



A STUDY OF IMPACT OF RESULTS OF GENERAL ELECTION 2014 ON NATIONAL STOCK INDEX

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Abstract: *This paper examines the impact of General election result 2014 on national index. Influence of formation of Modi Government on Mood and sentiments of investors is studied. How the market behaved when UPA era came to an end after a decade. National index nifty is studied, and market mood 39 days before and after result declaration is taken, to know the volatility of the national index and its after affects.*

Keywords: *Index movement, Lok Sabha Election, National index, Modi Government.*

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INTRODUCTION

Lok Sabha Elections must be held at an interval of five years or whenever parliament is dissolved by the President. The previous election, to the 15th Lok Sabha, was conducted in April–May 2009, and its term would have naturally expired on 31 May 2014. The election to the 16th Lok Sabha was organized and conducted by the Election Commission of India (ECI) and was held in multiple phases, to better handle the large electoral base and security concerns. The **Indian general election of 2014** was held to constitute the 16th Lok Sabha Election, electing members of parliament for all 543 parliamentary constituencies of India. Running in nine phases from 7 April to 12 May 2014, it was the longest election in the country's history. According to Election Commission of India, 814.5 million people were eligible to vote, making it largest-ever election in the world.

The average election turnout over all nine phases was around 66.38%, the highest ever in the history of Indian general elections. The results were declared on 16th May, The Bhartiya Janta Party won a sweeping victory, taking 336 seats. The BJP itself won 31% of all votes and 282 (51.9%) of all seats, while NDA's combined vote share was 38.5%. It is the first time since the 1984 Indian general elections that a party has won enough seats to govern without the support of other parties.

The BJP secured 39% support from first time voters, while Congress received 19% of the first time votes.

The NDA won 39 of 74 seats where Muslim voters make up between 21 to 95% of the total electorate. The BJP won all 16 seats in Uttar Pradesh. The BJP won all 26 seats in Gujarat, marking the first time a single party won all seats in the state. The previous record was held by the Congress which won 25 of the 26 seats in the 1984 general election. The assembly segment-wise result of Lok Sabha elections in Uttar Pradesh shows that the BJP was number one in 328 seats, while the ruling SP led in just 42. Similarly, in Maharashtra BJP-Shiva Sena alliance has got a lead in 246 assembly segments out of the total 288.

LITERATURE REVIEW

Debashis Kundu (2009) in his research paper "Do unexpected events cause significant market volatility" concluded that major domestic and international events do not cause significant volatility in Indian stock market. He also found that a macroeconomic event



sometimes affects stock market indexes but not all the time. In article “Impact of Terror Attacks on Indian Stock Prices”.

Piyush Kumar Chowhan and Vasant Shukla (2000) in their research paper “Volatility in Indian stock markets” carried out an experiential study of BSE Sensex and a set of representative stocks are carried out to find the changes in their volatility in the last 2 years. The evidence in the paper “Political Events and the Stock Market: Evidence from Israel” by **Tzachi Zach (2003)**, demonstrates that the income on the Israeli stock market’s main index following political events are more extreme than the returns on the same index in other days.

Anuradha Guru (2009), in her research paper “What moves stock prices and How” showed what all events affect stock prices, which helped to classify events into major five categories. Movements of stock prices are observed to depend on macroeconomic factors, like, domestic and international, economic, social or political events, market sentiments or hopes about future economic growth path or important budgetary, monetary and fiscal policy announcements etc.

Renuka Kinger (2009), in her article “Volatility of stock market and its causes” proposes that root cause of stock market volatility is surprising information breaking out in the market. So she concluded that portfolio should have margins to accommodate volatility caused due to various events.

SIGNIFICANCE OF THE STUDY

India is being in race to become super power of the world. As Economy of the country is considered blood of the country, stock indexes are considered barometer which reflects actual position of the economy of the country. Stock market also shows belief of other country in Indian economy through FII. National Stock Exchange (NSE), being national index of India, which impacts economy of the country. Political condition of the country also greatly influence sentiments of investors across the world which in turn affects economy of the country. Thus elections results are also important factor behind movements of index. Investors’ sentiments can be analyzed on the basis of the same. So, influence of election results on stock index is needed to be studied.



OBJECTIVE OF THE STUDY

To analyze the movement of NSE index when Modi Government was formed, Pre and Post election results 2014.

LIMITATION OF THE STUDY

- Only NSE Index was used to collect data.
- Only Lok Sabha Election 2014 details were used to collect data.

RESEARCH METHODOLOGY

Index data is collected from NSE website. Stock Markets absorb news and event very soon and so 40 days pre and post election data is used to analyze the results. More than that movement can be largely due to other reasons as well.

ANALYSIS

Table 1: NSE Index (Nifty) data from 18th March to 9th July 2014

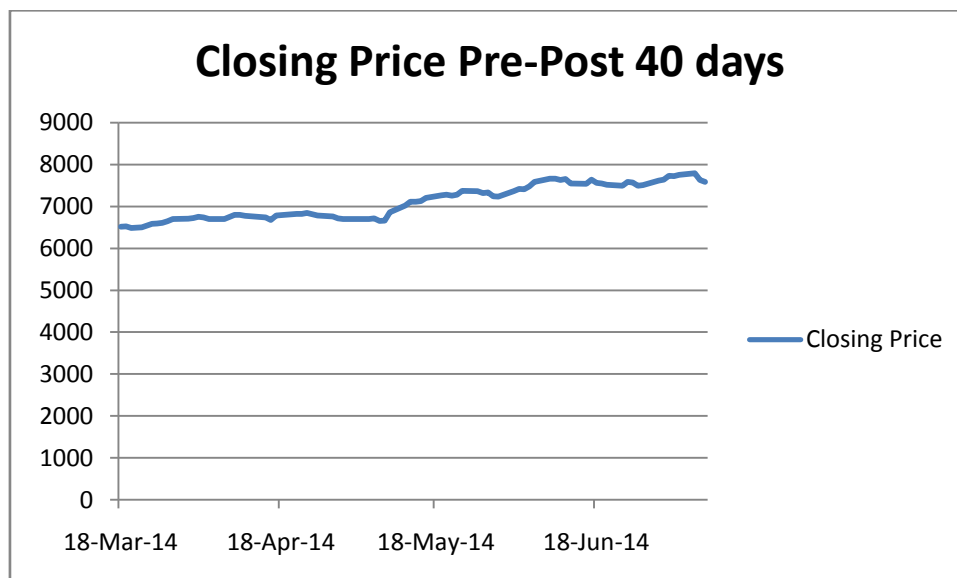
Date	Pre-Election Turnover (Rs. Cr)	Pre-Election Closing Price	Date	Post-Election Turnover (Rs. Cr)	Post-Election Closing Price
18-Mar-14	7268.52	6516.65	16-May-14	21057.07	7203
19-Mar-14	7666.24	6524.05	19-May-14	15228.6	7263.55
20-Mar-14	6280.76	6483.1	20-May-14	11139.51	7275.5
21-Mar-14	8841.94	6493.2	21-May-14	9544.12	7252.9
22-Mar-14	373.66	6494.9	22-May-14	10104.55	7276.4
24-Mar-14	6633.77	6583.5	23-May-14	12002.13	7367.1
25-Mar-14	6475.61	6589.75	26-May-14	13203.73	7359.05
26-Mar-14	7046.34	6601.4	27-May-14	7931.22	7318
27-Mar-14	12924.37	6641.75	28-May-14	8929.71	7329.65
28-Mar-14	6862.55	6695.9	29-May-14	13385.17	7235.65
31-Mar-14	7743.3	6704.2	30-May-14	13837.29	7229.95
1-Apr-14	7174.14	6721.05	2-Jun-14	7833.43	7362.5
2-Apr-14	8007.75	6752.55	3-Jun-14	10354.94	7415.85
3-Apr-14	7738.58	6736.1	4-Jun-14	8913.89	7402.25
4-Apr-14	6676.88	6694.35	5-Jun-14	11574.51	7474.1
7-Apr-14	6707.01	6695.05	6-Jun-14	12322.96	7583.4
9-Apr-14	8892.66	6796.2	9-Jun-14	10866.56	7654.6
10-Apr-14	9079.6	6796.4	10-Jun-14	9475.21	7656.4
11-Apr-14	7463.19	6776.3	11-Jun-14	10472.71	7626.85
15-Apr-14	7100.26	6733.1	12-Jun-14	8187.49	7649.9
16-Apr-14	6168.64	6675.3	13-Jun-14	11254.75	7542.1
17-Apr-14	6952.58	6779.4	16-Jun-14	8449.27	7533.55
21-Apr-14	5711.98	6817.65	17-Jun-14	8704.2	7631.7
22-Apr-14	5636.78	6815.35	18-Jun-14	8963.97	7558.2



Date	Pre-Election Turnover (Rs. Cr)	Pre-Election Closing Price	Date	Post-Election Turnover (Rs. Cr)	Post-Election Closing Price
23-Apr-14	9247.25	6840.8	19-Jun-14	8115.36	7540.7
25-Apr-14	8021.33	6782.75	20-Jun-14	6801.49	7511.45
28-Apr-14	6297.18	6761.25	23-Jun-14	6543.64	7493.35
29-Apr-14	5459.34	6715.25	24-Jun-14	7146.44	7580.2
30-Apr-14	7066.78	6696.4	25-Jun-14	6198.93	7569.25
2-May-14	5030.42	6694.8	26-Jun-14	9190.64	7493.2
5-May-14	4881.32	6699.35	27-Jun-14	6688.8	7508.8
6-May-14	4168.72	6715.3	30-Jun-14	7887.37	7611.35
7-May-14	6513.29	6652.55	1-Jul-14	6983.63	7634.7
8-May-14	5413.39	6659.85	2-Jul-14	7363.75	7725.15
9-May-14	8027.14	6858.8	3-Jul-14	7320.09	7714.8
12-May-14	8475.17	7014.25	4-Jul-14	5863.82	7751.6
13-May-14	10573.11	7108.75	7-Jul-14	8925.04	7787.15
14-May-14	9395.8	7108.75	8-Jul-14	9002.25	7623.2
15-May-14	8947.95	7123.15	9-Jul-14	8176.28	7585

Source: NSE

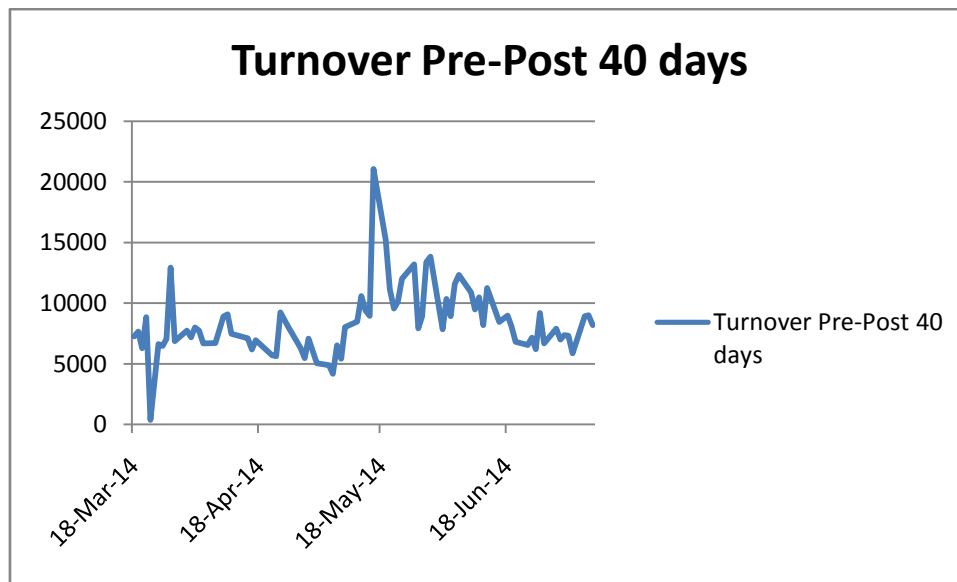
Chart 1:



From the above chart, it can be seen that nifty pulled up after the election results were declared. For more than 40 days upward trend was observed. Nifty moved from 6513 to 7585, increase of more than 16%.



Chart 2:



If we observe turnover of the market, we can see that it jumped from 7268 to 8176, approx 12 % increase.

FINDINGS & CONCLUSION

It can be clearly seen that post election results moves Nifty in upward movement, reasons behind it can be,

- The reason can be attributed to the change in Government after a decade of UPA rule to NDA.
- Sentiments of investors were bullish as they believed Modi Government would be stable and progressive for the country.
- Also Gujarat development model can be a reason, as Modi would develop India in the same way it developed Gujarat State.
- Modi Government would bring infrastructure development and all round development to the country, which also boosted sentiments of investors.

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