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## Analysis of Differences in Stock Returns Before and After the Fatwa of MUI in Indonesia on Israel Affiliated Companies

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### ABSTRACT

Stock return are defined as the excess of the selling price of a stock over its purchase price. The higher the selling price of the stock than the purchase price, the higher the return that will be obtained, and vice versa. There are several factors that affect stock returns, one of which is government or organization policy which is an external factor. The existence of MUI Fatwa Number 83 of 2023 and the BDS movement that occurred in Indonesia are thought to cause differences in returns on Israeli-affiliated companies. The Israeli-affiliated companies sampled in this study were 4 companies. The results of the study show that there is no difference in stock returns in 4 affiliated companies before and after the MUI Fatwa Number 83 of 2023.

**Keywords:** Stock return, MUI Fatwa Number 83 of 2023, BDS Movement

### ABSTRAK

Return saham didefinisikan sebagai keuntungan yang diperoleh dari selisih antara harga jual saham yang lebih tinggi dibandingkan harga beli. Semakin tinggi harga jual dibandingkan harga beli, semakin tinggi pula return yang diperoleh, begitu pula sebaliknya. Berbagai faktor memengaruhi return saham, termasuk faktor eksternal seperti kebijakan pemerintah atau organisasi. Secara khusus, Fatwa MUI Nomor 83 Tahun 2023 dan gerakan BDS di Indonesia diduga memengaruhi return pada perusahaan yang berafiliasi dengan Israel. Penelitian ini mengambil sampel empat perusahaan yang berafiliasi dengan Israel dan menemukan bahwa tidak ada perbedaan signifikan pada return saham sebelum dan setelah penerbitan Fatwa MUI Nomor 83 Tahun 2023

**Kata kunci:** Return saham, MUI Fatwa Number 83 of 2023, Gerakan BDS

### INTRODUCTION

The conflict between Palestine and Israeli has been going on for 75 years, starting from 1917 until now. The Palestinian-Israeli conflict flared up again on October 7, 2023, resulting in the deaths of thousands of people. According to data collected by the United Nations Office for the Coordination of Humanitarian Affairs (OCHA, 2024) through the Ministry of Health (MOH) in Gaza, it was recorded on December 30, 2023 that the total number of fatalities reached 26,900

people, of which 70 percent were women and children. For the injured, the number reached 65,949 people.

The Palestinian-Israeli conflict that is heating up again has certainly caused various reactions from around the world, one of which is the emergence of the Boycott, Divestment and Sanctions (BDS) movement. Boycott, Divestment and Sanctions (BDS) is a call to boycott, cut off investment and sanction companies affiliated with and supporting Israel. The BDS movement has often been carried out throughout the Palestinian-Israeli conflict, but this BDS movement is quite different. This time, the BDS movement is not only joined by residents of countries that support Palestine, but also includes residents of countries that support Israel. This happened because they felt that humanitarian issues were more important than religious issues, those who felt different beliefs had declared themselves brothers with Palestine in humanity. This movement is also a way to pressure Israel to stop its aggression in Palestine and comply with international law.

Compiled from [timesofisrael.com](http://timesofisrael.com), the Israeli foreign ministry claims that there are 84 countries that have expressed their support for Israel. However, out of these 84 countries, there are 3 major countries that are relatively vocal in voicing their support for Israel, including the United States (US), France and Britain. Products from these three countries are increasingly gaining attention from global internet users, including Indonesian netizens. Indonesian citizens took part in launching an action to boycott products from these 3 countries.

The BDS movement carried out by Indonesian citizens, as the largest social media users in the world, will certainly have an impact on the products that are boycotted so that the companies of these products will also be affected. This will have an impact on the level of profitability and stock prices. The share price is the price set by a company to other parties who want to have share ownership rights from a company. The amount of the share price value is always changing. The ups and downs of stock prices are driven by the forces of supply and demand. If the demand is high, the price will rise, otherwise if the supply is high the price will fall. In general, there are several factors that can affect the rise and fall of the price of a stock. These factors are classified into internal factors and external factors. Internal factors are factors that come from within the company related to company performance, for example company fundamentals, corporate actions, projections of future company performance and report announcements, while external factors are factors that come from outside the company, for example interest rates, inflation, exchange rates, government policies or an organization.

On November 8, 2023, an Islamic organization in Indonesia, namely the Majelis Ulama Indonesia (Indonesia et al., 2023) issued Fatwa Number 83 of 2023 concerning the Law of Support for the Palestinian Struggle. The fatwa stipulates that supporting the Palestinian freedom struggle against Israeli aggression is obligatory, such as distributing zakat, infaq and sadaqah for the benefit of the Palestinian people's struggle. The fatwa also stipulates that supporting Israeli aggression against Palestine or those who support Israel directly or indirectly is haram. The fatwa also urges Muslims to avoid transactions and the use of products affiliated with Israel as much as possible, as well as those that support Israeli occupation and Zionist aggression. In fact, the two largest Islamic organizations in Indonesia, Nahdlatul Ulama (NU) and Muhammadiyah also affirmed that this conflict is not just a religious conflict, but a political and humanitarian conflict.

The enactment of MUI Fatwa No. 83 of 2023 is expected to have a considerable impact on companies affiliated with Israel. Some of these companies have experienced a drastic decline in stock prices, causing concern. In fact, some of the management of companies affiliated with Israel have taken steps to prevent this from happening. The management of Danone, which houses Aqua, for example, clarified that Danone has no affiliation with any politics. In fact, they

also emphasized that they do not have factories operating in Israel. McDonald's Indonesia, as a branch of the American fast food restaurant, also took a similar step. McDonald's Indonesia emphasized that it is not affiliated with McDonald's in any country. In fact, they also emphasized that they would donate to the victims in Palestine. The steps taken by the management of these companies certainly did not work easily. This is evident from their share price fluctuations, which have been negatively impacted since the rise of the BDS movement around the world and the issuance of the MUI fatwa in Indonesia.

The results of previous research conducted by (Ahsyam et al., 2024) state that the boycott has a major impact on various companies that support Israel. The results showed that there was a decrease in the share price of 16 selected companies supporting Israel. Similar research conducted by (Rahmani, 2023) also stated that the boycott carried out by people who criticized the genocide in Palestine had an impact on the decline in stock prices in 30 selected companies from several countries supporting Israel, namely America, Germany, France, England, and Switzerland. The study also conducted a survey in the form of a questionnaire to 60 respondents in Bandung. The survey results show that the escalating Palestinian-Israeli conflict has decreased interest in buying these products.

This research is different from previous studies, because researchers not only see the movement of stock prices of affiliated companies, but researchers also calculate the stock return of each company before and after MUI issued a fatwa. By calculating stock returns, researchers want to know whether there are differences before and after the fatwa on affiliated companies. If the return obtained is a loss, it will certainly affect investors so as not to provide funding to affiliated companies and these companies are also expected to immediately withdraw their support for Israel, so that Israel will stop its attacks on Palestine and submit to international law.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **Signal Theory**

Signal theory is an action taken by company management that provides clues to investors about how management views the company's prospects. Signal theory was first proposed by Michael Spence in 1973 in his research entitled Job Market Signaling. (Spence, 1973) said that by providing a signal, the owner of the information (company) tries to provide information that can be utilized by the recipient of the information (investor). Such information is considered an important indicator for investors in making investment decisions and provides insight into how management sees the company's prospects.

With the BDS movement carried out by the Indonesian people and the existence of MUI Fatwa Number 83 of 2023, it will certainly have an influence on affiliated companies, namely the decline in the share price of these companies. With the decline in stock prices, it can affect the return that will be generated by investors. Stock return is the result obtained from an investment that has been made, where the results obtained can be in the form of profit or loss. If the higher the selling price of the shares from the purchase price, the higher the return that investors will get, and vice versa. Stock prices that decline and do not increase for some time will certainly cause concern for investors because it will cause investment losses. Thus, the share price of a company can be a signal for investors in making investment decisions. Investors can make the decision not to provide more funding to these companies because it will affect the return that will be generated.

The results of previous research conducted by (Nurasiah et al., 2023) stated that the BDS movement had no significant effect because stock prices showed no difference before and after

the BDS movement was announced. However, a significant effect occurred after it was reinforced by the issuance of MUI Fatwa Number 83 of 2023, namely the weakening of stock prices. This happens because the existence of MUI is very popular among the Indonesian Muslim community. The majority of Indonesian Muslims tend to obey the fatwa, because the fatwa is the result of the views of scholars in Indonesia. The results of this study also prove the theory that states that an economic event can affect investor reactions. Meanwhile, different results were obtained in previous research conducted by (Pujiastuti, 2023) which stated that the boycott caused a decrease in the company's market value, especially in the 3-day time window. However, when the time period is extended to 5 days or 10 days, the results show that there is no significant difference in the market value of the company due to the boycott. Similar results also occur when tested using stock trading volume which is not significant.

Based on the description above, a conceptual framework is made that is useful to facilitate understanding in analyzing the difference in returns before and after MUI issued a fatwa in Indonesia against companies affiliated with Israel.

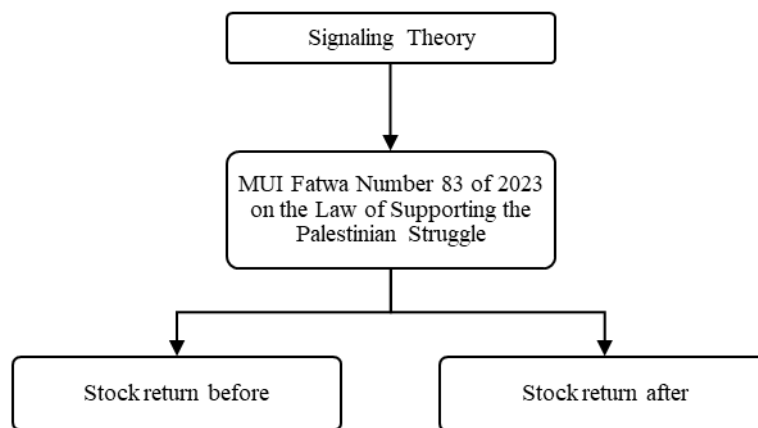


Figure. 1. Conceptual Framework

Based on the description and conceptual framework above, the hypothesis in this study can be formulated as follows:

- H<sub>0</sub>:** There is no significant difference in stock returns before and after the MUI fatwa in Indonesia on companies affiliated with Israel.
- H<sub>1</sub>:** There is a significant difference in stock returns before and after the MUI fatwa in Indonesia on companies affiliated with Israel.

## METHOD

This research is a type of event study research. According to (Hartono, 2018) event study is used to test the market reaction to an event or announcement. In this study, the event or announcement tested is the fatwa issued by MUI on the Law of Support for the Palestinian Struggle. The variables to be tested are stock returns on affiliated companies before the MUI Fatwa Number 83 of 2023 and stock returns on affiliated companies after the MUI Fatwa Number 83 of 2023. The data source used in this research is secondary data obtained through the website [www.idx.co.id](http://www.idx.co.id) with the type of data, namely quantitative data. This study will test the market reaction that will be carried out by observing daily stock prices through the website [www.idx.co.id](http://www.idx.co.id). The observation period is 40 trading days, which starts on 20 trading days before

(t-20 to t-1) the announcement and 20 trading days after (t+1 to t+20) the announcement. Thus the research period starts on October 10 to December 6, 2023.

The companies that will be observed are Israel-affiliated companies that have been released on the @gerakanbds Instagram account. @gerakanbds is an official account of the BDS movement in Indonesia to welcome the boycott call from Palestine by inviting the Indonesian people to stop buying products (boycott) from companies affiliated with Israel in a strategic and targeted manner. @gerakanbds sets the target of companies to be boycotted by examining more deeply the effects of companies that have investments in Israel in supporting the occupation's economic sector. The company has released 8 companies that are targeted for boycott for people in Indonesia. However, of the 8 companies, only 4 companies meet the criteria in this study, which are Israel-affiliated companies and boycott targets in Indonesia that are listed on the Indonesia Stock Exchange (IDX) and their shares are being actively traded. Companies that meet these criteria include:

**Table 1. Research Sample**

No.	Issuer Code	Company Name
1.	MTDL	HP (Hewlett-Packard, PT Metrodata Electronics Tbk)
2.	PZZA	Pizza Hut (PT Sarimelati Kencana Tbk)
3.	MAPI	Burger King and Domino's Pizza (Mitra Adiperkasa Tbk)
4.	MAPB	Starbucks (PT MAP Boga Adiperkasa Tbk)

Source: Data processed (2023)

After observing and collecting the daily stock price of the 4 companies, then the stock price will be calculated each return value. Then from each return value per day from the 4 companies, the average return value will be calculated in the period before and after the MUI fatwa. The average return value of the 4 companies will then be tested using the Statistical Package for Social Science (SPSS) software version 22. The methods used in this study are the Shapiro-Wilk test, the Paired Sample T-Test test, and the Wilcoxon Signed Rank Test. Before the data is tested using the Paired Sample T-Test test, the data will first be tested using a normality test to determine whether the data is normally distributed. The normality test uses the Shapiro-Wilk test. (Hartono, 2018)The basis for decision making in the normality test is as follows:

1. If the Sig value > 0.05 then the data is declared normally distributed.
2. If the Sig value < 0.05 then the data is declared not normally distributed.

Furthermore, if the data is declared normally distributed, hypothesis testing will be carried out using the Paired Sample T-Test test. If the normality test results show that the data is not normally distributed, then testing the hypothesis will use the Wilcoxon Signed Rank Test. According to (Sujarweni, 2021), the basis for decision making in hypothesis testing is as follows:

1. If Sig ≥ 0.05 then H<sub>0</sub> is accepted, which means there is no difference in stock returns before and after the MUI fatwa in Indonesia in companies affiliated with Israel.

If Sig ≤ 0.05 then H<sub>1</sub> is accepted, which means there is a difference in stock returns before and after the MUI fatwa in Indonesia on companies affiliated with Israel.

## RESULT AND DISCUSSION

**Table 2. The Average Value of Stock Returns**

No.	Issuer Code	Average Before	Average After
1.	MTDL	0.003924	-0.003101
2.	PZZA	-0.000199	-0.005293
3.	MAPI	-0.010358	-0.000155
4.	MAPB	-0.000598	-0.000233

*Source: Data processed (2023)*

Table 2 presents the average value of stock returns of the entire sample during the observation period, from 20 days before and 20 days after the MUI fatwa. At PT Metrodata Electronics Tbk (MTDL) the average value before the MUI fatwa was 0.003924, while when the MUI fatwa fell to -0.003101. The same thing also happened to PT Sarimelati Kencana Tbk (PZZA), the average value before the MUI fatwa was -0.000199 and fell further when the MUI fatwa became -0.005293.

Meanwhile, PT Mitra Adiperkasa Tbk (MAPI) experienced an increase in average value even though the average value after was still negative. MAPI obtained an average value before -0.010358, then increased to -0.000155 when there was a MUI fatwa. The same thing also happened to PT MAP Boga Adiperkasa Tbk (MAPB), the average value at PT MAP Boga Adiperkasa Tbk (MAPB) increased even though it was still negative. The average value before the MUI fatwa was -0.000598, then rose slightly to -0.000233 when the MUI fatwa was issued.

So it can be concluded that from the entire sample of 4 companies, there are 2 companies that have decreased the average value of stock returns, namely PT Metrodata Electronics Tbk (MTDL) and PT Sarimelati Kencana Tbk (PZZA). The other 2 companies actually experienced the opposite, namely an increase in the average value of stock returns, although in each company the value was still negative. These companies include PT Mitra Adiperkasa Tbk (MAPI) and PT MAP Boga Adiperkasa Tbk (MAPB). From the average value of stock returns that have been obtained, a normality test will then be carried out.

### Normality Test

**Table 3. Output of Normality Test**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Before the Mui Fatwa Number 83 of 2023	.329	4	.	.888	4	.372
After the Mui Fatwa Number 83 of 2023	.286	4	.	.872	4	.305

*Source: Data processed (2023)*

Based on the output table above, the result shows that the data before the existence of MUI Fatwa No. 83 of 2023 has a Sig value. 0.372, because the significance value of  $0.372 > 0.05$ , the data is declared normally distributed. Meanwhile, the data after the existence of MUI Fatwa Number 83 of 2023 has a Sig value. 0.305, because the significance value is  $0.305 > 0.05$ , the data is declared normally distributed. It can be concluded that the data in this study are all normally distributed. So that different tests or hypotheses will be carried out using the Paired Sample T-Test test.

**Hypothesis Test**

The Paired Sample T-Test test is conducted to determine whether or not there is a difference in stock returns before with stock returns after MUI issued a fatwa. In this study, what will be tested is the average value before and after the MUI fatwa on 4 companies affiliated with Israel. The results of the difference test of the average value before and after the MUI fatwa can be seen in the table below:

**Table 4.** Output of Paired Samples T-Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Before the Mui Fatwa Number 83 of 2023 - After the Mui Fatwa Number 83 of 2023	.000387750	.007722963	.003861482	-.011901208	.012676708	.100	3	.926

Source: Data processed (2023)

Based on the results of the Paired Sample T-Test test above, it can be seen that the significance value is 0.926. With the basis of decision making significance of 0.05, the significance value of  $0.926 > 0.05$ , then  $H_0$  is accepted, which means there is no difference in stock returns, both before and after MUI issued a fatwa in Indonesia on 4 companies affiliated with Israel. Changes in stock prices will certainly change the return that investors will get. So that in this study the market can be said to be inefficient, which means that the market does not react and does not absorb existing information, namely when the issuance of MUI Fatwa Number 83 of 2023 concerning the Law of Support for the Palestinian Struggle, so that stock prices and returns are not influenced by existing announcements. This causes investors not to respond to the fatwa and consider that the fatwa is not an announcement or bad news, so investors decide to continue investing in these companies.

The existence of the BDS movement and the MUI fatwa had little effect on the 4 companies sampled in this study. This happens because the profits generated from boycotted products only contribute a little profit from the overall profit received by the company. For example, PT Mitra Adiperkasa Tbk (MAPI) which houses US products in Indonesia, Burger King and Domino's Pizza. At MAPI, Burger King and Domino's Pizza are included in the food & beverages segment. Recorded in 2023, MAPI managed to book net revenue of IDR 33.3 trillion, which was supported by sales from the retail, department stores and food & beverages segments. The food & beverages segment only contributed Rp4 trillion (12.0%) of MAPI's total net revenue. With a contribution of only 12.0% of total revenue, investors did not respond to any boycott announcements or events in Indonesia even though MUI has confirmed and issued a fatwa containing an appeal to avoid transactions and use of products affiliated with Israel. Investors continue to fund MAPI because the food & beverages segment is not a major contributor to the company.

Another reason is that there are still many consumers who are less concerned about the boycott of the products of the 4 companies, so there is no significant decline in sales. For example, PT Sarimelati Kencana Tbk (PZZA), the franchisor of the Pizza Hut chain in Indonesia. PZZA admits that they are quite affected by the BDS movement and MUI fatwa in Indonesia. PZZA recorded net sales in 2023 of IDR3,543,982,915,761, a decrease from the previous year of

IDR3,612,319,039,640 (1.89%). PZZA admitted that the boycott issue caused some consumers' preferences to change and impacted the company's performance. So it can be concluded that the lack of public concern about boycotted products caused a negligible decline in sales, for example at PT Sarimelati Kencana Tbk (PZZA) which experienced a decline in sales of only 1.89%.

The results in this study contradict the signal theory, in this case the MUI fatwa does not provide meaningful signals to investors as a consideration for decision making. The company did not experience a drastic decline in stock prices, so investors did not change their decision to invest in affiliated companies.

## CONCLUSION

This study was conducted with the aim to see whether there are differences in stock returns before and after MUI issued Fatwa Number 83 of 2023 concerning the Law of Support for the Palestinian Struggle in 4 companies affiliated with Israel in Indonesia. The results of the analysis prove that the MUI fatwa has no information content for investors so that it has no impact on the price and return of shares in affiliated companies. This is evidenced by the significance of the average return value before and after the value of 0.926, which is greater than 0.05. So it can be concluded that the existence of MUI Fatwa Number 83 of 2023 does not cause differences in stock returns in 4 companies affiliated with Israel. Based on the results of the analysis and discussion in this study, the researchers suggest that future researchers:

1. Extend the time period of the observation period (event window) to observe market reactions, investor sentiment and consumer behavior more comprehensively.
2. Include competing companies from Israeli-affiliated companies to analyze whether the MUI fatwa on the BDS movement actually benefits these competing companies.
3. Adding a stock price measurement formula to be able to more deeply analyze the resulting analysis in further research.

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