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Impact of global boycotts on Israeli goods: Evidence from Islamic and non-Islamic countries using an event study approach

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ABSTRACT

The study examines the financial impact of consumer-led boycotts on the stock prices of companies affiliated with Israel in both Islamic and non-Islamic nations. Utilizing a rigorous event study methodology, this analysis considers a sample of four franchised companies from Muslim-majority countries (Malaysia and Indonesia) and three from non-Muslim countries (Japan and the USA), enabling a cross-cultural evaluation of market reactions to boycott events. The results indicate a modest adverse effect in Islamic countries, where minor declines in returns and price levels were observed during boycott periods. Non-Islamic countries, however, demonstrated a significantly positive abnormal return following boycott events, as evidenced by a consistent upward trend in Cumulative Average Abnormal Returns (CAAR). In Malaysia and Indonesia, the response was mixed, with both positive and negative impacts, suggesting inconclusive overall effects of boycotts on these economies. These findings imply that policymakers in Islamic nations may need to implement strategies to manage potential market volatility linked to boycott actions, while non-Islamic countries could develop policies to leverage observed market gains. The study further highlights the value of continued research into the effects of boycotts in Islamic markets, alongside the potential benefits of regional cooperation to promote more stable economic responses.

Contribution/ Originality: This study is original in offering a cross-cultural event study analysis of boycott impacts on Israeli-affiliated firms, uniquely comparing Islamic and non-Islamic countries, an approach not previously explored, while highlighting contrasting market reactions and their policy implications.

1. INTRODUCTION

In recent years, the power of consumer activism, including boycotts, has emerged as an influential force that can significantly affect companies' financial performance and brand image (Hoffmann & Hutter, 2012). Boycotts are a means for consumers to participate in economic protests when disputes involve political and social controversies. As awareness of global issues particularly those involving corporate or national interests—has increased, this trend has gained momentum. In this context, boycotts against Israeli products and companies have attracted significant attention, especially in response to the ongoing Israeli-Palestinian conflict. Such boycotts are often driven by political, social, or ethical considerations and have broad implications for market stability, investor sentiment, and corporate reputation (Klein, Smith, & John, 2004).

The impact of social and political events on stock prices has been widely studied in the finance literature, especially through the lens of event studies. Early work by Pruitt and Friedman (1986) laid the groundwork on examining the effect of social activism on share prices. They studied the impacts of announcements related to divestment and found that, by increasing public awareness with regards to the corporate social responsibility activities, it could generate substantial abnormal returns in the stock. Pruitt, Wei, and White (1988) extended this analysis to consider the impact of social pressure in the context of South African apartheid divestment, observing that boycotts motivated by political action tend to result in considerable share price volatility. These pioneering studies highlighted that external social and political factors could influence corporate performance and investor perception. However, the specific impact of consumer-led boycotts remains underexplored in certain areas, particularly regarding companies associated with Israeli products in diverse cultural and religious markets.

More recent studies have examined various types of consumer boycotts and their effects on stock market performance, highlighting the evolving role of social activism. For example, King (2011) discussed the economic consequences to targeted companies of boycotts organized by NGOs and found that targeted companies experience negative stock returns over the short run. Likewise, Abadie and Gardeazabal (2003) evaluated the impact of conflicts of a political nature on economic variables and demonstrated that violence and turmoil in sensitive areas create a link with shareholder wealth. This emerging literature illustrates how social activism influences both corporate reputation and investor behavior, with major implications for firms and society. However, the financial market effects of boycotts specifically related to the Israeli-Palestinian conflict, particularly across Islamic and non-Islamic countries, remain under-researched.

Within this context, examining the boycotts of Israeli products provides a unique lens to study the connection between political conflict, consumer activism, and market behavior. Notably, boycotts against Israeli-affiliated firms frequently elicit a significant degree of international backing and media attention, swaying consumers' choices and potentially affecting financial markets, as reported in some sources. However, research in this area remains limited, particularly regarding its impact on the stock performance of international brands in countries with divergent socio-political and cultural climates. This paper fills a crucial gap in the literature by studying the financial economics of Israeli boycotts in Islamic and non-Islamic markets. It seeks to enhance the understanding of how geopolitical tensions influence global financial systems, providing insights into the role of religious and cultural factors in shaping investor responses.

This study is especially relevant in today's globalized economy, where consumer activism and political tensions frequently overlap. Given the lasting influence of geopolitical factors on market behavior, examining the financial consequences of consumer-driven boycotts may prove more critical than ever to investors, policymakers, and multinational firms alike. The study aims to offer insights into risk management strategies and to highlight the importance of corporate social responsibility within financial markets.

The study examines the effect of these boycotts on the share prices of Israel-backed companies across Islamic and non-Islamic countries, using an event study methodology to provide a detailed analysis of financial repercussions arising from consumer-led political actions. The study sample consists of four types of franchiser companies, two from Muslim countries (Malaysia and Indonesia) and the remaining from non-Muslim countries (Japan and the USA), creating a cross-cultural approach to explore market responses. In the USA, this study examines how boycotts affect international franchises associated with Israeli products in varying cultural and political contexts. Following the methodology of Pruitt and Friedman (1986) daily closing adjusted stock prices and Composite Index data from Bursa Malaysia, Indonesia Stock Exchange, Nikkei Stock, and the New York Times Index are analyzed over a period of 90 days surrounding the event, post-effect with the date of event October 27, 2023.

By examining how boycotts influence share prices across different cultural and political contexts, this study contributes to the literature on event studies, corporate social responsibility, and international finance. The insights

drawn from its findings will contribute significantly to the understanding of the economic consequences of consumer boycotts in a globalized economy, showcasing the ways in which religious, cultural, and geopolitical dimensions influence investor reactions to social and societal actions. This finding is timely and relevant to stakeholders seeking greater insight into the wider impact of consumer activism in a global economy that increasingly interconnects multiple social arenas. It highlights the importance of considering cross-cultural dynamics in financial analysis, especially in politically sensitive situations that can influence both consumer sentiment and stock market performance.

The structure of this paper is organized as follows: In Section 2, we provide a detailed literature review. Section 3 presents the methodology of the study. Section 4 is devoted to the discussion of outcomes. Section 5 discusses the policy implications derived from the findings. Finally, Section 6 summarizes the key insights and reflections regarding their broader relevance.

2. LITERATURE REVIEW

The rise of consumer activism, characterized by increased consumer engagement in socio-political issues through economic actions such as boycotts, has become a significant area of study in recent years. Boycotts represent a mode of economic protest whereby customers employ their shopping power to express endorsement or dissatisfaction with the political, social, or ethical stands of business firms. The practice has grown due to greater awareness among customers of global issues, where consumer actions have had tremendous power to compel business firms to fulfill societal demands (John & Klein, 2017). Through such activism, consumers signal a shift toward ethical consumerism, impacting both brand image and corporate financial performance (Ahmad, Hidthiir, & Rahman, 2024; Vredenburg, Sprang, & Kemper, 2020; White, MacDonnell, & Ellard, 2012).

The influence of consumer activism has been especially noticeable in politically sensitive contexts like the Israeli-Palestinian conflict, where boycotts targeting Israeli products and companies have gained traction. These boycotts, driven by political and ethical reasons, are also meant to register dissatisfaction regarding injustices, especially issues of human rights linked to the dispute. Such activities have been observed by researchers to impact the company's reputation and financial health, particularly when associated with problematic issues (Ali & Alharbi, 2021). However, there remains a scarcity of research on the financial implications of these boycotts, particularly in a cross-cultural context that examines responses from consumers and investors across Islamic and non-Islamic countries (Mahmood & Bashir, 2022).

Historically, finance literature has employed event study methodologies to measure the impact of socio-political events on stock performance. For example, Pruitt and Friedman (1986) conducted early divestment announcement studies where corporate financial responses were compared. Their conclusion stated that corporate social responsibility actions have an effect on market sentiment. The same conclusion had been reported by Pruitt et al. (1988) but this time regarding South African apartheid where market sensitivities to divestment pressures were also indicated. Such studies highlight that consumer and investor activism related to social causes can impact corporate financial performance (Pruitt & Friedman, 1986; Pruitt et al., 1988).

King (2011) explored boycotts led by NGOs, identifying that these typically cause short-term declines in stock prices for the targeted firms. Similarly, Abadie and Gardeazabal (2003) have also explored how political disturbances, such as that of the Basque Country, can have impacts on economic conditions, pointing out how shareholder value is vulnerable to areas of tension. Their evidence confirms that political disturbances and social movements destabilize markets by destroying investor confidence (Abadie & Gardeazabal, 2003; King, 2011).

Despite the proliferation of research on consumer activism, there remains a critical gap in studies specifically addressing boycotts related to the Israeli-Palestinian conflict. Existing literature generally concerns overall consumer boycotts without differentiation by cultural or religious contexts that guide how individuals respond to boycotts, such as Islamic versus non-Islamic countries (Carter, 2020). It is noteworthy that findings have shown

that boycotting activities directed at Israel are most evident within Muslim-majority countries, where cultural and religious identification are central to informing consumer attitudes. This presents an underexplored area of research that warrants further investigation to understand how boycott motivations rooted in religious and political ideologies affect investor and consumer behavior across different regions (Carter & Werner, 2021; Hirschman, 2020).

The theoretical frameworks of Stakeholder Theory (Freeman, 2010) and Social Movement Theory (SMT) have provided valuable lenses for understanding the impact of consumer activism on corporate behavior. Stakeholder Theory suggests that companies need to consider diverse stakeholders' interests, including customers, while making decisions. When companies are not able to meet societal expectations, there is likely to yield financial and reputational costs, most likely through boycotting (Jones, Harrison, & Felps, 2018; Rahman, Ahmad, Mokal, Aziz, & Khotib, 2024). Whereas SMT regards boycotting as social collective action that aims to introduce social change. SMT suggests that organized activism, particularly around sensitive political issues, can influence corporate behavior through reputational damage and financial instability (King, 2011; Soule, 2012).

The rise of digital platforms has intensified the reach of consumer boycotts, transforming activism by enabling quicker mobilization and more extensive international support. Research by Klein, Smith, and John (2021) reveals that modern businesses face instant reputational impacts and share price movements through 'cancel culture' campaigns. The contribution of social media to supporting boycott movements, most prominently of products of Israeli origin, is also noteworthy, as it has accelerated global awareness and sympathy for causes worldwide (Mizrachi & Anson, 2023; Sen, Gürhan-Canli, & Morwitz, 2001).

Empirical studies consistently demonstrate that boycotts can lead to notable financial repercussions. Pruitt and Friedman (1986) early work utilized event study measures of abnormal returns around the announcement of boycotted firms, finding significant market responses to socio-political issues. The evidence is confirmed by King (2011) research on boycotted firms by NGOs, where targeted firms immediately face stock price falls due to anticipated loss of revenues and loss of reputation. The relationship between consumer activism and market response is further interpreted in Abadie and Gardeazabal (2003) study on political instability, which highlighted how investor confidence can be shaken in regions with political tensions.

Moreover, Carter and Werner (2021) studied the Israel-Palestine conflict and highlighted the importance of cultural and religious factors in shaping the impacts of boycotts, with findings indicating that companies affiliated with Israel experienced more pronounced financial effects in Islamic countries compared to non-Islamic regions. This cross-cultural boycotting demonstrates that political boycotts of products associated with global conflicts elicit greater consumer responses where there is cultural or religious affiliation on one side of the conflict (Hirschman, 2020).

In today's globalized economy, where geopolitical tensions frequently intersect with consumer activism, understanding the financial implications of politically motivated boycotts is increasingly important. Companies operating worldwide must face challenges related to financial and reputational risks generated by such movements, considering how CSR expectations of society are evolving Meyer and Thein (2020) observe that there is a necessity of effective CSR measures that can fight boycotting risks, enabling business houses to fulfill global norms of ethics.

The recent resurgence of support for the Palestinian cause, coupled with renewed boycott calls, accentuates the need for research on the economic impacts of these movements (Taylor & Zaltman, 2023). This study is part of the growing literature on consumer activism that examines how cross-cultural dynamics influence the financial outcomes of boycotts within politically contentious environments. The study aims to provide insights into how investor sentiment is affected by boycotts in diverse cultural and religious contexts through event study analysis, offering valuable implications for corporate, policymaking, and investor actors operating within complex global markets.

3. METHODOLOGY

3.1. Data and Sources

To analyze the effect of boycotting Israel-based products on the share prices of Israel-backed companies in Islamic and non-Islamic countries, the study's data set includes four franchiser companies from Muslim countries, specifically Malaysia and Indonesia, and three franchiser companies from non-Muslim countries such as Japan and the USA. From Malaysia, the study selected the share price of BERJAYA FOOD, representing KFC. Similarly, from Indonesia, the study selected FAST FOOD INDONESIA and PT MITRA ADIPERKASA, TBK (MAP) for KFC and Starbucks, respectively. Furthermore, to compare the effect of boycotting Israel-made products, the study chose KFC HOLDINGS JAPAN for KFC and, from the USA, YUM! BRANDS INC and STARBUCKS CORP (SBX) for KFC and Starbucks, respectively. Therefore, our total sample size of 6 companies is used as previous studies, for example, Pruitt and Friedman (1986) used a sample size of 21, and Pruitt, Wei, and White used 16. Following Pruitt and Friedman (1986) we used the Bursa Malaysia, Indonesia stock exchange Nikkei stock and New York Times Index for share price and Market index of above stated companies spreading 90 days pre- and post-effect with the date of event 27 October 2023.

To assess the impact of the boycott of products provided by Israel-based companies in the aforementioned countries, data on daily closing adjusted stock prices and the Composite Index were collected from the stock markets of each respective country. One challenge encountered in utilizing this data is the consistent appearance of prices, suggesting that none of the observations involved suspended periods or public holidays. To address this issue, the unit volume of each observation was recorded and cross-referenced with the adjusted stock prices during the designated event period, which in this study spanned ninety days surrounding the date of Israel's bombardment of Gaza. If the unit volume remained unchanged on a particular day, it indicated either a suspension of trading or the occurrence of a public holiday. In the case of a public holiday, that specific day was excluded from the event period.

3.2. Event Study Methodology

The event study method examines how the prices of securities respond to specific events or changes. This methodology relies on the idea that the efficient market hypothesis (EMH) and the rational expectations hypothesis (REH) suggest that asset prices accurately incorporate all relevant information available in the market at any given time. This implies that when new information becomes available, it is quickly and fully reflected in asset prices, resulting in efficient market movements. Therefore, by analyzing how security prices react to events, researchers can gain insights into market efficiency and investor behavior.

According to the market model, it is suggested that the anticipated return on any asset "i" within the market is directly linked to the current return on the market portfolio, and it is calculated accordingly.

$$R_{it} = \alpha_i + \beta_i R_{mt} + e_{it}$$

Where:

$R_{i,t}$ = Random return on asset i ; α and β are parameters; R_{mt} = the market portfolio, and e_{it} residuals. This equation underpins this study to measure the impact of unanticipated firm-specific events, such as, the impact of boycotts.

Previously, Pruitt and Friedman (1986) used boycotts or threats of boycott to assess the returns. If the market believes that the boycott action will impair the firm's ability to conduct business as usual, then there will be significant negative abnormal returns (AR) (AR or CAR <0). In other words, $E(e_{it}) \neq 0$. On the other hand, if AR or CAR (cumulative abnormal returns) will not be significantly different from zero, this implies that the impact of boycott or boycott threats is negligible.

3.3. Estimation of Abnormal Returns

In this study, the abnormal returns model is employed to estimate market-adjusted return (MAR). This approach operates under the assumption that there exists a model representing equilibrium expected returns, where the alpha value is zero and the average systematic risk is one. The MAR methodology works by accounting for the daily abnormal returns (AR) through a comparison between the daily stock returns and the market returns. This difference between the two returns is termed as unexpected or abnormal returns, calculated as follows:

$$AR_{it} = R_{it} - R_{mi}$$

Where:

AR_{it} = Abnormal returns for stock i on event day t.

$R_{it} = (P_{it} - P_{it-1})/P_{it-1}$ =The fractional change of stock i's adjusted price (Pi) on event day t. This is also known as discrete return by Strong (1992).

$R_{mi} = (Ki - K_{t-1})/K_{t-1}$ = The fractional change of the market index (K) on event day t or the market's return on event day t.

Days leading up to the boycott are shown as pre-event days, counted as -1, -2, -3 ..., until 60 trading days prior, with the day of the bombardment marked as event day 0. Following the boycott, days are shown as post-event days, counted as +1, +2, +3 ..., up to 60. If a stock is suspended on a specific event day, its abnormal returns for that day are considered zero. This implies that the daily return for an individual stock is regarded as the average daily return. To test the null hypothesis that the daily average abnormal returns on event day t are equal to zero, a t-statistic is calculated. This test determines whether the individual stock returns are statistically different from zero, given their distribution around the average (Dawson, 1981). This is the same as testing whether there is a significant change in stock prices due to dividend announcements. In addition to abnormal returns (AR), the precise timing of information release involves uncertainties, thus requiring a test of cumulative abnormal returns (CAR) over a specified event period. The null hypothesis, which considers that the CAR remains at zero across a period of T window days (focusing days), is examined using a calculated t-statistic. This test is applicable for assessing whether there has been any market response to a boycott. Lastly, the cross-sectional abnormal returns are summed to yield the cumulative abnormal returns (CAR) for event day t as.

$$CAR_{1i} = \sum_{k=t-T}^{t} AR$$

T = Sum of the number of event days before and after the event day t=0.

4. ANALYSIS OF RESULTS

The daily abnormal returns (ARs) and a t-test to determine whether the stock returns associated with boycott are statistically different from zero, and the cumulative average abnormal returns from date of event (CAARs) are reported in Table 1 for global, Table 2 for Malaysia and Indonesia and Table 3 for USA and Japan with respective numbered Figure 1, Figure 2 and Figure 3 during pre and post 60 days from the boycott date, October 27, 2023.

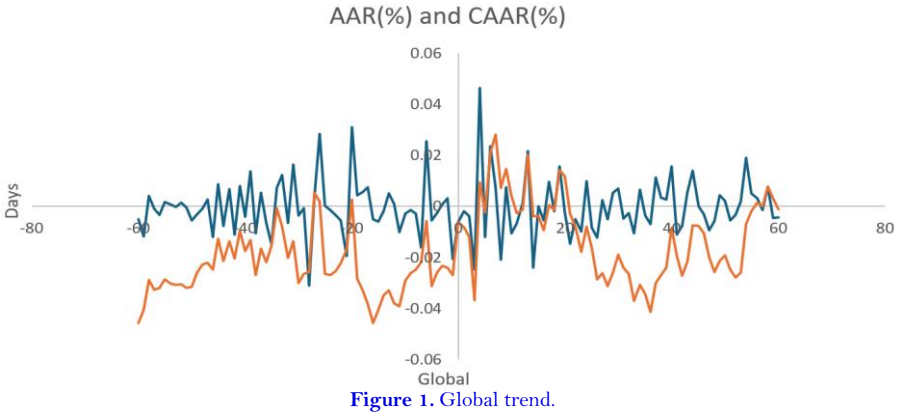

Figure 1. Global trend.

As observed in the global trend in Figure 1, there is a mixture of positive and negative trends in abnormal returns, with no clear pattern emerging. On day t=0, the AAR shows a negative figure of -0.621% with a t-value of 0.525, whereas the CAAR is -0.627%. Thereafter, a negative trend in abnormal stock returns can be observed. By day t=+3, the AAR decreases by -2.5% with a significant t-value of -2.097, and the CAAR shows a loss of -3.7% with a t-value of -1.802. However, after one day, at t=4, the AAR becomes positive at 4.6% with a t-value of 3.924, and the CAAR shows a gain of about 1.18% with a t-value of 0.402. Similarly, at t=6, the AAR is positive by 2.4% with a t-value of 1.988, as well as a 2.1% rise in CAAR with a t-value of 0.726. However, at t=14, the AAR becomes negative by 2.4% significantly, and the CAAR shows a loss of about 0.4% with a t-value of 0.088. Throughout the 121-day event period, there is a significant change in stock prices due to boycott events. These days occurred at post-event, t=+3, +4, +6 and, 14 and pre-event, -6, -20, -26, and -28 (refer to Table 1 with their t-values). Nonetheless, when a test of the CAAR on a specified event period is executed, the results show that the CAAR for days t=-30 to +30 is the only period found to be significant where boycott event are associated with a negative cumulative average abnormal return of -.4 % % and a t-value of-7.183 (refer to Table 4). This result suggests that within these days, there have been some market reactions to boycott events. A t-test over a few intervals is executed at days, t=-2 to +2, t=-5 to +5, t=-10 to +10, t=-15 to +15, -30 to+ 30, t=-45 to + 45 and t=-60 to +60 all exhibit a CAAR of -2.985 %, -2.213%, -1.870%, -3.843%, 4.299 %, -1.418%, --4.156 %. respectively with t-value 1.784 (significant at 10%), -0.836 (insignificant), -0.499 (insignificant), -0.838 (insignificant), -7.183 (significant), -0.178 (insignificant) and -0.453 (insignificant). However, with most of insignificant value, this result suggests that boycott is associated with negative abnormal returns. It is further supported by the results reported on cumulative average abnormal returns (CAAR) and the t-test in Table 1. On average, there is a significant reduction in AAR near the day of events of boycott.

Table 1. Average abnormal return and cumulative average abnormal Return (Global).

PRE	AAR	t-stat AAR	CAAR	t stat CAAR	POST	AAR	t-stat AAR	CAAR	t stat CAAR
-60	-0.005	-0.425	-0.046	-0.498	1	-0.002	-0.170	-0.008	-0.695
-59	-0.012	-1.003	-0.041	-0.447	2	-0.004	-0.328	-0.012	-0.724
-58	0.004	0.338	-0.029	-0.319	3	-0.025	-2.097	-0.037	-1.802
-57	-0.001	-0.075	-0.033	-0.367	4	0.046	3.924	0.010	0.402
-56	-0.003	-0.282	-0.032	-0.360	5	-0.012	-1.012	-0.002	-0.093
-55	0.002	0.140	-0.029	-0.325	6	0.024	1.988	0.021	0.726
-54	0.001	0.054	-0.030	-0.347	7	0.007	0.609	0.028	0.903
-53	0.000	-0.020	-0.031	-0.358	8	-0.021	-1.777	0.007	0.216
-52	0.001	0.114	-0.031	-0.359	9	0.007	0.632	0.015	0.415
-51	0.000	-0.034	-0.032	-0.378	10	-0.011	-0.895	0.004	0.110
-50	-0.006	-0.471	-0.032	-0.377	11	-0.007	-0.575	-0.003	-0.068
-49	-0.003	-0.258	-0.026	-0.314	12	0.001	0.097	-0.002	-0.037
-48	-0.001	-0.076	-0.023	-0.280	13	0.022	1.835	0.020	0.473
-47	0.003	0.228	-0.022	-0.272	14	-0.024	-2.035	-0.004	-0.088
-46	-0.012	-1.009	-0.025	-0.308	15	0.000	-0.003	-0.004	-0.086
-45	0.009	0.728	-0.013	-0.161	16	-0.005	-0.458	-0.009	-0.198
-44	-0.008	-0.650	-0.021	-0.273	17	0.010	0.824	0.000	0.008
-43	0.007	0.578	-0.014	-0.177	18	-0.002	-0.159	-0.001	-0.030
-42	-0.011	-0.927	-0.021	-0.268	19	0.016	1.331	0.014	0.276
-41	0.008	0.664	-0.010	-0.127	20	-0.002	-0.206	0.012	0.223
-40	-0.004	-0.352	-0.017	-0.233	21	-0.015	-1.244	-0.003	-0.054
-39	0.014	1.155	-0.013	-0.180	22	-0.005	-0.423	-0.008	-0.143
-38	-0.010	-0.885	-0.027	-0.370	23	-0.010	-0.839	-0.018	-0.314
-37	0.005	0.457	-0.016	-0.229	24	0.010	0.841	-0.008	-0.136
-36	-0.006	-0.540	-0.022	-0.308	25	-0.009	-0.721	-0.016	-0.277
-35	-0.015	-1.251	-0.015	-0.221	26	-0.012	-1.040	-0.029	-0.476
-34	0.007	0.621	-0.001	-0.010	27	0.002	0.202	-0.026	-0.428
-33	0.012	1.036	-0.008	-0.118	28	-0.005	-0.425	-0.031	-0.501
-32	-0.006	-0.547	-0.020	-0.303	29	0.005	0.445	-0.026	-0.410

PRE	AAR	t-stat AAR	CAAR	t stat CAAR	POST	AAR	t-stat AAR	CAAR	t stat CAAR
-31	0.016	1.380	-0.014	-0.210	30	0.007	0.595	-0.019	-0.294
-30	-0.004	-0.305	-0.030	-0.465	31	-0.005	-0.413	-0.024	-0.364
-29	-0.001	-0.059	-0.027	-0.417	32	-0.003	-0.222	-0.027	-0.397
-28	-0.031	-2.635	-0.026	-0.413	33	-0.011	-0.895	-0.037	-0.547
-27	0.003	0.284	0.005	0.087	34	0.006	0.544	-0.031	-0.445
-26	0.029	2.413	0.002	0.033	35	-0.004	-0.312	-0.034	-0.492
-25	0.000	0.029	-0.027	-0.449	36	-0.007	-0.595	-0.041	-0.584
-24	-0.001	-0.110	-0.027	-0.464	37	0.011	0.953	-0.030	-0.419
-23	-0.003	-0.276	-0.026	-0.451	38	0.003	0.279	-0.027	-0.368
-22	-0.006	-0.475	-0.022	-0.403	39	0.003	0.235	-0.024	-0.326
-21	-0.019	-1.647	-0.017	-0.309	40	0.016	1.321	-0.008	-0.113
-20	0.031	2.628	0.003	0.052	41	-0.011	-0.928	-0.019	-0.257
-19	0.004	0.365	-0.028	-0.549	42	-0.008	-0.650	-0.027	-0.354
-18	0.006	0.479	-0.033	-0.651	43	0.006	0.469	-0.022	-0.278
-17	0.007	0.627	-0.038	-0.786	44	0.014	1.189	-0.008	-0.096
-16	-0.005	-0.424	-0.046	-0.966	45	0.000	-0.008	-0.008	-0.096
-15	-0.006	-0.501	-0.041	-0.889	46	-0.003	-0.255	-0.011	-0.132
-14	-0.002	-0.161	-0.035	-0.786	47	-0.009	-0.790	-0.020	-0.246
-13	0.005	0.437	-0.033	-0.771	48	-0.006	-0.493	-0.026	-0.315
-12	0.001	0.092	-0.038	-0.928	49	0.004	0.369	-0.021	-0.259
-11	-0.010	-0.853	-0.039	-0.997	50	0.002	0.195	-0.019	-0.229
-10	-0.003	-0.239	-0.029	-0.776	51	-0.006	-0.472	-0.025	-0.292
-9	-0.001	-0.112	-0.026	-0.739	52	-0.003	-0.279	-0.028	-0.328
-8	-0.003	-0.244	-0.025	-0.744	53	0.002	0.161	-0.026	-0.303
-7	-0.016	-1.367	-0.022	-0.703	54	0.019	1.616	-0.007	-0.080
-6	0.026	2.162	-0.006	-0.201	55	0.005	0.438	-0.002	-0.021
-5	-0.006	-0.467	-0.031	-1.187	56	0.003	0.273	0.001	0.016
-4	-0.003	-0.215	-0.026	-1.094	57	-0.001	-0.114	0.000	0.001
-3	0.001	0.054	-0.023	-1.139	58	0.008	0.650	0.008	0.086
-2	0.003	0.258	-0.024	-1.433	59	-0.005	-0.384	0.003	0.035
-1	-0.021	-1.758	-0.027	-2.283	60	-0.004	-0.370	-0.001	-0.013

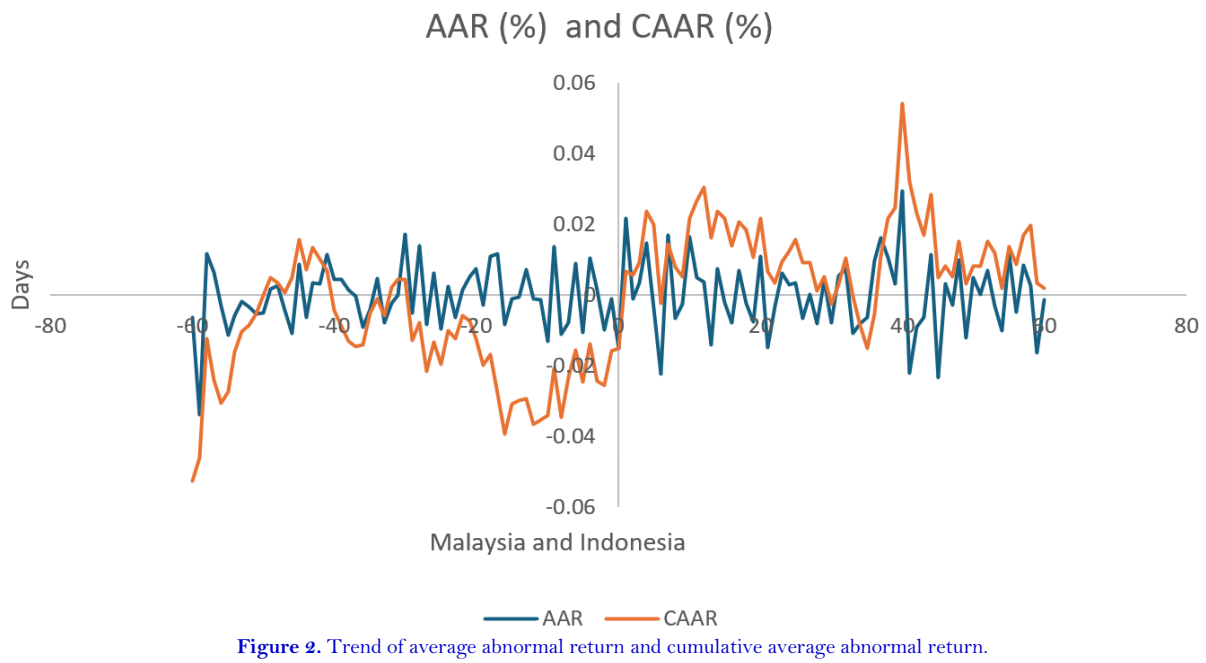

Figure 2. Trend of average abnormal return and cumulative average abnormal return.

Figure 2 depicts the trend of average abnormal return and cumulative average abnormal return in Malaysian and Indonesian-Israeli-based product-selling companies. There is a fluctuation in positive and negative trends of abnormal returns, with no clear pattern observed. On day t=0, the AAR shows a negative figure of -1.50% with a t-

value of -1.21, whereas the CAAR is -1.50%. Thereafter, a negative trend of abnormal stock returns could be observed. By day t= +4 the AAR increases by 5.50 % with significant t-value of 3.191, CAAR shows a gain of 0.008 % with t-value -0.233, however after one day when t=5, AAR declines by 3.41 % with -1.976 and CAAR shows a loss of about -2.60% with t-value -0.674. Throughout the 121-day event period, there is a significant change in stock prices due to boycott events. These days occurred at post-event, t= +4, +5, +12, 13, and 14 and pre-event, -6, -7, -20, -21and -28 (refer to Table 1 with their t-values). Furthermore, when a test of the CAAR on a specified event period is executed, the results show that the CAAR for pre-event days t= -1, -2, and post event day 2 and 3 is the periods found to be significant where boycott event are associated with a negative cumulative average abnormal return (refer to Table 4). This result suggests that within these days, there have been some market reactions to boycott events. Furthermore, a t-test over a few intervals is executed at days, t=-2 to +2, t=-5 to +5, t=-10 to +10, t=-15 to +15, -30 to+ 30, t=-45 to + 45 and t=-60 to +60 all exhibit a CAAR of -4.437%, -5.432 %, -13.583%, -17.924%, 24.625%, -5.165 %, -13.085 %. respectively with t-value -2.53 (significant), -1.96148 (significant), -0.86998 (insignificant), -0.64531 (insignificant), -3.63009 (significant), -0.62164 (insignificant) and -1.36395 (insignificant). However, with most of insignificant values, this result suggests that boycott is associated with negative abnormal returns. It is further supported by the results reported on cumulative average abnormal returns (CAAR) and the t-test in Table 2. On average, there is a significant reduction in AAR near the day of events of boycott.

Table 2. Average abnormal return and cumulative average abnormal return (Malaysia & Indonesia).

Pre	AAR	t-stats AAR	CAAR	t stat CAAR	Post	AAR	t-stats AAR	CAAR	t stat CAAR
-60	-0.010	-0.583	-0.160	-1.205	1	0.004	0.247	-0.015	-0.896
-59	-0.024	-1.418	-0.150	-1.139	2	-0.013	-0.736	-0.028	-1.154
-58	0.005	0.332	-0.126	-0.962	3	-0.019	-1.093	-0.047	-1.573
-57	0.005	0.335	-0.132	-1.015	4	0.055	3.191	0.008	0.234
-56	-0.002	-0.140	-0.137	-1.068	5	-0.034	-1.976	-0.026	-0.675
-55	-0.009	-0.550	-0.135	-1.059	6	0.016	0.954	-0.010	-0.226
-54	-0.005	-0.329	-0.125	-0.994	7	0.013	0.776	0.004	0.084
-53	-0.003	-0.225	-0.120	-0.958	8	-0.026	-1.480	-0.022	-0.445
-52	-0.002	-0.156	-0.116	-0.936	9	0.013	0.723	-0.009	-0.179
-51	-0.006	-0.384	-0.113	-0.923	10	-0.012	-0.693	-0.021	-0.389
-50	-0.002	-0.139	-0.107	-0.878	11	-0.012	-0.668	-0.033	-0.572
-49	-0.006	-0.351	-0.104	-0.867	12	0.003	0.184	-0.030	-0.495
-48	-0.001	-0.086	-0.098	-0.825	13	0.032	1.874	0.003	0.044
-47	-0.001	-0.106	-0.097	-0.821	14	-0.047	-2.718	-0.044	-0.684
-46	-0.010	-0.581	-0.095	-0.814	15	0.003	0.147	-0.042	-0.623
-45	0.011	0.680	-0.085	-0.737	16	-0.008	-0.457	-0.050	-0.717
-44	-0.013	-0.762	-0.096	-0.847	17	0.018	1.022	-0.032	-0.448
-43	0.001	0.107	-0.083	-0.741	18	-0.004	-0.203	-0.035	-0.483
-42	-0.014	-0.865	-0.085	-0.766	19	0.020	1.167	-0.015	-0.203
-41	0.007	0.415	-0.070	-0.640	20	0.003	0.168	-0.012	-0.160
-40	-0.000	-0.042	-0.077	-0.714	21	-0.013	-0.732	-0.025	-0.316
-39	0.022	1.324	-0.077	-0.716	22	-0.005	-0.269	-0.030	-0.366
-38	-0.016	-0.967	-0.099	-0.941	23	-0.004	-0.233	-0.034	-0.406
-37	0.004	0.268	-0.083	-0.794	24	0.013	0.747	-0.021	-0.246
-36	-0.017	-1.012	-0.087	-0.850	25	-0.003	-0.157	-0.023	-0.272
-35	-0.018	-1.091	-0.070	-0.691	26	-0.019	-1.090	-0.042	-0.480
-34	0.014	0.864	-0.051	-0.514	27	0.000	-0.026	-0.043	-0.476
-33	0.010	0.629	-0.066	-0.672	28	-0.009	-0.501	-0.051	-0.562
-32	-0.014	-0.847	-0.077	-0.794	29	0.004	0.257	-0.047	-0.505
-31	0.017	1.012	-0.062	-0.654	30	0.000	0.000	-0.047	-0.497
-30	0.004	0.283	-0.080	-0.850	31	-0.005	-0.264	-0.051	-0.536
-29	-0.001	-0.069	-0.085	-0.917	32	0.004	0.240	-0.047	-0.485
-28	-0.038	-2.223	-0.083	-0.920	33	-0.011	-0.652	-0.059	-0.591
-27	0.000	0.001	-0.045	-0.509	34	-0.002	-0.104	-0.060	-0.600
-26	0.043	2.501	-0.045	-0.519	35	-0.005	-0.305	-0.066	-0.643
-25	-0.011	-0.662	-0.088	-1.030	36	0.002	0.126	-0.063	-0.613
-24	0.005	0.294	-0.077	-0.916	37	0.016	0.919	-0.048	-0.453
-23	-0.010	-0.611	-0.082	-0.997	38	0.010	0.565	-0.038	-0.356

Pre	AAR	t-stats AAR	CAAR	t stat CAAR	Post	AAR	t-stats AAR	CAAR	t stat CAAR
-22	-0.005	-0.288	-0.071	-0.889	39	0.004	0.239	-0.034	-0.313
-21	-0.036	-2.107	-0.066	-0.847	40	0.032	1.847	-0.002	-0.017
-20	0.044	2.569	-0.030	-0.397	41	-0.026	-1.481	-0.027	-0.248
-19	-0.001	-0.066	-0.074	-0.996	42	-0.005	-0.301	-0.033	-0.291
-18	0.005	0.337	-0.073	-1.008	43	-0.003	-0.167	-0.035	-0.314
-17	0.010	0.585	-0.079	-1.119	44	0.031	1.801	-0.004	-0.038
-16	-0.008	-0.486	-0.089	-1.300	45	-0.020	-1.129	-0.024	-0.206
-15	0.000	0.032	-0.081	-1.217	46	0.001	0.056	-0.023	-0.196
-14	-0.009	-0.553	-0.081	-1.268	47	-0.014	-0.834	-0.037	-0.315
-13	0.011	0.655	-0.072	-1.163	48	-0.003	-0.199	-0.041	-0.341
-12	-0.000	-0.009	-0.083	-1.399	49	-0.001	-0.081	-0.042	-0.349
-11	-0.007	-0.455	-0.083	-1.459	50	0.004	0.213	-0.038	-0.315
-10	-0.009	-0.526	-0.075	-1.386	51	-0.004	-0.220	-0.042	-0.343
-9	0.006	0.399	-0.066	-1.285	52	-0.002	-0.131	-0.044	-0.358
-8	-0.005	-0.326	-0.073	-1.505	53	-0.005	-0.286	-0.049	-0.393
-7	-0.043	-2.507	-0.067	-1.485	54	0.014	0.834	-0.035	-0.276
-6	0.034	2.000	-0.024	-0.581	55	-0.002	-0.130	-0.037	-0.291
-5	-0.009	-0.571	-0.059	-1.531	56	0.001	0.036	-0.037	-0.284
-4	0.000	0.038	-0.049	-1.426	57	0.008	0.477	-0.028	-0.218
-3	0.003	0.181	-0.049	-1.669	58	0.002	0.113	-0.026	-0.202
-2	-0.014	-0.846	-0.052	-2.172	59	-0.005	-0.281	-0.031	-0.236
-1	-0.018	-1.083	-0.038	-2.226	60	-0.007	-0.403	-0.038	-0.286

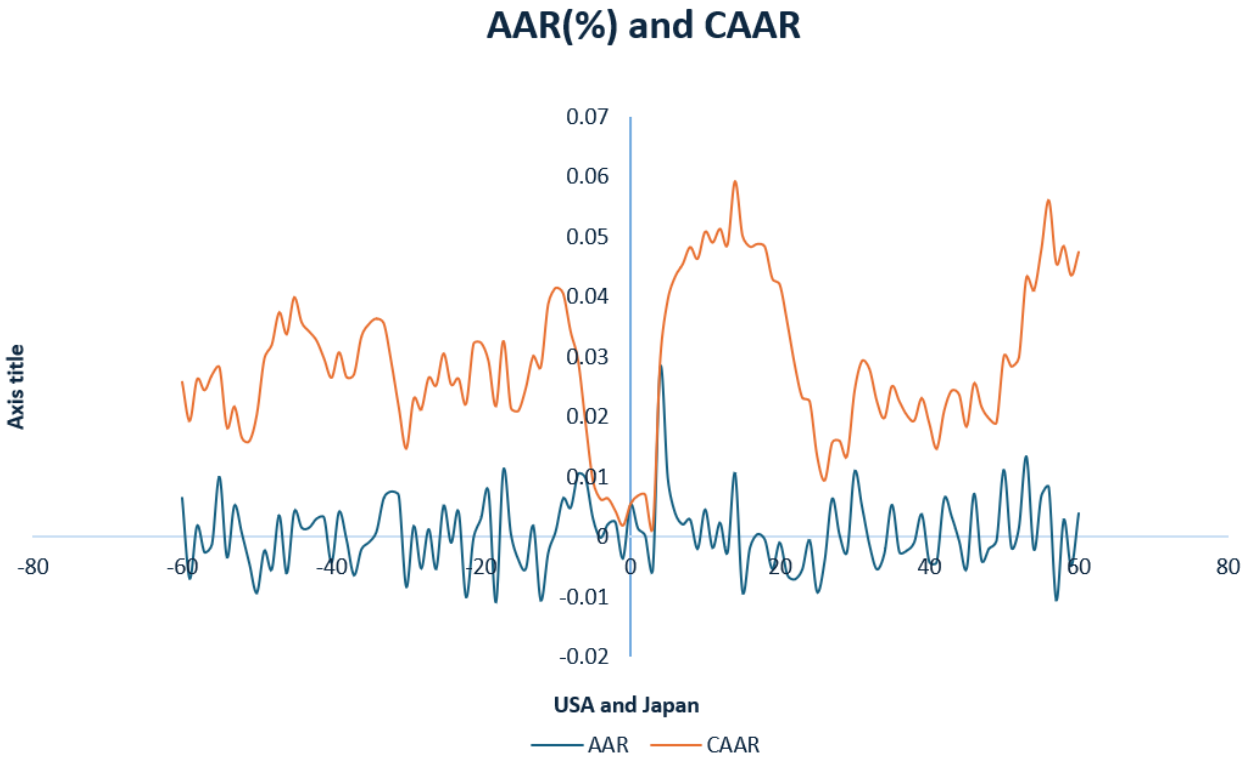

Figure 3. Trend of average abnormal return and cumulative average abnormal return.

Figure 3 depicts the trend of average abnormal return and cumulative average abnormal return in Japanese and U.S. companies for selling Israel-based products. There is fluctuation in positive and negative trends of abnormal returns, and no specific pattern can be observed. On the day t=0, the AAR shows a positive figure of 0.53 % with a t-value of 0.820, whereas the CAAR -0.53 %. Thereafter, a positive trend of abnormal stock returns is likely to be observed. By day t= +4 the AAR increases by 2.82% with a significant t-value 4.358. Moreover, after t=4, AAR continuously remains positive, CAAR shows an extended gain up to 10 days after events with significant t-values. Before event t=0 AAR fluctuate around 0 with increasing and decreasing trend but CAAR consistently dips down

for 10 days before the event, however, remain positive throughout the duration Furthermore, during post event sharp positive spike is observed in AAR as well as in CAAR indicating that company's profit is unaffected with the boycott events and generating abnormal profit. Throughout the 121-day event period, post-event, t= +4 is a significant change in stock prices. (refer to Table 3 with their t-values). Furthermore, when a test of the CAAR on a specified event period is executed, the results show that the CAAR for pre-event days t= -7,-8,-9,-10, and -11,, and post event day +4 to +17 and 3 is the periods found to be significant where boycott event are associated with a positive cumulative average abnormal return (refer to Table 4). This result suggests that within these days, there have been some market reactions to boycott events. Furthermore, a t-test over a few intervals is executed at days, t=-2 to +2, t=-5 to +5, t=-10 to +10, t=-15 to +15, -30 to+ 30, t=-45 to + 45 and t=-60 to +60 all exhibit a CAAR of 2.478%, 1.168%, 5.149%, 9.157%, 17.308%, 20.533%, 30.455%. respectively with t-value 2.711 (significant), 5.719 (significant) 2.519 (significant),3.658 (significant), 4.890 (significant), 5.845 (significant) and 6.903 (significant). However, with the most significant values during event windows, this result suggests that boycott is associated with positive abnormal returns. It is further supported by the results reported on cumulative average abnormal returns (CAAR) and the t-test in Table 3. On average, there is a significant rise in CAAR near the day of events of boycott. Table 4 presents the Cumulative average abnormal return.

Table 3. Average abnormal return and cumulative average abnormal return (Japan and USA).

PRE	AAR	t-test (AAR)	CAAR	t-stats (CAAR)	POST	AAR	t-test (AAR)	CAAR	t-stats (CAAR)
-60	0.007	1.002	0.026	0.514	1	0.001	0.222	0.007	1.042
-59	-0.007	-1.067	0.019	0.388	2	0.000	0.016	0.007	0.748
-58	0.002	0.281	0.026	0.531	3	-0.005	-0.832	0.002	0.130
-57	-0.003	-0.398	0.024	0.499	4	0.028	4.358	0.030	2.292
-56	-0.001	-0.188	0.027	0.556	5	0.010	1.516	0.039	2.728
-55	0.010	1.538	0.028	0.587	6	0.004	0.602	0.043	2.736
-54	-0.003	-0.523	0.018	0.383	7	0.002	0.318	0.045	2.654
-53	0.005	0.802	0.022	0.458	8	0.003	0.441	0.048	2.638
-52	0.001	0.084	0.016	0.351	9	-0.002	-0.302	0.046	2.387
-51	-0.005	-0.689	0.016	0.343	10	0.005	0.699	0.051	2.485
-50	-0.009	-1.437	0.020	0.444	11	-0.002	-0.280	0.049	2.285
-49	-0.002	-0.362	0.030	0.654	12	0.002	0.354	0.051	2.290
-48	-0.005	-0.835	0.032	0.713	13	-0.003	-0.404	0.049	2.088
-47	0.004	0.548	0.037	0.842	14	0.011	1.630	0.059	2.448
-46	-0.006	-0.933	0.034	0.770	15	-0.009	-1.403	0.050	2.002
-45	0.004	0.641	0.040	0.918	16	-0.002	-0.282	0.048	1.868
-44	0.002	0.236	0.036	0.832	17	0.000	0.069	0.049	1.829
-43	0.002	0.235	0.034	0.805	18	-0.001	-0.074	0.048	1.760
-42	0.003	0.466	0.033	0.779	19	-0.005	-0.823	0.043	1.525
-41	0.003	0.490	0.030	0.715	20	-0.001	-0.158	0.042	1.451
-40	-0.004	-0.654	0.026	0.647	21	-0.006	-0.979	0.036	1.202
-39	0.004	0.639	0.031	0.760	22	-0.007	-1.094	0.029	0.941
-38	0.000	-0.067	0.027	0.666	23	-0.005	-0.842	0.023	0.745
-37	-0.006	-0.982	0.027	0.686	24	-0.001	-0.100	0.022	0.709
-36	-0.002	-0.320	0.033	0.859	25	-0.009	-1.419	0.013	0.411
-35	-0.001	-0.141	0.035	0.925	26	-0.004	-0.617	0.009	0.282
-34	0.001	0.125	0.036	0.963	27	0.006	0.978	0.016	0.465
-33	0.007	1.003	0.036	0.956	28	0.000	0.044	0.016	0.465
-32	0.008	1.166	0.029	0.793	29	-0.003	-0.381	0.013	0.386
-31	0.007	1.055	0.022	0.597	30	0.011	1.668	0.024	0.684
-30	-0.008	-1.285	0.015	0.414	31	0.005	0.776	0.029	0.812
-29	0.002	0.274	0.023	0.659	32	-0.001	-0.209	0.028	0.762
-28	-0.005	-0.811	0.021	0.619	33	-0.005	-0.838	0.022	0.605
-27	0.001	0.196	0.026	0.787	34	-0.003	-0.425	0.020	0.523
-26	-0.005	-0.819	0.025	0.763	35	0.005	0.821	0.025	0.654
-25	0.005	0.797	0.030	0.942	36	-0.003	-0.393	0.023	0.580
-24	-0.001	-0.151	0.025	0.799	37	-0.002	-0.354	0.020	0.514

PRE	AAR	t-test (AAR)	CAAR	t-stats (CAAR)	POST	AAR	t-test (AAR)	CAAR	t-stats (CAAR)
-23	0.004	0.649	0.026	0.848	38	-0.001	-0.139	0.019	0.484
-22	-0.010	-1.544	0.022	0.728	39	0.004	0.571	0.023	0.569
-21	0.000	-0.033	0.032	1.083	40	-0.004	-0.644	0.019	0.461
-20	0.003	0.470	0.032	1.117	41	-0.004	-0.648	0.015	0.354
-19	0.008	1.162	0.029	1.038	42	0.006	0.976	0.021	0.500
-18	-0.011	-1.677	0.022	0.792	43	0.003	0.519	0.024	0.573
-17	0.011	1.722	0.033	1.222	44	-0.001	-0.105	0.024	0.551
-16	0.001	0.084	0.021	0.829	45	-0.005	-0.820	0.018	0.423
-15	-0.004	-0.587	0.021	0.835	46	0.007	1.107	0.026	0.581
-14	-0.005	-0.822	0.025	1.021	47	-0.004	-0.607	0.022	0.486
-13	0.002	0.276	0.030	1.288	48	-0.002	-0.298	0.020	0.438
-12	-0.011	-1.628	0.028	1.260	49	-0.001	-0.102	0.019	0.419
-11	-0.003	-0.415	0.039	1.807	50	0.011	1.716	0.030	0.658
-10	0.001	0.144	0.041	2.027	51	-0.002	-0.275	0.028	0.613
-9	0.006	0.984	0.041	2.088	52	0.002	0.234	0.030	0.639
-8	0.005	0.750	0.034	1.867	53	0.013	2.062	0.043	0.916
-7	0.010	1.612	0.029	1.712	54	-0.002	-0.327	0.041	0.863
-6	0.010	1.504	0.019	1.191	55	0.007	1.052	0.048	0.997
-5	0.003	0.463	0.009	0.632	56	0.008	1.270	0.056	1.158
-4	0.000	-0.022	0.006	0.476	57	-0.011	-1.622	0.046	0.933
-3	0.002	0.329	0.006	0.562	58	0.003	0.436	0.048	0.982
-2	0.002	0.372	0.004	0.455	59	-0.005	-0.751	0.044	0.876
-1	0.007	1.002	0.026	0.272	60	0.004	0.606	0.047	0.947

Table 4. Cumulative average abnormal return.

Interval	(MLY & INDO)		(JPN & USA)		(COMBINED)	
	CAAR	t-stats	CAAR	t-stats	CAAR	t-stats
Days t =-60 to +60	-0.131	-1.364	0.346	6.903	-0.042	-0.454
Days t =-45 to +45	-0.052	-0.622	0.253	5.845	-0.014	-0.179
Days t =-30 to +30	-0.246	-3.630	0.173	4.890	-0.043	-7.184
Days t =-15 to +15	-0.179	-0.645	0.092	3.659	-0.038	-0.839
Days t = -10 to +10	-0.136	-0.870	0.051	2.520	-0.019	-0.500
Days t =-5 to +5	-0.054	-1.961	0.012	5.720	-0.022	-0.837
Days t =-2 to +2	-0.044	-2.533	0.025	2.712	-0.030	-1.785
Days t =-60 to 0	-0.053	-0.548	0.026	0.514	-0.046	-0.498
Days t =-45 to 0	0.016	0.189	0.040	0.918	-0.013	-0.161
Days t =-30 to 0	0.005	0.066	0.015	0.414	-0.030	-0.465
Days t =-15 to 0	-0.031	-0.645	0.021	0.835	-0.041	-0.889
Days t =-10 to 0	-0.013	-0.870	0.041	2.027	-0.029	-0.776
Days t =-5 to 0	-0.011	-0.885	0.009	0.632	-0.031	-1.187
Days t =-2 to 0	-0.010	-1.467	0.004	0.455	-0.024	-1.433
Days t = 0 to +2	0.006	0.006	0.007	0.748	-0.012	-0.724
Days t = 0 to +5	-0.002	-0.080	0.039	2.728	-0.002	-0.093
Days t = 0 to +10	0.022	0.554	0.051	2.485	0.004	0.110
Days t = 0 to +15	0.022	0.454	0.050	2.002	-0.004	-0.086
Days t = 0 to +30	-0.002	-0.036	0.024	0.684	-0.019	-0.294
Days t = 0 to +45	0.005	0.060	0.018	0.422	-0.008	-0.096
Days t = 0 to +60	0.002	0.020	0.047	0.947	-0.001	-0.013

5. POLICY IMPLICATIONS

The findings from this study highlight several important policy implications for both Islamic and non-Islamic nations regarding the economic impacts of boycotts on Israeli products. The marginally negative returns and price effects experienced by Islamic countries such as Malaysia and Indonesia reflect that there is only a moderate market response to boycotting activities. Policymakers here must remain aware that boycotting activities can introduce temporary volatility but of limited scope. Intervening through measures of monitoring and stabilizing markets while boycotting activities are taking place can suppress possible disruptions to economies, especially where boycotting activities are intense or frequent. Furthermore, the positive abnormal returns in non-Islamic countries such as the US and Japan suggest that these markets might view boycott events as opportunities rather than

setbacks, possibly due to perceived competitive advantages or market reallocation. Policymakers in non-Islamic economies can utilize clear explanations of boycott impacts and forecast likely changes in trade flows to capitalize on these opportunities. Identifying which specific industries or sectors were most positively affected by these events can also inform investment strategies and policymaking to enhance economic resilience. Moreover, the mixed reactions in Malaysia and Indonesia indicate that the economic impact of boycotts is not uniformly negative. Policymakers in these countries need to conduct additional research to identify which business sectors are most likely to face boycotts, enabling targeted interventions. Negotiations with businesses regarding the effects of global boycotts can also help mitigate adverse economic impacts and enhance resilience across various industries. Additionally, considering the differences in responses between Islamic and non-Islamic countries to boycotts, regional cooperation among ASEAN nations could improve market stability. Policymakers might explore developing a unified framework for responding to international boycotts, which would provide clearer guidance for businesses and investors in affected regions.

6. CONCLUSION

The study utilized a standard event study methodology to examine the repercussions of boycotts against Israeli products in both Islamic and non-Islamic countries. In Islamic economies such as Malaysia and Indonesia, there is evidence of a slight decline in returns along with a negative price effect during boycott events, suggesting a mild negative impact on their markets. In contrast, non-Islamic economies such as the US and Japan show significantly positive abnormal returns following boycott events, as indicated by a clear trend in Cumulative Average Abnormal Returns (CAAR). However, responses in Malaysia and Indonesia are mixed, with both positive and negative effects observed, meaning there is no definitive evidence of the overall economic impact of boycotts in these countries. For policymakers in Islamic economies, these findings highlight the need for strategies to manage potential market volatility during boycott periods, while non-Islamic economies could explore policies that leverage the market gains observed during these events. Additionally, the mixed economic effects in some Islamic countries suggest that further research could help adapt responses to mitigate adverse impacts and enhance resilience. Enhanced regional cooperation could also support a more stable economic response to international boycotts.

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