

JUDGING ELECTION IMPACT ON STOCK MARKET: EVIDENCE FROM INDIA

DOI: 10.17261/Pressacademia.2025.2002

JEFA- V.12-ISS.2-2025(1)-p.82-91

Arshi Firdous¹, Sarbapriya Ray²¹University of Calcutta, Department of Commerce, College Street Campus, Kolkata, India.firdousarshi09@gmail.com, ORCID: 0009-0004-6334-2224²Vivekananda College, under University of Calcutta, Department of Commerce, Kolkata, India.sarbapriyaray@gmail.com, ORCID: 0000-0002-5848-4824

Date Received: August 7, 2025

Date Accepted: November 11, 2025

OPEN ACCESS



To cite this document

Firdous, A., Ray, S., (2025). Judging election impact on stock market: evidence from India. Journal of Economics, Finance and Accounting (JEFA), 12(2), 82-91.

Permanent link to this document: <http://doi.org/10.17261/Pressacademia.2025.2002>

Copyright: Published by PressAcademia and limited licensed re-use rights only.

ABSTRACT

Purpose- This study tries to evaluate the influence of election's results on India's BSE and NSE exchanges at different election time frames. It assesses efficiency of Indian financial market at the time of election and to enquire into the fact whether there exists any immediate effects in terms of sudden changes in stock prices/returns and market volatility on market dynamics as a result of declaration of election result.

Methodology- The study is purely based on secondary data and the general elections for the year 2004, 2009, 2014, 2019 and 2024 have been considered. The study used descriptive and analytical method to achieve the desired objective. Monthly along with daily closing prices have been used for BSE and NSE and the volatilities of the stock market before and after 30 days, 15 days and 3 days have been considered for analytical purpose. Actual Return has been calculated using the log difference of previous price and current price $R_t = \ln(P_t/P_{t-1})$, where P is the price, $\ln$ is natural logarithm and t is the time period and R_t is Actual Return. Paired t test is used to measure if there is any significant mean difference between the two paired samples.

Findings- It has been found that market volatility increases before election results are announced and continue to adjust afterward in India. Results indicate that election results have a limited and temporary impact on returns and volatility, with short-term volatility occurring but not long-term impacts. The analysis of variance indicated that variance in both shorter and longer period $[(-3,+3) \text{ days } (-30,+30)]$ is not so much statistically prominent, although smaller ups and downs are noticed. This suggests that market volatility is transient and corrects itself over time in India. Moreover, SENSEX return declines gradually in different election times commencing from 2004 till 2024 emphasizing the fact that political regime change has initially a little bit noteworthy impact on stock market returns.

Conclusion- This empirical investigation should be construed as an endeavour in understanding stock price, stock return and general election dynamics in the context of the India's parliamentary political backdrop.

Keywords: Election's impact, daily variance of returns, return, volatility, BSE, NSE, Indian Stock Market.

JEL Codes: P16, G14, C41

1. INTRODUCTION

Political uncertainties, based on which party will come in governmental power, who will lead in which states and many other facets of the political backdrop, are some of the key challenges investors need to think about when looking at how elections impact stock markets. Elections and stock prices have a multifaceted affiliation that is impracticable to assess. However, one can assess the trend of the stock market by probing the government's ideology, policies and election results. There exist a long-term link between election and the economy of a nation; obviously, the general election has the effect on stock market too. The market becomes more volatile before the election results announcement and continues to adjust after the declaration of results. These challenges are reflected on the mechanism of financial market. From the literature, it is quite evident that it's just not the election's timing that has an effect on stock market but the outcome of election also impacts the market. Research from the 1970s revealed that politicians would frequently pump up the economy prior to elections in order to gain favour, only to impose strict measures like increased interest rates to control inflation thereafter (Nordhaus, 1975). Also, before an election, the presence of political uncertainty has a direct impact on the country's economy which eventually impacts the stock market. Changes in governance are frequently linked to shifts in international relations and foreign policy which leads to lower share prices due to shocks to geopolitical risk (Caldara and Iacoviello, 2022, Bekaert et al, 2014)). More economic policy uncertainty raises risk and reduces the returns on stock in businesses and sectors that are especially vulnerable to government expenditure and regulation. This covers industries like banking, healthcare, and defence (Baker et al, 2016). The voting system has an impact on how big the fluctuations are. Majority of systems are less predictable than proportional representation systems since they have outcomes that are same for losses of 0.5% and 95%, such as the US

Electoral College and the UK's "first-past-the-post." This may have a major impact on stock market results (Lausegger, 2021). The increased volatility of share prices during elections is indicative of this challenge. According to one study, there is more than 20% greater volatility in stock market returns over the 51 days leading up to elections than predicted. Furthermore, it turns out that the reward for taking on this risk is not very high (Bialkowski et al., 2008). Globally speaking, election outcomes have an effect on the stock market. The market's unusual behavior upon the announcement of election results has become a common occurrence. The capital market has experienced remarkable expansion since the introduction and development of behavioral finance. Researchers have discovered the abnormality occurring around election time by using the lens of behavioral finance.

Brief overview of Indian economy in different political regime -2004-24: A Look Back

As 'poverty eradication' is a highly politicized issue buzzed around every general election in India, the propinquity to national elections has thrilled the debate over poverty in India which public seeks to know how poorer section of society have been uplifted economically during the reign of a stable government ruling over a substantial period. But economic performance of India is difficult to appraise because the government has not published official data on poverty and employment since 2011. This has led analysts to make use of alternating data sources that are not as dependable as the large and nationally representative consumption and employment surveys of the Indian government's statistical agency.

The lack of household level consumer expenditure survey (CES) data over the last few years have compelled researchers to use the National Accounts Statistics (Bhalla et al, 2022), CPHS data collected by CMIE (Roy and Van der Weide, 2022), and more recently, the Periodic Labour Force Survey (PLFS) data (Ghatak and Kumar, 2024, Himanshu et al, 2024) to come up with synthetic estimates of poverty. Two months before the Parliamentary elections in 2024, a "Fact Sheet" from the 2022-23 NSO survey, was published by the Ministry of Statistics and Programme Implementation in February, providing some summary statistics about consumer expenditure levels based on the 2022-23 NSO Household Consumption Expenditure Survey (HCES) which has ignited spanking new momentum to the poverty dispute. In the nonexistence of comprehensive survey results, as well as newly calculated poverty lines based on updated cost of living and consumer expenditure patterns, it is not possible to come up with updated poverty estimates that are truly comparable to the 2011-12 round data. Conversely, it enables provisional estimates of the headcount ratio of poverty on the basis of poverty lines from the 2011-12 survey, which are updated by the average inflation rate. This suggests that poverty in India had fallen to a historic low in 2022. (e.g., Subramanian, 2024, Rangarajan and Mahendra Dev, 2024, Bansal, Kumar, and Panda, 2024).

Table 1: Poverty Rates

Year	Poverty headcount ratio (\$2.15 a day, 2017 PPP)
1983	56.6
1993	48.0
2004	40.6
2012	22.9
2022	5(lower bound)

Source: World Bank Databank (World Development Indicator), <https://www.databank.worldbank.org>

A well-recognised fundamental facet of the process of economic development is that when an economy becomes more affluent, the fraction of its population living under poverty line is estimated to turn down. Therefore, to continue to bring poor people out of poverty line, an economy needs to activate and mobilize its productive forces constantly to drive economic growth.

Table 2: Growth Rates of the Indian Economy

Year	Annualized growth rate of real GDP per capita	Growth elasticity of poverty
1983-1993	2.8%	-3.07
1993-2004	4.3%	-1.72
2004-2012	5.2%	-3.40
2012-2022	4.6%	-3.90

Source: World Bank Databank (World Development Indicator), <https://www.databank.worldbank.org>

On the basis of the poverty numbers and the corresponding annualized growth rates of GDP per capita between subsequent rounds of the NSO consumer expenditure surveys the growth elasticity of poverty (GEP) which is represented as the percentage decline in poverty rates connected with a percentage change in per capita income, it has been found that the time frame, 2004-2012, was the period where the growth rate of per capita GDP was the maximum and, the drop in poverty in percentage points was the highest, giving the highest growth elasticity of poverty until 2012. In the very last decade, the

growth rate of GDP per capita was moderately good, nevertheless it did not extend, yet the fall in poverty has been very spiky, presenting the highest GEP over the last 4 decades.

Table 3: India's Growth History

Average Growth Rates	UPA regime (2004-14)	NDA regime (2014-2024 onwards)
GDP	7.74%	5.77%
Unemployment rate	2.2%	7.9%
Export growth	18.72%	9.67%
Corporate Tax growth	13.09%	11.20%
Income tax growth	16.85%	17.53%
Stock market capitalization	20%	17%
Mutual fund assets under management (AUM)	19.4%	20.5%
No of stock market participants	18.3%	21.4%

Source: Handbook of Statistics on Indian Economy (several issues, 2004-2014 compiled), Reserve Bank of India, <https://www.rbi.org.in>

In 2004, the Congress-led UPA-I government unpredictably came to ruling in India, guaranteeing to administer for the sake of the 'Aam Aadmi'. Over the next decade, it initiated quite a lot of rights-based laws and welfare agendas targeting mass poverty. During UPA-I regime under the leadership of Dr Monmohan Singh from 2004 to 2014, Indian economy witnessed a substantial boom, at a growth rate of 7.74% p.a. In 10 years, regime of NDA under leadership of Modi, the GDP grew at 5.77 per cent p.a. While the UPA era battered a global financial crisis during 2008-09, the present NDA government had to fight against Covid-19 induced global pandemic. Analysis of data from the Association of Mutual Funds in India (AMFI) discloses that the aggregate assets under management of the mutual funds industry grew from Rs 1.4 lakh crore as of March 2004 to Rs 8.25 lakh crore as of March 2014, and Rs 53.4 lakh crore as of March 2024. This indicated that the aggregate assets under management of the mutual fund industry grew at an average rate of 20.5 percent p.a under NDA government, slightly quicker than the average annual growth rate of 19.4 percent p.a under UPA government. Available data on the stock market from Indian stock exchanges depicts that the total market capitalisation grew from Rs 74 lakh crore during March 2014 to Rs 415 lakh crore during June, 2024 which indicates the market capitalisation presently is about 5.6 times what it was in the financial year 2014, showing a growth of about 17 percent p.a between 2014 and 2024. On the contrary, data suggests that India's market capitalization in March 2004 stood at just Rs 12 lakh crore, indicating an increase in stock market capitalization by 6.2 times or by 20 percent p.a which was quicker than what was achieved by NDA government. In terms of stock market participants, National Securities Depository and Central Depository Services recorded an average annual growth of 18.3 percent under the UPA and 21.4 percent under the NDA government. The 2019 elections emphasized the market's sensitivity to political events. The BJP's sustained governance guided to a market upswing, driven by expectations of sustained economic reforms and policy stability. Programmes like "Make in India" and strategic tax reforms branded this period. Nevertheless, growth was controlled by worldwide trade tensions and structural issues within fundamental economic sectors. Average annual export growth was higher under UPA regime in comparison with NDA regime. This might be because India is having cheap and abundant labour force, but, of late, it has not been able to attain the economies of scale in its production of many exportable commodities that China has. Moreover, cost of production per unit has increased as increment in wage rate of labourers have not been counterbalanced by superior productivity, leading to the fact that India is losing out to China in many emerging and neighboring markets. Moreover, ASEAN countries like Vietnam, Cambodia and Myanmar have witnessed Chinese FDI inflow into those markets. It might be because of their improved economic commitment with the rest of the world compared to India. This has increased competition for India in sectors like textiles, leather, gems and jewellery, sports goods, agro and processed food products.

On the other hand, unemployment rate is higher (7.9%) in NDA regime of last 10 years (2014-2024) as compared to 2.2% in UPA regime (2004-2014). NDA government has so effective in generating prolific jobs for the larger section of India's unemployed labour force who are unskilled and poor. Around 40% of workers are compelled to remain disguised in agriculture, and around 20% gets employed in manufacturing operations or business services such as IT. Pre-poll ground level investigations revealed that rising joblessness and price rises are sources of anxiety for numerous electorates. The fragile record of the Modi government in generating employment opportunities is shocking although the government no deficiency on its part in initiating several initiatives to kick-start manufacturing. The 'Make in India' programme, which was launched immediately after Modi led NDA government came to power in 2014, which had expectation to diminish the costs of 'doing business' in India. This was followed by the more recent production-linked incentive scheme in November 2023 to boost domestic production in key manufacturing sectors from electronic products to drones. However, manufacturing's share of output remained the same in 2022.

The Sensex is frequently considered to be a yardstick of India's economic wellbeing and investor assurance. By examining Sensex returns under diverse governments ruled in different phases, we can expand important our understanding into how stock market behaves to a variety of economic policies under the ruling of stable government and how political stability of

government relieves and exalts investors' trust and confidence. The examination of Sensex returns in different governments' ruling phase divulges diverse stock market performance, persuaded by their adopted economic policies, worldwide economic scenario, and investors' reaction. The maximum returns were documented during UPA-I regime under the worthy leadership of Prime Minister Dr. Manmohan Singh, revealing a well-built post-liberalisation growth and international economic integration. NDA government's phase has also displayed vigorous performance, strengthened by momentous economic reforms as well as investors' well-built trust and confidence.

Table 4: Sensex Movements during Different Election Phases in India

Government term (result date to result date)	Government	Sensex on Result Date	Closing Price	Sensex Returns
May 13, 2004 to May 16, 2009	UPA-I	5,399.47	14,284.21	164.55%
May 16, 2009 to May 16, 2014	UPA-II	14,284.21	24,121.74	68.87%
May 16, 2014 to May 23, 2019	NDA	24,121.74	38,811.39	60.90%
Feb 23, 2019 to Jun 5, 2024	NDA	38,811.39	74,382.24	91.65%

Source: <https://www.bseindia.com/stockinfo/annpdfopen.aspx>

UPA-I regime-The UPA-I government was stimulated by a vigorous bull market which endured till 2007, accompanied by GDP growth rate of approximately 8% and FDI attaining a record \$34 billion. This phase (2004-09) witnessed the maximum return amongst the observed periods. The Sensex rushed forward from 5,399.47 to 14,284.21, yielding an amazing return of 164.55%. This phase was distinguished by well-built economic growth, the execution of quite a lot of key reforms as well as increased integration of India with the international economy. The global financial crisis occurred in 2008 weighed down the bull run in the stock market, although revival was witnessed by 2009 prior to the subsequent election cycle commenced.

UPA-II regime-In the UPA-II regime (2009-10 to 2013-14), the Indian economy grew up by 6.7% p.a. In the second term of the UPA government, the Sensex improved from 14,284.21 to 24,121.74, posing a return of 68.87%. The market fluctuated due to prevalent scams during UPA's second term. Investor buoyancy diminished, upsetting both domestic and foreign investments ensuing shortened FDI inflows. Policy worries, along with the government's effort to deal with fiscal deficits and high inflation, branded this period, although the Sensex witnessed approximately 15.5% boost in the first 3 years of UPA-II regime. This period also is evidenced by recovery of the global financial crisis later on, reinforced by vigorous domestic consumption. This has been revitalized by momentous policy measures which sought to promote financial inclusion as well as rural development.

First NDA Government's Regime-During first NDA Government's Regime (2014-15 to 2018-19), the Indian economy witnessed a growth of around 7.5% p.a under the prime minister ship of Narendra Modi. During this regime, the Sensex rose from 24,121.74 to 38,811.39, yielding a return of 60.90%. Key schemes during this regime included the beginning of the Goods and Services Tax (GST), the 'Make in India' drive, and a variety of other reforms which aspired to getting better the 'ease of doing business'. The BJP led NDA's 2014 win, carried a revival in market buoyancy, plummeting volatility to 9.1% from 17.96%. It seems that expectations of economic reforms strengthened this reaction. While the market witnessed a considerable upward movement, a growth rate of approximately 40% over 4 years was observed by which was supposed to be influenced by issues like global oil prices and a diluted Indian rupee. A series of highly sophisticated scam and fraud directed towards slaughter of investors' trust and confidence in the Indian economy.

Second NDA Government's Regime-Under the said NDA government led by Prime Minister Narendra Modi, Sensex has seen a considerable ascend. Starting at 38,811.39 on February 23, 2019, the Sensex climbed to 74,382.24 by June 5, 2024, marking a remarkable return of 91.65%. This period has been marked by important economic reforms, a well-built focus on digital infrastructure like Aadhaar-linked bank accounts to distribute benefits to the poor directly through their Aadhaar-linked bank accounts, as well as sizeable foreign investment inflows. Essential goods such as toilets and cooking cylinders, which are normally privately provisioned, were supplied in large numbers by the government [as called by Arvind Subramanian, Indian economist and the former Chief Economic Advisor, 'New Welfareism' in India]

Dynamics of stock market movements and Election-In India, the impact of general elections widened beyond the dominion of politics. It considerably persuades the Indian stock markets and economic backdrop. But economic analysts presume that the expansion and development in macro-economic variables and the government's spotlighted move towards expansion of country's infrastructure, if, of course, being fiscally appreciable and prudent, might gain investors interest. Stock markets is thought to be a barometer of political emotion and economic stability, during the election phase. There is a truism "buy on rumour, sell on news," which most of the watchful and prudent buyers pursue on the belief that the election result, that got reflected in contemporary market values, will not be likely to cause a gigantic upward move. As new information sensitizes stock prices, it is usually believed that potential stakeholders of stock markets, broadly investors, keenly and anxiously watch the elections debacle because pessimistic outcomes can considerably affect market dynamics. Conversely, an upbeat election upshot for the existing administration will make better the stock market because it ensures political stability. Therefore,

general elections, a inveterate event that will transpire after a predetermined time schedule, in any democratic country is anticipated to bring about volatility in stock market owing to uncertainty in unfolding of epicentre of power politics. Favourable election result in favour of existing ruling party which have articulated previously superior economic policies and ensured political stability might stimulate stock market. However, multiple arguments put forth based on logical footing how election results impact stock markets. Common behavioural practice as well as perception of people governing democracy demonstrates that changes in governments or political regime with its existing ideologies might bring about changes in government policies, economic priorities, and regulations, affecting various sectors and companies. While elections gesture creates short-term volatility in stock market with the anticipation of lots of either optimism or pessimism that might be caused by certainty of arriving at a stable government, the long-term effects are mostly shaped by the economic reforms and policies implemented by the government backed by ruling party coming into administrative power through parliamentary election. Government's ideology might have effect on stock market fluctuations in diverse ways. If the winning political party has a thoughtful and visionary sketch for economic growth over tenure of its five-year roadmap enthroned through 'of the people, by the people, for the people' [it is often termed to explain democracy], optimistic market response will result in a boost in stock prices. On the contrary, if a political alliance having diverse political, economic agenda, ambiguous and conflicting platform appears to be coming into power through the election, it will contemptuously have an effect on market reaction and cause share values to drop. This had been exemplified in Indian stock market scenario in past few decades where election results have traditionally had an immense shock on market sentiments. To mention a few, when the BJP led government in India misplaced from political power in 2004, the market dropped; when subsequently the Congress party led UPA government regained political power in 2009, the stock market went- up again. Likewise, in 2014, a pre-election market spike was ignited with the euphoria in favour of Narendra Modi's leadership.

Does personal charisma of country's leader matter in stock market sentiments?

A leader's personal charisma might determine trend in stock market's prices. If the leader has dominance to disseminate a constructive power and a sense of prominence, he / she is well liked and admired; If he/she has magnetic personality, and the capability to instigate and influence other countries' leader, he can exert a pull on more foreign investment and collaborative ventures from aligning foreign countries which will heighten country's economy and excellent market response and steer the stock market growing. Moreover, although he or she has not been directly linked with stock market sentiments, his or her administrative decisions may bring about stimulation or deterrence in macroeconomic scenario of a country. If leader's cabinet takes decision on personal tax cut in form of fiscal stimulus leaving handful liquidity in consumers' pocket, it might augment personal spending resulting optimistic sentiment among potential investors. Decision taken on augmenting interest rate might elevate the cost of borrowing which acts as an obstacle in boosting stock market as well as overall economy. Consumers' growing optimism as a result of bullish stock market can pay tribute to the attractiveness of leader for which ruling political party led by said leader can reap the benefits in election to come and vice versa. But, in the context of Indian stock market, market's response owing to BJP led government's trumpet victory in 2019 might differ from former optimistic patterns. BJP led NDA coalition won more seats than the said government won five years back in 2014. As happened in 2019, 6 months before the elections, Nifty50 declared returns of 10.7 percent and in 6 months after the declaration of elections result, a mere return of 2.2 percent had been posted by Nifty. Following same trends, Nifty returns before the elections had been higher than that post elections period in 2004, 2009 and 2014 respectively.

2. LITERATURE REVIEW

During last couple of years, researchers have been conducting research on examining the impact of general election on stock markets of respective countries across the world. India is no exception to that endeavour which has been well documented in finance literature. This study will examine the performance of the India's to major stock markets around present national election held recently in 2024.

Hensel, C. R. et.al (1995) reveals that small-cap equities perform better under democratic administrations than republican ones. Aggarwal, Reena et al. (1999) analyzed the factors causing significant changes in the volatility of developing stock markets and found that local events were predominant, with the 1987 stock market crisis being the only major international event. Sazali Abidin et.al (2010) revealed that political cycles have a major effect on stock returns in New Zealand. The National party which lean to the right, has seen stronger returns than its counterpart on the left, indicating that investors may want to consider other options when making investment decisions. Kabiru J.N. et.al. (2015), using event study techniques, looked at how Kenya's general election outcomes affected share performances at the NSE. The market's reaction was shown to fluctuate, with the elections of 1997 and 2007 bearing particular significance. The researchers reached a conclusion that interested parties should keep an eye on the electoral process and take macroeconomic issues like the depreciation of the shilling and the global financial crisis into account. Yan and Wooi, (2016) looked at stock market returns of private and state-owned banks in Thailand, Malaysia, and Indonesia from 2000 to 2013 during election seasons. Results exhibit that both publicly traded and privately held banks show favourable CAAR, with private banks showing smaller and less significant CAAR compared to government-owned banks.

Balajiet.al. (2018) in their study analyzed a 30-day sample from the five-year general election using t-test and F-test, finding no significant impact on the Nifty Index and found that the market responds erratically in the near term. (Prakash&Padmasree, (2019) examined the impact of election results announcements on the NSE and BSE indexes. Taking data from five election periods from 1999 to 2019, they found a short-term impact, gradually declining in the medium and diminishing in the long-term. Gour, N. (2020) explored the impact of the parliamentary election held 2019 on the Indian Stock Market and found that collapsing market returns surrounding election results were offset by encouraging positive returns the next day. The banking industry, SENSEX, and NIFTY were triumphant, but the FMCG sector suffered a thrashing. Ali and Saha (2020) observed the effect of political events, such as the Lok Sabha Elections 2019, on the Indian stock market. Using BSE 100 as a proxy market and daily closing stock prices of 30 companies the study found consistent negative returns following the event, but the non-existence of volatility and insignificant results indicated that the Indian Stock Market is in a semi-strong form, indicating market efficiency. Paritosh, C. S., (2021) examined the correlation between investors' attention to terms in Google searches and India's stock market returns during the 17th Lok Sabha Election. Using the autoregressive distributed lag (ARDL) model, it finds that attention dynamics cointegrated with traded volumes or market returns, indicating investors' attention myopia.

Richa Garg (2022) investigated the impact of Indian general elections on Indian stock market for the period from 2004 to 2014. The study uses DID, RE, and FE models to assess the effect of election on market capitalization and stock returns. The results suggest the affiliation between Lok Sabha elections and stock market dynamics, conferring an extended vision and insights towards prospective investors and policymakers.

Kedia and Satpathy (2023) looked into the impact of general elections and government changes on the Indian stock market from 2004 to 2019. It observed high variation in daily stock returns, with both positive and negative noteworthy returns, particularly after election results. Anderson, W et.al (2023) examined real insuations for investors, by critically explaining monthly excess and risk-adjusted returns on 49 industry portfolios for the period 1926–2022 in US economy. The results reflect higher returns around midterm elections all but vanishes after returns are made risk adjusted. It has also been observed that midterm elections are mostly connected with the market factor, and consequently, higher returns seems to only indemnify investors for taking risk.

Pandey, D.K et.al (2024) investigated the very short-run impact of the election results applying event study method for 1546 NSE-listed firms and observed notable adverse market reactions around the counting day. It has been found that the market recovers with expectations of a permanent government. Sectoral analysis displayed differentiated recovery across sectors. Cross-sectional analysis shows that larger firms with superior fundamentals manage uncertainties better, while volatile and highly-priced stocks suffer more which theoretically contribute to the semi-strong form of the efficient market and uncertain information hypotheses. Chadha, M et.al (2024) analyses the complex affiliation between Lok Sabha elections and their effect on the Indian stock market, shareholders' feeling, and financial upshot. It emphasizes how such political actions initiate indecision and guesswork into the market which prioritize sharp unpredictability exemplified by unexpected price instability and improved trading activity. Investors' emotions, predisposed by their perceptions, take part in a critical role during periods of political indecision, determining trading blueprints, asset valuations, and, on the whole, market dynamics. Malav.R (2024) investigated the effect of general election and government transition on Indian stock market from 2014 to 2024 using secondary data of NSE and Event study approach. The study suggests linear affiliation between market index and stock market returns and it has been found that a lot of fluctuations exist in daily stock returns during event study period and also fluctuations found in stock markets owing to shift in political landscape.

Citing some previous research studies, a perception has been built up that election might not have significant effect on stock market just before election and after election. Nevertheless, the long-term trajectory is decided by the government's policy action and capability to uphold an encouraging business environment for the companies. This evidence-based investigation has been provoked to a great extent by the acknowledged substantiation of stock price dependence throughout the political calendar, as well as by the existing literature in contemporary political economy.

In view of the above small prelude based on existing studies on the topic, It has been attempted in the study to assess, in the study, the impact of election result on BSE and NSE Index in Indian stock market and make a comparative analysis of volatility of returns in India's major stock exchanges in the context of the announcement of election results. Thus, the study focuses on the influence of the election results on the stock market indices of India's two main exchanges. This paper will assist investors in being nimble and prudent through out election seasons, making extremely careful investments, and optimizing their returns.

3. DATA AND METHODOLOGY

The study is purely based on secondary data and the general election for the year 2004, 2009, 2014, 2019 and 2024 has been taken. Descriptive and analytical method has been adopted to achieve our objective. Daily closing prices have been used for BSE and NSE and the volatility of the stock market before and after 30 days 15 days and 3 days has been considered for the analysis purpose.

Actual returns have been calculated using the log difference of previous price and current price $R_t = \ln(P_t - P_{t-1})$, where P is the price, $\ln$ is natural logarithm and t is the time period and price in Actual Return. Paired t test is used to measure if there is any significant mean difference between the two paired samples.

H_0 : There is statistically no significant difference between the two paired samples.

H_1 : There is statistically significant difference between the two paired samples.

4. FINDINGS AND DISCUSSIONS

The study in following Table 5 directs that an unwavering governmental rule with an unambiguous command tends to restore confidence of existing and potential investors which ignites optimistic market reactions.

Table 5: Nifty Returns in Different Election Periods

Parliamentary Election held	Index Level and return 6 months before election		Nifty 50 on result declaration date	Index Level and return 6 months after election		1 year return of Nifty 50
	Index level	Return		Index level	Return	
2004	1,550	10.5%	1712	1859	8.6%	19.9%
2009	2,683	36.9%	3672	4999	36.1%	86.3%
2014	6,056	18.09%	7203	8383	16.4%	38.4%
2019	10,526	10.7%	11657	11913	2.2%	13.2%
2024	21,731	19.42%	21,884	25235(upto Sep,2)	1.14%(Upto Sep,2)	14%(Estimated)

Source: <https://www.nseindia.com>

On the other hand, an uneven or indecisive election upshot may unveil market turmoil. If one observes 6-months and 1-year returns(estimated) after election results declared in 2024, the average one-month return is 0.39%, and one year return is estimated to be 14% because investors always expect permanence in the governmental power.

Table 6: Daily Average Returns of BSE and NSE

Years	Daily average returns of BSE						Daily average returns of NSE					
	Before			After			Before			After		
	30 Days	15 Days	3 Days	30 Days	15 Days	3 Days	30 Days	15 Days	3 Days	30 Days	15 Days	3 Days
2004	-0.074	-0.564	-1.882	-0.213	-0.242	-3.392	0.02	0.03	0.02	0.23	0.18	0.1
2009	1.1725	1.6604	.0422	0.115	0.1758	4.8042	0.14	0.02	0.02	0.03	0.04	0.1
2014	0.2558	0.3533	0.4981	0.1407	0.325	0.2427	0.01	0.01	0.08	0.17	0.11	0.0
2019	-0.0044	-0.029	1.0207	-1.376	-0.081	0.7963	0.01	0.02	0.02	0.58	0.13	0.08
2024	0.1475	0.2999	0.8682	0.3903	0.4977	2.0684	0.09	0.01	0.02	0.28	0.21	0.09

From Table 6, it has been observed that after election results, returns for NSE indices declined in comparatively shorter period (3 days) and it gradually improves over time. For NSE index, except for 2009, the returns showed increments in terms of average returns with passage of days after declaration of election results. Except for 2009, in all the years under study, the return has decreased after announcement of the election results. But a mixed picture is found in case of BSE. No significant decline of return, after election result period, is noticed in case of 3 days average return in comparison with medium(15 days) and comparatively longer (30days) period, except for 2004 and 2014. Rather return gradually declines over time from 3 days period to 30 days period in 2009 and 2024.

Table 7: Daily Variance of Returns of Sensex BSE) and Nifty (NSE)

Years	Daily variance of average returns of BSE						Daily variance of average returns of NSE					
	Before			After			Before			After		
	30 Days	15 Days	3 Days	30 Days	15 Days	3 Days	30 Days	15 Days	3 Days	30 Days	15 Days	3 Days
2004	0.02	0.03	0.02	0.10	0.18	0.10	0.12	0.13	0.02	0.11	0.22	0.02
2009	0.14	0.02	0.02	0.03	0.04	0.1	0.14	0.22	0.01	0.04	0.04	0.02
2014	0.101	0.09	0.08	0.01	0.01	0.0	0.07	0.06	0.02	0.01	0.01	0.09
2019	0.06	0.09	0.11	0.03	0.01	0.08	0.11	0.09	0.01	0.06	0.01	0.02
2024	0.09	0.01	0.02	0.08	0.03	0.04	0.09	0.02	0.02	0.02	0.01	0.01

Table 7 shows the variances of daily returns for BSE and NSE indices respectively. Variance measures the variability of a data set from its mean value. For investments, variance helps in interpreting the volatility of the security. The larger the variance is, the more spread out the data set is. From the table 7, it has been noticed that variance in both shorter and longer period [(-3,+3) days (-30,+30)] is not so much statistically prominent, although smaller ups and downs are noticed. Thus it indicates

that volatility, if existed, is limited to a specific time period and the market corrects itself within a shorter period of time. The market becomes more unpredictable before the election results announcement and continues to regulate after the declaration of election results.

Table 8: Paired t Test

Years	Daily average returns of BSE			Daily average returns of NSE		
	30 Days	15 Days	3 Days	30 Days	15 Days	3 Days
2004	.316	0.303385	0.385013	.816	.812	0.400798
2009	.186	0.280757	0.266926	.186	.333	0.105942
2014	.312	0.109316	0.236721	.612	.914	0.283632
2019	.326	0.025713	0.426401	.326	.901	0.127737
2024	0.122823	0.056285	0.254593	0.127886	0.075967	0.255402

Table 8 measures the paired t- test for both the indices. Paired t test is used to measure if there is any significant mean difference between the two paired samples. Since the p-value of both the indices in all the period is greater than 0.05, it indicates acceptance of null hypothesis that there is statistically no significant difference between the returns of BSE and NSE in pre and post-election period result declaration. Thus this indicates election results have no significant impact on the returns of both the indices.

5. CONCLUSION AND IMPLICATIONS

The election results have, undoubtedly, some degree of momentary shock on the returns and volatility of BSE and NSE indices in India because every time, declaration of election creates some temporary blow in India's political climate which brings about euphoria among potential investors. The political party that is expected to come to governmental power is likely to make powerful reforms in shaping favourable economic policies but investors can only expect partial favourable outcome owing to election results because market moves are more strappingly connected with fundamental economic factors like GDP growth, government policies, monsoon patterns, and inflation trends, foreign investors' decisions to invest in Indian stocks or withdraw their investments influencing stock market dynamics rather than dependent upon electoral results. In the undertaken empirical study, it has been observed that after election result declared, returns for NSE indices declined immediately in comparatively shorter period (3 days) and it gradually improves over time, where as, in case of BSE, no significant decline of return, after election result period, is noticed in case of 3 days average return in comparison with medium (15 days) and comparatively longer (30 days) period, except for 2004 and 2014. For NSE index, except for 2009, the average return showed increasing gesture with passage of days after declaration of election results. Except for 2009, in all the years under study, the return has decreased after announcement of the election results. But a mixed picture is found in case of BSE where return gradually declines over time from 3 days period to 30 days period in 2009 and 2024.

The analysis of variance indicated that variance in both shorter and longer period [(-3+3) days (-30+30)] is not so much statistically prominent, although smaller ups and downs are noticed. This suggests that market volatility is transient and corrects itself over time. Investigating the stock market returns in both BSE and NSE during the regime of different prime ministers divulges that election politics do not intensely affect equity returns, although there are variations in different point of time. The overall path of wealth creation remains consistently encouraging, maintaining a long-term upward trend irrespective of the political leadership or party in power.

Our analysis in the above pointed-out that the 3 days pre and post election return outcome demonstrate a variance in path of returns, which indicates that there is short-term volatility around the election date. The one-month pre and post election results show a steady market direction, which assure that the trend for each market is not changed due to several parliamentary elections occurred over last 20 years.

In actual practice, between 1980 and 2023, India's government changed 11 times, with eight being coalitions. Since 2014, the BJP has maintained a clear majority. Since 1980, the average real GDP growth has been 6.2%, and the Sensex has shown compound annual growth of 9.5% in dollar terms and 15.5% in rupee terms up to August 2023. Coalition governance in India allows for consensus-driven decisions, enabling significant reforms. However, it limits the economy's potential pace of growth compared to countries like China. India's long-term real GDP growth potential is projected to be 6.0%-6.5%, implying an 11%-12% nominal GDP growth.

Investors should move towards the stock market with a long-term perception, concentrating on fundamentals and diversification to allay election-related volatility. Besides, keeping themselves well aware regarding election developments and their potential financial repercussions might facilitate investors to take constructive decisions in times of election cycles. Whilst general elections can extensively impact the stock market, a well-thought-out investment strategy and a well thought

out vision on the broader economic backdrop are key to thriving long-term investing decision in this dynamic and vibrant democracy.

India is expected to have one of the world's fastest expanding major economies by 2024, according to a very optimistic economic estimate. This growth is supported by a combination of persistent external and internal forces. The nation's improved business regulations and political stability are drawing in more foreign direct investments from abroad. India is seeing favourable domestic outcomes due to a surge in governments pending on infrastructure, a flourishing digital economy, and growing consumer demand. This empirical investigation should be construed to be an endeavour in understanding stock price, stock return and general election dynamics in the context of the India's parliamentary political backdrop.

REFERENCES

- Abidin, S., Old, C., & T. (2010). Effects of New Zealand general elections on stock market returns. *International Review of Business Research Papers*, 6(6), 1–12.
- Ali, N. P., & Saha, A. (2020). Market efficiency of Indian Capital Market: An event study around the announcement of results of Lok Sabha Election 2019. *International Journal of Financial Research*, 12(1), 60–72. <https://doi.org/10.5430/ijfr.v12n1p60>.
- Aggarwal, R., Inclan, C., & Leal, R. (1999). Volatility in emerging stock markets. *Journal of Financial and Quantitative Analysis*, 34(1), 33–55.
- Anderson W, Białkowski, J., Wagner, M. (2023). Midterm elections and stock returns. *Finance Research Letters*, 55, 103825.
- Baker, S. R., Bloom, N., & Davis, S. J. (2016). Measuring economic policy uncertainty. *The Quarterly Journal of Economics*, 131(4), 1593–1636. <https://doi.org/10.1093/qje/qjw024>
- Balaji, C. H., Kusuma, G. D. V., & Kumar, B. R. (2018). Impact of general elections on stock markets in India. *Open Journal of Economics and Commerce*, 1(2), 1–7.
- Bansal, Rohan, Sunil Kumar, and Manoj Panda (2024). Inferences on consumption inequality and poverty head counts. *Economic and Political Weekly*, LIX(13), 17–21.
- Bekaert, G., Harvey, C. R., Lundblad, C. T., & Siegel, S. (2014). Political risk spreads. *Journal of International Business Studies*, 45(4), 471–493. <https://doi.org/10.1057/jibs.2014.4>
- Białkowski, J., Gottschalk, K., & Wisniewski, T. P. (2008). Stock market volatility around national elections. *Journal of Banking & Finance*, 32(9), 1941–1953. <https://doi.org/10.1016/j.jbankfin.2007.12.021>
- Bhalla, S., K Bhasin and Virmani, A (2022). Pandemic, Poverty, and Inequality: Evidence from India. *International Monetary Fund, IMF Working Paper No. 2022/069*.
- Bhalla S. and Bhasin, K. (2024). India eliminates extreme poverty. *Brookings – Global Economy and Development*, March 1, 2024.
- Hensel, C. R., & Ziemba, W. T. (1995). United States investment returns during Democratic and Republican administrations, 1928 - 1993. *Financial Analysts Journal*, 7, 61–69.
- Chadha, M., Mittal, D., Sinha, A., Parekh, S., Bhatnagar, A., Sunitha B.K., Parappagoudar, S. (2024). Impact of Lok Sabha Election on stock market. *International Journal for Multidisciplinary Research*, 6(2), 1–16.
- Caldara, D., & Iacoviello, M. (2022). Measuring geopolitical risk. *The American Economic Review*, 112(4), 1194–1225.
- Kedia, D., Kumar, S., Satpathy, B., Biswajit (2023). Impact of general election on stock market: a case study of NSE India. *European Economic Letters (EEL)*, 13(5), 1185–1194. <https://doi.org/10.52783/eel.v13i5.891>.
- Garg, R. (2022). The effect of General election on the stock market performance of firms: Evidence from India. *SSRN Electronic Journal*, DOI:10.2139/ssrn.3536889
- Gemmell, G. (1992). Political risk and market efficiency: Tests based in British stock and options markets in the 1987 election. *Journal of Banking and Finance*, 16(1), 211–231.
- Gour, N. (2020). Impact of General Election on Indian stock market an event study on 2019 Lok Sabha election. *International Journal of Rand Analytical Reviews*, 7(1), 173–182. <http://www.ijrar.org/download1.php?file=ijrar2001438.pdf>
- Ghatak, Maitreesh and Rishabh Kumar (2024). Structural Change and Poverty in India: past and present, Working Paper, LSE and U Mass., Boston.
- Ghatak, M., Raghavan, R. and Xu, L. (2022). Trends in Economic Inequality in India. *The India Forum*, September 19, 2022.
- Himanshu, Lanjouw, P. and Schirmer, P. (2024). The Great Indian Poverty Debate 2.0: Tracking Poverty post-2011/12, Presentation Slides.
- Hensel, C. R., & Ziemba, W. T. (1995). United States investment returns during Democratic and Republican administrations, 1928–1993. *Financial Analysts Journal*, 51(2), 61–69.
- Kabiru, J.N., & Ochieng, D.E. (2015). The effect of general elections on stock returns at the Nairobi securities exchange. *European Scientific Journal*, 11(28), 435–460.

Lausegger, M. (2020). Stock markets in turmoil: political institutions and the impact of elections. *Economics and Politics*, 33(1), 172–204. <https://doi.org/10.1111/ecpo.12169>

Malav.R, Kantharia.N,Salehbhai.F.A., (2024). An Analysis of effect of on Indian Stock Market. *International Journal of Emerging Technologies and Innovative Research*, 3(6), 819-828.

Nordhaus, W. D. (1975). The political business cycle. *The Review of Economic Studies*, 42(2), 169-181. <https://doi.org/10.2307/2296528>.

Paritosh, C. S. (2021). Attention to the Election-Economics-Politics (EEP) nexus in the Indian stock markets. *The Review of Finance and Banking*, 13(1), 7–32. <https://doi.org/10.24818/rfb.21.13.01.01>.

Prakash, V., &Padmasree, K. (2019). Impact of election result on the stock market, An analysis of BSE (SENSEX) and NSE (NIFTY) indexes. *SSRN Electronic Journal*, <https://doi.org/10.2139/ssrn.3520090>.

Pandey,D.K, Rajesh, S.P. and Kumari,V(2024). Do election results resolve economic uncertainty? Evidence from Indian election . *Finance Research Letters*, 21, 56-71.

Rangarajan, C. and S. Mahendra Dev (2024). Moving to a Better Count. *The Indian Express*, March 12, 2024.

Roy, SS and R van der Weide (2022). Poverty in India Has Declined over the Last Decade But not as much as Previously Thoughtbut World Bank, Policy Research Working Paper No. 9994.

Subramanian, S. (2024). The Household Consumption Expenditure Survey 2022-23: What the ‘Fact Sheet’ Suggests about Welfare, Inequality, and Poverty in India. *The India Forum*, April 5, 2024.

Yan, W. W., &Wooi, H. C. (2016). The impact of election on stock market returns of Government-Ownedbanks: the case of Indonesia, Malaysia and Thailand. *Asian Journal of Business and Accounting*,9(1),31–58. <https://adum.um.edu.my/index.php/AJBA/article/view/2725>.