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Stock Price Anomalies of Products Affected by Boycotts: Geopolitics, Pandemics, and Fundamentals of Unilever Indonesia and Pakistan 2016 – 2024

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Abstract - *Boycotts against multinational products associated with geopolitical conflicts, such as the pro-Palestinian boycott, have significantly affected the brand perception and the financial performance of companies across various countries, including Indonesia and Pakistan. This study analyzes the differences in stock performance and financial fundamentals between Unilever Indonesia (UNVR) and Unilever Pakistan (UPFL) during 2016–2024, during the COVID-19 pandemic and boycott campaigns. A descriptive quantitative approach was employed using secondary data, including annual financial reports, daily stock return data, and foreign exchange rates. The data were analyzed using independent sample t-tests, linear regression, and trend analysis. The results reveal that UNVR experienced a consistent decline in stock returns during the pandemic and boycott periods, accompanied by weakened financial fundamentals such as net sales, gross profit, net income, and profit margins. In contrast, UPFL exhibited stable, positive stock return trends and consistently growing financial fundamentals. The theoretical analysis suggests that institutional pressures, external signaling, ownership structure, and the management of internal resources are key factors explaining the performance divergence between the two entities. These findings underscore the importance of adaptive business strategies in responding to social and geopolitical pressures to maintain the sustainability of multinational corporations operating in developing countries.*

Keywords - *Unilever Indonesia, Unilever Pakistan, pro-Palestinian boycott, stock returns, financial fundamentals*

I. INTRODUCTION

Lately, news about boycotting certain products that are considered to have links to foreign entities, especially those related to the Israeli-Palestinian conflict, has been increasingly widespread. One striking case is KFC Indonesia, with losses reaching 557 billion rupiah, closing 47 of its outlets in Indonesia, and laying off 2,274 employees [1]. The causes of the losses were a decrease in revenue, and an increase in operational and financial expenses. Wednesday, November 6, 2024, Yolandha and Risalah from republika.com stated that "... Most likely, one of the factors that influenced this performance was the impact of the boycott that occurred due to the Israel-Gaza conflict, which also affected KFC's international market, including Indonesia. It is undeniable that the boycott has affected KFC's brand image in several countries, including Indonesia" [2]. KFC as a foreign franchise company is vulnerable to geopolitical and social dynamics as well as public sentiment that influences public perception of global products in its country of operation. Is this different for non-franchise multinational companies like Unilever? Is the impact of the boycott influenced by geopolitics? Are the fundamentals affected by the call for a boycott?

Data from [3] [4], shows that throughout 2024, UNVR's stock price showed a significant downward or negative trend. This reflects investor concerns about the company's short- and long-term growth prospects, which were exacerbated by public pressure due to the boycott. In contrast, UPFL shares showed stable performance (positive returns). They even tended to increase, including during the pandemic from 2019 to 2021, when many other companies experienced a sharp decline in their financial performance. This phenomenon raises a fundamental question: why did UPFL shares remain stable and positive while UNVR shares experienced a fairly consistent downward trend?

Based on this background, this study aims to obtain empirical evidence on how the global pandemic and boycott campaigns due to geopolitical conflicts affect the financial performance and stock returns of Unilever Indonesia (UNVR) and Unilever Pakistan (UPFL) during 2016–2024. This study aims to provide academic contributions to the literature on international finance and economic geopolitics and practical recommendations for policymakers,

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investors, and management of multinational companies in responding to cross-country social pressures. This study is also expected to be a reference for further studies that examine the relationship between non-economic factors, capital market performance, and corporate stability.

II. LITERATURE REVIEW

A. Institutional Theory

The institutional theory explains that corporate behaviour and strategies are influenced by external pressures such as regulations, social norms, and cultural values. [5]emphasize the relationship between organizations and their environments, including the reasons behind the adoption of certain structures and processes. [6]identifies three pillars of institutions: the regulative pillar (legal rules and sanctions), the normative pillar (social values and expectations), and the cognitive pillar (widely accepted beliefs and assumptions). These three form the institutional pressures that influence organizational decisions.

B. Signaling Theory

Signalling theory explains that in conditions of information asymmetry, management will convey signals to influence investor perceptions of the company's prospects [7] [8]. According to [9], this signal reflects the managerial view of the company's future conditions. [10] added that information that is considered a positive signal will increase investor interest and stock prices, while negative signals can decrease them. In the context of the stock market, external events such as geopolitical crises, fatwas, or government policies can act as signals that influence investor expectations and decisions.

C. Agency Theory

Agency theory explains the contractual relationship between the company owner (principal) and the manager (agent). These two often have different interests that can lead to conflicts of interest and agency costs if not managed effectively [11]. This conflict is reinforced by information asymmetry and limited direct supervision of manager actions [12].

D. Stakeholder Theory

Stakeholder theory, introduced by [13], states that companies have responsibilities not only to shareholders but also to all parties affected by the company's activities, such as consumers, employees, the community, the media, and the government. [14]distinguishes the corporate relations approach into two: old-corporate, which is separate between organizational functions, and new-corporate, which emphasizes collaboration with all stakeholders to achieve common interests. [15] divides this theory into two perspectives: normative, which emphasizes fairness to all stakeholders regardless of power, and positive, which states that management tends to respond and disclose information to parties with the greatest influence.

E. Resource-Based View (RBV)

Resource-Based View (RBV) emphasizes that long-term competitive advantage is determined by a company's ability to strategically manage internal resources [16] [17]. Valuable, rare, inimitable, and non-substitutable (VRIN) resources are key to maintaining superior performance. According to [18], company resources are classified into tangible assets, intangible assets, and capabilities. [19] and [20] emphasize the importance of intangible assets such as brand reputation, innovation, and intellectual capital in creating added value.

This study will employ two theories, institutional theory and resource-based view, to explain the international performance comparison.

III. METHODOLOGY

This study uses a quantitative descriptive approach to analyze the differences in financial and stock market performance between Unilever Indonesia Tbk (UNVR) and Unilever Pakistan Foods Limited (UPFL) during the period 2016–2024, covering the COVID-19 pandemic and the Israel–Hamas geopolitical conflict since November 2023. The selection of objects is based on similarities in ownership structure, industrial sector (FMCG), and Muslim-majority demographics, but in different socio-political contexts. Secondary data in the form of annual reports [21] [22], daily stock prices [3] [4], and macroeconomic variables were collected from official sources and then analyzed using statistical and financial software. Analysis techniques include linear regression to test the effect of the pandemic and boycott on stock returns, independent sample t-test to identify significant differences between UNVR and UPFL, and time series trend analysis to evaluate the significance of changes in fundamental indicators longitudinally. The results of the study are interpreted to provide a comprehensive understanding of the impact of external pressures on the stability of the financial and stock market performance of the two multinational entities.

IV. FINDINGS AND DISCUSSION

E(Ri) in Table 1 is the expected return of stock *i*, which is the arithmetic mean of *Ri* or continuous return of UNVR and UPFL stocks in the form of the natural logarithm of the ratio of daily interval prices at the current stock market close to the previous closing price, $In\ (\frac{P_{i,t}}{P_{i,t-1}})$, where *t* is the arithmetic *t* statistic of *E(Ri)*.

Table I Difference in Average Returns of UNVR & UPFL Stocks, 2016-2024

Year	Appearance		
	UNVR	UPFL	t
2016	0.00020	-0.00017	-0.118
2017	-0.00587	0.00201	0.741
2018	-0.00916	-0.00018	0.188
2019	-0.00033	0.000079	0.254
2020	-0.00062	0.006711	1.586
2021	-0.00252	0.004071	1.375
2022	0.00059	0.006098	1.078
2023	-0.00134	-0.00121	0.033
2024	-0.00339	0.000956	1.015
2020 - 2021	-0.00160	0.005532	2.152
2016 - 2024	-0.00149	0.001449	2.013

[a] Source: investing.com (2024)

In seven out of nine years of observation, UNVR shares showed an average negative return, while UPFL only experienced three years of negative returns. The average returns per year are different but not statistically significant, as indicated by the absolute value of the t-statistic from the independent sample mean difference test of less than two. During the COVID-19 pandemic, in 2020-2021, and the nine years of observation 2016-2024, UNVR showed a tendency for negative returns while UPFL was positive, and the difference in average returns for the year was statistically significant.

Table II Difference in Average Fundamentals of UNVR & UPFL, 2016-2024

Year	Appearance		
	UNVR	UPFL	t
Total Assets	13.416	0.058	25.185
Liabilities	9.924	0.037	27.939
Equity	3.496	0.021	10.563
Net Sales	29.116	0.100	36.410
Gross Profit	14.663	0.044	26.974
Operating Profit	6.342	0.025	11.536
Profit Before Tax	6.232	0.024	11.558
Net Profit	4.719	0.021	12.095
Gross Profit Margin	0.503	0.436	8.102
Operating Profit Margin	0.2164	0.244	-1.234
EBT	0.2126	0.239	-1.217
Net Profit Margin	0.1601	0.208	-1.814
Total Asset Turnover	2.180	1.880	1.771
Debt-To-Total Assets	0.742	0.675	1.357
Debt-To-Equity	2.995	4.277	-0.518
Equity Multiplier	3.995	5.277	-0.518

[a] Source: data, processed (2024)

To avoid exchange rate risk, the financial statements of UNVR (in Indonesian Rupiah) and UPFL (in Pakistani Rupees) are converted and expressed in billions of US dollars. The average total assets, liabilities, equity, net sales, gross profit, operating profit .015i, earnings before tax (EBT), and net income in Table 2 are measured in different exchange rates.

Table 2 shows a statistically significant difference in the average difference of total assets, liabilities, equity, net sales, gross profit, operating profit, profit before tax, and net income. The significance of the difference is indicated by the t-test, which is greater than the rule of thumb of two (2.0). The scale of UNVR's business is much larger than UPFL, so the difference is significant.

However, except for the gross profit margin ratio, the average performance of UNVR and UPFL is not statistically significant. The average gross profit margin of UNVR during 2016-2024 is 50.3% higher than UPFL, which is 43.6%, and the difference in the average of both cannot be ignored. Operating profit margin, Earnings Before Tax (EBT), and net profit margin, UPFL, during the nine years of observation are greater than UNVR. However, the difference in the average is not statistically significant, as indicated by the t-count, which is less than 2.0. UNVR's total asset turnover (2.18x in a year) is faster than UPFL's (1.88x), but the difference in this ratio is not statistically significant so that it can be ignored. Regarding leverage, UNVR uses more debt to finance its total assets than UPFL's debt-to-asset ratio. Therefore, UPFL's debt-to-equity ratio (4.277) is higher than UNVR's (2.995). Likewise, with the equity multiplier, which is the ratio of total assets to equity, UPFL (5.277) compared to UNVR (3.995). However, the difference in these leverage ratios can be ignored statistically.

Table III Time Trend of UNVR & UPFL Fundamentals, 2016-2024

Year	Appearance	
	UNVR	UPFL
Total Assets	-0.308**	0.008***
Liabilities	-0.041*	0.004***
Equity	-0.267*	0.005**
Net Sales	-0.702**	0.004**
Gross Profit	-0.478**	0.002*
Operating Profit	-0.477**	0.003***
Profit Before Tax	-0.470**	0.003***
Net Profit	-0.330**	0.004***
Gross Profit Margin	-0.004*	-0.003*
Operating Profit Margin	-0.012*	0.019***
EBT	-0.012*	0.019***
Net Profit Margin	-0.008*	0.026***
Total Asset Turnover	-0.001*	-0.153**
Debt-To-Total Assets	0.015**	-0.028*
Debt-To-Equity	0.232**	-1.215**
Equity Multiplier	0.232**	-1.215**

Note: * significant at 10%, ** significant at 5%, *** significant at 1%

[a] Source: data, processed (2024)

The time trend of the fundamental ratios of UNVR and UPFL in Table 3 is generated from $Y_i = a_i + \beta_i t + \varepsilon_i$, where Y_i is the balance sheet, profit, and loss, or financial ratio of interest, t is the time trend, and β_i is the regression coefficient of the time trend.

Table 3 shows that all financial indicators, both balance sheet, profit and loss, and financial ratios, show a statistically significant time trend in UNVR and UPFL, although at varying significance levels, namely at α = 10%, 5%, and 1%. UNVR experienced a significant negative trend in almost all indicators, from total assets to total asset turnover, showing a comprehensive decline in structure, income, and profitability. Meanwhile, UPFL showed a positive and significant trend in most indicators, from total assets to net profit margin, except for gross profit margin, which was negative. This indicates pressure on production cost efficiency or cost of goods sold control.

However, the last three indicators, namely debt to total assets, debt to equity, and equity multiplier, show opposite trends between the two. UNVR shows a positive trend, meaning that UNVR is experiencing an increasing debt trend, while UPFL shows a negative trend, meaning that UPFL is experiencing a decreasing debt trend. This indicates a significant difference in financing strategies between the two entities.

In addition, UPFL's total asset turnover (-0.153) experienced a significant trend decline compared to UNVR (-0.001). This indicates a decline in the utilization of assets to generate income at UPFL, which can indicate potential problems at UPFL.

The study results show a significant difference in stock return performance and fundamental indicators between Unilever Indonesia (UNVR) and Unilever Pakistan (UPFL) during 2016–2024. In general, UNVR showed a negative return trend for seven of the nine years of observation, especially during the COVID-19 pandemic (2020–2021) and after the issuance of MUI Fatwa No. 83 of 2023, calling for a boycott. In contrast, UPFL showed stable positive returns even during the global crisis. This finding confirms that social and geopolitical pressures have different impacts depending on each country's institutional characteristics and adaptive strategies.

In terms of financial fundamentals, the analysis shows that almost all of UNVR's leading indicators, such as total assets, net sales, gross profit, operating profit, and net profit, experienced a statistically significant downward trend. This indicates that the company failed to maintain internal performance during times of external pressure, namely the COVID-19 pandemic and boycott. In contrast, UPFL is stable and shows consistent fundamental growth, reflecting success in maintaining operational efficiency and effectiveness.

Resource-based view gives light to the significant differences in items such as total assets, liabilities, equity, net sales, gross profit, operating profit, profit before tax, net profit, and gross profit margin between UNVR and UPFL. Whereas the insignificant differences in operating profit margin, EBT, net profit margin, total asset turnover, debt-to-total assets, debt-to-equity, and equity multiplier can be seen under the light of institutional theory.

V. CONCLUSION

This study reveals a significant anomaly in stock performance and financial fundamentals between Unilever Indonesia (UNVR) and Unilever Pakistan (UPFL) from 2016–2024. Regarding stock returns, UNVR consistently shows a negative trend, especially during the COVID-19 pandemic and after the emergence of a boycott campaign due to geopolitical conflict. In contrast, UPFL recorded a more stable and positive return despite being under the same global pressure. This finding suggests that the geopolitical and social context in the country of operation plays a significant role in shaping investor perceptions and influencing market decisions.

Resource-based view gives light to the significant differences in items such as total assets, liabilities, equity, net sales, gross profit, operating profit, profit before tax, net profit, gross profit margin between UNVR and UPFL. While the insignificant differences in operating profit margin, EBT, net profit margin, total asset turnover, debt-to-total assets, debt-to-equity, equity multiplier can be seen under the light of institutional theory.

Although stakeholder theory is not included as the main theory in this study, it can be employed in explaining the unsuccessful effort of UNVR in serving the Islamic interest group.

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