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Relation between Political Events, Union Budgets and Index Return: Empirical Evidence from the Indian Stock Market

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Abstract

This paper examines political events, and union budget effects associated with index NIFTY surrounding its announcement and effective days. The objective of this paper is to test the relationship between political events, and union budget effects with NIFTY index's return. The study adopted event study methodology and analyzed secondary data collected from 2014-2016 for political events, and from 2011-2016 for analyzed the impact of union budget on Index. All the results of central and state elections (post Modi government) and central union budgets have been taken in this study. Stock market data were obtained from NSE websites, prowess, and money control and yahoo finance, union budget data were obtained from ministry of finance' website, and results of political election were taken from Election commission of India. Necessary information derived from these sites were summarized and used to compute the relationship with Index return. Empirical results have given unpredictable results. The study found that market response to elections, and union budget are extremely negative or positive depending on the volatility of the election environment. The study, thus recommends that Election result, and union budget are also one of the factors of an investment judgment which has evidenced in this study by the way of directing an event study.

Keywords: Political events; Union budget; Stock markets; India; Indian politics; Financial markets; Stock market fluctuations

Introduction

Political risk is one of the critical factors prompting the operation of a country's financial market. It can come in many procedures such as a new piece of legislation, coup, an election, or a change in the country's regime. The performance of a stock market of an economy is of interest to various parties including investors, capital markets, the stock exchange and government the relationship between politics and investor behavior has been studied in numerous countries and in various contexts.

Central and State Elections are a big event for a country and it determines how the stock market will perform when a new government is formed after the election. Investors could undergo in their investment's returns due to the changes of political policies which are known as political risk. During this period, the stock market of the country will be extremely volatile because people perceived the news given out can be made as a judgment on whether how the country will benefit from the winning government. When the perceived economic uncertainty is high, investors are less likely to believe that a passive strategy that attempts to exploit the superior performance of the market would be very profitable [1]. This suggests the investors will try to obtain superior performance through active trading strategies. When there is an active trading strategy in the stock market, it will cause excessive volatility. Excessive volatility happens when the stock market of the country moves up and down quickly and the point range of the index is very large. (Bailkowski, 2008), found that investors are exposed to higher political risk during the General election period.

Several recent papers look at whether security returns are impacted by politics. Booth and Booth [2] report that the US stock market tends to perform better in the second half of the presidential term. This phenomenon could be a reflection of the political business cycle but can also be explained behaviorally. The authors argue that investors may be over-optimistic about the implications of the impending elections, but their optimism wears off quickly once the new administration fails to keep its election campaign promises. Santa-Clara and Valkanov [3] show that the market excess return was higher under Democrat than Republican presidencies throughout the period from 1927 to 1998. This anomaly cannot be explained away by variation in business condition proxies. Additional evidence is provided by Nofsinger [4] who contends that the stock market is a barometer of public sentiment and its movements can indicate whether incumbents will be re-elected.

This research examines empirically the impact of major political events on stock market. For the purpose of this paper I have considered S&P CNX NIFTY as the index under study. This research work is based an event study in the Indian context. The historical data of stock prices as given on NSE website have been used and alongside a list of major political events, and government union budget for the purpose of analysis. The events, on the basis of their nature and volatility causing capacity have been segregated i.e., Union Budget and Major Elections (Vidhansabha/Lok Sabha). The results obtained in the paper can be used to see whether these events cause significant effect or not and how the market will react to a similar type of event taken in study which can be useful in allocating trading funds in the stock market.

The rest of this paper is organized as follows: section 2, talks about the summary of past literature that studied the relation between the stock market and the political arena. Section 3 describes the data collection and research methodology. Section 4 performs the empirical results and findings of event study along with graphical representation of various events. I conclude the overall findings in section 5.

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Review of Literature

The main goal of that research paper was to investigate systematic effects of election cycles and government union budgets on stock market returns. Empirical literature show that there are differences in stock market movements for developing and developed countries: in pre-election periods on average stock returns decrease for developed countries and increase for developing countries, in post-election periods on average stock returns are lower for developed countries and almost the same for developing countries in periods not influenced by election cycle. This indicates presence of election cycle both for developed and developing countries, but with different patterns. Also, there is evidence that instability of stock returns during the election periods tends to increase in developing countries, which can reflect overall uncertainty of investors in upcoming election results in developing countries and subsequent change in economic policy of the government after elections or just due to democratic promises made to general public prior to elections.

Cutler et al. [5] also conduct a different analysis. They examine the fifty largest percentage changes in the S&P500 since 1946. They check whether the New York Times mentioned the reasons for the unusual movements. In general, Cutler et al. [5] argue that the significant market movements are not associated with the release of big political news. Kim and Mei [6] examine the movements in the Hong Kong stock market and their relation to political events. Using an event-study approach they show that political developments have a significant impact on stock prices. They also show that adding a political variable to the regressions specified in Fama [7] increases these models' explanatory power. Finally, Kim and Mei [6] model more formally the variation in volatility as a function of political events. Diamonte et al. [8] and Erb et al. [9] study the long-term link between political risk and stock market returns.

Similarly, Boutchkova et al. [10] investigated how politics affect stock market volatility based on a sample of 72 industries from 51 countries over 16 years. They provide strong evidence that there is a significant link between political structures and volatility. The study of Bonaparte et al. [11] in US found that the prevailing political climate and political affiliation of individuals jointly influence their optimism towards financial markets and the macro-economy. When the perceived economic uncertainty is high, investors are less likely to pursue a passive strategy, suggesting the exploit of superior performance through active trading strategies instead. On the other hand, Durnev [12] investigated political uncertainty surrounding elections and concludes that politics has a significant impact on stock prices by affecting the managers in making investment decision.

Renuka [13] proposed 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.

Debashis [14] 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.

Guru [1], 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.

Jayesh et al. [15] found that the financial market always increases or decreases due to some information. At present, stock markets have been showing extremely unpredictable movement, which is only due to new pieces of information, and news or events. The economy of any country is evaluated by the stock market and this stock market depends on factors such as, politics, inflation, interest rate, exchange rate, GDP, GNP, changes in ruling parties, elections, etc. Now, what are the factors that ultimately lead to stock market fluctuations is a big question? Thus, questions arise that whether the stock market movements are affected due to politics? Due to inflation? Due to interest rate? Due to exchange rate? Due to GDP? Or due to GNP? This would try to analyse the political issues in the context of the Indian stock market and try to know if the Indian stock market fluctuations are dependent on political issues such as government policy, ruling party, political leader statement, etc., or not [16].

Criticised the neo-liberal economic school for its failure foreseeing the current crises, arguing that neo-liberal approach does not fit any more to the 21st century's reality. Economics must be more people oriented and more sensitive to their 'none-scientific' desires. Social scholars should not forget that they explore human beings and not matters. The author proposed a revised approach to economics, one that incorporates leadership and management principles within its teaching. Thus, the goals of an economic enterprise should contain three elements, profitability, social accountability and compliance with the environment rules. Because economic activity is executed by two key factors; human initiative and capital, they should be enacted evenly, in order to achieve the best results.

Research Methodology

The objective of this research is to analyse the impact of major Indian political events, and Indian government union budgets on CNX NIFTY index with an aim of finding any pattern between them.

Data collection

This research is carried out to find the significant impact of political events, and government union budgets with the movement in the market index. The study adopted event study methodology and analyzed secondary data collected from 2014 to 2016 for political events, and from 2011 to 2016 for analyzed the impact of Union Budget on Index. All the results of Central and State Elections (post Modi government) and Central Union Budgets have been taken in this study. Stock market data were obtained from NSE websites, Prowess, and Money control and Yahoo Finance, Union Budget data were obtained from Ministry of Finance' website and results of political election were taken from Election Commission of India. Necessary information derived from these sites were summarized and used to compute the relationship with Index return. For this persistence, we collected stock index data from four days prior to the event up till four days post the event. This spread of time would allow us to easily the capture the impact of the event in case the impact takes place with some delay or as a pre effect.

Day 1	Day 2	Day 3	Day 4	Event	Day 5	Day 6	Day 7	Day 8

The changes in the NSE index for the same period were also computed. This was denoted as the market return.

NSE Index Return in time t (*Market Return*)=(*NSE* t-*NSE* t-1)/*NSE* t-1*100

Research methods

Research method employed was Descriptive Analysis. Plotting of closing price of CNX NIFTY index was done to find out trends.

Sample design

As mentioned in previous section inferential analysis is done by using a set of stock market data around the event to say something about the general reaction of the market to the political event as well as the union budget events. Here our sample is the NIFTY index of National Stock Exchange constituting the biggest 50 companies by valuation in India. Stock market data were obtained from NSE websites, Prowess, and Moneycontrol and Yahoo Finance, Union Budget's data were obtained from Ministry of Finance' website, and results of political election were taken from Election Commission of India. Necessary information derived from these sites were summarized and used to compute the relationship with Index return. The index by its inherent construct is made to reflect the mood of the stock market as a whole. So it will automatically make it the perfect sample to analyse (Table 1).

Data analysis

Descriptive analysis was done in MS Excel itself. Basically Graphs were plotted along the time period of the events to find some correlation and also similar events (elections) were monitored at different times to find consistency in results.

Event No	Particulars	Event day
1	16th Lok Sabha Election's Result	16th MAY, 2014
2	BJP SENA SPLIT	25th Sept, 2014
3	Haryana & Maharashtra Legislative Assembly election	19th Oct, 2014
4	J&K Legislative Assembly election	23rd Dec, 2014
5	Delhi Legislative Assembly election	10th Feb, 2015
6	Bihar Legislative Assembly Election	08th Nov, 2015
7	Six State Legislative Elections	19th May, 2016
8	Passage of GST Bill in Rajya Sabha	03rd Aug, 2016
9	Union budget of India 2011–2012	28th Feb, 2011
10	Union budget of India 2012–2013	16th Mar, 2012
11	Union budget of India 2013–2014	28th Feb, 2013
12	Union budget of India 2014- 2015	10th July, 2014
13	Union budget of India 2015- 2016	19th Feb, 2015
14	Union budget of India 2016- 2017	29th Feb, 2016

Table 1: Major Political Events and Government's Union Budget.

Empirical Results and Findings

6th LokSabha Election's Result Declaration Day, 16th May, 2014

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2014. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 1).

Results and findings: The 16th loksabha election was a highly anticipated event and resulted in landslide victory for BJP government lead by Narendra Modi. The whole election was an anti-incumbency vote against the ruling congress party due to failure of the congress government to tackle major areas of concern like inflation and also scam ridden tenure didn't did any good to their perception in the common man's mind. Also Narendra Modi is considered an enigmatic leader who during his tenure as Gujrat CM did a lot for the state. His rule of the Gujrat state came to be famously known as 'The Vibrant Gujrat' era – a slogan that is also associated with his efforts of making Gujrat the place to be for industry infrastructure investments. Hence there was an expectation that once elected he will do the required for boosting the economy. This expectation is clearly reflected in the Nifty index. On 16th May, the day of announcement of election result there is a rise in market and further after a brief consolidation around 24th May there is again a steep rise. Within a short span of time index has increase from 7200 to 7350 from 16th May to 24th May.

BJP and Shiv SENA Split, 25th September, 2014

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2014. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 2).

Results and findings: With only few weeks left for the assembly polls, BJP took a big gamble standing independently for the election. Amidst continued deadlock over Maharashtra assembly seat sharing, BJP announced to terminate the silver jubilee alliance of BJP with Shiv-

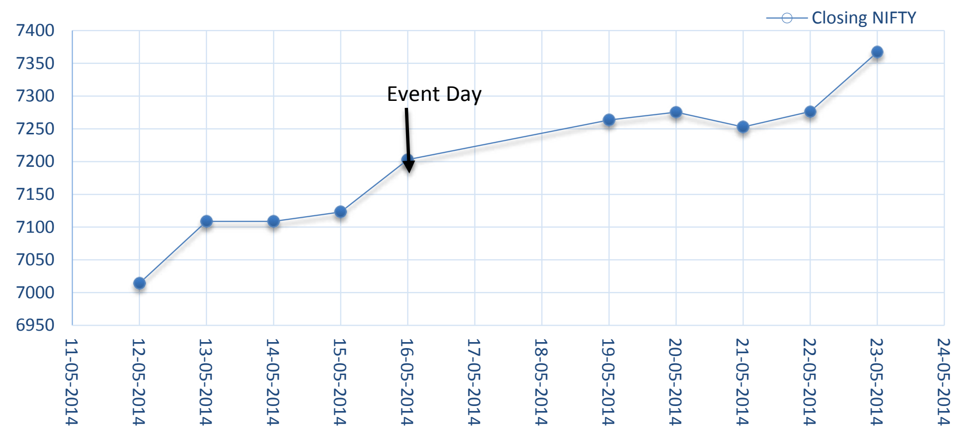

Figure 1: 16th Lok Sabha Election's Result Declaration Day, 16th May, 2014.

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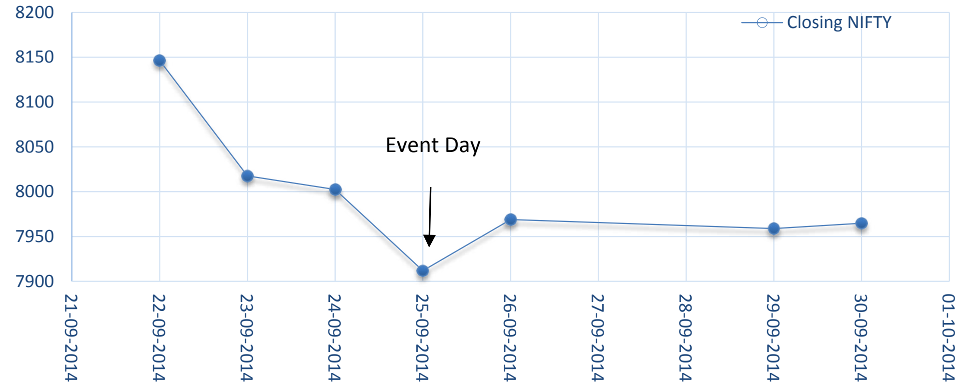

Figure 2: BJP and Shiv SENA Split, 25th September, 2014.

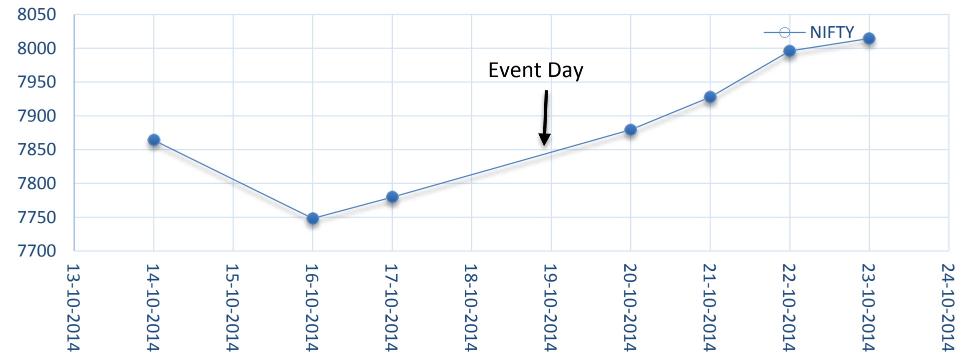

Figure 3: Haryana and Maharashtra Legislative Assembly Election, 19th Oct, 2014.

Sena. After the sad demise of Shiv Sena Chief Bal Thackeray the nature of relation between BJP and Shive Sena has changed. The Spilt did not only have impact on the Indian political arena but also had the impact on the NIFTY. On day of Spilt i.e., 25th Sep 2014, the NIFTY slipped by 91 points and came to 7911.85, total fall of 113 base points. A day after the Spilt i.e., 26th Sep 2014 though NIFTY rose to 57 points and was somehow consistent till 1st Oct 2014.

Haryana & Maharashtra Legislative Assembly Election, 19th Oct, 2014

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2014. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 3).

Results and findings: After waving the Victorious saffron flag in Maharashtra and Haryana BJP was set to form government in both the states. The NIFTY also celebrated the winning streak of the saffron party. It rose to the week high. NIFTY was rising from 16th Oct 2014 after the down fall from 14th Oct 2014 by 116 points. After Election i.e., on 19th Oct 2014, the NIFY showed the increasing trend and rose to 7879 points on 20th Oct 2014 and to 8014.55 as on 23rd Oct 2014. No significant and sustainable change in trading volume is associated with index reorganization. Increase in volume associated with inclusion and exclusion of securities is found on effective day, which can be attributed to index funds and ETF activity.

J&K Legislative Assembly Election, 23rd Dec 2014

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2014. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 4).

Results and findings: The results show that there are no significant abnormal positive returns associated with index inclusion surrounding announcement day. Significant positive abnormal returns associated with inclusion are present on effective day but fails to sustain. Significant negative price effect associated with exclusion of stocks is observed through the announcement window and indicates that exclusion from index is treated as negative. Negative price effect is observed for exclusion closer to and on effective day but that also does not sustain. No significant and sustainable change in trading volume is associated with index reorganization. Increase in volume associated with inclusion and exclusion of securities is found on effective day, which can be attributed to index funds and ETF activity. Results of this study offers evidence for price pressure and against liquidity hypothesis.

With the Neck to Neck competition of political parties in J&K assembly elections in 2014 it was an indication of new alignments for the 87 assembly constituencies in the Valley. While PDP was leading with (26), followed by BJP (22), National Conference (20) and congress secured 4th position with (14) seats. NIFTY was at 8267 points on 23rd Dec 2014 but slashed by 112 BP after the election results. After 24th Dec

2014 NIFTY showed the improvement and rose consistently to 8246.3 on 29th Dec 2014.

Delhi Legislative Assembly Election, 10th February, 2015

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2015. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 5).

Results and findings: In this election AAP government won a land slide victory winning 67 out of 70 seats. This was the second time AAP contested Delhi legislative elections. The election result came on 10th February, 2015. There is a steep rise in NIFTY index after 10th February from 8600 to 8850 till 14th Feb 2015. Though nothing substantial can be said about this behaviour as Union Budget was presented on 19th February, 2015. After 8 days of losing streak this might be natural breakup of the market on the positive side slightly facilitated by both events, the budget and the Delhi election one sided mandate but nothing definite reason can be pointed out.

Bihar Legislative Assembly Election, 8th Nov 2015

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2015. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 6).

Results and findings: First time grand alliance was seen in the 12th largest state of India i.e., for Bihar assembly election. This election brought JDU (U), RJD and Congress together. This Grand alliance was voted to a thumping victory. With the declining trend in NIFTY from 8060 on 3rd Nov 2015, the exchange dropped till 7783 points on the day of the results i.e., on 10th Nov 2015. Though it tried to show some improvement after the results but again it crashed to 7762 points.

Five State Legislative Assembly Elections 19th May 2016

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2016. The model is considered for the normal

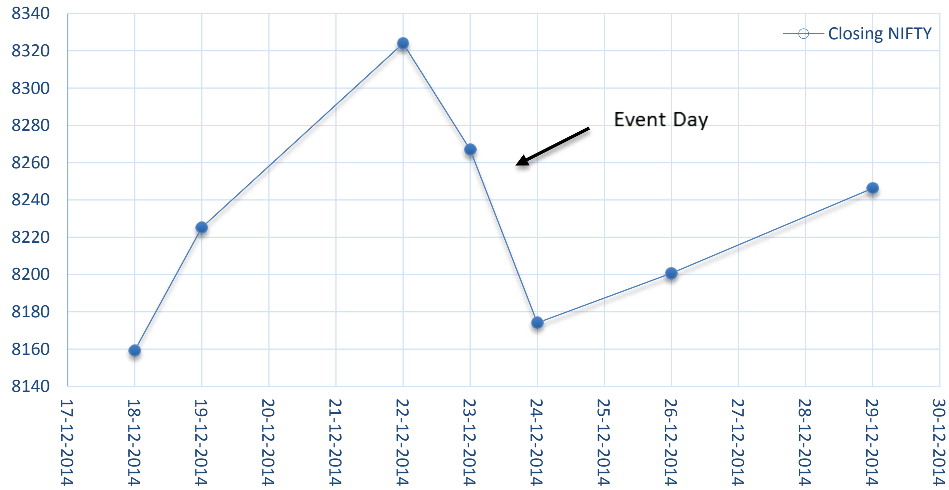

Figure 4: J&K Legislative Assembly Election, 23rd Dec 2014.

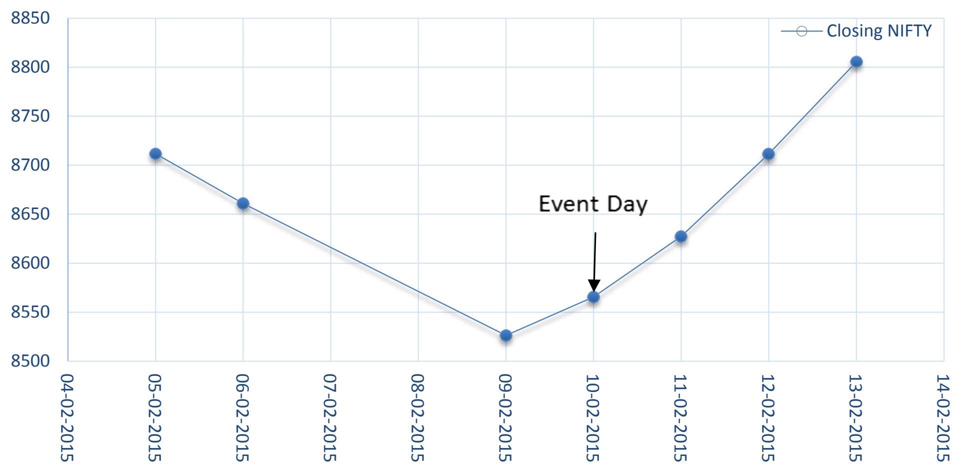

Figure 5: Delhi Legislative Assembly Election, 10th February, 2015.

returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 7).

Results and findings: Five Indian States i.e., West Bengal, Puducherry, Kerala, Assam, Tamil Nadu, went on poll to decide their state governance for the next half decade. NIFTY showed positive upward trend since 13th May 2016. But couple of days before the results, NIFTY slipped by 108 points on 19th May 2016 as compared to 7891 points as on 17th May 2016. NIFTY further slipped down to 52 points as compared to 7783 on 19th May 2016 and closed at 7731 on 23rd May 2016. Later on NIFTY jumped to 7935 points on 25th March 2016 i.e. 2% when compared to NIFTY as on 19th May 2016.

Passage of GST Bill in Rajya Sabha 3rd Aug 2016

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2016. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the political event day. Event time is measured in days relative to the political announcement date (Figure 8).

Results and findings: One Nation, One Tax i.e. GST (Goods and Services Tax) was passed in the Upper House of the parliament. After a long debate GST bill was passed by the thumping majority of 203 ayes with no one opposing, constitution 122nd amendment bill got the nod from the Rajya Sabha. The discussion on the GST bill came after months of discussions between the ruling party and the opposition–with both sides meeting multiple times to negotiate amendments. The NIFTY felt drastically on 3rd Aug 2016, from 8622 to 8544 points. After the announcement of one nation one tax policy the NIFTY rose to 8683 on 5th Aug 2016 i.e., 162 BP above the points as on 3rd Aug 2016. NIFTY started declining from 8th Aug 2016 and crashed till 8575 point on 11th Aug 2016.

Union Budget of India

Union Budget of India for (2011–2012) 28th Feb 2011

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2011-2012. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the Union budget event day (Figure 9).

Results and findings: Former Finance minister Pranab Mukherjee presented to the parliament India's budget for the financial year 2011-2012 at the last day of the February 2011 which focused on Inflation and Growth. The NIFTY, gained 3.5 percent on 1st March 2011 a day after presentation of Union Budget 2011-2012. Before the presentation of the Union Budget, there was a marginal increase in NIFTY, where it rose to 5333.25 from 5303.55. After the start of the last month of the financial year NIFTY was consistently increasing at a slower rate.

Union Budget of India for (2012-2013) 16th March 2012

The graph reports Index mean statistics for the daily with the Union budget event day (Figure 10).

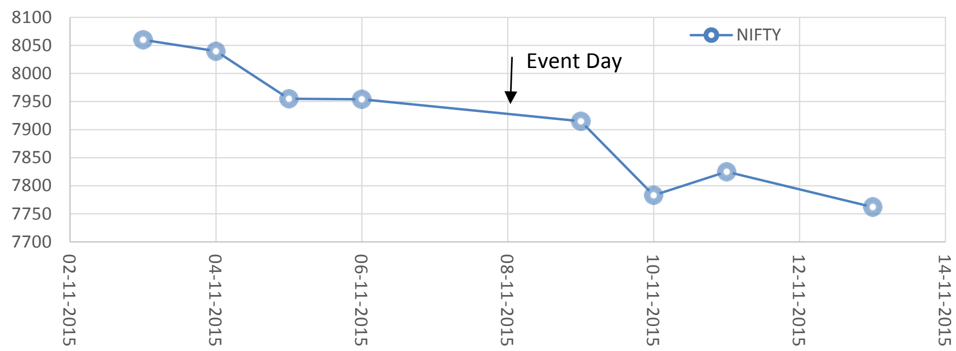

Figure 6: Bihar Legislative Assembly Election, 08th Nov 2015.

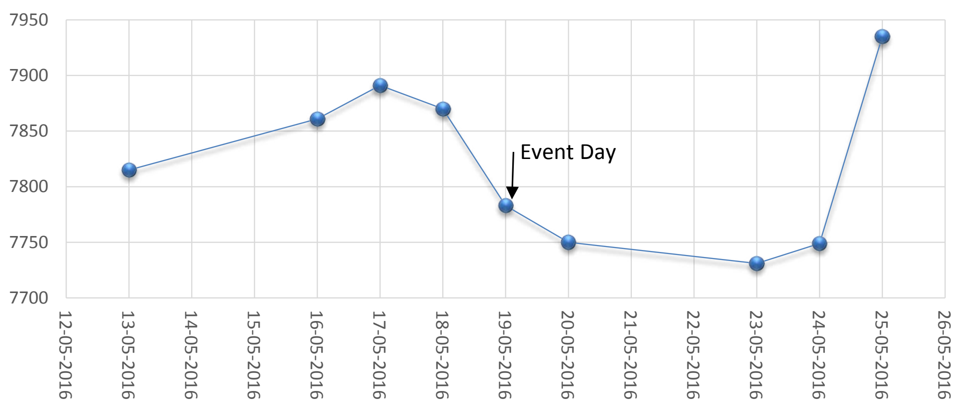

Figure 7: Five State Legislative Assembly Elections 19th May 2016.

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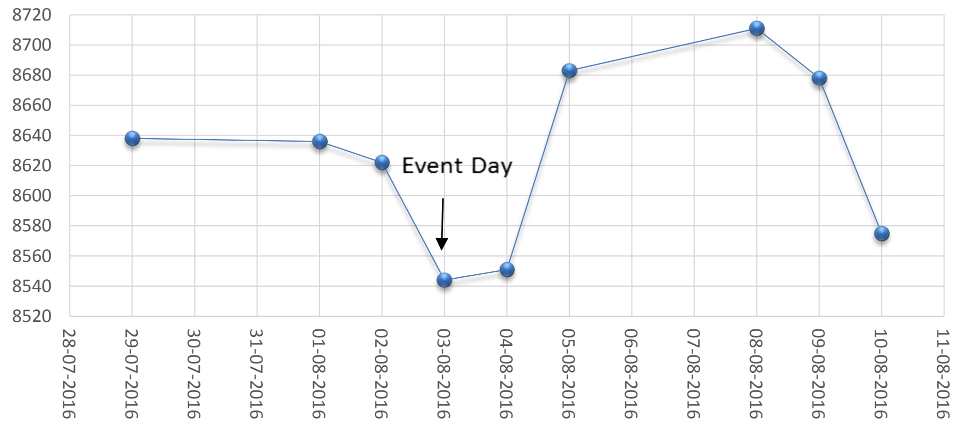

Figure 8: Passage of GST Bill in Rajya Sabha 03rd Aug 2016.

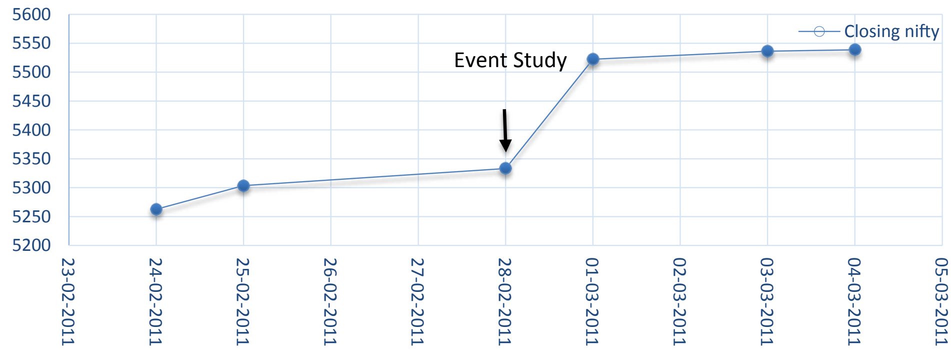

Figure 9: Union Budget of India for (2011-2012) 28th Feb 2011.

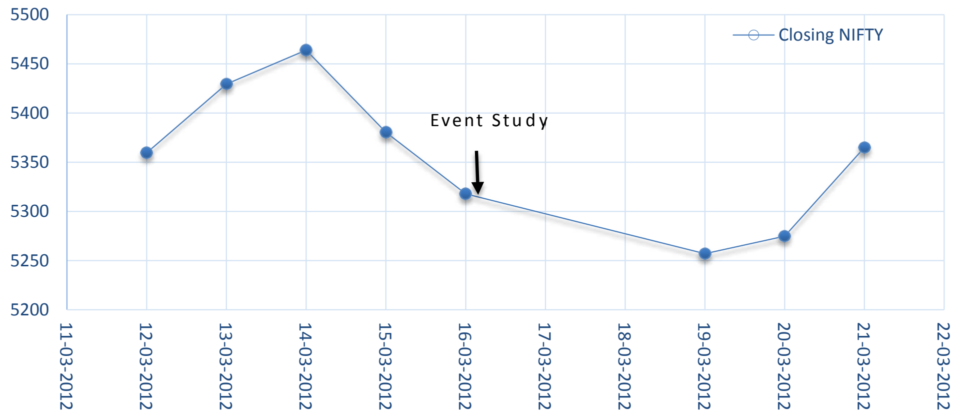

Figure 10: Union Budget of India for (2012-2013) 16th March 2012.

Results and findings: Finance Minister Pranab Mukherjee presented Union budget for the year 2012-2013, wherein he began the speech by saying "Year of recovery interrupted" which meant that it was a time to take tough decisions. The NIFTY was showing downside trend since 14th March 2012, it plunged to 146 points as on 16th March 2012. After the Presentation of the Union Budget, NIFTY continuously showed the same trend on declining. It went on to 5257 points as compared to 5317 as on 16th March 2012. Later on, NIFTY gained closed on 5364 points as on 21st March 2011.

Union Budget of India for (2013–2014) 28th Feb 2013

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2013-2014. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the Union budget event day (Figure 11).

Results and findings: Finance Minister P Chidambaram presented

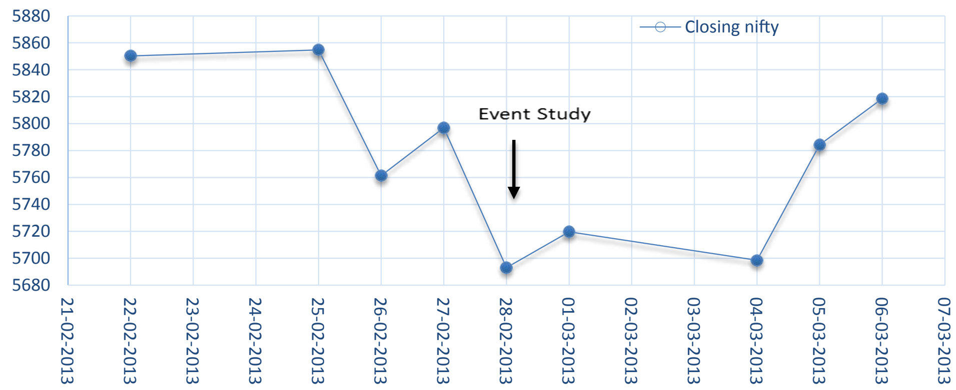

Figure 11: Union Budget of India for (2013-2014) 28th Feb 2013.

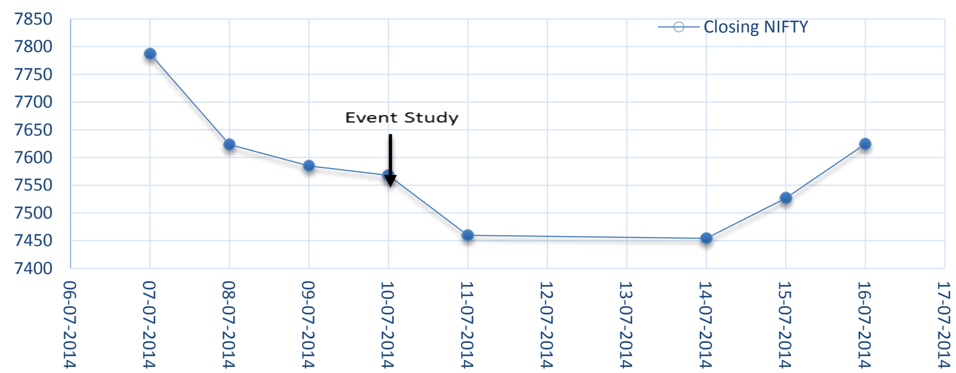

Figure 12: Union Budget of India for (2014- 2015) 10th July 2014.

one of the most highly anticipated budgets of the year, which was the blueprint for austerity that forms the centrepiece of India's attempt to counteract damaging credit ratings. It month was full of ups and downs from NIFTY. NIFTY slipped to 5693 on the very day of the presentation of the Union budget (28th Feb 2013) i.e., 161 points down as compared to 5854 as on 25th Feb 2013. Last month of the financial year started with the marginal increase of 26 points and showed up rising trend and went up to 5818 points as on 6th March 2013, which was up by 219 BP when compared to 28th Feb 2013.

Union Budget of India for (2014-2015) 10th July 2014

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2014-2015. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the Union budget event day (Figure 12).

Results and findings: Union Budget of 2014-15 was aimed to cater all groups of the society with the motto of "Sab ka sath sab ka vikas". Finance minister Arun Jaitley made his maiden budget speech in parliament on 10th July 2014. He also mentioned that India has the strong desire to grow and free itself from the curse of Poverty. Before the announcement of the Union Budget, NIFTY was on its Declining journey. It declined further after the presentation of the budget and NIFTY was closed at 7459 points on 11th July 2014, which was 328 points down as compared to 7787 on 7th July 2014. NIFTY grew marginally after the budget presentation for couple of days, but gained the momentum on 14th July 2014 and went up to 7624 points i.e., 165 points up when compared to NIFTY as on 11th July 2014.

Union Budget of India for (2015-2016) 19th Feb 2015

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2015-2016. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the Union budget event day (Figure 13).

Results and findings: In all the Union Budget cases stock market showed different behaviour, sometimes not reacting at all sometimes reacting sharply positively and negatively both. Hence no conclusion can be made if budget affects the stock market. Before the announcement of the Union Budget, NIFTY was so volatile but for previous day it was low and touch 8850 point. It increased further after the presentation of the budget and NIFTY was closed at 8900 points on 19th Feb 2015, which was 50 points up as compared to 8850 on 18th Feb 2015. NIFTY decreases significantly after the budget presentation for couple of days.

Union Budget of India for (2016-2017) 29th Feb 2016

The graph reports Index mean statistics for the daily for day t=-05 to day t=+05. The sample consists of total 50 companies listed in the NSE for the year of 2016-2017. The model is considered for the normal returns. Graph consist the five day pre event window as well as five days post event NIFTY index return with the Union budget event day (Figure 14).

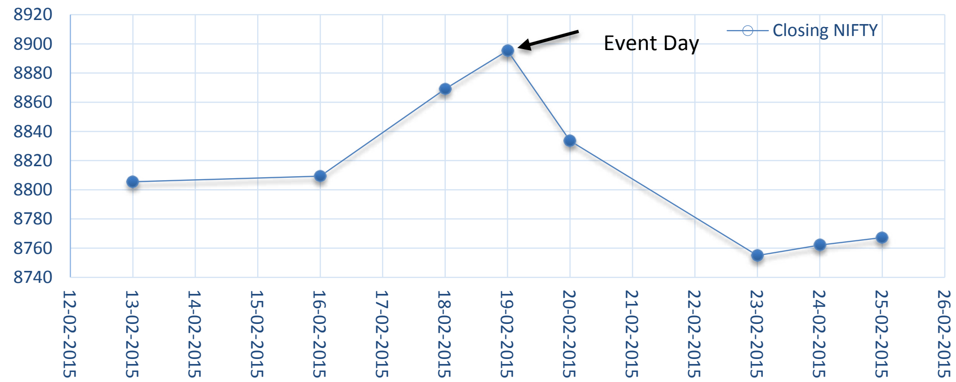

Figure 13: Union Budget of India for (2015- 2016) 19th Feb 2015.

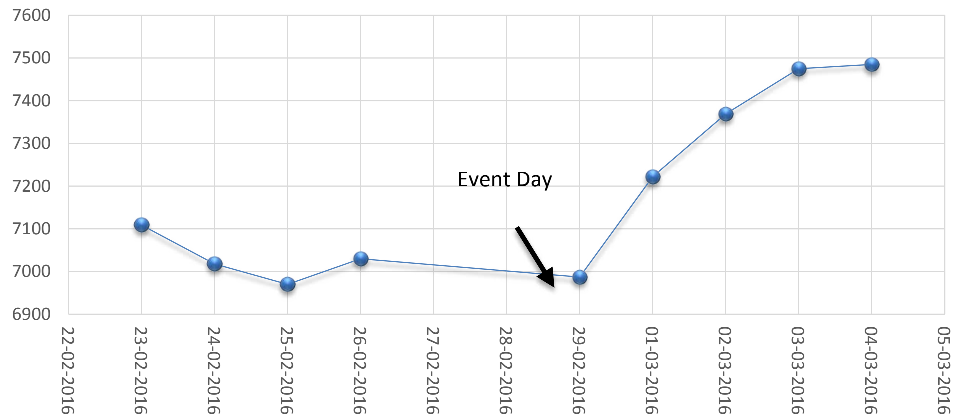

Figure 14: Union Budget of India for (2016- 2017) 29th Feb 2016.

Event	Particulars	Event day	Nature	Pre Event	Impact	Post Event
1	16th Lok Sabha Election's Result	16th May, 2014	Political	Down	Rise	Increase
2	BJP SENA SPLIT	25th Sept, 2014	Political	Rise	Down	Increase
3	Haryana & Maharashtra Legislative Assembly election	19th Oct, 2014	Political	Down	Rise	Increase
4	J&K Legislative Assembly election	23rd Dec, 2014	Political	Rise	Down	Increase
5	Delhi Legislative Assembly election	10th Feb, 2015	Political	Down	Rise	Increase
6	Bihar Legislative Assembly Election	08th Nov, 2015	Political	Rise	Down	Increase
7	Six State Legislative Elections	19th May, 2016	Political	Down	Down	Increase
8	Passage of GST Bill in Rajya Sabha	03rd Aug, 2016	Political	Rise	Down	Increase
9	Union budget of India 2011–2012	28th Feb, 2011	Budget	Down	Rise	Increase
10	Union budget of India 2012–2013	16th Mar, 2012	Budget	Down	Down	Down
11	Union budget of India 2013–2014	28th Feb, 2013	Budget	Down	Down	Increase
12	Union budget of India 2014- 2015	10th July, 2014	Budget	Down	Down	Down
13	Union budget of India 2015- 2016	19th Feb, 2015	Budget	Down	Rise	Down
14	Union budget of India 2016- 2017	29th Feb, 2016	Budget	Down	Down	Increase

Table 2: Overall impact of several political events and union budgets on Indian stock exchange.

Results and findings: Finance Minister Arun Jaitley unveiled the Union budget for the poor for the financial year 2016-2017, affirming that Indian economy is on the right track and stated the forecast that India would grow by 7.6% in the Fiscal year. NIFTY gained the momentum after the presentation of the union budget and rose up to 7.12% i.e., from 7485 as on 5th March 2015 from 6987 points i.e., 498 points up. Couple of days before the presentation day NIFTY was stumbling. After the announcement of Union Budget NIFTY showed tremendous growth and went up to 7485 points as on 4th March 2016 (Table 2).

Conclusion

The political events in any country can have various forms such as announcement of new policies by the government, national level election, state elections, budgets, etc. As seen from the examples presented in this paper, on the day of happening of events, some of the events have greatly affected the Nifty index. As seen by various examples, there's no clear relationship between political events and stock market. Only in few cases as 16th Lok Sabha election, Haryana and Maharashtra Legislative Assembly election, and Delhi Legislative Assembly election. When there was an expectation of change of nation's vision by change of leadership only in that instance we can link stock market movement to election as Narendra Modi is a pro-industry pro-development leader. In all other cases the market shows random relation to political events. Hence it can be concluded there not a clear link between stock market and majority of political events, and union budget in the country. The political events in any country can have various forms such as announcement of new policies by the government, national level election, state elections, budgets, etc. As seen from the examples presented in this paper, on the day of happening of events, some of the events have greatly affected the Nifty index; the representative of Indian stock market while others haven't of all the events taken, LokSabha Elections 2014 has been found to be the most influential event and its impact on stock market lasted for long period of time, the reason being its result has a profound impact on policies of India for upcoming five years. State elections have its influence on Nifty index for only few days. The direction of this influence is determined by combination of factors like the agendas, nature and seats won by the winning party. The Union budgets seem to affect the Nifty index to a small extent on the day of announcement of budget but positive movement of index for next few days has been identified in most of the cases.

Political events do affect India's growth and development policies, but as far as NIFTY is concerned have not shown any significant relationship. NIFTY showed upward trend when 16th Lok Sabha Election's Result Declaration Day, 16th MAY, 2014 was held and in later dates also it was on the rising track. At the major breakdown of more than 25 years alliance of the BJP SENA SPLIT, 25th September, 2014 NIFTY slipped down and later recovered. When we look as the states elections NIFTY showed mixed trend, out of five election results NIFTY was high in two polling results (i.e., Haryana, Maharashtra, and Delhi and slipped down in three poll results (Jammu and Kashmir, Bihar and five states West Bengal, Assam Puducherry, Kerala, Tamil Nadu). During the presentation of Union Budgets also NIFTY didn't show any significant relationship with the events though it slipped down most of times while announcement of the union budgets since 2011-2012. It showed rising trends for couple of time i.e., 2011-2012 and 2016-2017. At the time of one nation one tax i.e., GST, NIFTY showed upward trend. From the above discussion what we can conclude is, NIFTY and political events doesn't show any significant relationship.

Empirical results in this study conclude the presence of excessive stock market volatility in Indian around the election period and union budget. The Indian stock markets expose to higher political risk as market participants such as the investors react significantly to the information available around election period, and causing abnormal fluctuation in stock market movement. The results imply that Indian stock markets are under weak form inefficiency as excessive stock market volatility last for 5 days after the Election Day. The representative of Indian stock market while others haven't of all the events taken, Lok Sabha Elections 2014 has been found to be the most influential event and its impact on stock market lasted for long period of time, the reason being its result has a profound impact on policies of India for upcoming five years. State elections have its influence on Nifty index for only few days. The direction of this influence is determined by combination of factors like the agendas, nature and seats won by the winning party. The Union budgets seem to affect the Nifty index to a small extent on the day of announcement of budget but positive movement of index for next few days has been identified in most of the cases.

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