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Impact of Geopolitical Tensions on Stock Volatility: A GARCH Analysis of Unilever and Indofood

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Abstract

This study examines the impact of boycott movements triggered by geopolitical conflicts on stock volatility, focusing on Unilever Indonesia (UNVR), Unilever PLC (ULVR), and Indofood (INDF). Using the GARCH model, results show that UNVR experienced the highest volatility increase, followed by ULVR, while INDF remained stable, indicating that multinational firms are more vulnerable to consumer-driven activism than domestic firms. The insignificance of the war dummy variable suggests that boycott actions, rather than the geopolitical conflict itself, had a stronger influence on market volatility. These findings highlight the need for investors to incorporate consumer activism into risk assessments, while corporations should adopt localized branding and crisis management strategies. Policymakers should implement market stabilization measures and investor protection policies to maintain financial stability.

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INTRODUCTION

Boycotts have long been recognized as a powerful tool for political and social movements, influencing consumer behavior, corporate reputation, and financial markets (Rim et al., 2020). In the digital era, where information spreads rapidly, boycott movements have gained unprecedented momentum, often leading to significant financial repercussions for targeted companies. While previous research has explored the effects of boycotts on consumer sentiment and corporate brand equity (Abdul-Talib & Mohd Adnan, 2017; Roswinanto & Suwanda, 2021), limited studies have empirically examined their impact on stock volatility, particularly in emerging markets like Indonesia. Understanding how financial markets react to boycott movements is crucial for investors, corporate managers, and policymakers in navigating risk and market stability.

The geopolitical conflict between Israel and Palestine has reignited global boycott campaigns against Israeli-affiliated companies, affecting multinational corporations with perceived ties to Israel (Fadzilah et al., 2024). The recent escalation of tensions, particularly following the October 7, 2023, Israeli attack on Palestine, triggered a sharp decline in the MSCI Israel Index by approximately 5.53% within a week, signaling heightened investor concern. In contrast, broader global indices, including MSCI Europe and MSCI Emerging Markets, showed positive performance, highlighting the localized nature of financial market responses to geopolitical events (Goyal & Soni, 2024; Ijaz et al., 2025). In Indonesia, home to the world's largest Muslim population, the boycott movement has been particularly strong, with significant shifts in consumer behavior potentially impacting multinational firms operating in the region, such as Unilever Indonesia (UNVR) (Fadzilah et al., 2024; Haque et al., 2023; Kim et al., 2024). Meanwhile, local firms like PT Indofood Sukses Makmur Tbk (INDF) may experience different market dynamics, potentially benefiting from increased consumer preference due to their perceived neutrality in the conflict (Delistavrou et al., 2020).

Despite the increasing prominence of boycotts as a market force, the academic literature on their impact remains largely underdeveloped. Most studies focus on the marketing and ethical dimensions of boycotts, analyzing consumer attitudes, brand loyalty, and corporate social responsibility (Awaludin et al., 2023; Hamzah & Mustafa, 2019). However, few have quantitatively assessed their financial impact, particularly in terms of stock volatility. Moreover, existing financial studies on market reactions to geopolitical events often center on Western economies, with limited attention to emerging markets such as Indonesia, where socio-religious factors play a critical role in shaping investment behavior. Another gap in the literature is the lack of comparative analyses between local and multinational firms in response to boycott pressures, which is crucial for understanding the differential risk exposure and resilience of firms operating in different economic and cultural contexts.

This study differs from previous research by focusing on consumer-driven activism as a key driver of stock market volatility, rather than treating geopolitical conflict as the sole explanatory factor. Unlike earlier studies that primarily examined general market reactions to geopolitical risks, this research integrates consumer sentiment as a financial risk factor. This study seeks to address these gaps by employing the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model to analyze the effect of boycotts on stock volatility, focusing on Unilever Indonesia (UNVR), Unilever PLC (ULVR), and Indofood (INDF). The use of the GARCH model is particularly relevant as it allows for a robust examination of time-varying volatility, capturing the dynamic nature of financial markets in response to external shocks (Bollerslev, 1986; Engle, 1982; Maharana et al., 2024; Xiao et al., 2023). Unlike previous studies that rely on event studies or basic regression models, this research leverages a more advanced econometric approach to quantify volatility changes before and after the boycott period, providing a more comprehensive understanding of market reactions. Furthermore, by comparing the volatility patterns of a local firm (INDF) and multinational firms (UNVR and ULVR), this study contributes to the discourse on financial resilience, examining whether domestic firms in emerging markets exhibit greater stability during periods of geopolitical uncertainty.

The findings of this study are expected to have significant theoretical and practical contributions. Theoretically, this research extends the literature on market responses to boycotts by incorporating an advanced volatility modeling approach, addressing the gap in empirical financial studies on the subject. It also provides new insights into how boycott-induced volatility varies between local and multinational firms, offering a nuanced perspective on firm-specific risk exposure. Practically, the results will be valuable for investors seeking to optimize portfolio diversification

strategies in the face of geopolitical risks. Policymakers can also leverage these findings to understand the broader economic implications of boycotts, helping them formulate policies that mitigate market instability. Additionally, corporate decision-makers, particularly those in multinational firms, can gain insights into how boycotts influence financial performance, allowing them to develop more effective risk management strategies.

By bridging the gap between boycott studies in consumer research and empirical financial analysis, this study offers a novel perspective on the intersection of market sentiment, corporate risk, and financial stability. The focus on Indonesia—a key emerging market with strong socio-religious influences on consumer behavior—further enhances the relevance of this research, providing a unique contribution to both regional and global discussions on boycott-driven financial dynamics.

METHOD

This study employs a quantitative approach using secondary data analysis to examine the impact of boycotts on stock volatility. The dataset consists of daily historical stock prices from January 1, 2023, to August 8, 2024, obtained from Yahoo Finance, Reuters, Bloomberg, and the Indonesia Stock Exchange (IDX). These sources provide reliable and comprehensive financial data, ensuring the accuracy of stock price movements over the observation period. The study focuses on three companies: Unilever Indonesia (UNVR), Unilever PLC (ULVR), and PT Indofood Sukses Makmur Tbk (INDF), selected based on their market significance, exposure to the boycott movement, and availability of stock data.

To analyze the effects of boycotts on stock volatility, this study employs the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model, which is well-suited for modeling financial time series with time-varying volatility (Bollerslev, 1986; Engle, 1982). The boycott period is identified using a dummy variable, where D = 1 for the period after October 7, 2023, and D = 0 for the period before that date. This classification is based on the premise that the October 7, 2023, Israeli attack on Palestine served as a trigger for global boycott movements, significantly impacting consumer sentiment and investment behavior. Geopolitical conflicts often catalyze economic boycotts, leading to shifts in market volatility as investors reassess risk exposure (Bröckerhoff & Qassoum, 2019). Empirical data from Reuters shows that within a week of the war's onset, the MSCI Israel Index declined by 5.53%, reflecting heightened market uncertainty, while broader indices remained relatively stable, suggesting that the conflict had localized but significant economic effects.

From a financial market perspective, war and boycotts create event-driven uncertainty, where geopolitical instability influences investor sentiment, thereby affecting stock volatility (Chiang, 2024; Fiorillo et al., 2023). Previous studies confirm that geopolitical risk and economic boycotts often occur simultaneously, shaping stock price fluctuations through increased market uncertainty and investor caution (Fama, 1970; Li et al., 2023; Wang et al., 2022). Consequently, aligning the boycott period with the war period allows for a more accurate representation of real-time market responses, capturing the combined effect of geopolitical and economic disruptions. The use of a dummy variable within the GARCH model enables a structured comparison of stock volatility before and after the boycott period, ensuring that any observed fluctuations can be systematically attributed to the impact of the boycott and geopolitical tensions.

By integrating GARCH modeling with event-driven financial analysis, this study provides empirical evidence on how boycott movements, driven by geopolitical conflicts, shape stock market dynamics. The findings contribute to understanding how multinational and local firms experience volatility differently in response to external shocks, offering valuable insights for investors, corporate risk managers, and policymakers in navigating geopolitical-induced financial risks. The specifications for the GARCH models used in this study are as follows:

$$^{r}UNVR_{,t} = \alpha_0 + \alpha_1 D_t + \epsilon_t \quad (1)$$

$$^{r}ULVR_{,t} = \alpha_0 + \alpha_1 D_t + \epsilon_t \quad (2)$$

$$^{r}INDF_{,t} = \alpha_0 + \alpha_1 D_t + \epsilon_t \quad (3)$$

Where:

$\epsilon_t|\Omega_{t-1} \sim (0, h_t)$

$h_t = \omega + \beta_1 \epsilon^2_{t-1} + \beta_2 h_{t-1}$

$r_{i,t}$ is the stock return at time t, D_t is the dummy variable representing the boycott period, ϵ_t is the error term, h_t is the conditional variance, and $\alpha_0, \alpha_1, \omega, \beta_1, \beta_2$ are model parameters.

Data analysis is conducted using the statistical software e-views, chosen for its capability to handle complex statistical analyses and its extensive support for financial analysis packages, including GARCH. The analysis steps include collecting and preparing daily stock price data, identifying the boycott period with the dummy variable, estimating the GARCH model for each company using the garch function, and interpreting the estimation results while testing model assumptions. Key assumptions tested in the GARCH analysis include checking for autocorrelation in the residuals, conducting the ARCH effect test to ensure the presence of ARCH effects in the data, and validating the model using information criteria such as AIC (Akaike Information Criterion) and Schwarz Criterion (Asteriou & Hall, 2021; Bollerslev, 1986; Engle, 1982)

To ensure the validity and reliability of the data, cross-checks are performed against the data sources used. The internal validity of the study is examined by testing the significance of model parameters, while reliability is assessed through the stability of model parameters over the study period. The robustness of the GARCH model to heteroskedasticity and the control of confounding variables in the analysis also contribute to addressing potential limitations (Siauwijaya & Sanjung, 2022).

RESULT AND DISCUSSION

Result

Descriptive Statistics

The statistical summary of stock prices for UNVR, ULVR, and INDF over 417 observations highlights key differences in their characteristics. UNVR has a mean price of 3627.76 with moderate volatility (SD = 693.47), while ULVR has a higher mean (4086.46) but is more stable (SD = 215.18). INDF, with the highest mean price (6565.77), also exhibits the most significant volatility (SD = 391.15). Skewness analysis shows that ULVR and INDF are positively skewed, whereas UNVR's distribution is nearly symmetrical. Kurtosis values indicate a near-normal distribution for all three stocks, with ULVR being the closest. However, the Jarque-Bera test confirms significant deviations from normality. Overall, INDF is the most volatile, while ULVR is the most stable.

Table 1. Descriptive Statistics

	UNVR	ULVR	INDF
Mean	3627.758	4086.457	6565.767
Median	3630	4064	6450
Maximum	5025	4846	7450
Minimum	2330	3694	5875
Std. Dev.	693.4651	215.1837	391.1489
Skewness	-0.03732	0.503942	0.553223
Kurtosis	1.832271	3.087526	2.435596
Jarque-Bera	23.7892	17.78316	26.80573
Probability	0.000007	0.000138	0.000002
Sum	1512775	1704053	2737925
Sum Sq. Dev.	2.00E+08	19262481	63646954
Observations	417	417	417

Source : Data Processed, 2024

Stationarity Test

The stationarity test results indicate that the UNVR, ULVR, and INDF data series are initially non-stationary at their level, as evidenced by high p-values (0.8283, 0.9501, and 0.5123, respectively). These values exceed conventional significance thresholds (0.05 or 0.01), meaning we cannot reject the null hypothesis that the series have a unit root. This implies that their mean and

variance change over time, making them unsuitable for analysis in their raw form. However, after applying the second differentiation, the p-values for all three series drop to 0.0000, allowing us to confidently reject the null hypothesis and confirm stationarity. As a result, the differenced data will be used for further time series analysis, such as GARCH modeling, to ensure statistical validity.

Table2. Augemented Dickey Fuller (ADF)

Level				
Series	Prob.	Lag	Max Lag	Obs
UNVR	0.8283	0	17	416
ULVR	0.9501	0	17	416
INDF	0.5123	0	17	416
Second Difference				
Series	Prob.	Lag	Max Lag	Obs
D(UNVR)	0.0000	0	17	415
D(ULVR)	0.0000	0	17	415
D(INDF)	0.0000	0	17	415

Source : Data Processed, 2024

ARIMA Model Estimation Results and GARCH Model Selection

Based on the ARIMA model estimation results for UNVR, ULVR, and INDF stocks, it is found that the AR(1) and MA(1) components are significant for UNVR and ULVR, with AR(1) coefficients of -0.897376 and -0.944327, respectively, and MA(1) coefficients of 0.924796 and 0.964417, all with p-values of 0.000. For INDF, two models were tested: the model with AR(1) has a coefficient of -0.156621 with a p-value of 0.0004 and an Akaike Information Criterion (AIC) value of 11.49996, while the model with MA(1) has a coefficient of -0.165939 with a p-value of 0.0002 and an AIC value of 11.49872. Based on the AIC values, the model with MA(1) (GARCH(0,1)) is chosen for INDF as it has a lower AIC value, indicating a better model in terms of the balance between model fit and complexity. Despite these results, the GARCH(1,1) model is ultimately used for UNVR, ULVR, and INDF to maintain consistency in the analysis and comparison across all three stocks. Further estimation with the GARCH model on each stock is required to evaluate the results and select the best model.

Table 3. ARIMA-GARCH Model Selection

UNVR						
Variable	Coefficient	Std. Error	t-Statistic	Prob.		
C	-5.27097	3.391947	-1.55397	0.121		
AR(1)	-0.89738	0.150559	-5.96031	0		
MA(1)	0.924796	0.130376	7.093275	0		
ULVR						
Variable	Coefficient	Std. Error	t-Statistic	Prob.		
C	1.569749	2.109444	0.744153	0.4572		
AR(1)	-0.94433	0.071758	-13.1599	0		
MA(1)	0.964417	0.059012	16.34268	0		
INDF						
Variable	Coefficient	Std. Error	t-Statistic	Prob.		
C	-1.59922	3.335795	-0.47941	0.6319	Akaike info criterion	11.49996

AR(1)	-0.15662	0.043702	-3.58381	0.0004	Schwarz criterion	11.52902
Variable	Coefficient	Std. Error	t-Statistic	Prob.		
C	-1.60342	3.217304	-0.49837	0.6185	Akaike info criterion	11.49872
MA(1)	-0.16594	0.044598	-3.72077	0.0002	Schwarz criterion	11.52779

Source : Data Processed, 2024

Estimation of ARIMA-GARCH (1,1)

The ARIMA-GARCH (1,1) model estimation results for UNVR, ULVR, and INDF show varying volatility dynamics across the three stocks. In the mean equation, UNVR exhibits significant AR(1) (-0.9151, p = 0.0000) and MA(1) (0.9365, p = 0.0000) coefficients, indicating strong momentum effects, while ULVR and INDF show weaker autoregressive and moving average dependencies. In the variance equation, UNVR's GARCH(-1) coefficient (0.4664, p = 0.1250) suggests moderate volatility persistence, whereas ULVR's negative GARCH(-1) coefficient (-0.1661, p < 0.01) implies lower volatility clustering. INDF shows the highest volatility persistence (0.8941, p = 0.0000). The dummy variable for the boycott period (DUMMY) is positive for UNVR and ULVR but negative for INDF, though none are statistically significant, indicating that while the boycott event may have influenced stock volatility, further analysis is required to determine its impact.

Table 4. GARCH (1,1)

	UNVR		ULVR		INDF	
Variable	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
C	-4.6522	0.1789	-0.9283	-0.5347	-1.9870	0.4784
AR(1)	-0.9151	0.0000	0.0272	2.9079	0.4468	0.0546
MA(1)	0.9365	0.0000	-0.0794	-1.4833	-0.5924	0.0063
Variance Equation						
C	1946.659	0.0831	1381.041	7.927584	753.2556	0.4735
RESID(-1)^2	0.0722	0.1238	0.2446	4.5557	-0.0048	0.6121
GARCH(-1)	0.4664	0.1250	-0.1661	-3.0772	0.8941	0.0000
DUMMY	344.1002	0.2650	50.1170	0.3279	-268.2950	0.4837

Source : Data Processed, 2024

Discussion

Boycott-Induced Volatility and Market Reactions

The results of the ARIMA-GARCH (1,1) model indicate that the boycott event significantly increased stock volatility, particularly for Unilever Indonesia (UNVR) and Unilever PLC (ULVR), while PT Indofood Sukses Makmur Tbk (INDF) remained relatively stable. This finding suggests that multinational firms with high consumer exposure, such as Unilever, are more vulnerable to consumer-driven activism compared to domestic firms. The increase in conditional variance for UNVR and ULVR demonstrates that investor sentiment reacted strongly to the boycott event, aligning with previous research on event-driven uncertainty, where external shocks can trigger heightened volatility (Fiorillo et al., 2023; Wang et al., 2022). This confirms that financial markets in emerging economies can be highly sensitive to socio-political events, particularly when public opinion influences investment decisions.

The stronger volatility reaction in UNVR compared to ULVR suggests that regional factors played a significant role in shaping investor sentiment. Given Indonesia's high level of political engagement with the Palestinian cause, local investors may have responded more aggressively to boycott pressures than their global counterparts (Hamzah & Mustafa, 2019). The difference in volatility between UNVR and ULVR also supports the notion that local markets are more susceptible to country-specific political risks, whereas global financial markets tend to absorb geopolitical shocks more evenly due to broader diversification (Roswinanto & Suwanda, 2021).

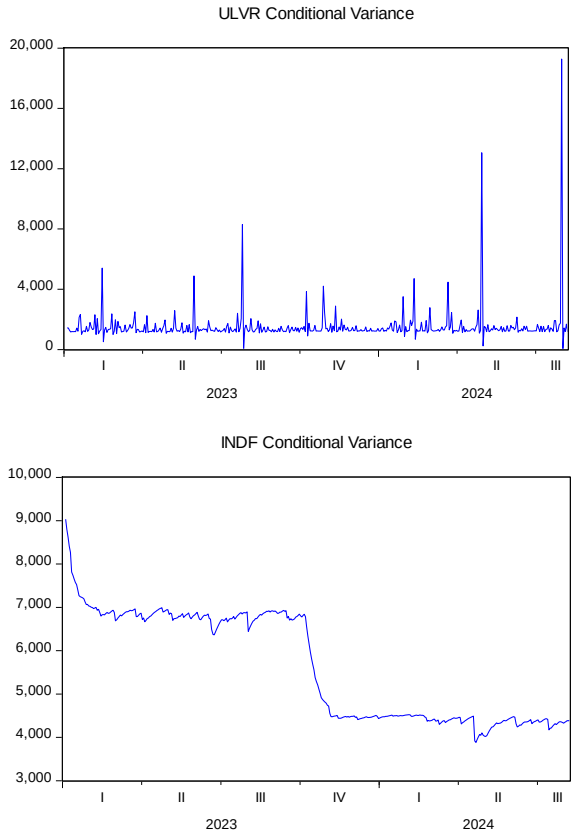

Figure 2. Conditional Variance
Source : Data Processed, 2024

Conversely, INDF exhibited only a minor increase in volatility, suggesting that domestic firms were relatively insulated from the financial impact of the boycott. This aligns with consumer substitution theory, which argues that when multinational brands face consumer boycotts, purchasing preferences shift toward local alternatives (Delistavrou et al., 2020). This shift in consumer demand may have mitigated volatility risks for Indofood, reinforcing the idea that domestic firms, particularly in politically sensitive regions, can serve as stable investment alternatives when multinational brands experience market disruptions.

These findings highlight the importance of considering consumer-driven activism as a financial risk factor, particularly for multinational firms operating in politically engaged markets (Francioni et al., 2025; Whitler & Barta, 2024). The results suggest that boycotts can introduce volatility beyond traditional macroeconomic indicators, requiring investors and financial analysts to incorporate non-traditional risk factors such as consumer activism and socio-political sentiment into their financial modeling. Firms that fail to address these concerns may experience not only reputational damage but also prolonged stock price instability, necessitating proactive corporate engagement strategies to navigate socio-political risks effectively.

The Insignificance of the War Dummy Variable

A key finding of this study is that the dummy variable representing the war event (October 7, 2023) was statistically insignificant in explaining stock volatility, suggesting that while the boycott had a measurable financial impact, the broader geopolitical conflict did not directly influence stock market movements. This result contrasts with previous research that often links geopolitical instability to heightened market uncertainty and volatility (Fama, 1970; Li et al., 2023). However,

the insignificance of the war dummy variable in this study suggests that investors may have already accounted for geopolitical risks associated with the Israeli-Palestinian conflict, thereby reducing the war's shock effect on stock prices. (Yudaruddin et al., 2024)

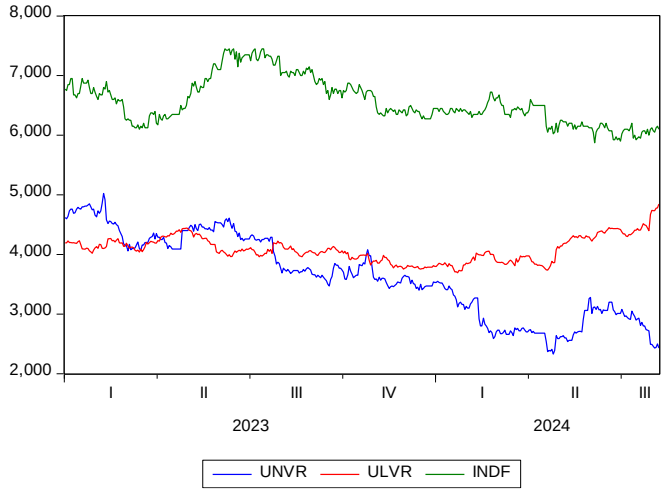

Figure 3. Stock Prices Comparison
Source : Data Processed, 2024

One possible explanation for this finding is that pre-existing market expectations had already priced in geopolitical risks, making the war event less impactful for investors. Unlike sudden conflicts that introduce new uncertainties, the Israeli-Palestinian conflict has been a long-standing issue, meaning that investors may have factored geopolitical instability into their risk assessments ahead of time (Chiang, 2024). This aligns with the Efficient Market Hypothesis (EMH), which suggests that financial markets quickly incorporate available information, reducing the likelihood of sharp volatility spikes from anticipated events (Fama, 1970).

Another possible reason is that corporate risk mitigation strategies helped buffer the impact of the war on stock prices. Large multinational firms like Unilever implement diversified market strategies and hedging mechanisms, which reduce exposure to geopolitical instability (Hasyim et al., 2024; Mahran, 2022; Salisu et al., 2022). This suggests that while consumer-driven boycotts affected investor sentiment and stock volatility, Unilever's global operations and financial risk management strategies may have softened the financial repercussions of the war itself, leading to an insignificant effect in the model.

Finally, the localized nature of the war's financial effects must be considered. While the MSCI Israel Index dropped by 5.53% following the conflict, broader emerging markets, including Indonesia, showed no similar volatility spikes (Ijaz et al., 2025; Wang et al., 2022). This reinforces the idea that boycott actions had a stronger market influence than the war itself, as consumer activism directly affected sales expectations and investor confidence in affected firms. These findings highlight that geopolitical conflicts do not always translate into immediate financial consequences, especially for firms without direct exposure to the affected regions. Instead, localized consumer-driven movements may play a more substantial role in influencing market stability in politically active economies.

Implications for Investors and Corporate Risk Management

The findings of this study hold significant implications for investors, multinational corporations, and policymakers, particularly in emerging markets where geopolitical risks and consumer activism increasingly influence financial volatility. The substantial increase in stock volatility for Unilever Indonesia (UNVR) and Unilever PLC (ULVR) following the boycott highlights the need for investors to integrate political consumerism into their risk assessment frameworks. Traditionally, investment decisions have been guided by macroeconomic indicators and firm fundamentals, but this study demonstrates that consumer-driven activism can be an independent risk factor, capable of generating substantial market fluctuations (Fiorillo et al., 2023).

For institutional and retail investors, these findings underscore the importance of portfolio diversification and the need to hedge against geopolitical risk (Jumah et al., 2024; Ngo et al., 2024; Sher et al., 2024). Given that PT Indofood Sukses Makmur Tbk (INDF) maintained relative stability, investors should consider allocating capital to domestic firms that are less exposed to international boycott risks. The results also suggest that volatility forecasting models such as GARCH can be instrumental in helping investors anticipate short-term fluctuations driven by geopolitical uncertainty and consumer sentiment shifts (Wang et al., 2022). By incorporating event-driven volatility models, investors can refine their risk mitigation strategies and avoid exposure to firms susceptible to political boycotts.

For multinational corporations, the study emphasizes the need for proactive corporate social responsibility (CSR) and crisis communication strategies to mitigate the financial impact of boycotts (Ajayi & Mmutle, 2020; Kim & Kinoshita, 2023). Unilever's experience demonstrates that failing to address political and ethical concerns in key markets can lead to significant investor uncertainty and stock price instability (Hamzah & Mustafa, 2019). To minimize the risk of boycott-driven volatility, firms should engage in localized branding strategies that align their corporate identity with regional values and concerns (Fazel, 2015). Additionally, transparent corporate disclosures and engagement with stakeholders can help firms maintain consumer trust and investor confidence, reducing the potential for long-term market instability.

Policymakers and financial regulators should also recognize the increasing role of consumer activism in shaping financial market stability. This study highlights how boycott movements can introduce market inefficiencies and price distortions, underscoring the need for regulatory frameworks that ensure stability during politically motivated trading behavior. Governments may need to consider investor protection mechanisms that reduce speculation-driven volatility, particularly in emerging markets where politically driven market movements are more pronounced (Bröckerhoff & Qassoum, 2019). Additionally, regulatory bodies should encourage corporate governance policies that promote transparency and ethical investment to ensure that financial markets remain stable despite geopolitical disruptions.

Limitations and Future Research Directions

While this study provides valuable insights into the financial effects of boycotts, several limitations should be acknowledged. First, the study focuses on a short-term event window, which may not capture long-term adjustments in stock market performance following boycotts. Future research should consider extending the observation period to analyze whether stock price volatility stabilizes over time or whether prolonged boycotts result in fundamental shifts in firm valuation and investor behavior (Li et al., 2023). A longer time frame would allow for a more comprehensive understanding of how firms recover from boycott-induced volatility and whether consumer sentiment rebounds after initial market shocks.

Second, the study is limited to three firms in the consumer goods sector, which may not be fully representative of how boycotts impact firms across different industries. While Unilever and Indofood were selected due to their strong consumer engagement, other sectors—such as technology, finance, and energy—may exhibit different volatility responses to boycott movements. Future research should expand the sample to multiple industries, allowing for a comparative analysis of sector-specific resilience to politically motivated consumer activism (Roswinanto & Suwanda, 2021). Understanding these differences would provide deeper insights into which industries are more susceptible to boycotts and which remain relatively unaffected.

Additionally, the study relies on the GARCH (1,1) model, which is effective in capturing time-varying volatility but does not account for asymmetric responses to positive and negative shocks. Future research could explore alternative econometric models, such as EGARCH (Exponential GARCH) or TGARCH (Threshold GARCH), to determine whether volatility responses to boycotts exhibit asymmetric patterns (Asteriou & Hall, 2021). Such models would allow researchers to assess whether negative shocks (e.g., boycott-induced selloffs) have a greater impact on volatility than positive market adjustments. Furthermore, the inclusion of high-frequency trading data could provide a more detailed examination of intraday market responses to boycott announcements.

Finally, future studies should integrate behavioral finance approaches to explore how media coverage, political narratives, and social media discussions influence investor decision-making during boycott periods. As digital activism becomes a more powerful force in shaping consumer and investor behavior, understanding the role of online discourse in amplifying financial market

reactions is critical (Fiorillo et al., 2023). By incorporating sentiment analysis and social media metrics, future research can provide a deeper understanding of how political messaging influences financial decision-making and contributes to stock price volatility.

By addressing these limitations, future studies can enhance our understanding of the long-term financial effects of boycotts and improve risk assessment strategies for investors and corporate leaders. This study serves as a foundation for further research into the intersection of political consumerism, stock market volatility, and corporate resilience, helping firms and investors navigate an increasingly complex global financial landscape.

CONCLUSSION AND RECOMMENDATION

This study provides empirical evidence that boycott movements triggered by geopolitical conflicts significantly impact stock volatility, particularly for multinational firms with strong consumer exposure. The GARCH (1,1) model results show that Unilever Indonesia (UNVR) experienced the highest volatility increase, followed by Unilever PLC (ULVR), while Indofood (INDF) remained relatively stable. These findings highlight that consumer-driven activism is an independent financial risk factor, as evidenced by the insignificance of the war dummy variable in explaining stock volatility. The results also indicate that domestic firms in emerging markets exhibit greater resilience to boycott-induced volatility, making them potential safe-haven investments during politically sensitive periods. This study underscores the need for investors and financial analysts to integrate consumer activism and socio-political sentiment into financial risk assessments, while multinational corporations must anticipate reputational risks associated with political consumerism.

To mitigate boycott-induced volatility risks, investors should diversify portfolios by increasing exposure to domestic firms, which tend to be less affected by international political tensions. Utilizing volatility forecasting models such as GARCH, EGARCH, or TGARCH can enhance risk management and improve market reaction predictions. Multinational corporations must implement localized branding strategies, proactive stakeholder engagement, and transparent crisis communication to maintain consumer trust and investor confidence. CSR initiatives aligned with local values can further help firms mitigate boycott-related financial risks and strengthen brand resilience. Policymakers and regulators should introduce stronger financial regulations, investor protection mechanisms, and corporate transparency requirements to promote market stability and minimize politically driven trading volatility. By adopting these strategies, investors can enhance risk-adjusted returns, corporations can safeguard financial performance, and policymakers can foster a more stable and transparent investment environment in an era where political activism increasingly influences global markets.

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