



CIREBON INTERNATIONAL CONFERENCE ON EDUCATION AND ECONOMICS (CICEE)

THE IMPACT OF BOYCOTT ON FINANCIAL PERFORMANCE AND MARKET REACTION AT PT UNILEVER INDONESIA

Hotmauli Rajagukguk¹ and Dela Pratama²

^{1,2} Universitas Swadaya Gunung Jati, Cirebon, Indonesia

*Corresponding author: hotmaulirgg5@gmail.com

Abstract

This study aims to analyze the impact of the boycott of PT Unilever Indonesia affiliated with pro-Israel on financial performance and market reaction. Data was collected through analysis techniques using financial ratios such as Return on Asset (ROA), Return on Equity (ROE), Current Ratio and Debt to Equity ratio (DER) and analysis of stock price movements. The results showed that ROA decreased after the boycott due to decreased net income compared to total assets. The company's Current Ratio decreased after the boycott, due to current debt greater than the current assets owned by the company. However, ROE has increased after the boycott due to the expenses earned by the company not considering the capital working in the company. DER has increased due to the company's inaccuracy in taking production capital and marketing processes. And the results of the stock price movement are in a condition that tends to decline. This study provides results that the boycott of pro-Israel affiliated products has a significant impact on several aspects of the company's financial performance and Market Reaction.

Keywords: Boycott Event, Financial Performance, Market Reaction

INTRODUCTION

The initial step in satisfying the information requirements of both internal and external stakeholders is to evaluate the financial performance of a company through the publication of financial reports (Nova et al., 2023). The advantages of financial performance for the company include the ability to ascertain the extent of its development in each specific period, use it as a foundation for future company planning, and observe the company's overall performance (Pratiwi, 2020). The advantages of a company's financial performance to investors include the ability to predict the future of the business and determine the profit margins they will receive. Additionally, financial performance is a factor in determining the investment in a specific company (*7 Manfaat Laporan Keuangan Bagi Investor*, 2022).

Boycott is a conspiracy to refuse to cooperate, including trade deals, talks, and participation, as per the Big Indonesian Dictionary (KBBI). It is also possible to interpret boycott as an action or attitude taken by a group of individuals to express their rejection or protest against Israeli policies regarding Palestine. Boycotts have gained popularity in the global justice

movement because they are designed to achieve objectives peacefully by forcibly and signaling others to reduce the sales and profits of targeted companies. Activists assert that boycotts have a direct effect on the targeted businesses and assist them in adapting to the power of multinational corporations, which are perceived to be even more powerful than the state (Rahmasari et al., 2024).

As the conflict between Israel and Palestine intensified, the issue of boycotting Unilever products in Indonesia began to emerge. In 2023, the conflict between Israel and Palestine led to calls to boycott Unilever products in Indonesia. The emergence of negative issues on social media regarding the affiliation of Unilever products with Israel served as the impetus for this call. The company's reputation and product sales, particularly in Indonesia, were significantly affected by the call for a boycott of Unilever Indonesia products (Firman, 2024). The boycott movement commenced on October 10, 2023, which was precisely two days after Israel committed genocide against Palestine (Sultani Matondang & Indah Lestari Nasution, 2024). Since the issuance of MUI Fatwa Number 83 of 2023 on November 8, 2023, regarding the law of support for Palestine, the boycott in Indonesia has become increasingly crowded. In 2023, PT Unilever Indonesia Tbk reported net sales of IDR 38.6 trillion, a 6.3% decrease from IDR 41.2 trillion in 2022 (year-on-year/yoy). The profit of the issuer coded UNVR also decreased by 10.5% (year over year) during the same period, from IDR 5.3 trillion to IDR 4.8 trillion.

Literature Review

According to the Minister of Finance of the Republic of Indonesia No. 740 / KMK.00 /1989, performance is the accomplishments that a company achieves within a specific time frame, which is indicative of the company's health. The financial performance of a company is a description of its financial condition during a specific period, with a focus on the aspects of raising funds and channeling funds. This is typically measured by indicators of capital adequacy, liquidity, and profitability (Fadilah et al., 2024).

According to Mufid et al., (2023) financial performance is the outcome of an assessment of the work that has been completed, and the results of the work are compared to the established criteria. Evaluation is a critical component of the job of company executives, as it enables them to consistently evaluate the company's financial status in relation to its plans and objectives. The company requires information on financial performance to assess the success rate of its financial activities and to use it as a decision-making tool.

1. The effect of boycotts on financial performance

The Indonesian Institute of Accountants (2007) defines financial performance as the organization's capacity to effectively manage and regulate its assets. An analysis of financial performance is conducted to ascertain the company's actions in allocating its resources in accordance with ethical and appropriate regulations (Setiawan et al., 2024). The financial statements of the company can be employed to evaluate its performance. Financial reports are the standard for evaluating the performance of a company, as they are formal records of the financial activities and positions of businesses, individuals, or other entities (Djohan & Loh, 2021). The financial position of the company can be determined or assessed using financial reports. Additionally, financial reports are essential for evaluating the company's business results and development over time to ascertain the extent to which the company has achieved its objectives. Ratio analysis is a fundamental tool for evaluating the financial

performance of a company by observing indices that are related to the results of financial statements, such as balance sheets, income statements, and cash flow statements (Azizah et al., 2024). There are 3 financial ratios used in this study, namely: profitability ratio, liquidity ratio and solvency ratio.

Based on the calculation of the financial ratio analysis of PT Unilever Indonesia Tbk for the period 2021 to 2023 and 2024 Quarter 1, the following results are obtained:

Table 1. Table Company Financial Performance

Year	ROA	ROE	Current Ratio	DER
2021	0,301	1,332	0,614	3,412
2022	0,292	1,342	0,608	3,582
2023	0,288	1,419	0,551	3,928
2024 (Q1)	0,078	0,299	0,655	2,786

Source: created by the author

Return on assets is a metric that assesses the efficiency of a company in generating profits by utilising its assets. The analysis results indicate that it decreased in 2021 prior to the boycott and in 2022 following the boycott. This is due to the fact that net income has declined in comparison to total assets. Return on Equity is a metric that quantifies the capacity of ownership capital to generate profits for shareholders. It is calculated as the ratio of net profit after tax to capital. The analysis results indicate that the increase in 2021 prior to the boycott was equivalent to that in 2022 following the boycott. This is due to the fact that the company's expenses do not account for the capital that is currently in operation.

In a short-term position, the current ratio (Current Ratio) is employed to ascertain the company's capacity to guarantee the return of short-term debt. The analysis results indicate that it decreased in 2021 prior to the boycott and in 2022 following the boycott. It is widely recognised that the current ratio, which measures the liquidity ratio of PT Unilever Indonesia Tbk from 2021 to 2024, is not satisfactory. This is due to the fact that the company's current debt exceeds its current assets. The Debt-to-Equity Ratio is used to demonstrate the extent to which the owner's capital is sufficient to cover debt owed to external parties. The better the ratio, the lower the debt-to-capital ratio. The analysis results indicate that there was an increase in 2021 prior to the boycott and in 2022 following the boycott. This is due to the company's failure to exercise caution in its production capital and marketing processes, resulting in a low capitalization.

Following the outbreak of the Israeli-Palestinian conflict, there were calls for a boycott of Unilever products. The issue that Unilever's parent company supports Israel was the impetus for the call. This results in the Indonesian populace refraining from purchasing or

substituting products that advocate for Palestine. The financial performance of PT Unilever Indonesia has declined annually as a result of this boycott movement.

2.2 The effect of boycotts on market reaction

Market participants are acutely aware of any information concerning the organization's sustainability. They typically observe an event to gain insight into the conditions that exist within the company's environment. This pertains to the capital market's stock prices (Novianti Nurulliah, 2022). The stock price is the price that is determined by the demand and supply of the shares in the capital market and is determined by market participants at a specific time in the stock exchange market (Sultani Matondang & Indah Lestari Nasution, 2024). Many products, particularly those produced in the United States, are biased towards Israel as a consequence of the boycott. For instance, Unilever's stock position has declined from November 2023 to May 2024.

The condition of PT Unilever's shares can be seen in Figure 1 below:



Fig. 1. Share price movement of PT unilever Indonesia July 2023 to May 2024
Source: Google Finance

The movement of PT Unilever's shares has experienced a significant decline since November 2023. This decrease in shares is frequently linked to boycotts of products that advocate for Israel (Sultani Matondang & Indah Lestari Nasution, 2024).

Sultani Matondang & Indah Lestari Nasution (2024) conducted comparable research on the subject of the influence of the Ukraine-Russia conflict on European stock markets. In addition to the negative impact of the Ukraine-Russia conflict on the European stock market, the results indicated that stock returns in Russia were also impacted by the conflict, as Russia was directly involved in the armed action. This research is also consistent with research (Machfudi & Isywardhana, 2023; Utami et al., 2024) that examines the impact of the Russian and Ukrainian wars on capital market reactions in energy sector companies on the Indonesia Stock Exchange. However, the findings of this investigation are inconsistent with the findings of Mekel et al., (2023), which demonstrate that the market did not have a

substantial impact on the conflict between Russia and Ukraine. Similarly, research conducted by Pujiastuti et al., (2023) indicates that there is no boycott effect on market reaction.

CONCLUSION

PT Unilever Indonesia Tbk is currently experiencing a crisis of product boycott calls as a result of pro-Israel issues. This crisis has a detrimental effect on the company's financial performance, as evidenced by the decline in sales, profits, and market reactions to the boycott, as shown by the declining stock prices. The financial performance and market reaction of a company will be significantly impacted, and the company's overall value will be harm if this boycott call goes on. Unilever Indonesia maintains an excellent reputation in Indonesian society, despite this situation. The analysis of historical data on financial performance and market reaction during the boycott of pro-Israel products has led to the conclusion that there is a correlation between the boycott of pro-Israel products and finance and capital market reactions. Confirmed by the historical stock price analysis of Unilever Indonesia, which exhibited fluctuations that tended to decrease.

REFERENCE

- Manfaat Laporan Keuangan bagi Investor*. (2022). Kumparan. <https://kumparan.com/berita-bisnis/7-manfaat-laporan-keuangan-bagi-investor-1xvLYsdcWJH/full>
- Azizah, A., Marsela, A., & Najib, M. (2024). *Menganalisis Rasio terhadap Laporan Keuangan pada PT . Unilever Indonesia Tbk*. 2(2).
- Djohan, D., & Loh, R. (2021). Analisis Kinerja keuangan Perusahaan Sebelum dan Sesudah Go public yang terdaftar dibursa efek indonesia. *Jurnal BIKOM*, 1–10.
- Fadilah, M., Jam'an, A., & Muchran, M. (2024). *DAMPAK PEMBOIKOTAN PRODUK YANG BERAFILIASI ISRAIL PADA KINERJA KEUANGAN YANG TERDAFTAR DI BEI (TAHUN 2023*. 1(4), 252–263.
- Firman, M. (2024). Strategi Public Relations Unilever Indonesia dalam Menjaga Reputasi Pasca Isu Boikot Pro-Israel. *Jurnal Ilmiah Ekonomi Dan Manajemen*, 2(6), 171–178.
- Machfudi, M., & Isynuwardhana, D. (2023). Analisis Reaksi Pasar Modal terhadap Peristiwa Perang Rusia dan Ukraina (Studi Kasus pada Saham Perusahaan Sektor Energi yang Terdaftar di Bursa Efek Indonesia). *E-Proceeding of Management*, 10(4), 2073–2079.
- Mekel, C. G., Saerang, I. S., & Maramis, J. B. (2023). Reaksi Pasar Modal Cina (Shanghai Stock Exchange) Terhadap Peristiwa Perang Rusia Dan Ukraina China'S Capital Market (Shanghai Stock Exchange) Reaction To the Events of the War Between Russia and Ukraine. *Jurnal EMBA*, 11(1), 1199–1207.
- Mufid, I. A., Sahabuddin, R., Anwar, Burhanuddin, & Ruma, Z. (2023). Pengaruh Literasi Keuangan Pelaku Usaha Kecil Terhadap Kinerja Keuangan Usaha Di Kota Makassar. *Jurnal Ilmu Manajemen, Bisnis, Dan Ekonomi*, 1(3), 149–160. <https://malaqbiipublisher.com/index.php/JIMBE>

Nova, W., Pratiwi, G., & Wahyono, *. (2023). Pengaruh Pandemi Covid-19 Terhadap Kinerja Keuangan pada Perusahaan Sub Sektor Industri Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia Tahun 2018-2021. *JIMPS: Jurnal Ilmiah Mahasiswa Pendidikan Sejarah*, 8(3), 1423–1437. <https://jim.usk.ac.id/sejarah>

Novianti Nurulliah. (2022). *Dari 4,6 Juta UMKM di Jawa Barat, Baru 21 Persen Go Digital*. www.Pikiran-Rakyat.Com. <https://www.pikiran-rakyat.com/jawa-barat/pr-015549786/dari-46-juta-umkm-di-jawa-barat-baru-21-persen-go-digital?page=2>

Pratiwi, F. (2020). *Apa Itu Kinerja Keuangan? Berikut Penjelasan Lengkapnya*. Harmony. <https://www.harmony.co.id/blog/apa-itu-kinerja-keuangan-berikut-penjelasan-lengkapnya/>

Pujiastuti, A., Selamat, U., & Kendal, S. (2023). Mengungkap Dampak Transformasi Digital. *Jurnal Ekonomika*, 11(1), 1–13.

Rahmasari, A., Pembangunan, U., Veteran, N., Timur, J., Nisa, F. L., Pembangunan, U., Veteran, N., Timur, J., & Anyar, G. (2024). *Analisis pasar mengenai kehalalan dan isu boikot produk kosmetik terhadap keputusan pembelian*. 1(3), 289–294.

Setiawan, W., Q, H., & Hermuningsih, S. (2024). *Analysis of financial performance using the liquidity ratio, solvency to profitability ratio of pt. unilever indonesia tbk, (unvr) and pt. indofood sukses makmur tbk, (indf) for the period 2021-2022*. 7, 8167–8173.

Sultani Matondang, R., & Indah Lestari Nasution, A. (2024). The Impact of the Boycott on the Fall on Stock Price of PT. Unilever. *Al-Mashrafiyah: Jurnal Ekonomi, Keuangan Dan Perbankan Syariah*, 8(1), 41–54. www.finance.Yahoo.com

Utami, H. A., Herwiyanti, E., & Suparlinah, I. (2024). *Jurnal Ekonomi, Bisnis dan Akuntansi (JEBA) Volume 26 No 1 Tahun 2024 PENGARUH SENTIMEN PASAR TERHADAP PERGERAKAN HARGA SAHAM PADA Pengaruh Sentimen Pasar Terhadap Pergerakan Harga Saham Pada Perusahaan Industri Manufaktur Pada Bursa Efek Indonesia*. 26(1), 25–34.