



EMERGENCE OF STOCK MARKET (BSE) IN THE EVENT OF THE GENERAL ELECTION 2014 (PRE AND POST PERIOD)



K.Appa Rao¹

¹Research Scholar
School of management studies
University of Hyderabad
Hyderabad,
Telangana, India

K.Vinay Raj²

²M.Com Student
Osmania University
Hyderabad,
Telangana, India

ABSTRACT

Stock market is a barometer for growth of Economy. Stock market prices are influenced by many factors like financial positions of the company, demand and supply, role of financial institutions, lending rates, trade cycles and government control. One of the important factors is government. Market is influenced by ruling government. In India government is formed through general elections. So, the study has been taken to know what is the impact of General elections 2014 on the stock market (BSE). The study covers pre and post period of election. The impact of the elections on stock market has been studied for BSE Sensex. The sample includes BSE Sensex and BSE sectorial indices. To analyse the impact paired T test has been used.

KEY WORDS: General Elections, Sensex, Share Price, Stock Market, Economy.

1. INTRODUCTION

Stock market represents the secondary market where existing securities shares and debentures are traded; stock exchange provides an organized mechanism for purchase and sale of securities.

Stock exchange is an organized market for buying and selling corporate and other securities. Here, securities are purchased and sold out as per certain well-defined rules and regulations. It provides a convenient and secured mechanism or platform for transactions in different securities. Such securities include shares and debentures issued by public companies which are duly listed at the stock exchange, and bonds and debentures issued by government, public corporations and municipal and port trust bodies.

Stock exchanges are indispensable for the smooth and orderly functioning of corporate sector in a free market economy. A stock exchange need not be treated

as a place for speculation or a gambling den. It should act as a place for safe and profitable investment, for this, effective control on the working of stock exchange is necessary. This will avoid misuse of this platform for excessive speculation, scams and other undesirable and anti-social activities.

A stock exchange is a reliable barometer to measure the economic condition of a country. Every major change in country and economy is reflected in the prices of shares. The rise or fall in the share prices indicates the boom or recession cycle of the economy. Stock exchange is also known as a pulse of economy or economic mirror which reflects the economic conditions of a country. The companies which are listed they also have to operate within the strict rules and regulations. This ensures safety of dealing through stock exchange.

The presence of stock exchange market gives assurance to investors that their investment can be

converted into cash whenever they want. The investors can invest in long term investment projects without any hesitation, as because of stock exchange they can convert long term investment into short term and medium term. The shares of profit making companies are quoted at higher prices and are actively traded so such companies can easily raise fresh capital from stock market. The general public hesitates to invest in securities of loss making companies. So stock exchange facilitates allocation of investor's fund to profitable channels. The stock market offers attractive opportunities of investment in various securities. These attractive opportunities encourage people to save more and invest in securities of corporate sector rather than investing in unproductive assets such as gold, silver, etc.

2. OBJECTIVES OF THE STUDY

1. To study the impact of pre and post period of general election 2014 on BSE SENSEX.
2. To study the impact of pre and post period of general election 2014 on stock prices of BSE companies (sector wise).
3. To analyze the impact on closing prices of BSE 30 scripts.
4. To analyze the impact on trade volume of BSE 30 scripts.

3. RESEARCH HYPOTHESIS

H1: There is a significant difference on BSE SENSEX.

H2: There is a significance difference on closing prices of BSE Sector wise.

7. DATA ANALYSIS

H1: There is a significant difference on BSE SENSEX.

Date(Pre-Period)	BSE Sensex	Date (Post - Period)	BSE Sensex
18-Mar-14	21832.61	13-May-14	23871.23
19-Mar-14	21832.86	14-May-14	23815.12
20-Mar-14	21740.09	15-May-14	23905.6
21-Mar-14	21753.75	16-May-14	24121.74
22-Mar-14	21755.32	19-May-14	24363.05
24-Mar-14	22055.48	20-May-14	24376.88
25-Mar-14	22055.21	21-May-14	24298.02
26-Mar-14	22095.3	22-May-14	24374.4
27-Mar-14	22214.37	23-May-14	24693.35
28-Mar-14	22339.97	26-May-14	24716.88
31-Mar-14	22386.27	27-May-14	24549.51
1-Apr-14	22446.44	28-May-14	24556.09
2-Apr-14	22551.49	29-May-14	24234.15
3-Apr-14	22509.07	30-May-14	24217.34
4-Apr-14	22359.5	02-June-14	24684.85

BSE - 30

P Value 1.19843E-14

Accepted

H3: There is significance difference on closing prices of BSE 30scripts.

H4: There is a significant difference on trade volume of BSE 30 scripts.

4. DESIGN AND RESEARCH METHODOLOGY

The present research work is based on the secondary data only. The secondary data has been collected chiefly from the BSE website, Google.

The data used for study pertains to the period from 18th March 2014 to 2nd June 2014. In order to find out the impact of general election on stock market (2014) statistical tools averages and student- t- distribution have been used.

5. SCOPE

Keeping in view the scope of the study, the study would cover a period from period 18th March to 2nd June 2014. The study has been taken from 18th March to 4th April 2014, as per period of the study (Before Elections), from 7th April to 12th May is during the period and 13th May to 2nd June 2014 post period of the study.

6. LIMITATION

1. The study is based on closing prices, trade volume only.
2. The period of the study is less.
3. The other factor which may impact on stock market has not been covered

INTERPRETATION

The p value (0.05) is more than calculated value is a impact of general election on BSE SENSEX in given so the research hypothesis is accepted. It says that there period.

H2: There is a significance difference on closing prices of BSE Sector wise.

Sectors	P value	Research hypothesis
Auto	1.38926E-14	Accepted
Bankex	1.55864E-14	Accepted
BSECD	4.48318E-11	Accepted
BSECG	8.84194E-11	Accepted
FMCG	0.087482036	Accepted
BSE HC	0.498552698	Rejected
BSE IT	0.000427533	Accepted
BSE PSU	1.71984E-11	Accepted
BSE METAL	9.47383E-12	Accepted
OIL GAS	7.34497E-11	Accepted
POWER	1.11152E-09	Accepted
Realty	9.19413E-08	Accepted
Tech	0.060451611	Rejected

INTERPRETATION

The p value (0.05) is more than calculated value reveals that there is a impact of general election on sector in all the sectors except BSE HC (health care) &Tech .It wise. Research hypothesis is ACCEPTED.

H3: There is significance difference on closing prices of BSE 30scripts.

COMPANY	P value	Research Hypothesis
WIPRO	0.005046625	Accepted
TCS	0.493853233	Rejected
TATA STEEL	0.002675244	Accepted
Tata Motors	0.002853224	Accepted
Sun Pharma	0.002016578	Accepted
SesaSterlite	0.000417297	Accepted
SBI	0.00160335	Accepted
RIL	0.02014085	Accepted
ONGC	0.001303661	Accepted
NTPC	5.62025E-07	Accepted
Maruthi Suzuki	0.065573935	Rejected
Mahindra & Mahindra	0.00329312	Accepted
L & T	0.003567306	Accepted
ITC Ltd.	0.006732917	Accepted
Infosys	0.047306871	Rejected
ICICI	0.020747965	Accepted
Hindustan Unilever	0.022045989	Accepted
Hindalco	0.000198519	Accepted
Hero motocorp	0.007467378	Accepted
HDFC bank	0.011156321	Accepted
HDFC	0.005541094	Accepted
Gail India	0.001921705	Accepted
Drready lab	0.000332825	Accepted
Coal India	5.13546E-05	Accepted
CIPLA	0.016802962	Accepted
BHEL	3.68988E-05	Accepted
Bajaj Auto	0.000850546	Accepted
Bharti Airtel	0.011463171	Accepted
Ais Bank	0.539790971	Rejected

INTERPRETATION

Calculation according to individual company, p value is more than calculated value of selected companies. so Research hypothesis is ACCEPTED.

H4: There is a significant difference on trade volume of BSE 30 scripts

COMPANY	P value	Research hypothesis
WIPRO	7.09882E-08	Accepted
TCS	0.567563296	Rejected
TATA STEEL	4.14083E-13	Accepted
Tata Motors	1.16775E-06	Accepted
Sun Pharma	1.89863E-05	Accepted
SesaSterlite	2.73586E-07	Accepted
SBI	1.00175E-13	Accepted
RIL	5.60252E-11	Accepted
ONGC	1.42603E-10	Accepted
NTPC	1.72712E-07	Accepted
Maruthi Suzuki	2.87687E-11	Accepted
Mahindra & Mahindra	1.30161E-09	Accepted
L & T	3.37335E-10	Accepted
ITC Ltd.	0.012114503	Accepted
Infosys	4.18027E-05	Accepted
ICICI	5.60942E-14	Accepted
Hindustan Unilever	0.017187524	Accepted
Hindalco	8.04409E-07	Accepted
Hero motocorp	2.32697E-05	Accepted
HDFC bank	2.85063E-10	Accepted
Gail India	0.000107463	Accepted
Drreaddy lab	2.23791E-09	Accepted
Coal India	3.71147E-12	Accepted
CIPLA	0.247121905	Rejected
BHEL	1.41244E-08	Accepted
Bajaj Auto	4.68494E-05	Accepted
Bharti Airtel	1.06212E-07	Accepted
Ais Bank	7.11373E-13	Accepted

INTERPRETATION

From the taken sample trade volume of individual of companies are impacted due to election. Here trade volume of the companies except CIPLA and TCS were impacted.

8. FINDINGS

- 1) BSE SENSEX has been gradually increasing in given period pre and post period of the General Election 2014.
- 2) Sector wise analysis says that all the sectors except BSE TECH and BSE HC (health care) were impacted.
- 3) Health care sector has not been influenced because of it might be concern to necessities of life.
- 4) Individual company wise analysis also reveals that there is a impact of General Election 2014.
- 5) There is a relationship between stock price and trade volume of individual companies growth except CIPLA which is come under health care sector not impacted by the Elections.

- 6) All the companies of trade volume also has been changed pre and post period of the Election 2014.

9. CONCLUSIONS

Because of changes in prices and trade volume of the companies make the INDEX to high level. This movement of index the anticipation of industry to specific political party or the attraction of industry towards manifesto of the political party

The experience of industry which were not addressed by the UPA Government is a clearly descends and shift the choice of industry towards NDA Government. NDA PM Candidate performance as a chief minister of Gujarat has drawn the attention of the industry towards change in government and anticipated NDA Government has become to power. This is clearly influenced the stock market and it is evident from the SENSEX movements from the pre poll to post poll period of data taken.

Finally, it concludes that there is a impact of General Election 2014 On stock market given period.

BIBLIOGRAPHY

- 1) *Fundamentals of Statistics Text Book –SC. Gupta.*
- 2) *Using Daily stock returns –The Case study of Event studies, Journal of Financial Economics.*
- 3) *Event studies in Economics and finance-Journal of Economic Literature.*
- 4) www.bseindia.com
- 5) www.Google.com