Impact of General Elections 2014 on Indian Stock Market with Special References to the Stock of Select Companies in BSE

Prof. G. Sudarsana Reddy,

Department of Studies & Research in Commerce,
Dr. P. Sadananda Maiya Block, Tumkur University,
Tumakuru, Karnataka, India.

ABSTRACT

Indian stock market is one of the oldest stock markets in Asia that has shown maturity. Companies raise funds from secondary market, which affected by various factors like economic policy, industrial policy, political stability-changes in leadership, announcements by companies and the like. In 2014 elections, investors were excited with expectations that BJP will form government with Narendra Modi as prime minister, hoping he will give priority to the development by reforming policies and governance. The paper aims to study the effect of general elections on returns of the select stocks before and after 15 days around General election result 2014, assuming other factors remains neutral. The study is an event study. The data obtained from the Bombay Stock Exchange (BSE) website. The population of the study comprises of 30 companies of BSE Sensex. The researcher selected five companies for the study - Bharati Airtel Limited, Infosys Limited, ICICI Bank, Mahindra and Mahindra Limited (M&M), and Coal India Limited. The collected data analysed with the used of mean return and volatility of the return.

Keywords: Elections, Impact, Stock Market, Equity stock, BSE.

INTRODUCTION:

The stock market in India has shown maturity in terms of number of listed companies, market capitalization, and market value of listed companies to gross national product. The stock market help companies raise money by providing liquidity of listed securities and promotes growth through trading of securities. The smooth functioning of stock market facilitates economic growth through lowering costs of production of goods and services as well as creating employment. Thus, financial system contributes to increased prosperity.

Indian stock market is one of the oldest stock markets in Asia. It was in early 18th Century, the institution that is dealing in the trading of shares and stocks was the East India Company. Later by around 1830′s the main dealing in the shares and stocks (mainly in bank and cotton) was initiated in Bombay. However, the items in which the trading took place increased tremendously by the end of 1839. There after the concept of broker business was started which show momentum in the mid 18th century. This concept has attracted number of people to indulge in the trading of items. By 1860, the numbers of brokers who are dealing in the trading of items go up to 60 in number. Further, the number of brokers increased from 60 to 250 in around 1862-1863. However, around 1980-61 there is no supply of cotton from America as there was civil war that took place in America. Due to this, there is a concept of Share Mania that took place in India. This is the era of 1880 in which the Indian market had the initial flavor of the trading in items and the concept of Stock market. Thereafter, it has shown significant changes both in the pre-independence era and post independence era.

Pre-Independence Era:

The concept of stock market place was not a very systematic system. People who needs to trade generally gathered on the street which was popularly known as the Dalal Street from where the trading and the transaction

took place. It was in year 1875, the first stock exchange was formulated in the name of "The Native Share and Stock Brokers Association" presently known as the "BSE Limited". There after it was in year 1908, the stock exchange in Calcutta was formulated known as "The Calcutta Stock Exchange Association". This wind of stock exchange has also shown its pace in Madras in 1920 resulting in the formation of the 'Madras Stock Exchange' started with around 100 brokers. Followed by Lahore stock exchange (1934), the Uttar Pradesh stock exchange and the Nagpur stock Exchange (1940); the Hyderabad stock exchange (1944) were established. In 1947 the "Delhi Stock and Share Broker Association Limited" and "The Delhi Stocks and Shares Exchange Limited" was established in Delhi.

Post-Independence Era:

There was shutdown of various stock exchanges in India due to the depression that took place after Independence. It was under the Securities Contracts (Regulations) Act, 1956 that various stock exchanges has got a recognition as recognised stock exchanges such as Bombay, Delhi, Hyderabad, Indore etc. there are several other stock exchanges that were established post independence.

REVIEW OF LITERATURE:

The Review of all these related literature has helped the following observations, which further justifies the course of taking up the present study.

Panandiker, P.D.H (2014)[1], in his study on "How election years affect the stock market", found that the rupee rose to a near three-month high against the dollar. In most of the election years the stock market earned good returns. Securing majority seats by Bharatiya Janatha Party (BJP) generated confidence of investors. In 1999 election, the BJP come to power then the market responded well in the three months before the election, the Sensex was jumped nearly 17 per cent and after three months of election Sensex jumped another 6.4 per cent. BJP came to power the Sensex jumped and also supported Foreign Institutional Investors (FIIs). In 2004 the congress has come to ruling, and then Sensex before three months of election was down to six per cent though over the year it was up 16 per cent. In 2014 election the investor thought that the BJP will form next government with Narendra Modi as Prime Minister. They hope that Modi will give priority to development by reforming policies and governance. Political uncertainty was high this was because of the present rally may not continue for long-time. However, over a longer period, it is possible when the government remains true to its word.

Menge RN et. al (2014)[2], in their study on "Effects of elections on stock market returns at the Nairobi Securities Exchange", aimed to study the impact of election result on share performances at the NSE. Data obtained from the NSE covered period before and after 31st December 2002, 27th December 2007 and 4th March 2013 elections. The study found that the market return was good predictor of stock returns and finally concluded that the market returns, expected returns, abnormal returns were significantly higher before election, than after election period. The felts that elections can have impact on the stock market; the investor must carefully observe the election period and devote certain portion of money to invest in stock before and after election period.

Shefali, A. and Debiprasad, N (2014)[3], conducted a study on "Indian stocks rise on election results". They said that 2014 general election is historic result in Indian history, because the stock prices rose on result day. BSE Sensex raised 6.2 per cent on morning trade. The day ended with gain of less than One per cent. This researcher said that election is positively impact the stock market and so for this year the index is gained nearly Eight per cent over the past two weeks and is up 14 per cent for the year. The Indian rupee also benefited, strengthening to an eleven month high of Rs.58.63 rupees to the U.S. dollar on Friday, due to the Narendra Modi is effect.

Zuwena, Z. (2014)[4] in their study titled 'An assessment of the effect of general elections on the stock market returns in Kenya' aimed to study and establish the effect of the general elections on the return of the stock market in Kenya. This is an empirical study with descriptive research design. The population of the study was the 61 listed companies at NSE. The study used secondary data, this constituted of data for the Nairobi Securities indices from 1996 to 2013 and data of each general election in the years 1997, 2002, 2007 and 2013 taken as event date: 27th December 1997, 26th December 2002, 26th December 2007 and 4th March 2013. They found that investors tend to include forward looking expectations, implying that voters incorporated speculative expectations into their assessment of macroeconomic indicators; and stock market returns tend be affected by the presence of election trends. A higher level of policy uncertainty increases the risk of holding assets with returns that depend on economic policies. The study opines that investors should carefully plan and carry out investments during general elections as the returns could be affected.

Ling-chun, H (2007)[5], carried on a study entitled "The presidential election and the stock market in Taiwan" to examine the impact of elections on stock market. The study was an event study. It was found that there is a

positive reaction over the stock market before 15 days and after 15 days of elections. Not only the election result, but also the financial and political factors have an important role in influencing the return pattern around General election.

Ray M. V. (2009)[6], carried on study entitled "A political relationship study of market relationship" focusing on relationship between political parties holding presidential office and S&P 500 performance, volatility and risk. This research includes a several steps. The first one is the specific years within presidential cycle were evaluated for price change over time. The next one is to determine if there was any significance relationship between political parties in office stock market performance from the past II-world war period to the present. At last it concluded that the four year presidential election cycle in the country resulted no significance relationship between political parties and stock market performance.

Angela, Kithanji and Wilson Ngugi (2007)[7], in their study on "Stock market performances before and after general elections". They examined the NSE performance of Nairobi Stock Exchange before and after the last four general elections that is in the year 1992, 1997, 2002 and 2007 in Kenya. This study finally indicates that the political activity - election influenced stock performance in NSE. This study also reveals that the first two years after the General elections the NSE performed better than the last two years before the next General elections. In pre-election the NSE performances is poor it could be attributed to investor anxiety and panic associated in this period.

From the above review of literature it is understood that general elections influence stock market. The economic, industrial policy of a country is determined by the government of the day. All these policies have an impact on the stock prices.

The BJP-led National Democratic Alliance (NDA) had come to power in 1999. At the time, the market responded positively (17 per cent) well in the three months before and three months after elections (with 6.4 per cent). The market trend was different in 2004 when a Congress-led coalition formed the government. That is because it had to rely on other parties to remain in power. In the first three months, the Sensex was down six per cent, though over the year it was up 16 per cent.

In 2014 elections, investors seem excited with expectations that the BJP will form the next government with Narendra Modi as the prime minister. They hoped he will give priority to development by reforming policies and governance. Then the market was in rally. Political uncertainty is high. Are the General elections 2014 will affect stock market? If yes positively or negatively. But, performance of stock market affect due to various factors. Assuming other factors remain neutral the present study aims to know the impact of General Elections 2014 on stock market.

OBJECTIVE OF THE PAPER:

The objective of the paper is to examine the volatility of the return of the select companies and movement of the BSE Sensex before 15 days and after 15 days around General election result 2014.

METHODOLOGY:

The study is an event study. The stock price of select companies before 15 days and after 15 days General election (result announcement data) obtained from the BSE Ltd., website. The population of the study comprises of 30 stocks of BSE Sensex and the researcher has selected five companies one each from different sectors. The sample companies are – Bharati Airtel Limited, Infosys Limited, ICICI Bank, Mahindra and Mahindra Limited (M&M), and Coal India Limited.

The collected data was analysed with the help of mean return and volatility of the return.

- Relative price is equals to Closing price of today is divided by the Closing price of yester day, symbolically: Relative Price = Closing Price of Today / Closing price of Yesterday.
- Mean Return = Expected Daily Return / No. of Days = $\sum R/n$.

- Volatility of the Return $\sigma = \sqrt{\dfrac{\sum(R-\overline{R})^2}{n}}$

The scope of the study is limited to General election 2014, select five companies stock and the stock performance 15 days before and 15 days after announcement of the election results.

Equity Stock Performance of Selected Companies:

Here, the equity stock performance of select companies 15 days before and 15 after General election has been studied with the use of mean return and volatility of the return.

Equity Stock Performance of Bharati Airtel Ltd:

Table 1: Volatility of Stock Return of Bharati Airtel Ltd. 15 days before Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
25 Apr 2014	341.05	-	-	-	-
28 Apr	337.9	0.990763818	-0.0092791	-0.007411858	5.49356E-05
29 Apr	335.15	0.991861497	-0.008171801	-0.006304558	3.97475E-05
30 Apr	327.65	0.97762196	-0.022632227	-0.020764985	0.000431185
02 May	325.7	0.994048527	-0.005969253	-0.004102011	1.68265E-05
05 May	320.75	0.984801965	-0.015314709	-0.013447466	0.000180834
06 May	315.25	0.982852689	-0.017296029	-0.015428786	0.000238047
07 May	310.95	0.986360032	-0.013733847	-0.011866605	0.000140816
08 May	307.9	0.990191349	-0.009857073	-0.00798983	6.38374E-05
09 May	310.05	1.006982787	0.00695852	0.008825762	7.78941E-05
12 May	317.75	1.024834704	0.024531335	0.026398578	0.000696885
13 May	319.9	1.006766326	0.006743537	0.008610779	7.41455E-05
14 May	323.45	1.011097218	0.011036096	0.012903338	0.000166496
15 May	321.55	0.994125831	-0.00589149	-0.004024247	1.61946E-05
16 May 2014	332.25	1.033276318	0.032734645	0.034601888	0.001197291
		Total	**-0.026141397**	**Total**	**0.003395135**
Mean Return= -0.001867243			Volatility of the Return (σ) = 0.01557272		

Table 2: Volatility of Stock Return of Bharati Airtel Ltd. 15 days after Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
16 May 2014	332.25	-	-	-	-
19 May	338.3	1.01820918	0.018045378	0.013123766	0.000172233
20 May	347.75	1.027933787	0.027550755	0.022629143	0.000512078
21 May	340.7	0.979726815	-0.020481506	-0.025403119	0.000645318
22 May	332.4	0.975638392	-0.024663262	-0.029584874	0.000875265
23 May	342.4	1.030084236	0.029640581	0.024718969	0.000611027
26 May	338.2	0.987733645	-0.012342208	-0.01726382	0.000298039
27 May	335.7	0.992607924	-0.007419532	-0.012341145	0.000152304
28 May	341.75	1.018022043	0.017861572	0.012939959	0.000167443
29 May	338.1	0.989319678	-0.010737766	-0.015659378	0.000245216
30 May	344	1.017450458	0.017299948	0.012378335	0.000153223
02 Jun	361.3	1.050290698	0.049066981	0.044145368	0.001948814
03 Jun	359.15	0.994049267	-0.00596851	-0.010890122	0.000118595
04 Jun	353.45	0.984129194	-0.015998096	-0.020919708	0.000437634
05 Jun 2014	355.95	1.007073136	0.007048239	0.002126627	4.52254E-06
		Total	**0.068902574**	**Total**	**0.006341712**
Mean Return= 0. 004921612			Volatility of the Return (σ) =0.02128331		

Table 1 and 2 show that that Bharti Airtel Ltd's share price fluctuated before and after the elections 2014. Before the elections, the stock price recorded volatility from the lowest (307.9) in 8th May to the highest (341.05) by 25th April. Thus the range of variation in index before the election is negative (-33.15). Whereas after the elections, the stock price recorded a minor volatility (15.5) from the lowest (332.25) in 16th May to the highest (347.75) by 20th May. Volatility of the market before and after the election of 2014 was 0.01557272 and 0.02128331 respectively. Therefore, the increase in volatility was (0.02128331 – 0.01557272) / 0.01557172 *100 = 36.67 per cent.

It shows the range of variation in the index tremendously increased due to General elections 2014 after elections indicating the risk associated with the market also increased. Thus, elections had affected the stock price of Bharati Airtel Ltd.

Equity Stock Performance of Infosys Ltd:

Table 3: Volatility of Stock Return of Infosys Ltd. 15 days before Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
25 Apr 2014	3174.25	-	-		
28 Apr	3178.15	1.001228637	0.001227883	0.001146919	1.31542E-06
29 Apr	3178.6	1.000141592	0.000141582	6.06187E-05	3.67462E-09
30 Apr	3177.2	0.999559555	-0.000440543	-0.000521506	2.71968E-07
02 May	3219.8	1.013408032	0.01331894	0.013237977	0.000175244
05 May	3176.15	0.986443257	-0.013649474	-0.013730437	0.000188525
06 May	3164.15	0.996221841	-0.003785314	-0.003866277	1.49481E-05
07 May	3064.45	0.968490748	-0.032016349	-0.032097312	0.001030237
08 May	3062.95	0.999510516	-0.000489604	-0.000570567	3.25547E-07
09 May	3105.4	1.013859188	0.013764028	0.013683065	0.000187226
12 May	3177.9	1.023346429	0.02307807	0.022997107	0.000528867
13 May	3265.5	1.027565373	0.027192289	0.027111326	0.000735024
14 May	3246.9	0.994304088	-0.005712195	-0.005793158	3.35607E-05
15 May	3270.4	1.007237673	0.007211607	0.007130643	5.08461E-05
16 May 2014	3177.85	0.971700709	-0.028707434	-0.028788397	0.000828772
		Total	**0.001133484**	**Total**	**0.003775167**
Mean Return = 0.000080963 Volatility of the Return (σ) =0.01642117					

Table 4: Volatility of Stock Return of Infosys Ltd. 15 days after Elections 2014

Date	Closing stock	Relative price	Daily return	$R - \bar{R})$	$(R - \bar{R})^2$
16 May 2014	3177.85	-	-	-	-
19 May	3022.75	0.951193417	-0.050037854	-0.046822003	0.0021923
20 May	3119.05	1.031858407	0.031361455	0.034577307	0.00119559
21 May	3150.65	1.01013129	0.010080312	0.013296164	0.000176788
22 May	3107.2	0.986209195	-0.013886782	-0.01067093	0.000113869
23 May	3066.5	0.98690139	-0.013185153	-0.009969301	9.9387E-05
26 May	3093.85	1.008918963	0.008879424	0.012095276	0.000146296
27 May	3133.9	1.012945036	0.012861965	0.016077817	0.000258496
28 May	3172.2	1.012221194	0.012147118	0.01536297	0.000236021
29 May	2924.3	0.921852342	-0.081370218	-0.078154366	0.006108105
30 May	2941.5	1.005881749	0.00586452	0.009080371	8.24531E-05
02 Jun	2993.5	1.017678055	0.017523616	0.020739468	0.000430126
03 Jun	3015.4	1.007315851	0.00728922	0.010505072	0.000110357
04 Jun	2993.7	0.992803608	-0.007222411	-0.004006559	1.60525E-05
05 Jun 2014	3037.95	1.01478104	0.014672865	0.017888717	0.000320006
		Total	**-0.045021922**	**Total**	**0.011485845**
Mean Return=0.003215852 Volatility of the Return (σ) =0.02864293					

Infosys Ltd's stock performance in terms of closing price has recorded huge volatility before and after General elections 2014. However, the volatility (Table-3) is less before elections and recorded at - 207.45 (the highest 3270.4 on 15th May to the lowest 3062.95 on 8th May), whereas, the volatility is after the General elections 2014, the price ranged between the lowest of 2924.3 on 29th May and the highest of 3177.85 on 16th May and recorded the variance of 253.55 (Table -4).

Volatility of the market before and after the election of 2014 was 0.01642117 and 0.02864293 respectively. Therefore, the increase in volatility was (0.02864293– 0.01642117) / 0.01642117 *100 = 74.42 per cent.

It can be inferred that the huge volatility in the index because of General elections 2014 with 74.42 per cent after elections. This shows that the risk associated with the market increased, thus elections had an effect where the risk is more the Returns will be more.

Equity Stock Performance of ICICI Bank Ltd:

Table 5: Volatility of Stock Return of ICICI Bank Ltd. 15 days before Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
25 Apr 2014	1269.3	-	-	-	-
28 Apr	1273.85	1.003584653	0.003578243	-0.006654124	4.42774E-05
29 Apr	1262.05	0.990736743	-0.009306428	-0.019538795	0.000381765
30 Apr	1244.8	0.986331762	-0.013762509	-0.023994876	0.000575754
02 May	1251.8	1.005623393	0.005607641	-0.004624727	2.13881E-05
05 May	1254.15	1.001877297	0.001875537	-0.008356831	6.98366E-05
06 May	1274.55	1.016265997	0.016135123	0.005902755	3.48425E-05
07 May	1272.5	0.998391589	-0.001609706	-0.011842073	0.000140235
08 May	1289.4	1.013280943	0.013193524	0.002961157	8.76845E-06
09 May	1374.85	1.066271134	0.06416764	0.053935273	0.002909014
12 May	1399.25	1.017747391	0.017591745	0.007359377	5.41604E-05
13 May	1402.65	1.002429873	0.002426926	-0.007805442	6.09249E-05
14 May	1409.65	1.004990554	0.004978142	-0.005254226	2.76069E-05
15 May	1393.1	0.988259497	-0.011809967	-0.022042335	0.000485865
16 May 2014	1464.8	1.051467949	0.050187235	0.039954867	0.001596391
		Total	**0.143253147**	**Total**	**0.006410828**
Mean Return= 0.010232368			Volatility of the Return (σ) =0.02139898		

Table 6: Volatility of Stock Return of ICICI Bank Ltd. 15 days after Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
16 May 2014	1464.8	-	-	-	-
19 May	1471.1	1.004300928	0.004291706	0.004479692	2.00676E-05
20 May	1449.4	0.985249133	-0.014860743	-0.014672756	0.00021529
21 May	1439.35	0.993066096	-0.006958055	-0.006770069	4.58338E-05
22 May	1451.35	1.008337097	0.008302535	0.008490521	7.20889E-05
23 May	1460.75	1.006476729	0.006455845	0.006643831	4.41405E-05
26 May	1452.55	0.994386445	-0.00562937	-0.005441384	2.96087E-05
27 May	1447.5	0.996523355	-0.003482702	-0.003294716	1.08552E-05
28 May	1456.15	1.00597582	0.005958036	0.006146022	3.77736E-05
29 May	1437.85	0.987432613	-0.012647024	-0.012459038	0.000155228
30 May	1418.4	0.986472859	-0.013619467	-0.01343148	0.000180405
02 Jun	1462.4	1.031020869	0.030549446	0.030737432	0.00094479
03 Jun	1458.25	0.997162199	-0.002841835	-0.002653849	7.04291E-06
04 Jun	1469.2	1.007509001	0.007480948	0.007668934	5.88126E-05
05 Jun 2014	1460.95	0.994384699	-0.005631126	-0.00544314	2.96278E-05
		Total	**-0.002631805**	**Total**	**0.001851563**
Mean Return= -0.000187986			Volatility of the Return (σ) = 0 .001150020		

Table 5 and 6 shows that that ICICI Bank's share price shown massive variation before and after the elections 2014, before the elections, the stock price shown volatility from the lowest 1244.8 on 30th April to the highest 1464.8 on 16th May, thereby recording a volatility of 220. On the other hand, after the elections, the stock price recorded a minor volatility (13.33) from the lowest 1418.4 on 30th May to the highest 1471.1 on 19th May.

Volatility of the market before and after the election of 2014 was 0.02139898 and 0.01150019 respectively. Therefore, the increase in volatility was (0.01150019– 0.02139898) / 0.02139898 *100 = - 46.26 per cent.

The volatility - 46.26 per cent in the index is due to the General elections 2014. This shows that the risk increased after the elections.

Equity Stock Performance of Mahindra and Mahindra Ltd (M&M):

Table 7: Volatility of Stock Return of M&M Ltd. 15 days before Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
25 Apr 2014	1070.25	-	-	-	-
28 Apr	1065.4	0.995468349	-0.004541951	-0.007185389	5.16298E-05
29 Apr	1065	0.999624554	-0.000375516	-0.003018955	9.11409E-06
30 Apr	1072.15	1.006713615	0.006691179	0.00404774	1.63842E-05
02 May	1056.55	0.985449797	-0.014657095	-0.017300534	0.000299308
05 May	1059.35	1.002650135	0.002646629	3.19062E-06	1.018E-11
06 May	1065.15	1.005475055	0.005460122	0.002816683	7.9337E-06
07 May	1061.55	0.996620194	-0.00338553	-0.006028969	3.63485E-05
08 May	1063.3	1.001648533	0.001647175	-0.000996263	9.92541E-07
09 May	1104.3	1.038559202	0.03783437	0.035190932	0.001238402
12 May	1130.05	1.023317939	0.023050229	0.020406791	0.000416437
13 May	1122.4	0.993230388	-0.00679263	-0.009436069	8.90394E-05
14 May	1089.7	0.970866001	-0.029566821	-0.03221026	0.001037501
15 May	1103.65	1.012801689	0.01272044	0.010077001	0.000101546
16 May 2014	1110.6	1.006297286	0.006277541	0.003634102	1.32067E-05
		Total	**0.037008144**	**Total**	**0.003317843**
Mean Return=0.002643439 Volatility of the Return (σ) =0.0153944					

Table 8: Volatility of Stock Return of M&M Ltd. 15 days after Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
16 May 2014	1110.6	-	-	-	-
19 May	1098.7	0.989285071	-0.010772747	-0.016264128	0.000264522
20 May	1135.35	1.033357604	0.032813311	0.02732193	0.000746488
21 May	1149.6	1.012551196	0.012473082	0.006981701	4.87442E-05
22 May	1134.1	0.986517049	-0.013574671	-0.019066052	0.000363514
23 May	1158.1	1.021162155	0.020941346	0.015449965	0.000238701
26 May	1230.3	1.062343494	0.060477311	0.05498593	0.003023452
27 May	1194.65	0.971023328	-0.029404787	-0.034896168	0.001217743
28 May	1162.35	0.972962792	-0.027409438	-0.032900819	0.001082464
29 May	1178.35	1.013765217	0.013671337	0.008179956	6.69117E-05
30 May	1230.5	1.0442568	0.043305436	0.037814055	0.001429903
02 Jun	1240.45	1.008086144	0.008053626	0.002562245	6.5651E-06
03 Jun	1230.85	0.992260873	-0.007769229	-0.01326061	0.000175844
04 Jun	1217.1	0.988828858	-0.011234008	-0.016725389	0.000279739
05 Jun 2014	1199.35	0.985416153	-0.014691237	-0.020182617	0.000407338
		Total	**0.076879334**	**Total**	**0.009351928**
Mean Return= 0.005491381 Volatility of the Return (σ) =0.02584560					

Mahindra and Mahindra Ltd's stock performance recorded high volatility before and after General elections 2014. However, the volatility (Table-7) was less before elections and recorded at 73.5 (the highest 1130.05 on 12th May to the lowest 1056.55 on 2nd May), whereas, the volatility is after the General elections 2014 recorded at 141.74 with the price ranging between the lowest of 1098.7 19th May and the highest of 1240.45 on 2nd June (Table -8).

Volatility of the market before and after the election of 2014 was 0.0153944 and 0.02584560 respectively. Therefore, the increase in volatility was (0.02584560– 0.0153944) / 0.0153944 *100 = 67.89 per cent.

It can be inferred that the huge volatility in the index because of General elections 2014 which was a remarkable increase. This shows that the risk associated with the market increased. The risk and returns was interdependent.

Equity Stock Performance of Coal India Ltd:

Table 9: Volatility of Stock Return of Coal India Ltd. 15 days before Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
25 Apr 2014	300.05	-	-	-	-
28 Apr	295.75	0.985669055	-0.014434625	-0.024540166	0.00060222
29 Apr	296.75	1.003381234	0.003375531	-0.00673001	4.5293E-05
30 Apr	291.7	0.982982308	-0.017164157	-0.027269698	0.000743636
02 May	295.5	1.013027083	0.01294296	0.002837419	8.05095E-06
05 May	296.65	1.003891709	0.003884156	-0.006221385	3.87056E-05
06 May	296.45	0.999325805	-0.000674423	-0.010779964	0.000116208
07 May	295.4	0.996458087	-0.0035482	-0.013653741	0.000186425
08 May	294.15	0.99576845	-0.004240529	-0.01434607	0.00020581
09 May	309.05	1.050654428	0.049413235	0.039307694	0.001545095
12 May	330.8	1.070376962	0.068010887	0.057905346	0.003353029
13 May	331.65	1.002569528	0.002566233	-0.007539308	5.68412E-05
14 May	342.9	1.033921303	0.033358663	0.023253122	0.000540708
15 May	340.7	0.993584135	-0.006436535	-0.016542076	0.00027364
16 May 2014	345.65	1.014528911	0.014424378	0.004318837	1.86524E-05
		Total	**0.141477575**	**Total**	**0.007734313**
Mean Return= 0.010105541			Volatility of Return (σ) =0.0235043		

Table 10: Volatility of Stock Return of Coal India Ltd. 15 days after Elections 2014

Date	Closing stock	Relative price	Daily return	$(R - \bar{R})$	$(R - \bar{R})^2$
16 May 2014	345.65	-	-		
19 May	389.65	1.127296398	0.119822198	0.110998157	0.012320591
20 May	366.7	0.941100988	-0.060704825	-0.069528867	0.004834263
21 May	372.15	1.014862285	0.014752924	0.005928882	3.51516E-05
22 May	389.95	1.047830176	0.046721527	0.037897486	0.001436219
23 May	397.55	1.019489678	0.019302187	0.010478145	0.000109792
26 May	400.75	1.008049302	0.008017079	-0.000806962	6.51188E-07
27 May	393.05	0.980786026	-0.019400961	-0.028225003	0.000796651
28 May	380.35	0.967688589	-0.032844949	-0.04166899	0.001736305
29 May	373.6	0.982253188	-0.017906175	-0.026730216	0.000714504
30 May	371.15	0.993442184	-0.006579413	-0.015403454	0.000237266
02 Jun	373.35	1.005927523	0.005910024	-0.002914017	8.4915E-06
03 Jun	393.1	1.052899424	0.051547715	0.042723674	0.001825312
04 Jun	390.2	0.992622742	-0.007404604	-0.016228646	0.000263369
05 Jun 2014	391.1	1.002306509	0.002303854	-0.006520188	4.25128E-05
		Total	**0.123536579**	**Total**	**0.02436108**
Mean Return= 0.008824041			Volatility of Return (σ) = 0. 04171423		

Tables 9 and 10 show that Coal India's share price recorded moderately high variation before and after the elections 2014. Before the elections, it ranged from the lowest 291.7 on 30th April to the highest 345.65 on 16th May, thereby recording a volatility of 53.95. It further increased after the elections (55.1) and recorded from the lowest 345.65 on 16th May to the highest 400.75 on 26th May.

Volatility of the market before and after the election of 2014 was 0.0235043 and 0.04171423 respectively. Therefore, the increase in volatility was (0.04171423– 0.0235043) / 0.0235043 *100 = 77.47 per cent.

It can be inferred that the huge volatility in the index because of General elections 2014, this shows that the risk associated with the market increased, thus elections had an effect where the risk is more the returns will be more.

SUMMARY OF FINDINGS

Performance of stock price of select companies before 15 days and after 15 days around 2014 election result announcement date are as follows:

- Behaviour of Bharti Airtel' share price showed fluctuations before and after the general elections 2014. The range of volatility in index before the election is negative (-33.05), whereas, after the elections recorded a minor volatility with 15.5. However, Volatility of the market increased by 36.67 per cent before and after the election of 2014 covering negative indice. Bharti Airtel's stock price volatility after election indicates high volatility due to General elections 2014. This shows that the risk associated with the market increased.

- Infosys Technology's stock performance in terms of closing price has recorded negative volatility (- 207.45) before and after General elections 2014, whereas, after the elections recorded the variance of 253.55. It shows that the volatility moved from negative to positive. But, volatility of the market from negative before elections to positive after the elections with 74.42 per cent. It was due to General elections 2014. This shows that the risk associated with the market increased, thus elections had an effect where the risk is more the returns will be more.

- ICICI Bank's share price shown massive variation before and after the elections 2014. Before the elections, the stock price volatility 220, but after the elections, the stock price recorded a minor volatility with 13.33. On an overall, the volatility of the market before and after the election of 2014 was negative (- 46.26 per cent) and it is due to the General elections 2014. It incurred loss. This shows that the risk increased after the elections.

- Mahindra & Mahindra's stock performance in terms of closing price has recorded high volatility before with 73.5, whereas after elections a variance of 141.74. It shows that cent percent increase. However, volatility of the market before and after the election of 2014 was stood at 67.89 per cent. This shows that the risk associated with the market increased. The risk and returns was interdependent.

- Coal India's share price recorded a variation before and after the elections 2014. Before the elections, the stock price recorded a volatility of 53.95, whereas after the elections 55.1. But, the volatility of the market before and after the election of 2014 was increased and stood at 77.47 per cent. It can be concluded that the high volatility in the index because of General elections 2014. This shows that the risk associated with the market increased, thus elections had an effect where the risk is more the returns will be more.

All the sample companies earned profit except ICICI Bank. But, the volatility was high with Infosys and Mahindra & Mahindra followed by ICICI.

CONCLUSION:

Stock market is one of the most vibrant parts of the Indian financial system, which provides secondary market for the securities issued in primary market and plays vital role in economic development. Stock market affects by various factors. As one thing can start a ripple effect like a butterfly flapping its wings in the wrong direction, as a theoretical scientist might say so too can ripple effects be seen in the stock market. Factors like company news, economy, world events, investors' expectations, speculations, supply & demand for stock, natural disasters, war & terrorism and politics. Along with other factors, internal political events also have an effect on the Indian stock market. Understanding key factors that affect can help investors in predicting prices and earning reasonable return.

On 16th May, the day of announcement of General Election 2014 result showed lot of positive impact on stock market. Investor reacted positively to the results that gave victory to the BJP and Narendra Modi, prime ministerial candidate who showed an impressive performance of economic governance in Gujarat. Investors assumed that, in the same way economy of India develop and stock market performance. So, General elections and Narendra Modi is directly and indirectly will influence the stock market. This was supported by the study out of five companies only one company was not affected.

During the election time the risk will be more and market will be high volatile. The risk is more the return will also be more. Companies can perform their best in the market; but market will be very volatile in the general election. Elections can affect stock market; therefore investors can devote a certain portion of money to invest in stocks before and another in stocks after elections. Many investors simply invest in stocks after elections where they presume that the market will be performing well as a result of the new regime. So, the study suggests investor community should carefully plan and invest before, during and after general elections.

REFERENCES:

D.H. and Pai, P. (2014, March 10). How election years affect the stock market. Retrieved from http://blogs.reuters.com/india-expertzone/2014/03/10/how-election-years-affect-the-stock-market/.

Menge, R.N. et.al. (2014, April 6). Effects of elections on stock market returns at the Nairobi Securities Exchange, *Prime Journals of Social Science,* 3(6), 763-768. Retrieved from http://www.primejournal.org/PJSS/pdf/2014/jun/Robert%20et%20al.pdf

Shefali, A. and Debiprasad, N. (2014, May 16). India stocks rise on election results. Retrieved from http://www.wsj.com /articles /SB1000142405 2702304908304579565 730736313714.

Zuwena Z. (2014, November). An assessment of the effect of general elections on the stock market returns in Kenya. Retrieved from http:// repository. uonbi.ac. ke/xmlui /bitstream/handle/11295/76052/Zainabu.

Ling-chun, H. (2011, September). The presidential election and stock market in Taiwan, *Journal of Business and Policy Research*, Vol.6, No. 2, P.p.36-48. Retrieved from http://wbiaus.org/3.%20Ling.pdf

Ray, M.V. (2012, June). The U.S presidency and the stock market: a political relationship study of market relationship. Retrieved from http:// www.aabri.com /SA12Manuscripts/SA12058.pdf.

Angela, K. and Wilson, W. (2008, June). Stock market performance before and after general elections-a case study of the Nairobi stock exchange. Retrieved from http://erepository.uonbi.ac.ke/handle/11295/23124.