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**COMPARATIVE EFFECTS OF FINANCIAL DISTRESS
AND GOVERNANCE ON INDONESIAN
PHARMACEUTICAL FIRMS: THE MODERATING
ROLE OF POLITICAL VISIBILITY**

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ABSTRACT

Methodology/approach: This study examines the effects of financial distress and good corporate governance (GCG) on financial performance, while testing the moderating role of political visibility across the pandemic (2020–2022) and post-pandemic (2023–2024) periods. Using a quantitative approach, secondary data from ten pharmaceutical firms listed on the Indonesia Stock Exchange were analyzed through multiple linear regression and Moderated Regression Analysis (MRA). Financial distress was measured using the Altman Z-Score, governance quality through board structure indicators, political visibility by firm size (natural logarithm of total assets), and financial performance by Tobin's Q.

Findings: The results indicate that financial distress and GCG do not significantly affect financial performance in either period. Political visibility neither exerts a direct effect nor significantly moderates the relationships between financial distress, governance quality, and firm value.

Practical implications: Practically, the findings imply that managers and investors should consider broader policy and regulatory environments when evaluating firm value during systemic crises and recovery phases.

Originality/value: This study develops an integrative political financial framework by simultaneously examining financial distress, governance quality, and political visibility across the COVID-19 crisis and post-crisis recovery periods. The findings demonstrate the contextual limitations of traditional firm-level determinants of market valuation in highly regulated emerging markets, highlighting the dominant role of macroeconomic and regulatory forces in shaping investor perceptions.

Keywords: Financial Distress, Good Corporate Governance, Pharmaceutical Companies, Political Visibility.

ABSTRAK

Metodologi: Penelitian ini menguji pengaruh financial distress dan good corporate governance (GCG) terhadap kinerja

keuangan, serta menguji peran moderasi political visibility pada periode pandemi (2020–2022) dan pascapandemi (2023–2024). Penelitian menggunakan pendekatan kuantitatif dengan data sekunder dari sepuluh perusahaan farmasi yang terdaftar di Bursa Efek Indonesia. Data dianalisis menggunakan regresi linier berganda dan Moderated Regression Analysis (MRA). Financial distress diukur menggunakan Altman Z-Score, kualitas tata kelola melalui indikator struktur dewan, political visibility diprosikan dengan ukuran perusahaan (logaritma natural total aset), dan kinerja keuangan diukur menggunakan Tobin's Q.

Hasil Penelitian: Hasil penelitian menunjukkan bahwa financial distress dan GCG tidak berpengaruh signifikan terhadap kinerja keuangan pada kedua periode pengamatan. Political visibility juga tidak memiliki pengaruh langsung maupun memoderasi secara signifikan hubungan antara financial distress, kualitas tata kelola, dan nilai perusahaan.

Implikasi Praktis: Secara praktis, temuan ini mengindikasikan bahwa manajer dan investor perlu mempertimbangkan lingkungan kebijakan dan regulasi yang lebih luas dalam mengevaluasi nilai perusahaan selama masa krisis sistemik maupun periode pemulihan.

Orisinilitas: Penelitian ini mengembangkan kerangka political financial yang integratif dengan menguji secara simultan financial distress, kualitas tata kelola, dan political visibility pada periode krisis COVID-19 dan pemulihan pascakrisis. Temuan penelitian menunjukkan keterbatasan kontekstual dari determinan tradisional nilai perusahaan di pasar berkembang yang memiliki regulasi ketat, serta menegaskan dominasi faktor makroekonomi dan regulasi dalam membentuk persepsi investor.

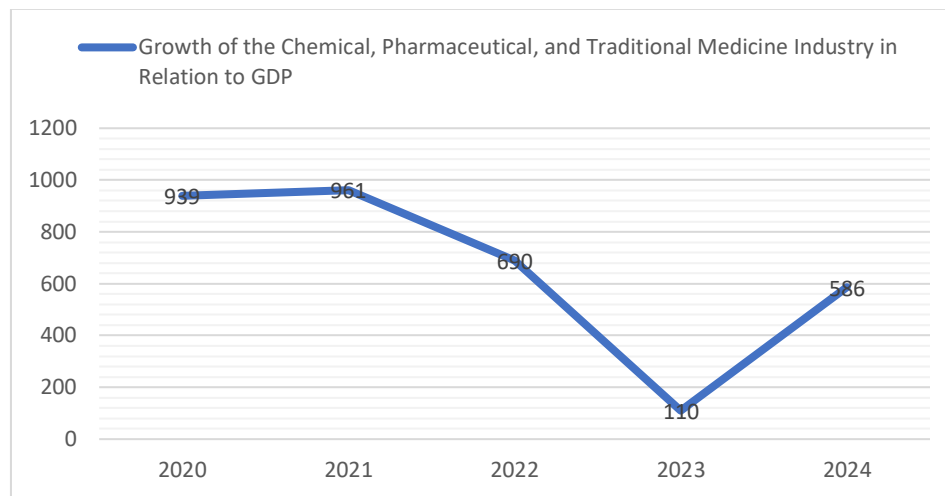
Kata Kunci: Financial Distress, Good Corporate Governance, Pharmaceutical Companies, Political Visibility.

INTRODUCTION

The pharmaceutical industry is one of the sectors that is highly sensitive to political policy dynamics (Astiwara, 2025). In emerging economies such as Indonesia, this sensitivity is amplified by heavy regulatory intervention, dependence on public procurement systems, and state involvement in healthcare financing. This sensitivity stems from the nature of pharmaceutical products as essential public goods and their placement under strict government oversight, encompassing marketing authorization, drug price regulation, and procurement mechanisms through national health programs. The selection of the pharmaceutical sector as the object of this study is based on its high level of political visibility and its close linkage to public interests (Henrique & Stacciarini, 2025). The pharmaceutical industry operates within a stringent regulatory environment and is highly responsive to changes in government policies, while simultaneously playing a strategic role in the provision of healthcare products as fundamental societal needs (Milcheva, 2022).

The financial performance of the pharmaceutical industry in Indonesia has exhibited considerable dynamics in recent years, particularly in the post COVID-19 pandemic period. Based on

data from Badan Pusat Statistik Indonesia (2025), annual production growth in micro- and small-scale industries within the Pharmaceutical, Chemical Medicinal Products, and Traditional Medicines category (KBLI 21) has experienced sharp fluctuations.



Source: (Badan Pusat Statistik Indonesia, 2025)

Figure 1. Growth of the Chemical, Pharmaceutical, and Traditional Medicine Industry in Relation to GDP

The performance of the pharmaceutical industry in Indonesia exhibited significant fluctuations during the 2020–2024 period. Based on data from Badan Pusat Statistik Indonesia (2025), annual production growth in micro- and small-scale industries within the Pharmaceutical, Chemical Medicinal Products, and Traditional Medicines category (KBLI 21) surged sharply in 2020 by 16.32%, in line with the increased demand for healthcare products during the COVID-19 pandemic. However, from 2021 to 2024, industry growth experienced consecutive contractions, reaching 16.48% in 2024. This downward trend indicates a weakening of the financial resilience of pharmaceutical firms in the post-pandemic period, potentially increasing the risk of financial distress. These conditions are closely linked to evolving government policies and a dynamic political environment, highlighting political visibility as a critical factor in maintaining financial performance stability.



Source: (Badan Pusat Statistik Indonesia, 2025)

Figure 2. GDP Value of Indonesia's Chemical, Pharmaceutical, and Traditional Medicine Industry

Furthermore, Figure 2 shows that the nominal GDP of the chemical, pharmaceutical, and traditional medicine industry continued to increase from 2020 to 2024. This rise in GDP values reflects the strategic role of the pharmaceutical sector in the national economy, growing from IDR 296.7 trillion in 2020 to IDR 395.1 trillion in 2024. However, the increase in GDP is not necessarily accompanied by improvements in the financial performance of all firms within the sector. This condition indicates disparities in firms' ability to manage financial pressures, particularly in the post-pandemic period, which may be influenced by corporate governance practices and linkages with political policies. The divergence between aggregate sectoral growth and firm level market valuation therefore presents a structural puzzle. While macroeconomic indicators signal recovery, investors may evaluate pharmaceutical firms differently depending on their financial resilience, governance quality, and political exposure. This inconsistency underscores the urgency to re-examine whether traditional determinants of financial performance remain effective in politically visible and highly regulated industries during both crisis and recovery periods.

Political stability is a crucial factor in supporting economic recovery, as it provides legal certainty and clear policy direction for investors. Conversely, post-pandemic political uncertainty may trigger volatility in financial markets and reduce investor confidence in publicly listed companies. Recent literature emphasizes that political linkages can function either as strategic resources or as risk amplifiers, depending on institutional context and crisis intensity (Liu & Zhao, 2023). The relationship between political dynamics, economic policies, and corporate financial performance has therefore become increasingly relevant to examine in the context of post pandemic economic recovery. Financial performance reflects a firm's success in managing its resources to achieve optimal profitability and market value. According to the Decree of the Minister of Finance of the Republic of Indonesia No. 740/KMK.00/1989, financial performance represents the extent to which a company achieves its financial objectives within a specific period (Wahyu Tri Susilowati, 2021). One commonly used indicator for assessing financial performance is firm value ratios, particularly Tobin's Q, which compares a company's market value with the replacement cost of its assets Munawir (2012) as cited in Dzahabiyya et al. (2020). A higher Tobin's Q value reflects positive investor perceptions regarding a firm's prospects and its efficiency in asset management.

The post pandemic political environment has created increasingly complex relationships between the business sector and government policies (Liu & Zhao, 2023). The linkage between firms and the political environment is commonly referred to as political visibility, which denotes the extent to which companies maintain proximity or engagement with government institutions, public officials, or prevailing political policies (Putra & Harymawan, 2021).

Financial distress refers to a condition in which a firm is unable to meet its short-term obligations or experiences a sustained decline in its ability to generate profits (Maulidia & Helmi, 2025). Financial distress may arise from internal factors, such as operational inefficiencies, or external factors, including regulatory changes and economic uncertainty (Jeryanto et al., 2025). In the pharmaceutical industry, this condition frequently emerges due to a high dependence on imported raw materials, exchange rate fluctuations, and government-controlled drug pricing regulations.

Research examining the effects of financial distress and good corporate governance on financial performance while incorporating political visibility as a moderating variable remains relatively limited, particularly within Indonesia's pharmaceutical industry. Most prior studies have

primarily focused on the direct effects of financial distress or good corporate governance on financial performance, without considering the role of political visibility as an external factor that may strengthen or weaken these relationships (Afrietal et al., 2025) (Sihono et al., 2023) (Wibowo et al., 2025). Moreover, existing studies rarely distinguish between systemic crisis periods and post-crisis recovery phases, especially within emerging markets and highly regulated industries (Ahmad Tarmizi & Brahmana, 2022) (Hoa et al., n.d.). In addition, prior research predominantly relies on accounting-based measures such as ROA and ROE, which reflect internal profitability but may not fully capture investor perception and market valuation (Supatmi, 2022) (Puspitasari et al., 2025).

This study addresses these gaps in three important ways. First, it introduces political visibility as a moderating variable that conditions the relationship between financial distress, governance quality, and market-based financial performance. Second, it provides a comparative analysis between the COVID-19 pandemic period and the post-pandemic recovery phase, thereby offering temporal insights into how crisis intensity alters market evaluation mechanisms. Third, by focusing on the pharmaceutical industry a sector characterized by high regulatory dependence and political exposure this study extends corporate governance and financial distress research into a politically sensitive industry setting within an emerging economy.

The novelty of this study lies in the development of an integrative political financial framework that simultaneously examines financial distress, governance quality, and political visibility within a highly regulated emerging market industry. Unlike prior studies that emphasize the direct performance implications of financial and governance mechanisms, this research demonstrates that their explanatory power may diminish under conditions of heightened institutional intervention and systemic disruption. By comparing the COVID-19 crisis period with the post-crisis recovery phase, the findings reveal that traditional firm-level determinants of market valuation become contextually constrained, highlighting the dominance of macroeconomic and regulatory forces in shaping investor perceptions.

Financial distress refers to a condition in which a company experiences financial difficulties characterized by its inability to meet financial obligations in a timely manner. This condition reflects weakened liquidity, an increased debt burden, and reduced operational flexibility. From a financial theory perspective, firms in financial distress tend to face resource constraints, leading management to prioritize survival-oriented strategies over long-term performance development. As a consequence, operational efficiency deteriorates and corporate profitability becomes suppressed, ultimately exerting a negative impact on financial performance.

Several empirical studies indicate that financial distress is negatively correlated with corporate financial performance. Jumliana (2024) as well as Candy & Sisca, (2023) find that higher levels of financial distress are associated with lower financial performance, as reflected in declining profits, asset values, and financial ratios. Although some studies report contrasting findings, such as Hasanah et al. (2023) and Susilowati (2021), financial distress is generally regarded as a negative signal indicating a deterioration in a firm's financial condition. Accordingly, this study formulates the hypothesis that financial distress has a negative effect on financial performance.

H1: Financial distress has a negative effect on financial performance.

Good Corporate Governance (GCG) refers to a set of mechanisms designed to direct and control companies to ensure transparent, accountable, and responsible management. Effective

implementation of GCG is believed to mitigate agency conflicts between management and shareholders, enhance the quality of decision-making, and strengthen oversight of managerial activities. Through effective governance structures, firms are able to manage resources more efficiently, thereby improving financial performance. Prior studies indicate that GCG has a positive effect on financial performance. Aji & Wulandari (2024) and Saputri & Avriyanti (2023), as well as Nugroho & Jayanti (2024) find that GCG mechanisms such as the board of directors, board of commissioners, independent commissioners, and audit committees significantly contribute to improvements in corporate financial performance. Although some studies report insignificant effects, Laksono & Kusumaningtias (2021) and Rista & Andayani (2025), GCG is theoretically regarded as a crucial factor in fostering sustainable financial performance. Therefore, the second hypothesis of this study posits that Good Corporate Governance has a positive effect on financial performance.

H2: Good Corporate Governance has a positive effect on financial performance.

Political visibility describes the degree to which a firm is connected to or visible within the political environment, whether through government ownership, relationships with public officials, or its status as a state-owned enterprise. Firms with high political visibility generally have greater access to government policies, strategic projects, and regulatory protection. In this context, political visibility may function as a factor that enhances the effectiveness of Good Corporate Governance (GCG) implementation.

When GCG is implemented in firms with high political visibility, sound governance practices tend to be more effective in improving financial performance, as they are supported by policy stability and political legitimacy. Panjaitan (2017) demonstrates that political visibility strengthens the relationship between GCG and financial performance, as reflected in improvements in ROA and other financial ratios. Although some studies report insignificant results, Pratiwi (2024), political visibility is still regarded as a contextual factor that may influence the effectiveness of GCG. Accordingly, this study formulates the hypothesis that political visibility strengthens the effect of Good Corporate Governance on financial performance.

H3: Political visibility strengthens the effect of Good Corporate Governance on financial performance.

Political visibility also plays a moderating role in the relationship between financial distress and financial performance. Firms with high political visibility tend to receive greater external support, such as easier access to financing, restructuring policies, or favorable regulatory interventions. Such support can alleviate the financial pressure faced by firms when they experience financial distress.

Under conditions of financial distress, firms with high political visibility are more likely to maintain operational stability compared to those without political connections. Savitri & Rochmatullah (2025) find that political visibility is able to weaken the negative impact of financial distress on corporate financial performance. In this regard, political visibility functions as a protective mechanism that mitigates the risk of performance deterioration arising from financial pressures. Accordingly, the fourth hypothesis posits that political visibility weakens the negative effect of financial distress on financial performance.

H4: Political visibility weakens the negative effect of financial distress on financial performance.

Political visibility reflects a firm's proximity to political power and government institutions, which may provide various strategic advantages. Firms with political connections are more likely to

obtain government contracts, subsidies, preferential tax treatment, and easier access to financing. These advantages can enhance corporate competitiveness and ultimately exert a positive impact on financial performance.

Studies by Utamaningsi (2020) as well as Wijaya & Mayangsari (2025) indicate that political visibility has a positive effect on corporate financial performance in Indonesia. However, several other studies report insignificant or even negative effects. Fitriana et al. (2022) and Ashyrov & Lukason (2022), suggesting that the impact of political visibility is highly context-dependent and influenced by corporate governance quality. Nevertheless, in the context of developing countries such as Indonesia, political visibility is generally regarded as a source of competitive advantage. Accordingly, this study formulates the hypothesis that political visibility has a positive effect on financial performance.

H5: Political visibility has a positive effect on financial performance.

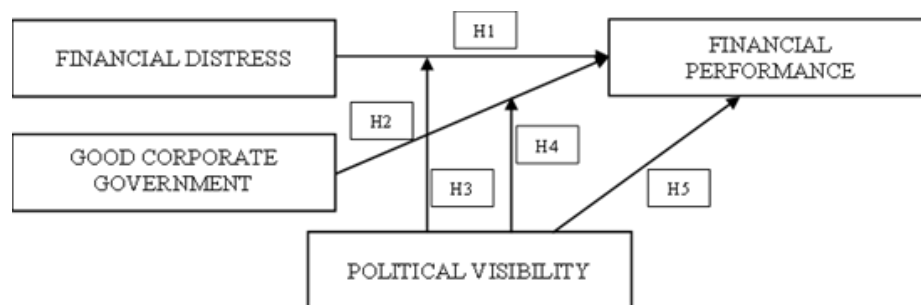


Figure 3. Conceptual Framework

Figure 3 Conceptual framework illustrating the hypothesized relationships between financial distress and good corporate governance on the financial performance of pharmaceutical companies in Indonesia, with political visibility as a moderating variable, as examined through comparative estimation approaches

METHOD

This study employs quantitative secondary data obtained from the financial statements and annual reports of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The research population comprises all pharmaceutical firms listed during this period, with samples selected using purposive sampling based on the following criteria: companies that were consistently listed, published complete annual financial reports, disclosed data related to good corporate governance, and were not delisted throughout the observation period. Data were collected using a documentation method by downloading reports from official sources, supported by a literature review of relevant studies, and subsequently processed using Microsoft Excel.

The dependent variable in this study is financial performance, proxied by Tobin's Q. The independent variables include financial distress, measured using the Altman Z-Score, and good corporate governance, proxied by the proportion of independent commissioners, audit committees, and managerial ownership. Political visibility serves as the moderating variable and is proxied by firm size, measured as the natural logarithm of total assets.

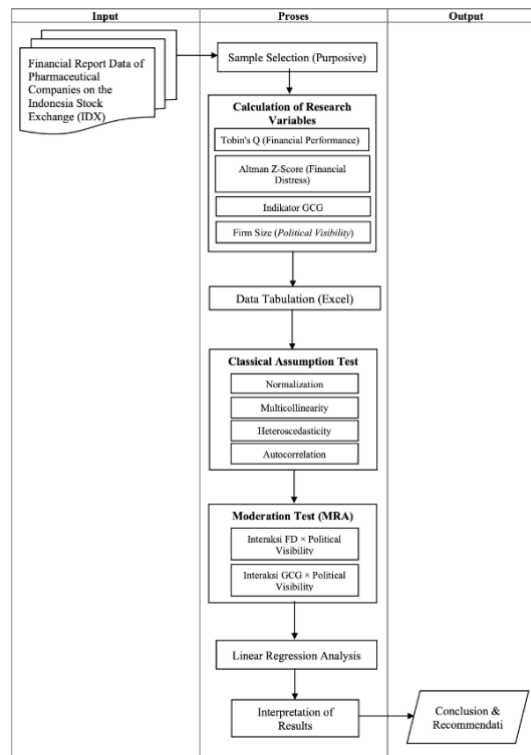


Figure 4. Research Analysis Framework

The data were analyzed using multiple linear regression with a Moderated Regression Analysis (MRA) approach to examine the effects of financial distress and good corporate governance on financial performance, as well as the moderating role of political visibility. Prior to regression estimation, classical assumption tests including normality, multicollinearity, heteroskedasticity, and autocorrelation were conducted to ensure model adequacy.

Financial performance was measured using Tobin's Q as a market-based indicator of firm value. Financial distress was assessed using the Altman Z-Score to evaluate bankruptcy risk. Good corporate governance was proxied by the proportion of independent commissioners to the total board of commissioners, while political visibility was measured by firm size, calculated as the natural logarithm of total assets.

Moderation effects were tested by incorporating interaction terms between financial distress and political visibility, as well as between good corporate governance and political visibility. All data were tabulated using Microsoft Excel and subsequently analyzed using SPSS. The results were interpreted based on regression coefficients and statistical significance levels and were compared with relevant theories and prior empirical findings to draw conclusions and formulate research implications.

RESULTS AND DISCUSSION

Data Collection

The study focuses on pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The pharmaceutical subsector was selected due to its strategic position within the healthcare system, strong dependence on government regulation, and relatively high political visibility.

The initial identification process resulted in 15 listed pharmaceutical firms forming the research population. The selection of this sector is particularly relevant in the context of the COVID-19 pandemic and post-pandemic recovery, where regulatory intervention, healthcare demand, and public policy played dominant roles in shaping corporate performance. This context provides a suitable empirical setting to examine whether firm-level financial and governance mechanisms meaningfully influence market valuation under conditions of elevated institutional involvement.

Sample Selection

After applying purposive sampling criteria, 10 firms met all requirements and were included in the final sample. The resulting panel dataset spans five years and captures both crisis (2020–2022) and recovery (2023–2024) phases.

The balanced panel structure strengthens the reliability of cross-period comparison, allowing the study to observe whether relationships between financial distress, governance quality, political visibility, and financial performance differ between systemic crisis conditions and normalization phases. This comparative dimension enhances the explanatory value of the findings.

Calculation of Financial Performance

Financial performance was measured using Tobin's Q as a market-based indicator of firm value. The results reveal substantial dispersion across firms and years. During the pandemic period, several firms recorded elevated Tobin's Q values, reflecting heightened investor optimism and increased demand for pharmaceutical products. However, the post-pandemic period shows declining market valuation for certain firms, suggesting market correction and normalization of extraordinary pandemic-driven expectations.

The observed heterogeneity indicates that market valuation was not uniformly sustained across the sector. While some firms were able to maintain strong investor confidence, others experienced valuation contraction. This pattern suggests that firm-specific fundamentals may interact with broader macroeconomic and policy conditions in shaping capital market responses.

Calculation of Financial Distress

The Altman Z-Score results demonstrate marked differences in financial stability across firms. Several companies consistently maintained high Z-Score values, indicating strong financial resilience. Conversely, some firms experienced significant deterioration in Z-Scores during the post-pandemic period, with certain observations reaching negative values.

This divergence suggests that the pandemic's economic impact was asymmetrical. Although the pharmaceutical sector benefited from increased healthcare demand, not all firms translated this demand into improved financial health. The transition to the recovery phase appears to have exposed underlying financial vulnerabilities in certain firms, reinforcing the importance of firm-level financial management beyond temporary demand shocks.

Calculation of Good Corporate Governance

The governance scores exhibit limited variability across firms and years. Most firms consistently report high governance indicators, suggesting compliance-driven governance structures aligned with regulatory requirements.

The relative homogeneity of governance practices implies that governance quality may not serve as a strong differentiating factor within this subsector. When governance implementation is standardized, its marginal contribution to explaining variation in market-based financial performance becomes limited. This finding challenges the assumption that governance mechanisms uniformly enhance firm value, particularly in regulated industries where compliance levels are structurally similar.

Calculation of Political Visibility

Political visibility, proxied by firm size, varies significantly across firms. Larger firms maintain greater asset bases and potentially stronger exposure to regulatory institutions and public scrutiny. However, variation in firm size alone does not automatically imply differential financial performance.

While structural differences in scale are evident, the empirical patterns suggest that firm size may reflect economic positioning rather than direct political advantage. This observation becomes particularly relevant when assessing its moderating role in subsequent regression analysis.

Data Tabulation

The structured panel dataset, separated into pandemic and post-pandemic periods, enables regression and moderation analysis to test the study's hypotheses.

Subsequent regression analysis indicates that financial distress and good corporate governance do not exert statistically significant effects on Tobin's Q during the pandemic period. Furthermore, political visibility does not significantly moderate these relationships. Similar patterns persist in the post-pandemic phase, suggesting that neither internal financial distress indicators nor governance mechanisms serve as dominant determinants of market valuation within the pharmaceutical subsector during the observation period.

These findings carry important theoretical implications. First, they suggest that during systemic crises, sector-wide conditions and policy interventions may overshadow firm-level financial signals, weakening the predictive power of distress indicators. Second, governance mechanisms—although theoretically expected to enhance firm value—may lose explanatory strength in industries characterized by standardized compliance structures. Third, political visibility, proxied by firm size, does not automatically translate into valuation advantages, indicating that institutional proximity alone is insufficient to shape investor perception.

Overall, the results highlight the contextual nature of financial performance determinants in politically sensitive and highly regulated industries. Market responses appear to be shaped not solely by internal corporate mechanisms, but also by broader macroeconomic and institutional dynamics.

Table 1. Summary of Classical Assumption Test Results and Regression Analysis During the COVID-19 Pandemic

No	Analysis Stage	Model / Relationship	Key Indicator	Value	Criteria	Conclusion
1	Normalitas	FD → KK	Monte Carlo Sig. (Residual)	0,300	> 0,05	Normal
2	Normalitas	GCG → KK	Monte Carlo Sig. (Residual)	0,133	> 0,05	Normal
3	Normalitas	FD×PV → KK	Monte Carlo Sig. (Residual)	0,100	> 0,05	Normal
4	Normalitas	GCG×PV → KK	Monte Carlo Sig. (Residual)	0,267	> 0,05	Normal

No	Analysis Stage	Model / Relationship	Key Indicator	Value	Criteria	Conclusion
5	Multikolinearitas	FD → KK	Tolerance / VIF	1,000 / 1,000	Tol >0,10; VIF <10	No multicollinearity was detected
6	Multikolinearitas	GCG → KK	Tolerance / VIF	1,000 / 1,000	Tol >0,10; VIF <10	No multicollinearity was detected
7	Multikolinearitas	FD×PV → KK	Tolerance / VIF	<1 / <10	VIF <10	No multicollinearity was found.
8	Multikolinearitas	GCG×PV → KK	Tolerance / VIF	<1 / <10	VIF <10	No multicollinearity was found.
9	Heteroskedastisitas	FD → KK	Sig. Glejser	0,533	> 0,05	No heteroskedasticity was detected
10	Heteroskedastisitas	GCG → KK	Sig. Glejser	0,181	> 0,05	No heteroskedasticity was detected
11	Heteroskedastisitas	FD×PV → KK	Sig. Glejser	0,868	> 0,05	No heteroskedasticity was detected
12	Heteroskedastisitas	GCG×PV → KK	Sig. Glejser	1,000	> 0,05	No heteroskedasticity was detected
13	Autokorelasi	FD → KK	Durbin–Watson	2,605	dU < DW < 4–dU	No autocorrelation was detected
14	Autokorelasi	GCG → KK	Durbin–Watson	2,623	dU < DW < 4–dU	No autocorrelation was detected
15	Autokorelasi	FD×PV → KK	Durbin–Watson	2,383	dU < DW < 4–dU	No autocorrelation was detected
16	Autokorelasi	GCG×PV → KK	Durbin–Watson	2,590	dU < DW < 4–dU	No autocorrelation was detected
17	Regresi Linear	FD → KK	Sig. F	0,344	> 0,05	Not significant
18	Regresi Linear	GCG → KK	Sig. F	0,566	> 0,05	Not significant
19	Regresi Moderasi	FD×PV → KK	Sig. F	0,535	> 0,05	Not significant
20	Regresi Moderasi	GCG×PV → KK	Sig. F	0,909	> 0,05	Not significant

Source: Data Processed (2026)

During the COVID-19 pandemic period, the normality test results indicate that all regression models have normally distributed residuals, as evidenced by the Monte Carlo Sig. (2-tailed) values of the residuals exceeding 0.05. The multicollinearity test shows that the regression model without interaction variables does not suffer from multicollinearity, whereas indications of multicollinearity are observed in the moderated regression models. This condition is commonly encountered due to the inclusion of interaction terms; therefore, the analysis remains focused on the significance of the interaction variables.

The heteroskedasticity test using the Glejser method indicates that all models exhibit significance values greater than 0.05, suggesting the absence of heteroskedasticity. In addition, the autocorrelation test based on the Durbin–Watson statistic shows that all DW values fall between the upper bound (dU) and 4 – dU, leading to the conclusion that the regression models are free from autocorrelation.

Based on the results of linear regression and moderated regression analyses, all models exhibit F-test significance values greater than 0.05. This indicates that financial distress and good corporate governance do not have a significant effect on financial performance, and political visibility does not function as a moderating variable in the post–COVID-19 pandemic period.

Table 2. Summary of Classical Assumption Test Results and Regression Analysis in the Post–COVID-19 Pandemic Period

No	Analysis Stage	Model / Relationship	Key Indicator	Value	Criteria	Conclusion
1	Normalitas	FD → KK	Monte Carlo Sig. (Residual)	0,200	> 0,05	Normal
2	Normalitas	GCG → KK	Monte Carlo Sig. (Residual)	0,600	> 0,05	Normal
3	Normalitas	FD×PV → KK	Monte Carlo Sig. (Residual)	0,800	> 0,05	Normal
4	Normalitas	GCG×PV → KK	Monte Carlo Sig. (Residual)	0,500	> 0,05	Normal
5	Multikolinearitas	FD → KK	Tolerance / VIF	1,000 / 1,000	Tol >0,10; VIF <10	No multicollinearity was found.
6	Multikolinearitas	GCG → KK	Tolerance / VIF	1,000 / 1,000	Tol >0,10; VIF <10	No multicollinearity was found.
7	Multikolinearitas	FD×PV → KK	Tolerance / VIF	0,006 / >10	VIF >10*	Multicollinearity (commonly observed in interaction models)
8	Multikolinearitas	GCG×PV → KK	Tolerance / VIF	<0,10 / >10	VIF >10*	Multicollinearity (commonly observed in interaction models)
9	Heteroskedastisitas	FD → KK	Sig. Glejser	0,995	> 0,05	No heteroskedasticity
10	Heteroskedastisitas	GCG → KK	Sig. Glejser	0,810	> 0,05	No heteroskedasticity
11	Heteroskedastisitas	FD×PV → KK	Sig. Glejser	0,666	> 0,05	No heteroskedasticity
12	Heteroskedastisitas	GCG×PV → KK	Sig. Glejser	1,000	> 0,05	No heteroskedasticity
13	Autokorelasi	FD → KK	Durbin–Watson	1,492	dU < DW < 4–dU	No autocorrelation
14	Autokorelasi	GCG → KK	Durbin–Watson	1,599	dU < DW < 4–dU	No autocorrelation
15	Autokorelasi	FD×PV → KK	Durbin–Watson	1,700	dU < DW < 4–dU	No autocorrelation
16	Autokorelasi	GCG×PV → KK	Durbin–Watson	1,760	dU < DW < 4–dU	No autocorrelation
17	Regresi Linear	FD → KK	Sig. F	0,304	> 0,05	Not significant
18	Regresi Linear	GCG → KK	Sig. F	0,515	> 0,05	Not significant
19	Regresi Moderasi	FD×PV → KK	Sig. F	0,068	> 0,05	Not significant
20	Regresi Moderasi	GCG×PV → KK	Sig. F	0,596	> 0,05	Not significant

Source: Data Processed (2026)

The Effect of Financial Distress on Financial Performance

The regression results indicate that financial distress does not have a significant effect on financial performance in either period. During the COVID-19 pandemic (2020–2022), the significance value is 0.344 (>0.05), and in the post-pandemic period (2023–2024), it remains insignificant at 0.304 (>0.05).

Although financial distress is theoretically expected to negatively influence firm value due to increased bankruptcy risk and financial constraints, the findings suggest that market valuation in the pharmaceutical subsector was not highly sensitive to Altman Z-Score fluctuations. During the pandemic, heightened healthcare demand and supportive government policies may have reduced investor concern regarding firm-level distress. In the post-pandemic period, demand normalization did not significantly alter this pattern.

This result is consistent with Hasanah et al. (2023), who find that financial distress does not always translate into lower firm value, particularly in regulated industries. Accordingly, Hypothesis H1 is not supported.

The Effect of Good Corporate Governance on Financial Performance

The empirical results show that good corporate governance (GCG) does not significantly affect financial performance in either period (pandemic $p = 0.566$; post-pandemic $p = 0.515$).

While agency theory suggests that governance mechanisms enhance firm value by reducing agency conflicts, the limited variation of GCG practices among pharmaceutical firms may reduce its explanatory power. In highly regulated sectors, governance compliance tends to be standardized, limiting its role as a differentiating valuation factor.

These findings are consistent with Laksono & Kusumaningtias (2021) and Rista & Andayani (2025), who also report insignificant governance effects in regulated contexts. Therefore, Hypothesis H2 is not supported.

The Role of Political Visibility in Moderating the Effect of Good Corporate Governance on Financial Performance

The interaction between political visibility and good corporate governance is not statistically significant during either the pandemic ($p = 0.909$) or post-pandemic period ($p = 0.596$). This indicates that political visibility does not strengthen the relationship between governance quality and financial performance.

Although prior research such as Pratiwi (2024) and Frans & Panjaitan (2025) discusses the potential importance of institutional proximity, the present findings suggest that political visibility alone does not enhance the effectiveness of governance mechanisms in influencing firm value. Thus, Hypothesis H3 is not supported.

The Role of Political Visibility in Moderating the Effect of Financial Distress on Financial Performance

The moderation analysis indicates that political visibility does not significantly moderate the relationship between financial distress and financial performance during the pandemic ($p = 0.535$). In the post-pandemic period, the interaction term approaches significance ($p = 0.068$), but it remains above the 5% threshold.

This suggests that firm size, as a proxy for political visibility, does not significantly offset the impact of financial distress on firm value. While Savitri & Rochmatullah (2025) find that political connections may mitigate financial pressure, the current study shows that such effects are context-dependent and not statistically robust within the pharmaceutical subsector. Therefore, Hypothesis H4 is not supported at the 5% significance level.

The Effect of Political Visibility on Financial Performance

The direct effect of political visibility on financial performance is also insignificant in both periods. This indicates that firm size does not directly influence Tobin's Q within the pharmaceutical subsector, despite theoretical arguments that political visibility may provide access to institutional advantages.

These findings align with (Fitriana et al., 2022) and (Hazim & Mediawati, 2023), who argue that the valuation relevance of political connections depends on broader institutional dynamics rather than structural firm size alone. Accordingly, Hypothesis H5 is not supported.

CONCLUSION

This study develops and tests an integrative political financial framework by examining financial distress, governance quality, and political visibility within the pharmaceutical subsector during the COVID-19 crisis and post-crisis recovery period.

The findings show that financial distress and good corporate governance do not significantly affect financial performance in either period. Political visibility neither exerts a direct effect nor significantly moderates the relationships between financial distress, governance quality, and firm value. These results indicate that traditional firm-level determinants have limited explanatory power in a highly regulated and politically sensitive industry context.

Page | 14

The comparison between crisis and recovery phases demonstrates that this insignificance persists across different macroeconomic conditions, suggesting that institutional intervention and regulatory dynamics may dominate investor perception over internal corporate mechanisms. This study therefore contributes to the literature by highlighting the contextual limitations of conventional financial and governance theories in emerging market industries.

Practically, the findings imply that managers and investors in regulated sectors should consider broader institutional and policy environments rather than relying solely on internal financial or governance indicators.

This study is limited by its sector-specific sample, the use of firm size as a proxy for political visibility, and the relatively short observation period. Future research may expand to other regulated industries, apply more direct measures of political connections, and extend the timeframe to capture longer-term institutional dynamics.

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