have a significant effect on the financial performance of companies, both as a whole and in large and small companies. This condition shows that the imposition of martial law has not been able to explain the changes in ROA during the study period. One of the reasons is the low frequency of events so that the variation in data between normal and emergency conditions is limited. In addition, the scope of the region and the duration of martial law may differ in each event. If the policy is only implemented in certain regions and lasts for a limited time, companies in other regions can still carry out activities normally so that the impact on financial performance is relatively small.

According to Institutional Theory, martial law can affect the regulatory pillars through increased government regulation and supervision. These conditions can have a negative impact in the form of mobility restrictions, operational disruptions, project delays, and increased compliance costs. However, increased security and order can also help companies maintain business activities. Thus, negative and positive impacts can be balanced so that changes in ROA do not become significant. These findings are in line with Trakarnsirinont et al. (2023) who stated that martial law does not have a significant effect on ROA. In contrast, the results of the study differ from Zelenska et al. (2025) who found that martial law lowers company revenue, liquidity, productivity, and profitability. These differences can be influenced by the characteristics of the business sector. Property companies generally have assets and projects with a long period of time so that disruptions in a limited period of time do not necessarily have a direct impact on profitability. Therefore, the low frequency of incidents, policy coverage, duration of disturbances, and the existence of positive and negative effects are reasons that can explain the insignificance of the influence of martial law on ROA.

5. The Effect of Political Protests on Corporate Financial Performance

The results of the study showed that political protests did not have a significant effect on the financial performance of the company in the overall sample as well as large and small companies. Thus, political protests have not been able to explain the changes in the ROA during the observation period. Conceptually, political protests can increase business uncertainty through disruptions to projects, labor mobility, consumer behavior, security, and operational activities. However, these influences generally do not occur directly because they depend on the intensity, duration, location, and ability of protests to influence policies and institutional conditions. Protests that last a short time and only occur in certain areas tend to have a limited impact on the company's overall activities.

Based on Institutional Theory, political protests can be a pressure on the legitimacy of government institutions and policies. The impact on the company will be greater if the protests cause regulatory changes, legal uncertainty, weakened enforcement, or disruption of government functions. On the other hand, if the government is still able to maintain security, maintain regulations, and ensure the sustainability of economic activities, companies still have room to adapt. Companies can adjust project schedules, rearrange resources, implement operational alternatives, shift distribution, or postpone investments until conditions stabilize. This ability makes short-term disruptions not always lead to a decrease in profitability. These findings are in line with Trakarnsirinont et al. (2023) who found that political protests have no significant effect on ROA. Therefore, the insignificance of the influence of political protests can be attributed to the limited intensity and duration, the coverage of the area that is not always wide, and the ability of companies to anticipate and adapt business activities to socio-political disturbances.

Conclusion

The general election has not been shown to have a significant effect on the company's financial performance, both in the overall sample and in groups of large and small companies. This condition shows that elections as a scheduled political event that take place through a constitutional mechanism can be anticipated by the company. The company also has time to adjust to possible changes in policies and market conditions, so the impact on the company's ability to generate profits through assets is not large enough.

Political coups have a negative and significant influence on financial performance in the overall sample. Uncertainty due to a coup on government legitimacy, policy sustainability, regulatory stability, and contract and ownership protection may prompt companies to postpone investments, project development, and financing decisions. As a result, asset utilization becomes less effective. However, the influence was not significant on groups of large or small companies, which is suspected to be related to the limited number and variety of coup events in each group.

Political reforms did not show a significant influence on the financial performance of the company in the overall sample as well as large and small companies. Reforms generally take place in stages so that companies have the opportunity to adjust their operations, compliance systems, and business strategies. In addition, the low frequency and difference in the intensity of reforms make the impact inconsistent. The improvement in institutional quality resulting from the reforms can also be offset by the cost of company adjustments during the transition period.

Martial law did not have a significant effect on the company's financial performance in all sample groups. This can be attributed to the relatively low frequency of events, the policy coverage that is not always national, and the limited duration of implementation. On the other hand, martial law can limit economic activity while improving security and order. The two impacts are allegedly counterbalanced so that they do not result in consistent changes in financial performance.

Political protests also did not show a significant effect on financial performance, either in the overall sample, large companies, or small companies. The difference in intensity, duration, and scope of protests means that the impact on corporate activities is not always large. Some of the protests were peaceful, short-lived, and only occurred in certain areas. The company's ability to adjust operational activities to short-term disruptions has also caused political protests that have not been proven to affect the company's ability to generate profits through its assets.

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