

The effect of boycotts on market demand in companies listed on the Indonesian stock exchange

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This study aims to see the impact of boycotts on market demand by comparing data on stock prices and sales before and after boycotts, the market demand indicators in question are the prices and sales of shares of companies listed on the Indonesian stock exchange. In recent years, boycotts have become increasingly common, especially in countries with large Muslim populations, including Indonesia. In 2023, MUI issued several wide-ranging fatwas, one of which was fatwa number 83 of 2023 issued on November 8, 2023. This fatwa regulates the law of supporting Palestine in the context of the Palestinian-Israeli crisis. This research method uses quantitative methods by using data analysis techniques, namely paired T-test techniques. This study examines the company's stock price and sales data before and after the boycott of pro-Israel products. Stock price and sales data were taken from the official website of the Indonesia Stock Exchange (IDX) as many as 938 companies. The results of this study reveal that there is an effect of boycott action on stock prices and sales in 10 companies listed on the Indonesia Stock Exchange whose products are pro-Israel.

1. Introduction

Boycott is a form of protest of disapproval by consumers against a product or company that goes against one's moral, political or religious values [1]. In recent years, boycotts have become increasingly common, especially in countries with large Muslim populations, such as Indonesia. This phenomenon is reinforced by global geopolitical developments, such as the Israeli-Palestinian conflict, which encourages boycotts against multinational companies that are perceived to support one side of the conflict [2]. Companies such as Unilever and McDonald's in Indonesia have seen their share prices and sales volumes drop significantly due to boycotts related to the conflict, especially among consumers concerned about the Palestinian issue [3]. The impact of these boycotts can be seen in several indicators, which are specifically located in companies listed on the Indonesia Stock Exchange (IDX). There are two main types of indicators that are usually impacted by boycotts, which include stock price and product sales volume [4]. When a company or its products are subject to a boycott, the impact is immediately visible on a consumer's buying interest. A decrease in demand for a product can lead to a decrease in sales volume, which in turn affects the stability, revenue and profitability of the company [5].

1.1 Background

Stock price and sales are core indicators of a company's performance. The impact of the boycott has caused share prices and sales volumes to decline [4]. When an agency/company faces public pressure, it will face controversial issues, such as the existence of a cooperation/shareholding relationship with an Israeli company, Investors tend to avoid cooperation/shareholding

relationships with these companies [6]. This is due to concerns that the company's reputation will be affected due to the boycott, which will then have an impact on reducing its financial performance. Thus, the company's share price may decrease, both in terms of share price and sales volume.

In addition to a decrease in sales volume and stock price, a company affected by a boycott can also be affected. The share price reflects an investor's expectation of a company's performance [7]. When an agency/company faces public pressure, it will face controversial issues, such as a company's relationship with Israel, investors tend to avoid cooperating/vesting in the company. This is due to concerns that the company's reputation will be affected due to the boycott, which will then have an impact on reducing its financial performance. Thus, the company's share price may decrease, both in terms of share price and sales volume [4]. Therefore, solutions that can help marketing strategies are through steps such as optimizing commitment activities to improve community welfare (CSR) which are focused on helping Palestine and cooperation with community and religious leaders and humanitarian communities, strengthening local cooperation with the aim of increasing consumer confidence and expanding distribution networks [8].

In addition, boycotts also create pressure on companies to change their regulations or marketing strategies to mitigate the negative impact of the boycott. In some cases, companies are forced to resort to price reductions or major promotions to restore demand and consumer confidence [9]. The phenomenon of product boycotts has become an increasingly relevant issue in Indonesia, especially in the food and beverage sector. As a country with the largest Muslim population in the world, Indonesia has strong norms and values regarding halal products. Fatwa issued by the Indonesian Ulema Council (MUI) is an important reference for consumers in determining the halalness of a product. Every time MUI issues an official statement regarding halal status, the impact can be very significant, both for companies and consumer behavior [10].

1.2 Research Geap dan Objektive

Previous studies have shown the impact of boycotts on firm stock prices, but few studies have addressed the effects of boycotts on changes in market demand in Indonesia specifically. In addition, the limitations of existing studies in examining the long-term impact of boycotts on firm performance indicate a gap that needs to be explored further, especially regarding consumer reactions to fatwas or official statements from religious institutions such as MUI.

This study aims to analyze the impact of boycotts on market demand in companies listed on the IDX. This study also aims to understand how consumer reactions to the MUI fatwa, specifically fatwa number 83 of 2023, affect consumer behavior in purchasing products associated with sensitive political and religious issues [11]. It is hoped that the results of this study can provide deeper insights for stakeholders to formulate mitigation strategies against the impact of boycotts, as well as for companies to build a responsive approach to maintaining their image amidst market dynamics influenced by external factors.

2. Literature Review

2.1 Boycott

Boycott is an action or effort taken by the majority of Muslims in Indonesia to avoid buying products affiliated with boycott. According to Jasper, (1998) which states that the success of a boycott movement depends on the collective identity and loyalty of the members of the

community involved, influenced by mutual consensus regarding moral values, common interests, and culture upheld, as well as certain consequences for members who are not consistent in boycotting, against targets determined together [12].

2.2 Market Demand

Market demand is the total amount of goods and services desired by each consumer in the market at a given price level over a period of time. According to [13] Market demand is the total amount of a good that each consumer wants to buy at each price level, or in other words, it is the sum of individual demand. Individual demand is the amount of a good that consumers buy at each price level.

2.3 Stock Price

The share price is the price set by a company for another entity that wants to have share ownership rights over the company [12]. Meanwhile, according to Keown & Scott, (2010) Stock price is an indicator of a company's control that is used by every investor to demand and supply stock prices. The higher the company's share price, the better the company is in providing a profit. Based on the experts' point of view on stock prices, it can be concluded that the share price set by a company or an entity to an investor is formed due to the demand and supply of share value.

2.4 Sales

Sales is a process or activity of selling both in the form of goods and services to a consumer, buyer or customer with the aim of making a profit. According to Zaini Miftach et al., (2019) Sales also means the stages of selling activities, namely from the process of determining the selling price until the product is distributed to consumers. Therefore, it can be concluded that sales is the process of determining the selling price and distributing a good or service to consumers/buyers/customers with the aim of generating a profit.

3. Methodology

This study uses quantitative methods to test the differences before and after the boycott. Quantitative research is research conducted by collecting data in the form of numbers or data in the form of sentences converted into data in the form of numbers. The data is then processed and analyzed to obtain scientific information.

3.1 Data Collection

This study uses a quantitative method to test the differences before and after the boycott. The method of data collection in this study the authors used documentation techniques by collecting secondary data from the Indonesia Stock Exchange. Data for stock prices are taken from the IDX web (www.idx.co.id) and yahoo finance, and sales data from financial reports. The sampling technique in this study uses *purposive sampling* method, with the criteria of all companies whose products are boycotted in Indonesia, companies whose products are pro-israel, companies listed

on the IDX, financial statements for the first, second and third quarters. The sample of companies studied was Pzza, Mbap, Mapb, Unvr, Jpfa, Icbp, Fast, Eraa, Mtdl, Sklt.

3.2 Analysis Techniques

This study uses descriptive analysis techniques and the Wilcoxon Normality test. The Wilcoxon

NO	NAMA PERUSAHAAN	KODE SAHAM
1	PT Mitrabara Adiperdana Tbk	MBAP
2	PT Map Boga Adiperkasa Tbk	MAPB
3	PT. Sekar Laut Tbk	SKLT
4	PT. Japfa Comfeed Indonesia Tbk	JPFA
5	PT. Sarimelati Kencana Tbk	PZZA
6	PT. Unilever Indonesia Tbk	UNVR
7	PT Fast Food Indonesia Tbk	FAST
8	PT Indofood CBP Sukses Makmur Tbk	ICBP
9	PT. Erajaya Swasembada Tbk	ERAA
10	PT. Metrodata Electronics Tbk	MTDL

Normality Test is one sample used to check normality. A significance value below 0.05 indicates there is a difference and above 0.05 indicates there is no difference.

4. Results and Discussion

4.1 Result

This section presents the results of the statistical analysis conducted to test for differences before and after the boycott. The results are grouped into subsections detailing descriptive statistics, and the Wilcoxon Normality Test.

4.2 Descriptive Statistics

Table.1 Descriptive Statistics for Variables

		N	Minimun	Maximun	Mean	Std. Deviation
Stock Price	Before	30	1.13	800	227,032	291,272
	After	30	1,19	770	202,266	241,131
Sales	Before	30	956829	2,75E+12	2,7465E+11	6,48890E+11
	After	30	787631	2,04E+12	2,4642E+11	5,49746E+11

Descriptively, the average share price before the boycott was recorded at 227.032, while afterward it fell to 202.266. The sales volume also decreased from an average of 2.7465E+11 before the boycott to 2.4642E+11 afterward. This change shows the real impact of social pressure on companies whose products are associated with geopolitical conflicts, which in this case concerns the Palestinian-Israeli crisis.

4.3 Wilcoxon Normality Test

Table.2 Wilcoxon Normality Test for Variables

No	Comparisons	Wilcoxon Normality
1	Stock Price	0,006
2	Sales	0,008

Based on the analysis, there are significant differences in these two variables before and after the boycott. The significance value of the Wilcoxon test shows that stock price has a value of 0.006 while sales have a value of 0.008, both of which are below the 0.05 significance level.

5. Discussion

This decline in share price and sales volume indicates that boycotts affect consumer and investor interest and perceptions of companies associated with certain controversial issues. In general, boycotts tend to have a negative impact on companies, especially in terms of market demand. The decline in share prices reflects investors' concerns about the stability and sustainability of the affected company's business [3]. These concerns are generally triggered by the perception of reputational risk, which can lower consumer and investor confidence.

5.1 Stock Price Before and After the Boycott

The stock price reflects investors' expectations of the company's performance [12]. Before the boycott, companies that fell into the pro-israel category tended to stabilize or increase according to market performance and prospects. After the boycott, the data shows a significant drop in the share prices of the affected companies. This negative reaction was caused by investors' concerns about the public perception of the companies, leading to massive share sales by investors looking to avoid reputational and financial risks [5]. The decline in share price reflects market sentiment that doubts the sustainability of the company's performance due to social pressure from the boycott.

5.2 Sales Before and After the Boycott

Sales is another key indicator that shows how a company's products or services are received in the marketplace [8]. Prior to the boycott, the sales volumes of the companies involved were generally stable or in line with existing trends, supported by consumer loyalty and effective marketing strategies. This high demand was expected to continue if the companies were able to maintain a positive image in the eyes of consumers. However, following the boycotts, there was a significant drop in demand for the products of the boycotted companies [15]. Consumers who feel inconsistent with the company's values or policies tend to avoid these products, resulting in a decrease in sales volume. This suggests that boycotts have a direct impact on consumer preferences, where consumers consciously choose not to support companies that are perceived to be inconsistent with their values [8]. This decline in sales not only affected the company's earnings, but also reduced its competitiveness in a market that is sensitive to social and political

issues.

6. Conclusion

This study has identified the impact of boycotts on market demand in companies listed on the Indonesia Stock Exchange, particularly in companies associated with pro-Israel products. Through quantitative analysis that focuses on comparing stock price and sales volume data before and after the boycott, the results show a significant decline in both indicators. This suggests that consumer decisions, influenced by religious and political factors, have great potential to directly affect companies' market performance. Thus, this study provides evidence that boycotts can create pressure on companies to reconsider their marketing strategies and relationships with consumers.

7. Recommendation

Given the challenges related to consumer perceptions, it is recommended that companies affected by boycotts strengthen corporate social responsibility (CSR) initiatives that are relevant to consumer values. Measures such as expanding programs that support social welfare and strengthening cooperation with community leaders and local communities can be a strategy to regain consumer trust. In addition, further research is recommended to expand the scope of analysis to other sectors that may be affected by boycotts, in order to understand the long-term impacts and assist companies in developing more comprehensive mitigation policies.

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