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Research Article

Implications Of Political Uncertainty Periods on Stock Returns in the Property and Real Estate Sector

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Abstract, This study aims to assess how financial performance influences stock returns amid political uncertainty, specifically during the 2024 general election in Indonesia. The focus is on understanding the impact of various financial performance indicators on the stock returns of property and real estate firms listed on the Indonesia Stock Exchange. A sample of 64 companies was observed during two critical periods: the pre-election period in the fourth quarter of 2023 and the post-election period in the second quarter of 2024. To analyze the data, the study employed an event study approach, utilizing multiple regression analysis to identify the relationship between financial performance and stock returns, and paired sample t-tests to compare pre- and post-election performance. The findings revealed that prior to the election, the variables Return on Assets (ROA), Debt to Equity Ratio (DER), and Revenue Growth did not significantly affect the stock returns of property and real estate companies. However, after the election, only ROA was found to have a significant impact on stock returns, while DER and Revenue Growth continued to show no effect. A comparative analysis of the two periods indicated no significant differences in the financial performance variables (ROA, DER, and Revenue Growth) between the pre- and post-election periods, yet a clear shift in stock returns was observed. This study contributes to the literature by offering a fresh perspective on how political uncertainty affects stock returns, using the framework of signaling theory, trade-off theory, and market efficiency theory to interpret the results.

Keywords: 2024 General Election,Financial Performance,Political Uncertainty,Stock Returns,

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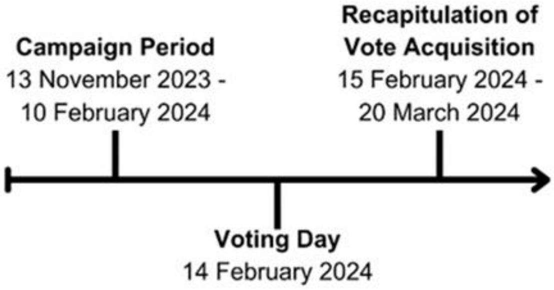
1. INTRODUCTION

Indonesia is the world's fourth-largest democracy, boasting a substantial workforce and abundant natural resources. These factors attract the attention of both foreign and domestic investors to invest in the country (Kesumah et al., 2022). With its large population, any political dynamics in Indonesia, including significant events like general elections, greatly impact the nation's political and economic stability. Political stability is a key factor in supporting economic growth, as a safe and stable political environment fosters trust and confidence among investors (Wahyuni, 2019). Additionally, consistent and measured policies from the ruling government play a vital role in creating a conducive investment climate, thereby contributing to national economic development, job creation, and the enhancement of public welfare.

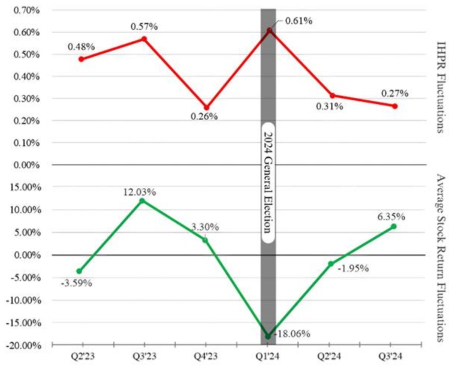
A country's political conditions, particularly during times of uncertainty such as the lead-up to general elections, have a direct impact on economic stability. Political uncertainty can create tensions in financial markets and affect the performance of business entities, especially those sensitive to changes in economic policies (Ghani & Ghani, 2024). In the context of Indonesia, political uncertainty ahead of the 2024 election may trigger economic turbulence, reflected in a fluctuating rupiah exchange rate, a declining composite stock price index (IHSG), and weakened investor sentiment. In such situations, company financial performance and stock prices can be adversely affected.



Picture 1 Stages of the 2024 general election
Source: General Election Commission (KPU)

In February 2024, Indonesia successfully held simultaneous general elections, including presidential, vice-presidential, and legislative elections. The general election (Pemilu) is a critical moment in Indonesia's democratic system, conducted every five years. The election process has a broad impact and determines the country's political and economic policies for the next five years. Consequently, elections are particular interest to investors and shareholders in the capital market (Pajrianti et al., 2024). This was the second time Indonesia held simultaneous elections, the first being in 2019. The market's reaction to such events is often reflected in stock price fluctuations, as political uncertainty triggers national economic instability (Khanifah et al., 2021). Thus, elections are not only a political event but also have significant implications for the national economy.

Companies face significant challenges during periods of political uncertainty, particularly in the lead-up to simultaneous elections. In such conditions, investors tend to exercise greater caution when investing in companies due to uncertainties regarding policies that the new government might adopt. Political instability not only deters market participants from investing but also tends to negatively impact the economic system in both the short and long term (Trakarnsirinont et al., 2023). This situation ultimately results in decreased investment volume, export-import values, and stock market indices.



Picture 2 Fluctuations in IHPR and the average stock return of companies in the property and real estate sector before and after the 2024 General Election.
Source: CEIC Data & Indonesia Stock Exchange (IDX)

This chart depicts the fluctuation patterns of the Residential Property Price Index (IHPR) alongside the average stock return in the property and real estate sector. The data reveals a consistent quarterly increase in IHPR, peaking at 0.61% growth during the election period. In contrast, stock returns followed a different trajectory, experiencing a sharp decline of -18.06% in the same quarter, highlighting the impact of political uncertainty on investor sentiment. Despite IHPR's upward trend, stock return volatility remained significant, suggesting that investors prioritized political risks over property price movements. This phenomenon further supports research on how political uncertainty, such as elections, influences stock returns in the property and real estate sector.

Based on the average stock price data per sector, it is evident that some of the sectors experienced a downward trend following the 2024 General Election. The technology sector decline and the property and real estate sector recorded the steepest declines. The technology sector fell by 23%, while the property and real estate sector declined by 22%. This downturn is likely attributed to the heightened political uncertainty during the period, which impacted the country's economic stability, including a drop in the Jakarta Composite Index (IHSG) and a weakening of the rupiah. This situation led investors to adopt a wait-and-see approach regarding future political clarity.

2. LITERATURE REVIEW

Signaling Theory

Signaling Theory describes the steps implemented by a company's management to convey their expectations and forecast on the company's future performance and direction to investors in a transparent manner (Widyatami & Sari, 2023). This theory highlights the importance of management's efforts to disclose comprehensive and detailed information about the company's financial situation shown in financial statements. The main reason behind management's decision to share financial data with outsiders is to mitigate from the information imbalance between internal and external stakeholders (Bergh et al., 2014). To address this disparity, management must ensure that accurate and relevant financial performance details are communicated effectively to external audiences (Mustikasari & Mukhlasin, 2021).

During periods of political uncertainty, when investors tend more cautious in causing investment decisions, financial statements published on the official IDX website offer a glimpse into the company's internal conditions. This information can serve as a signal to investors, indicating that good financial reports can guide them to maintain or increase their investments, fostering confidence in the company.

Trade-Off Theory

In 1963, Modigliani and Miller developed the Trade-off theory of capital structure states that companies aim to balance the benefits of debt financing with the potential costs associated with high leverage (Ai et al., 2020). On one hand, using debt provides significant tax advantages because the tax burden can be reduced due to interest rate, effectively lowering the company's tax burden. In times of political uncertainty, companies tend to be more cautious with their financing decisions. Increased political risk can worsen the potential costs of financial distress, leading companies to reduce their leverage as measured by the Debt-to-Equity Ratio to protect themselves from adverse economic shocks.

Integrating the trade-off theory into the research helps explain the behavior of the Debt-to-Equity Ratio (DER) during periods of political uncertainty. Comparing changes in DER before and after the election provides insight into how companies in the property and real estate sector adjust their financial leverage amid elevated risk.

Event Study

Event study is a technique utilized to examine how particular events affect a company's stock prices. It operates on the premise that these events introduce new information capable of impacting the stock's value (Hidayat, 2019). In the context of political uncertainty, event studies help identify whether unstable political situations cause abnormal fluctuations in stock returns, revealing how the market responds to risks stemming from such uncertainties. This study employs event study methodology to analyze economic conditions before and after the political event of the general election.

Efficient Market Hypothesis

In 1965, Eugene Fama developed the Efficient Market Hypothesis (EMH), which explains how information influences stock price movements. In a weak-form market, stock prices reflect only historical information, such as past trading volumes. A semi-strong-form market reflects all publicly available information, such as financial statements or economic news. Meanwhile, a strong-form market includes all information, including private insights such as insider information. Stock prices move randomly as new information emerges without any discernible pattern, suggesting that investors should focus on long-term strategies, such as diversification, rather than attempting to gain quick profits, which are often ineffective (Kiky, 2018). This research applies the efficient market theory to evaluate how Indonesia's semi-strong market reflects information about political uncertainty in the stock prices of company in the property and real estate sector, both before and after the election (Gusti et al., 2017).

Financial Performance

Financial performance serves as a crucial measure financial health of a company, enabling investors to assess how significantly the company utilizes its assets, manages debt, and drives revenue growth, which in turn enhances stock returns. Good financial performance is evident in how a company presents its financial statements. Through financial ratio analysis, investors can assess a company's financial performance (Bunga & Tunti, 2020). This research examines financial performance through several ratios, such as Return on Assets (ROA), Debt to Equity Ratio (DER), and Revenue Growth. These indicators are expected to provide a comprehensive insight into the company's profitability, financial leverage, and overall growth trajectory. During periods of political uncertainty, financial performance becomes even more critical as investors tend to use these indicators to assess how resilient or capable a company is in unstable conditions (Nurdin, 2018).

Return on Assets (ROA) serves as key metric which assesses a company's financial performance by quantifying its ability to produce income from its available assets. The degree to which a company utilizes its assets effectively is directly reflected in its ROA (A. Astuti & Lestari, 2024). ROA found by dividing the company net income by the total value of its assets during a specific timeframe. This metric allows for comparing financial performance among companies within the same industry. Investors frequently rely on the ROA ratio to evaluate a company's capacity to maintain profitability during periods of political uncertainty. A higher ROA tends to boost investor confidence and helps reduce the negative impact of political instability.

$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

The Debt-to-Equity Ratio (DER) serves as financial measure which assesses the extent to which a company depends on borrowed funds for its financing. A higher DER signifies a stronger reliance on debt relative to equity (Fitria & Pertiwi, 2023). Investors tend to avoid companies with high DER levels, especially during periods of political uncertainty, as economic policy changes can affect interest rates, thereby increasing corporate borrowing costs (Nurdin, 2018).ROA = Net Income / Total Asset

$$DER = \frac{(Short\ term\ Debt + Long\ term\ Debt)}{Total\ Equity} \times 100\%$$

Revenue Growth serves as an indicator for assessing a company's performance by measuring increases or decreases in revenue over time. This metric is calculated by determining the difference between the current period's revenue and company revenue from preceding period. This difference is then divided by the revenue generated in the previous period. Positive revenue growth during times of political uncertainty demonstrates a company's ability to sustain efficient operations. Additionally, it offers a glimpse into the company's potential for future expansion after the election, enhancing its appeal to investors (Nurmasari, 2018).

$$Revenue\ Growth = \frac{(Revenue\ in\ Current\ Quarter - Revenue\ in\ Previous\ Quarter)}{Revenue\ in\ Previous\ Quarter} \times 100\%$$

Stock Return

Stock return reflects the gain or loss investors experience from holding a company's shares (Faishal & Muzakki, 2023). A positive stock return, known as a capital gain, signifies that investors make a profit, whereas a negative stock return, referred to as a capital loss, indicates a loss (Pramitha & Yuniningsih, 2022). Stock returns are influenced by internal company factors as well as external conditions, including political uncertainty during election periods. In this study, stock return is measured by decrease the previous stock price from the current stock price and dividing the difference by the previous stock price (Nurmasari, 2018).

$$Stock\ Return = \frac{(P_t - P_{t-1})}{P_{t-1}}$$

Hypothesis

A greater ROA signifies stronger financial performance, which can boost investor confidence and possess a favorable effect on stock returns. Research conducted by (Afni et al., 2023; Ananta & Mawardi, 2020) indicates that ROA influences stock returns. According to signaling theory, a company's ROA before an election serves as a signal of its performance to investors. Thus, it can be assumed that in a semi-strong market form, information on return on assets before the 2024 election affects the company's stock returns.

H1A: Return on Assets before the 2024 election influences stock returns.

A high ROA value indicates better financial performance, which can increase investor confidence and have positive effect to stock returns. Based on research by (Delpania et al., 2023; Hisar et al., 2021) there is an indication of a relationship between ROA and stock returns. According to signaling theory, a company's ROA before an election serves as a signal of its performance to investors. Therefore, it can be assumed that in a semi-strong market form, information on ROA after the 2024 election also affects the company's stock returns.

H1B: Return on Assets after the 2024 election influences stock returns.

ROA serves as a measure of how capably management utilizes the company's assets to generate profits. This effectiveness is shaped by both internal factors and external influences, including political uncertainty. Based on research conducted by (Hilaliyah et al., 2022; Melinda & Nurasik, 2021), it was found that there are differences in ROA performance before and after the period of uncertainty marked by the 2024 simultaneous elections.

H1C: There are differences in Return on Assets before and after the 2024 election.

Debt to Equity Ratio (DER) represents relationship among a company total debt and total equity. A higher DER suggests greater reliance on debt for financing, which can affect financial risk and investor confidence. Research by (Afni et al., 2023; Delpania et al., 2023) shows that DER affects stock returns. Therefore, according to the trade-off theory, the DER value before the 2024 election significantly affects a company's stock returns, as the balance between bankruptcy risk and the tax benefits of debt influences investor confidence.

H2A: Debt to Equity Ratio before the 2024 election influences stock returns.

A high DER ratio signifies that a company uses more debt as a source of financing, potentially affecting investor perceptions of the company's stability and impacting stock returns. Previous research by (M. Astuti & Simon, 2023; Hilaliyah et al., 2022) found a relationship among DER and stock returns. Therefore, according to the trade-off theory, the DER value after the 2024 election significantly affects a company's stock returns, as the balance between bankruptcy risk and the tax benefits of debt influences investor confidence.

H2B: Debt to Equity Ratio after the 2024 election influences stock returns.

The Debt to Equity Ratio (DER) is a ratio that evaluates the proportion of debt utilized on a company's capital structure relative to its equity. Besides being influenced by internal factors, external factors such as political uncertainty can also affect DER levels. Research by (Fatimah et al., 2021; Rahmawati & Kholilah, 2023) revealed differences in DER before and after the period of uncertainty marked by the 2024 simultaneous elections.

H2C: There are differences in the Debt to Equity Ratio before and after the 2024 election.

Revenue growth reflects the extent to which a company revenue increases over a particular period. This growth indicates good performance and can enhance the company's attractiveness to investors. Research by (Loeis et al., 2024; Nurfithriyani & Pohan, 2024) shows that revenue growth significantly impact stock return. In line with signaling theory, a company's revenue growth before an election serves as a signal of its performance to investors. Moreover, in a semi-strong market form, revenue growth information before the 2024 election affects the company's stock returns.

H3A: Revenue Growth before the 2024 election influences stock returns.

Significant increases in revenue growth are often associated with better company performance, which enhances investor interest and positively impacts stock returns. Based on previous studies by (Sahputri et al., 2023; Susanto Salim, 2020) revenue growth has been shown to influences stock returns. In line with signaling theory, a company's revenue growth before an election serves as a signal of its performance to investors. Therefore, it can be assumed that in a semi-strong market form, revenue growth information after the 2024 election also affects the company's stock returns.

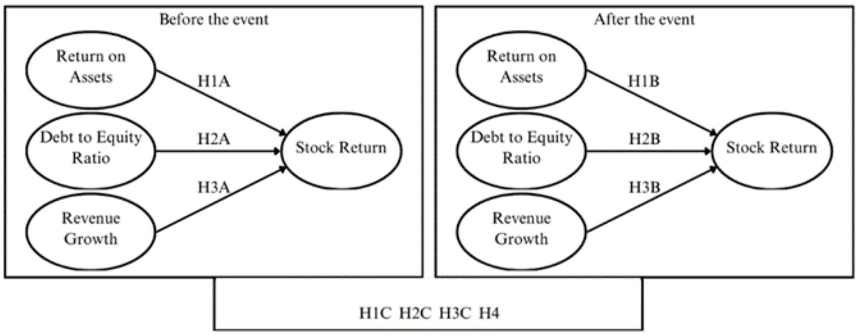
H3B: Revenue Growth after the 2024 election influences stock returns.

Revenue growth is an indicator measuring a company's revenue growth over time, reflecting its ability to increase earnings. Revenue growth is significantly affected by external factors, including political uncertainty, which can influence consumer purchasing power and market stability. Research by (M. Astuti & Simon, 2023; Hilman & Laturette, 2021) indicates that there are differences in revenue growth before and after the period of uncertainty marked by the 2024 simultaneous elections.

H3C: There are differences in the Revenue Growth before and after the 2024 election.

Stock return serves as a metric used to evaluate the profit or loss investors gain from holding a company's shares. This return can be impacted by external influences, such as times of political instability, which have the potential to cause a drop in the company's stock prices. Studies conducted by (Fitria & Hidayati, 2024; Romadhina & Dewi, 2021) reveal variations in stock returns when comparing the periods before and after the 2024 simultaneous elections, which are associated with political uncertainty.

H4: There is a difference in Stock Returns before and after the 2024 election.



Picture 3 Structural Model
Source: Primary Data

3. METHODS

This research falls under the category of quantitative studies, utilizing empirical data to analyze a population or sample through statistical methods, with the goal of testing the proposed hypothesis (Sugiyono, 2018). The secondary data, consisting of corporate financial reports, was sourced from the IDX website (www.idx.co.id) and Stockbit (www.stockbit.com).

Multiple regression analysis and paired t-test were employed in this study, using IBM SPSS Statistics 25 as the analytical tool to show the relationships and alterations in the effects of financial performance ratios (ROA, DER, Sales Growth) on stock returns before and after the period of political uncertainty resulting from the 2024 simultaneous elections.

Population and Sample

The population for this research based on all businesses in the property and real estate sector that are listed on the Indonesia Stock Exchange (IDX). As of October 2024, this sector comprised 92 publicly traded companies on the IDX.

The purposive sampling method is utilized in this study to choose a sample from the population on specific criteria. The sample comprises property and real estate sector companies that conducted their initial public offering (IPO) since July 2023 and regularly publish financial reports, as data from the third quarter of 2023 is required for calculating the variables. Data screening was conducted to ensure normality using the z-score test. According to (Ghozali, 2018) data is considered an outlier if the z-score is below -3.00 or more than 3.00. The following are the sample criteria established for this study.

Table 1 Sample Categories

No	Category	Total
1	Listed companies in the property and real estate sector on IDX	92
2	Have not conducted an IPO in July 2023	(4)
3	Didn't complete publication of financial report data	(10)
4	Does not meet the requirements for data outlier testing using z-score	(14)
	Total of sample companies	64
	Observation period (Quarter)	2
	Total of sampel data	128

Based on these criteria, 64 companies met the sample requirements for this study from a total population of 92 property and real estate sector corporations registered on the

Indonesia Stock Exchange (IDX). In total, 128 data points were obtained from two quarters within the study period, covering the quarter before the election (Q4 2023) and the quarter after the election (Q2 2024).

Analysis Techniques

Multiple Linear Regression Analysis

This study utilizes multiple regression analysis to observe the effect of independent variables on the dependent variable, both individually and collectively. As explained by Imam Ghozali (2018), multiple linear regression is a statistical model that incorporates multiple independent variables to analyze their influence on a dependent variable (Ghozali, 2018).

The multiple regression analysis technique is applied to examine whether return on assets (ROA), debt-to-equity ratio (DER), and revenue growth impact stock returns during the period of political uncertainty before and after the 2024 general election. This approach enables a simultaneous analysis of the three independent variables, providing more comprehensive and relevant results aligned with the research objectives.

Here is a multiple linear regression equation to calculate the influence before and after periods of political uncertainty

$$Y_{Before} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

$$Y_{After} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y = Dependent variable
X = Independent variable
ε = Residual error
α = Intercept
β = Coefficient of Regression

Paired T-Test

In this study, the Paired Sample T-Test analysis technique is employed to appeal the means of two related samples, specifically before and after a certain event (Ghozali, 2018). The purpose of this analysis is to evaluate whether there is a significant difference between two conditions measured on the same subjects. Thus, the Paired Sample T-Test allows for determining the comparative effects of results before and after the period of political uncertainty surrounding the 2024 general election.

4. RESULTS

The results of the normality test revealed a significance value of 0.070 before the 2024 general election, which exceeds the threshold of 0.05, and a significance value of 0.200 after the 2024 general election, also above 0.05. These findings suggest that the data from both periods are normally distributed, enabling the use of statistical testing.

The autocorrelation test results reveal that the Durbin-Watson value was 2.250 before the 2024 general election and 2.161 afterward. These findings suggest an absence of autocorrelation in the data during both periods, as the values in each case exceed the DU value of 1.6946 and fall below 4 minus the DU value, which is 2.3054.

The results of the heteroscedasticity test using white test, reveal that the regression model, both before and after the 2024 election, does not exhibit signs of heteroscedasticity. The computed n × R-Square values prior to the election (3.84) and following the election (8.384) are lower than the chi-square critical value (14.067). This indicates that the model satisfies the assumption of homoscedasticity and is appropriate for further analysis.

According to the results of the multicollinearity test, the tolerance values for the ROA, DER, and RG variables before the 2024 general election are 0.920, 0.984, and 0.928, respectively, all of which exceed 0.1. Similarly, the tolerance values for ROA, DER, and

RG after the 2024 general election are 1.087, 1.017, and 1.077, also above 0.1. Hence, the data from both periods show no signs of multicollinearity issues among the independent variables.

Table 2 Descriptive Statistics Before 2024 Election

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	64	-0.1247	0.1723	0.0088	0.0396
DER		0.0035	2.6335	0.5982	0.5538
Revenue Growth		-0.7603	61.7146	1.5947	8.0038
Stock Return		-0.5271	0.4390	-0.0519	0.1626

Source: Primary data

An overview of the minimum, maximum, average, standard deviation value, also R-square values for each variable (ROA, DER, Revenue Growth, and Stock Return) before the period of political uncertainty marked by the 2024 simultaneous elections is given by the descriptive statistics for the sample population of 64 property and real estate corporations in Indonesia, as presented in Table 2.

For the Return on Assets (ROA) ratio, the mean was 0.0088, with a range spanning from -0.1247 to 0.1723. This indicates that while some companies effectively managed their assets to generate profits, others experienced operational losses, even before entering the period of political uncertainty. The variation in ROA was relatively small, with a standard deviation of 0.0396. The Debt-to-Equity Ratio (DER) noted a mean of 0.5982, with a least value of 0.0035 and a highest value of 2.6335. This suggests that most companies were not heavily reliant on debt financing, although there were significant differences between companies, as reflected in the standard deviation of 0.5538.

For Revenue Growth, the average growth rate was 1.5947, but there was considerable variation, ranging from -0.7603 to 61.7146. This highlights a stark contrast in performance among companies. Some experienced significant revenue declines even before the period of political uncertainty, while others achieved remarkable growth. Lastly, the Stock Return variable had a negative average of -0.0519, with a lowest value of -9.5271 and a largest of 0.4390, accompanied by a standard deviation of 0.1626. The predominantly negative stock returns suggest that market conditions prior to the political uncertainty period were unfavorable for many companies.

Table 3 Descriptive Statistics After 2024 Election

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	64	-0.0250	0.0571	0.0069	0.0144
DER		0.0039	2.9482	0.6155	0.6254
Revenue Growth		-0.8891	1.5368	0.1845	0.5052
Stock Return		-0.7939	0.1887	-0.1566	0.2201

Source: Primary Data

An overview of the minimum, maximum, average, standard deviation value, also R-square values for each variable (ROA, DER, Revenue Growth, and Stock Return) after the period of political uncertainty marked by the 2024 simultaneous elections is given by the descriptive statistics for the sample population of 64 property and real estate corporations in Indonesia, as presented in Table 3.

For the Return on Assets (ROA) variable, the average decreased to 0.0069, with a narrower range from -0.0250 to 0.0571. This indicates that overall company profitability slightly weakened after the 2024 general election. The variation in ROA values also decreased, as reflected by a standard deviation of 0.01436. The Debt to Equity Ratio (DER) variable showed an increase in the average to 0.6155, indicating a rise in the use of debt by some corporations. However, the higher standard deviation of 0.6254 suggests that differences among companies regarding debt usage became more pronounced.

For the Revenue Growth variable, the average revenue growth dropped significantly to 0.1845. Additionally, the range of growth values narrowed, with a narrower range from -0.8891 to 1.5368, and a standard deviation of 0.5052. This shows that after 2024 general election, corporate revenue performance became more controlled but tended to decline compared to the previous period. Lastly, the Stock Return variable showed an increasingly negative average of -0.1566. The recorded range, from -0.7939 to 0.1887, reflects increased unpredictability in the stock market following the period of political uncertainty. The standard deviation of 0.2200 also indicates an increase from the previous period.

Table 4 Multiple Linear Regression Coefficient

Variable	Before (Q4'23)		After (Q2'24)	
	Unstandard-ized B	Sig.	Unstandard-ized B	Sig.
(Constant)	-0.033	0.296	-0.237	0.000
ROA	0.219	0.691	6.260	0.003
DER	-0.031	0.417	0.056	0.222
Revenue Growth	-0.001	0.661	0.012	0.819

Source: Primary data

$$Y_{before} = -0.033 + 0.219X_1 - 0.031X_2 - 0.001X_3 + \varepsilon$$
$$Y_{after} = -0.237 + 6.260X_1 + 0.056X_2 + 0.012X_3 + \varepsilon$$

The multiple regression equation presented in Table 4 illustrates the impact of stock returns as the dependent variable, influenced by return on assets, debt-to-equity ratio, and revenue growth as the independent variables. This analysis is conducted before and after the 2024 general election, using a sample of 64 companies in the property and real estate sector.

The constant before the political uncertainty period is recorded at -0.033, whereas the constant after the 2024 election stands at 0.296. This indicates that, when all independent variables (ROA, DER, and RG) are equal to zero, the estimated stock return is -0.033 in the earlier period and 0.296 in the subsequent period.

The calculation results to before the election reveal a return on assets (ROA) coefficient value of 0.219 (positive) with a significance level of 0.691, which is greater than 0.05, signifying the relationship is not statistically significant. Conversely, the findings after the election show a positive ROA coefficient of 6.260 with a significance value of 0.003, which is less than 0.05, demonstrating a statistically significant relationship with the stock return variable.

The calculation results to before the election indicate that the Debt to Equity Ratio (DER) had a coefficient value of -0.031 (negative) with a significance level of 0.417 (>0.05), suggesting that the relationship was not statistically significant. Similarly, after the election, the DER coefficient was 0.056 (positive) with a significance value of 0.222 (>0.05), which also indicates that its relationship with the stock return variable was not statistically significant.

The calculation results from the before the election reveal a revenue growth coefficient of -0.001 (negative) with a significance level of 0.661, which exceeds 0.05, indicating that the relationship is not statistically significant. Similarly, after the election, the revenue growth coefficient is 0.012 (positive) with a significance value of 0.819, also above 0.05, confirming that the connection with the stock return variable remains statistically insignificant.

Table 5 Paired Sample T-Test

	Variable	N	Paired Sample Correlation		Paired Sample Test		
			Correla-tion	Sig.	Mean	t	Sig. (2-tailed)
Pair 1	ROA(Q4) & ROA(Q2)	64	0.405	0.001	0.002	0.417	0.678
Pair 2	DER(Q4) & DER(Q2)		0.983	0.000	-0.017	-1.070	0.289
Pair 3	RG(Q4) & RG(Q2)		-0.005	0.968	1.410	1.406	0.165
Pair 4	SR(Q4) & SR(Q2)		0.178	0.160	0.105	3.360	0.001

Source: Primary data

The results of the correlation analysis reveal a positive association for ROA across the two periods, reflected in a correlation coefficient of 0.405 and a significance level (p-value) of 0.001. Nonetheless, the difference test yielded a significance value of 0.678, which exceeds the threshold of 0.05, signifying no substantial difference in ROA between the two periods. In contrast, the DER variable demonstrated a very strong relationship across the periods, with a correlation coefficient of 0.983 and a p-value of 0.000. Despite this, the difference test returned a significance value of 0.289, also greater than 0.05, indicating no notable difference in DER between the two periods.

Meanwhile, the analysis revealed a very weak correlation for Revenue Growth between the periods before and after the election, with a correlation coefficient of -0.005 and a p-value of 0.968. The results of the difference test for this variable showed a significance level of 0.165, which exceeds the threshold of 0.05, indicating no significant change in Revenue Growth between the two periods. In contrast, the Stock Return variable exhibited a weak correlation, with a coefficient of 0.178 and a p-value of 0.160. However, unlike the other variables, the difference test for Stock Return produced a significance value of 0.001, which is below 0.05, confirming a significant change in stock returns between the two periods.

Table 6 Mean Difference Before and After 2024 Election

Variable	N	Mean Before	Mean After	Difference
ROA	64	0.0088	0.0069	0.0019
DER		0.5982	0.6155	-0.0173
Revenue Growth		1.5947	0.1845	1.4102
Stock Return		-0.0519	-0.1566	0.1047

Source: Primary data

An overview of the comparison of the average of each variable (ROA, DER, Revenue Growth, and Stock Return) before the period of political uncertainty marked by the 2024 elections is given by the descriptive statistics for the sample population of 64 property and real estate corporations in Indonesia, as presented in Table 6.

The mean ROA value before to the election stood at 0.0088, but it dropped to 0.0069 in the subsequent period, reflecting a decline of 0.0019. Meanwhile, the average DER rose from 0.5982 before the election to 0.6155 afterward, indicating a change of -0.0173.

Before the election, the average revenue growth was 1.5947, but it fell significantly to 0.1845 afterward, showing a decline of 1.4102. Similarly, the average stock return shifted from -0.0519 prior to the election to -0.1566 afterward, reflecting a negative change of 0.1047.

DISCUSSION

Return on Assets (ROA)

In Q4 2023 (October–December), the study indicates that Return on Assets (ROA), reflecting a company's efficiency in generating profits from its assets, did not significantly affect stock returns. This finding contrasts with previous studies (Afni et al., 2023; Ananta & Mawardi, 2020). It suggests that corporate profitability, as measured by ROA, was not a primary consideration for investors in making investment or trading decisions. Although Indonesia's economy grew by 0.45% quarter-on-quarter in Q4 2023, according to the Central Statistics Agency (BPS), the Indonesia Stock Exchange Composite Index (IHSG) remained volatile. As a result, investors paid less attention to ROA's influence on firm value.

This result contradicts signaling theory because, as a strong ROA typically signals positive prospects for property and real estate firms, yet political uncertainty ahead of the 2024 elections weakened this effect. The result likely reflects Indonesia’s semi-strong market dynamics, where historical, economic, and political events such as the Constitutional Court’s revision of age requirements for presidential candidates influence stock movements. The consequence is that companies in the property and real estate industry with strong operational performance do not receive the proper recognition they deserve, which may, in turn, undermine their capacity to attract investments.

Otherwise, in Q2 2024 (April–June), ROA was found to have a significant impact on stock returns, aligning with previous studies (Delpania et al., 2023; Hisar et al., 2021). After passing the period of uncertainty, investors began to refocus on company fundamentals, particularly profitability measured by ROA, as a key factor in investment decisions. Post-2024 election political stability, following the announcement of Prabowo-Gibran's victory, coupled with 3.79% quarter-on-quarter economic growth, boosted investor optimism. This renewed market appreciation for ROA performance positively influenced stock return.

This finding aligns with signaling theory, as political uncertainty diminishes and the market gains clearer insight into the company’s profitability (ROA), the favorable signal from ROA is increasingly appreciated by investors, ultimately leading to a notable surge in stock returns. Companies demonstrating a strong ROA are rewarded through higher stock returns. This scenario bolsters investor confidence, enhances corporate valuations, and could pave the way for improved capital access in the future.

Meanwhile, the company's ability to maximize asset utilization for profit generation showed no significant differences between before and after the election. Studies by (Hilaliyah et al., 2022; Melinda & Nurasik, 2021) did not align with these findings. The insignificant decline in ROA between the two periods indicates that the impact of political uncertainty on corporate efficiency was relatively limited. These results support the semi-strong market efficiency theory, suggesting the market had anticipated changes. Additionally, the findings align with signaling theory, indicating that the 0.19% decline in ROA sent a minor signal but was not strong enough to create significant differences. Within the context of event study theory, the 2024 election's impact on corporate ROA during this period might not have been as substantial as initially expected.

Debt to Equity Ratio (DER)

In Q4 2023 (October–December) and Q2 2024 (April–June), the study indicates that the Debt to Equity Ratio (DER), which reflects a company's funding structure through debt relative to equity during these periods, does not significantly influence stock returns. This finding contrasts with previous studies (M. Astuti & Simon, 2023; Delpania et al., 2023). It suggests that corporate leverage during these periods, as measured by DER, was not a primary factor investor considered when assessing potential profits from stock price movements. The stable interest rate of 5.75% since early 2023 through Q3 2023 demonstrates sustained economic stability.

According to trade-off theory, the firm has structured its capital optimally in both periods, balancing the benefits of debt (tax shield) against its downsides (bankruptcy risk) so that neither substantially affects its investment choices or market valuation. Property and real estate firms have demonstrated effective financial risk management. As a result, investors are more inclined to evaluate companies based on their operational performance. This allows management to concentrate on enhancing corporate value through internal improvements rather than modifying the capital structure.

The company's ability to manage its funding structure through DER showed no significant differences between before and after the election. This result is inconsistent with previous studies (Fatimah et al., 2021; Rahmawati & Kholilah, 2023). However, it aligns with the semi-strong market efficiency theory, which posits that the market has anticipated these changes. A slight increase in DER by 1.73% reflects companies' efforts to maintain operations amid uncertainty. Nonetheless, the lack of significant differences indicates that changes in DER were not substantial enough to influence market perceptions or investor decisions.

Revenue Growth

In Q4 2023 (October–December) and Q2 2024 (April–June), the study reveals that revenue growth, which reflects a company's revenue increase over time during these two periods, does not have a significant effect on stock returns. This finding contrasts with previous studies (Loeis et al., 2024; Sahputri et al., 2023). Although companies successfully increased their revenue, this was not always followed by heightened investor confidence, as reflected in stock price movements. Market expectations typically already account for economic fluctuations, such as household consumption growth of 4.87% in Q4 2023 and 4.98% in Q2 2024.

According to Signaling Theory, even though revenue growth is a crucial performance indicator, its signal for property and real estate companies might not be potent enough to shift established market expectations across both periods. Additionally, factors such as the political climate in 2024 could redirect investor attention toward broader macro risks, leading to only minor impacts on stock returns. This helps explain the decline in stock returns despite the rise in IHPR. The company's revenue-boosting efforts have failed to attract investors, making it crucial to reassess key factors affecting stock prices to maintain investor interest and market value.

The ability of companies to manage revenue growth showed no significant difference between before and after the election. This finding is inconsistent with previous studies (M. Astuti & Simon, 2023; Hilman & Laturette, 2021). It suggests that political uncertainty, such as the 2024 election, may not be the sole factor affecting corporate revenue growth. Other factors, such as market conditions, corporate strategies, or internal efficiency, likely play significant roles. These results support the semi-strong market efficiency theory, indicating that markets have anticipated the impact of political uncertainty. Additionally, signaling theory suggests that the decline of 141.02% sends a negative signal to investors, although its statistical impact is not significant.

Stock Return

The results, in the form of profits or losses received by investors from stock ownership in a company through stock returns, show a significant difference between before and after the election. This study is consistent with previous research (Fitria & Hidayati, 2024; Romadhina & Dewi, 2021). The difference, indicated by a decrease of 10.47% in the average, reflects a decline in investor confidence or an increase in perceived risk toward the stock market after political uncertainty. This finding aligns with the semi-strong market efficiency theory, which explains how markets respond to information related to political uncertainty. Additionally, these results support the event study theory, which demonstrates that the 2024 general election had a tangible impact on stock market performance. Furthermore, signaling theory reinforces that significant changes in stock returns send important signals to investors about the increased risk or uncertainty in the market.

CONCLUSION

This research intentions to analyze the effect of company performance, measured using the Return on Assets (ROA) ratio, Debt to Equity Ratio (DER), and Revenue Growth, on the Indonesian stock market's response during a period of political uncertainty marked by the 2024 general election. Based on the study outcomes, it was found that, prior to the 2024 election, the variables ROA, DER, and Revenue Growth did not show a significant result on stock returns in the property and real estate sector. However, after the 2024 election, only ROA was proven to come up with significant outcome on stock returns, while DER and Revenue Growth remained insignificant.

Additionally, the difference test results between periods indicated no significant differences in financial performance (ROA, DER, Revenue Growth) before and after the period of political uncertainty. Conversely, a significant difference was observed in stock returns, where the average stock return declined post-political uncertainty. This decline reflects increased market volatility and risk, indicating that political events can influence investor perceptions and overall market dynamics. These findings highlight the importance of political stability in maintaining investor confidence and market stability.

LIMITATION

This study recognizes several limitations that should be addressed in future research.

1. Focuses exclusively on the property and real estate sector, which may restrict the applicability of the findings to other industries. Expanding the analysis to multiple sectors could offer a more comprehensive perspective on market dynamics during periods of political uncertainty.
2. Primarily relies on financial performance metrics. This study recommends adding variables that capture notable short-term changes, such as trading volume activity (Sandi Marsuni et al., 2023), abnormal return (Diniar & Kiryanto, 2016), stock prices (Kusnindar & Puspitasari, 2020), or current ratios (Afni et al., 2023), particularly when analyzing a relatively short timeframe.
3. This research examines a single political event within a specific country; therefore, cross-country comparisons or extended observation periods could provide deeper insights into the long-term impact of political uncertainty on financial markets.

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