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# Impact of Lok Sabha Election on stock market

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**ABSTRACT**

The article delves into the intricate relationship between Lok Sabha elections in India, and their impact on the stock market, investor sentiment, and economic outcomes. It highlights how such political events introduce uncertainty and speculation into the market, leading to heightened volatility characterized by abrupt price fluctuations and increased trading activity. Investors' sentiments, influenced by emotions and perceptions, play a crucial role during periods of political uncertainty, shaping trading patterns, asset valuations, and overall market dynamics. The paper suggests future research on Lok Sabha elections' long-term impact on stock markets, sectoral analyses, comparisons to other nations, and in-depth case studies on electoral dynamic Furthermore, the study emphasizes the importance of understanding historical trends and sector-specific dynamics to predict market movements during election seasons accurately. It also highlights the critical role of investor sentiment, political stability, policy clarity, and economic flexibility in promoting long-term market growth and prosperity. The report suggests further research on the impact of political figures on stock market behavior, the temporal dynamics of market efficiency post-elections, and the integration of information dynamics with market efficiency studies. By addressing these research gaps, stakeholders can make more informed decisions to navigate election-related market uncertainty and capitalize on emerging opportunities, ultimately contributing to a deeper understanding of how political events shape market dynamics and informing investment strategies and policy decisions.

**Keywords-** Electoral dynamics, Lok Sabha elections, Investment, Stock Market, Market efficiency

## BACKGROUND OF THE STUDY

Lok Sabha elections in India are important political events with far-reaching implications for various sectors of the economy, including the stock market. Stock markets, which are highly sensitive to political changes and political announcements, often experience swings and volatility during election periods. This article aims to examine the impact of the Lok Sabha elections on the Indian stock market by analyzing various factors and historical trends. The Lok Sabha elections held every five years mark an important turning point for investors as they anticipate possible policy changes and shifts in government priorities. Understanding historical context provides insight into how the stock market has reacted to past elections and helps predict future trends. Ahead of the Lok Sabha elections, stock markets often experience increased volatility and uncertainty as investors await election results. Historical data shows volatility in stock prices, with periods of optimism and pessimism depending on prevailing political sentiment and economic condition. During the Lok Sabha elections, the stock market tends to experience higher volatility due to factors such as election-related news, exit polls and speculation about the government's performance. possible policies. Market sentiment often changes due to the perceived stability and effectiveness of the elected government. Positive election results can lead to a rise in share prices, while uncertainty or political instability can erode investor confidence. Different sectors of the stock market react differently to the Lok Sabha elections, depending on their exposure to government policies and regulations. The positive atmosphere created by the election results and political clarity can attract foreign institutional investment (FII) and support the stock market. On the other hand, negative sentiment due to political uncertainty or political ambiguity can lead to FII outflows and market corrections. Lok Sabha elections often act as a catalyst for market reforms and policy initiatives aimed at stimulating economic growth and attracting investment. The political agenda of the elected government, including fiscal measures, infrastructure development plans and regulatory reforms, will affect market expectations and investor confidence. Apart from political factors, macroeconomic indicators such as GDP growth, inflation and interest rates also affect stock market performance during Lok Sabha elections. Positive macroeconomic trends combined with political stability create a favorable environment for investments and promote the growth of the stock market. On the other hand, adverse economic conditions or political uncertainty can slow down market growth despite favorable election results. By analyzing historical trends and sector-specific dynamics, stakeholders can make informed decisions to navigate election-related market uncertainty and capitalize on emerging opportunities. This in-depth analysis provides valuable insights into the complex relationship between Lok Sabha elections and stock market performance, the importance of political stability, policy clarity and economic flexibility to promote long-term market growth and prosperity.

## RESEARCH QUESTIONS

1. How do investors' perceptions of well-known political figures influence daily stock market returns and trading volume?
2. How do different political leaders' actions and statements impact specific industries or categories within the stock market?
3. How government actions and efforts affect the stock market before elections

## NEED OF THE STUDY

One critical need for further research is to examine the temporal dynamics of market efficiency after an election. Further research is needed to determine if the Indian stock market's efficiency during the 2019 Lok Sabha elections remains consistent or varies based on subsequent political or economic developments. Analyzing medium- and long-term changes in market efficiency caused by major political events can provide insight into the adaptability of market participants and the persistence of market characteristics. By examining how market performance evolves in the post-election period, researchers can improve our understanding of market response to political transitions and policy changes, thereby informing investment strategies and risk management practices. Another area that needs further research is impact. on political figures on stock market behavior. Further research could delve into the cognitive biases, emotional reactions and social dynamics that shape investors' perceptions of political figures and their impact on market sentiment. In addition, examining the influence of various political leaders in specific sectors or classes of shares can provide nuanced insights into investor sentiment and market dynamics that inform sector-specific investment strategies and portfolio diversification. In addition, data dynamics are an integral part of analyzing market performance. Research indicates a correlation between political and policy factors and stock market behavior, but there is a gap between information dynamics and market efficiency. The study provides valuable insights into the intricate relationship between the Lok Sabha elections and the Indian stock market. By addressing these needs, researchers can contribute to a deeper understanding of how political events shape market dynamics and inform more informed investment strategies and policy decisions.

## PROBLEM STATEMENT

Academic research has explored the impact of investors' attention to prominent politicians on daily stock market returns and transaction volumes; nonetheless, the fundamental processes responsible for these correlations remain largely unexplored. Furthermore, a full analysis of the behavioral and psychological elements influencing investors' opinions and assessments of political figures has not been done. Furthermore, further research is required to fully understand the disparate impacts that various political figures have on particular sectors of the economy or stock classes, as this may provide complex insights into investor psychology and market dynamics. Moreover, not enough attention has been paid to how information dynamics and market efficiency integrate with the backdrop of political events. The research acknowledges political and policy influences on stock market behavior but lacks a comprehensive investigation into the relationship between information asymmetry, news mood, and media coverage of political events. It is yet unknown how to measure the effect of political news and policy announcements on market efficiency using sophisticated analytical methods like sentiment analysis and natural language processing. Closing this gap could improve market models' forecasting power and offer insightful information for creating investment plans. Furthermore, even while the analysis of electoral data has yielded insightful information about voting patterns and seat distributions, there aren't many thorough case studies that concentrate on particular elections, seats, or geographic regions. Through the examination of diverse election scenarios and stakeholder perspectives, scholars can reveal patterns, trends, and discrepancies in representation that may not be discernible only through the analysis of aggregate statistics. In order to have a deeper comprehension of the factors influencing political representation and its consequences for governance, it is imperative that this gap be filled.

## Literature Review

Ashit Saha and Nazreen Praveen Ali (2021) The Indian stock market showed semi-strong form efficiency following the Lok Sabha Election 2019, with negative returns and a discernible pattern in market behavior. Conventional trading methods are ineffective for abnormal returns based on election results. Investors maintained high confidence in the NDA Government's win, and future studies could compare general elections and other political events.

Paritosh Chandra Sinha (2019) This study examines the relationship between trading volumes and daily stock market returns in India's NSE Sensex and Nifty and the attention that investors pay to well-known political figures during the Lok Sabha (LS) Election seasons of 2004 to 2019. It examines market returns and trade volumes independently using the linear Autoregressive Regression (AR-1) approach, taking into account lagged dependent variables, competitive market homogeneity, and attention search factors. Robustness tests demonstrate a strong Granger causal relationship between market and attention dynamics, as well as the impacts of heterogeneity and homogeneity on trade volume and market returns.

Rinki Gour(2020) The 2019 Lok Sabha Election's impact on the Indian Stock Market was examined using an event study approach. Results showed that despite initial declines, positive returns occur immediately, except for negative reactions after the vote count. The banking industry, SENSEX, and NIFTY were winners, while the FMCG sector suffered. The election results had minimal impact on the IT and pharmaceutical industries..

Harshit Agarwal (2022) The research explores the impact of political conditions and leadership on a nation's economy, particularly the stock market. It reveals that the right-wing BJP's leadership positively influences stock market conditions, while the centrist Congress has a negative link. Terrorist acts and rising hostilities negatively affect market returns. However, gains in state legitimacy, political globalization, and domestic political stability promote stock market performance.

Manvitha Kola (2021) This study examines the correlation between mood in print media and stock market volatility during the 2019 Indian General Elections. It uses sentiment as a time series variable and analyzes news items from January 2018 to December 2020. The results show that the winning party received more media attention, and several political variables had a minor but significant impact on stock market dynamics.

Amitesh Kapoor(2013) The paper examines the impact of recent political events in India on the nation's investment climate and stock market stability, including laws on FDI in retail and GAAR. It evaluates the Indian stock market's efficiency and highlights the complex link between political events and stock market behavior during the Lok Sabha elections. The study suggests anomalous returns and differing implications of political choices across different proxy indexes.

G.D.V. Kusuma (2018) analyzes the impact of general elections on NSE and BSE returns in pre-elections and post-elections periods. It compares volatility in short, medium, and long term periods. The analysis uses data from five election sessions from 1998 to 2014. Results show that elections have a more significant short-term effect, less in the medium term, and diminish in the long term after the announcement. Investors should invest cautiously around election days, while the government and regulators should monitor market movements and take corrective measures when markets become more volatile.

Jatinder Loomba(2014) The study explores how investors' trust in Narendra Modi's pro-industry credentials influences the Indian stock market's response to his potential win in the prime ministerial election. It uses data from 2013 to 2014 and the EGARCH model to analyze financial asymmetry volatility. The study highlights the importance of political results in influencing market dynamics and investor mood, including the Lok Sabha elections.

Prof. G. Sudarsana Reddy(2018) The study explores how investors' trust in Narendra Modi's pro-industry credentials influences the Indian stock market's response to his potential win in the prime ministerial election. It uses data from 2013 to 2014 and the EGARCH model to analyze financial asymmetry volatility. The study highlights the importance of political results in influencing market dynamics and investor mood, including the Lok Sabha elections.

Dr. Girish A. Bodhankar(2021) This study examines the impact of general elections on the Indian stock market by analyzing the movements of key indexes from BSE and NSE exchanges. It focuses on return volatility during the thirty-day window before and after each election, using data from reliable sources. The findings show a strong influence of general elections on stock market performance and indexes, emphasizing the importance of political events in market dynamics.

Kavita Chavali (2020) looks at how elections affect the stock market. The study examines whether the market's response would change if a party emerged victorious and gained power twice in a row. The study uses an event study methodology based on the market model. The study's sample period spans from 2014 to 2019. For the study, a random sample of 31 companies listed on the Bombay Stock Exchange is chosen. An event window of 82 days was used for the 2014 elections, with 39 days leading up to and 42 days following the event. The announcement of the election results is the event (t0). An event window of 83 days, consisting of 41 days pre- and 41 days post-event, was used for the 2019 elections. The findings show that the market responds favorably, with average abnormal returns that are noticeably favorable. The research results indicate that, even in cases where the same party wins reelection twice, the effect on the market varies. In the setting of developing markets such as India, the semi-strong variant of the efficient market hypothesis is valid.

Paritosh Chandra Sinha (2021) The study investigates how investors' attention to political leaders influenced trading volumes and daily stock market returns in India's NSE Nifty and BSE Sensex markets during four Lok Sabha Election cycles. It uses data from the NSE Nifty and BSE Sensex, Google Search Value Index, and the linear Autoregressive Regression approach. The research finds strong freestanding Granger causality in market and attention dynamics, improving investors' understanding of political factors influencing the Indian stock market.

Suresha -The Indian stock market is believed efficient in its semi-strong form, with big positive abnormal returns on bonus announcement days and negative abnormal returns on stock split and rights issue events, indicating a negative reaction to political unrest.

Ved Prakash, K. Padmasree(2019) The study investigates how investors' attention to political leaders influenced trading volumes and daily stock market returns in India's NSE Nifty and BSE Sensex markets during four Lok Sabha Election cycles. It uses data from the NSE Nifty and BSE Sensex, Google Search Value Index, and the linear Autoregressive Regression approach. The research finds strong freestanding Granger causality in market and attention dynamics, improving investors' understanding of political factors influencing the Indian stock market.

Parthpritam Pal(2005)Foreign Institutional Investors (FIIs) significantly influenced the Sensex movement, particularly after India's 2004 general elections. A sudden reversal in FII flows and a fall in confidence in India's reform process led to unprecedented volatility, resulting in a record single-day and three-month decline of almost 17%. FIIs control a significant portion of the Sensex firms, and their behavior during and after Lok Sabha elections significantly influences market behavior. Their attitudes and actions, particularly regarding reform continuation, significantly impact the Sensex.

Sathyanarayana S (2017) The study investigates the impact of political developments, particularly the demonetization of money, on India's benchmark indexes like the BSE Sensex, Nifty Fifty, and BSE 100. It uses data from October 26, 2015, to November 30, 2016, and uses event study methods to evaluate the impact. The analysis reveals a significant influence of demonetization on the chosen indices on the day of the event, underscoring the complex link between political events and stock market performance.

Avinash Ghalke(2023) The paper highlights the impact of legislative sessions on stock price volatility in India's Westminster Parliamentary system. Policy choices made during these sessions affect corporate cash flows, leading to stock price swings. The strength of the coalition government determines the impact of legislative sessions on stock market volatility, with stronger coalitions having a damping effect. Understanding political dynamics, particularly those related to Lok Sabha elections, is crucial for informed stock market investment decisions.

Deepak Kedia(2023) The study examines the impact of government and general elections on the Indian stock market from 2004 to 2019. It finds that daily stock returns vary significantly during election seasons, with significant positive and negative returns after election results are announced. The 2014 election showed the effect of government changes on the market, while the 2019 election increased market return uncertainty. The research emphasizes the importance of investors exercising prudence during election seasons.

A. Ramesh(2015) This paper examines share price performance during India's 2014 general elections, focusing on 30 BSE SENSEX companies. The study uses event study methodology to analyze stock prices over different event windows. High positive CARR (cumulative average abnormal returns) was observed, indicating that the market positively reacted to the possibility of a change in government and after the election of a new government. The results suggest that stock prices have a positive reaction to government changes.

Sinha A Wyatt A.(2019) The paper discusses the shift in commercial interests in India's political scene, particularly during the 17th Lok Sabha. With more industrialists and entrepreneurs working in business, around 28.4% of MPs hold legislative positions, leveraging their positions for personal and family interests. Business influence affects policy formation, financing, and political recruitment, strengthening India's pro-business policies and economic changes, influencing political parties, elections, and democracy.

B. Ravi Kumar (2018) The study found that elections have a significant short-term, modest mid-term, and negligible long-term impact on the stock market's return. However, the research, which focused on the 30-day window before and after the election, provides a precise link between the stock market's performance and election outcomes.

Subashis Nandy(2020) The paper examines the link between political developments and India's entrepreneurial ecosystem (EE), focusing on changes since Modi's 2014 election win. It uses data from GEM, World Bank, and Indian government statistics to examine EE growth across states. The study also discusses obstacles faced by Indian institutions and business owners, highlighting the wider impact of the Lok Sabha elections on economic factors like the stock market.

Kumar Deva B. (2015) This study examines the impact of the 16th Lok Sabha election on the Indian stock market, finding a strong correlation between the elections and performance. It uses emotional analysis and portfolio optimization to analyze the impact of election outcomes on firms listed in the BSE SENSEX index. The study emphasizes the importance of considering political developments when developing investing plans, emphasizing the significant impact of elections on the stock market.

Kc. Suri (2009) The 2009 Lok Sabha elections revealed that voters' economic circumstances significantly influence their choices. Assessments of the past economy were the primary factor, with less emphasis on future projections. Economic concerns, both personal and national, influenced voting decisions, with the latter being more significant among Indian voters. This underscores the importance of political parties understanding and responding to voters' economic impressions, their relationship with voting patterns, and the outcome of the elections.

Richa Garg(2022) This study examines the impact of Indian general elections on company stock market performance using data from 2004 to 2014. The elections, considered the country's biggest festival, involve 900 million eligible voters and are held over several weeks. The study uses DID, RE, and FE models to calculate the impact on market capitalization and stock returns. The findings aim to determine the connection between Lok Sabha elections and stock market dynamics, providing insights for investors and policymakers.

Aseema Sinha(2019) The 17th Lok Sabha's composition reveals a significant influence of business interests on India's political environment. 28.4% of MPs have business backgrounds, indicating industrialists and entrepreneurs are gaining legislative positions. This trend is influencing all aspects of electoral processes, including financing, policymaking, and candidate recruitment, potentially strengthening pro-business policies and economic reforms.

Chakrabarty Ranjit, Sarkar, and Asima (2016) \Examines the impact of the introduction of derivatives, annual budget releases from the government, and Lok Sabha elections on the volatility of the Indian stock market from 1994 to 2012. To find cointegration between spot and futures markets, it runs a cointegration test on the FUTIDX index and the S&P CNX Nifty. These variables are examined using the GARCH model.

Norio Kondo's 2007 study examines the impact of elections on India's stock market, focusing on the effects of a party winning and coming to power for the second time. The study uses Market Model Event methodology and a sample of 31 companies listed on the Bombay Stock Exchange from 2014 to 2019. Results show that elections have a positive impact on stock market performance, but the reaction is more intense when a party comes to power for the first time.

Menge, Robert N. (2013) The study on the influence of election outcomes on NSE share performance discovered that market returns were a decent forecast of stock returns. The findings revealed that market returns, predicted returns, and anomalous returns were considerably greater before and following the elections. According to the report, investors should closely monitor the election period and dedicate a percentage of their funds to invest in equities before and after the election.

Panandiker, P.D.H (2014) states the rupee surged to a three-month high versus the dollar in most election years, with the stock market typically giving strong profits. The Bharatiya Janata Party (BJP) won a majority of seats, boosting investor confidence. In 1999, the Sensex rose over 17% prior to the election and another 6.4% afterwards. The BJP backed foreign institutional investors (FIIs). In 2004, the Sensex fell to 6% prior to the election but rose by 16% during the year. In 2014, investors believed that the BJP would create a government led by Narendra Modi, focusing on growth through policy changes. Political uncertainty remained high as a result of the present surge, but it may persist in the future if the administration keeps its promises.

**Summary of Review**

A great deal of investigation has been done to determine how well and predictably the Indian stock market responds to political events, particularly the Lok Sabha Elections. Numerous investigations have explored various facets of the correlation between political developments and stock market outcomes, providing insight into the underlying mechanisms.

A number of studies have found that the Indian stock market has exhibited semi-strong market productivity in the aftermath of the Lok Sabha election results. .Notwithstanding the importance of these elections, the market's response has often resulted in poor short-term returns but no appreciable long-term effects. This implies that investors can't use certain trading techniques to get unusual profits just after election results.

Furthermore, studies have demonstrated that while investor sentiment and attention are influenced by the popularity or success of particular political leaders or parties, these factors may not necessarily result in notable market changes. For example, the success of the centrist Congress party has demonstrated a negative link with stock market outcomes, but the leadership of the right-wing BJP has often been connected with favorable market circumstances.

Additionally, research has examined how elections affect particular businesses and sectors within the Indian stock market. It's been noted that some industries—like the fast-moving consumer goods (FMCG) sector—respond negatively to election outcomes, while other industries—like the information technology (IT) and pharmaceutical sectors—seem to be mostly unaffected. This shows how different sectors have responded to political developments.

Furthermore, studies have looked at how elections and other economic and policy issues affect stock market performance. Along with political developments, factors like regulatory changes, foreign investment flows, and budgetary choices all have a big impact on market dynamics.

All things considered, the results indicate that although political occasions such as the Lok Sabha Elections do affect investor mood and focus, their direct impact on stock market gains is usually transient and offset by other economic variables. This emphasizes how complicated the link between politics and financial markets is and how crucial it is to take into account a variety of factors when examining market behavior.

## Research Gap

Political Figures' Influence on Stock Market Behavior The study looks into how investors' focus on well-known politicians affects daily stock market returns and number of transactions. On the other hand, nothing is known about the underlying processes governing this link. Subsequent investigations may explore more thoroughly the behavioral and psychological elements that influence investors' judgements and opinions about political individuals. Furthermore, examining the distinct effects of different political leaders on certain industries or stock categories may offer complex perspectives on investor mood and market dynamics.

Integration of Information Dynamics and Market Efficiency While the study focuses on how political and policy variables influence stock exchange acts, there is a gap in the investigation of information dynamics and market efficiency. We may be able to learn more about the fundamental mechanisms influencing market movements by looking at the interactions between information asymmetry, news sentiment, and media coverage of political events and market efficiency. Furthermore, quantifying the effect of political news and policy announcements on market efficiency using sophisticated analytical approaches like sentiment analysis and natural language processing might improve the predictive capacity of market models and provide guidance for investment strategies.

Comprehensive Case Studies Are Needed Although electoral data analysis offers insightful information about voting trends and seat distributions, more in-depth case studies that focus on particular elections, constituencies, and geographical areas are required to comprehend the particular effects of the electoral system on representation. Researchers can spot patterns, trends, and discrepancies in representation that might not be obvious from aggregate data analysis alone by looking at various electoral situations and stakeholders' points of view.

## Research Objectives

**Evaluating Phase-wise Electoral Dynamics and Campaign Effects** With a focus on understanding how voter behavior, campaign intensity, and candidate performance differed over different phases of the election, this study aims to assess the phase-by-phase electoral dynamics and campaign impacts during the Indian general election. The objective of this study is to offer a thorough examination of the historical development of election results, illuminating the variables affecting voters' choices and judgment calls over the course of the election. This research looks at phase-by-phase changes in voter turnout, party support, and candidate performance in an effort to find patterns and trends that could have influenced the election's final result.

**To methodically assess Indian financial market efficiency during elections and analyze the immediate effects of election result declarations on market dynamics** This study's goal is to conduct a thorough evaluation of the financial market's effectiveness during Indian elections and look into any particular effects it may have on the day the results are announced. The research aims to detect any deviations from market rationality, anomalies, or inefficiencies that may emerge from investor outlook, uncertainty, or information asymmetry around electoral outcomes by closely examining the efficiency of financial markets during election times. The study also intends to examine the immediate effects of election results releases on the dynamics of the financial markets, encompassing any sudden alterations in stock prices, trading activity, and market volatility.

**Examining Electoral System Impact on Representation** This study aims to do an analysis of the ways in which the electoral system affects representation and seat distortion in the Indian Parliament, with a particular focus on the dynamics seen during the elections. By examining how the electoral system's architecture relates to differences in vote shares and parliamentary seat distributions, this research seeks to provide light on the complexities of the electoral system and its consequences for democratic representation. This research aims to shed light on the system's potential shortcomings in ensuring equitable and proportional representation by analyzing case studies, electoral data, and stakeholder perspectives. This will inform discussions on electoral reform and institutional design within India's democratic framework.

## Research Approach

**Data collection** The study combines historical data from reliable sources and stock market data from major Indian indices to analyze party performances, sectoral trends, and stock results from the 2004-2019 Lok Sabha elections.

**News Articles and Opinion Pieces** Examining news articles and opinion pieces helps researchers learn how investors and market analysts interpret political developments, election results, and governmental policies.

**Comparative Analysis** Examining how various election results have affected the Indian stock market throughout the course of the analyzed timeframes. To identify underlying processes and reoccurring themes, compare investor behaviors, sectoral preferences, and similar patterns over several elections.

## Data Collection Method

This research study uses election data from 2004 to 2019 to investigate how the Lok Sabha elections in India affect the stock market. It examines news stories, opinion pieces, and the financial ramifications while concentrating on a variety of equities and sectors. The goal of the research is to offer a thorough understanding of how elections and stock market performance are related.

## 2004 elections overview

A political change occurred in India in 2004 when the UPA-led Indian National Congress defeated the BJP-led National Democratic Alliance in the Lok Sabha elections. Following Dr. Manmohan Singh's election, the stock market saw volatility, with gains in consumer goods, information technology, healthcare, and public sector projects and losses in military, infrastructure, and public sector undertakings.

**2009 Elections - Analysis on stock market**

With 206 seats won by the Indian National Congress, 116 by the Bharatiya Janata Party, and 16 by the Congress Party, Dr. Manmohan Singh was re-elected as prime minister for the second consecutive time. On other hand , a 17.24% gain, the BSE/SENSEX finished at 14272.62%.

| TOP Gainers | BSE Realty - +25.37% |
|---|---|
| BHEL - 32.72% | BSE capital - +23.47% |
| Larsen & toubro - +29.53% | BSE Bank - +20.27% |
| DLF- +25.82% | BSE oil gas - +19.57% |
| ICICI Bank- +25.30% | |
| HDFC - +23.46% | |

The BSE index rose 17.34% to 14,284.21, with a turnover of Rs3,103 crore. Infrastructure was the most significant beneficiary, with the real estate sector rising by 25.37%. Bharat Heavy Electrical Ltd led the BSE gainers with a 32.72% surge. Other stocks like Larsen & Toubro, Unitech, DLF, Punj Lloyd, ICICI Bank, Housing Development and Finance Corp, Reliance, and Bharti Airtel also saw gains.

**2014 elections – Political Analysis on BJP's Victory**

With an average vote share of 47% for those who were winners and 32% for runners-up in the 2014 Indian general election, the BJP saw a sharp increase in popularity. Additionally, the BJP has gained ground in areas like Kerala and West Bengal. With 31% of the vote, the BJP's majority was achieved in the shortest amount of time for a single majority party. This was the lowest vote share ever needed to generate a majority of seats. With a 19% vote share, the Congress lost only 44 members, marking its worst defeat to date. The surprise result for Uttar Pradesh was 71 out of 80 seats won. In 2009, the BJP was 3% ahead of the Congress in the vote share, while the Congress was 1% ahead of the BJP. State-level regional parties continue to be significant

**Results during 2014 elections**

NDA : 339
UPA: 93
Others:110
*NDA came into majority*

| Top Gainers | Top Losers |
|---|---|
| ICICI Bank +10.11 % | Infosys - 5.58 % |
| SBI + 8.62 % | TCS -3.15 % |
| Axis Bank +8.49 % | Wipro -1.49 % |

| | |
|---|---|
| Sesa Sterlite +7.88 % | Dr Reddy's Laboratories -0.98 % |

Gains and Pressures in the Trade Sector: Industrials and cyclicals profit from economic expansion, whereas export-oriented businesses like IT are put under pressure by the rupee's strengthening.

Performance of the S&P BSE Sensex: • Up 758.93 points, or 3.17%.

1. Achieved the highest point ever, 25,375.63.
2. A trading low of 24,271.54.
3. After the exit, the internal market is 5% weaker.

**2019 elections – Political Analysis on BJP's Victory**

The BJP won a significant majority in the 2019 Lok Sabha election, winning a larger mandate and 282 seats, a significant increase from the 2014 polls, with MGB representing Mahagathbandhan.

**BJP Victory Analysis – 2019 elections**

PM Modi prioritized sanitation and sanitation after taking office in 2014, building over 9 crore toilets for the poor. The BJP's Ujjawala and LPG schemes connected the party to voters, benefiting over 16 crore households and 25 crore of India's 90 crore voters. The Balakot Air Strike in 2019 gained international support for India's terrorism actions. The BJP's organizational strength in the Lok Sabha election helped it win more elections than rivals since 2014. Modi's leadership transformed him from a development-oriented leader to an international leader.

**SENSEX Performance in 2019 elections:**

- Inventors claimed profit.
- Sensex falls 1314 points during the closing day.

**Sectoral Losers:**

- Nifty Bank index – - 1.73%
- Nifty Fin Service – -0.97%
- Nifty IT – -0.81%

**Sectoral Gainers:**

- Nifty Media - 1.32%
- Nifty Realty - 0.47%

| Top Gainers | Top Losers |
|---|---|
| Indusind Bank -+ 5.23% | VEDL- - 5.53% |
| Coal India - +1.56% | ITC- -3.69% |
| Yes Bank- +1.53% | HDFC Bank- -2.94% |
| Heromotoco- +1.51% | TATA Motors- -2.48% |
| Powergrid- +1.29% | Bajaj Finance- -2.02% |

| | |
|---|---|
| ICICI Bank - + 1.26% | Sunpharma - -1.76% |

**Election Results Impact on Indian Market's SENSEX Analysis**

**Outlook for the Indian Market**

- Deepthi Mathew of Geojit Financial Services notes that the two main problems facing NDA-II are a weaker economy and slower investment.
- The Nifty and Sensex reached all-time highs, but the market still needs to react to external and economic reality.
- B Gopkumar, CEO of Reliance Securities, forecasts higher ETF flows and a larger allocation from outside funds to India.
- If Nifty hits 12,000 and the Sensex hits 40,000, Ajay Suresh Kedia believes that today will be significant for Indian markets.
- Foreign investor sentiment is enhanced by leadership consistency.

Public-sector banks were the biggest losses while PSU banks were the top winners in the 1.5% increase in the Nifty PSU Bank Index. In order to reach new heights, the markets are looking for stability and capable leadership. Reliance Securities forecasts more ETF flows and a larger allocation to India from global funds, with booms expected in the banking, consumer durable, service, and IT sectors.

**2024 Lok Sabha election**

India's 18th Lok Sabha election will be held from April 19 to June 1, 2024, making it the world's largest election. The 44-day event will take place in 28 states and eight union territories, with 960 million people eligible to vote. India has conducted 17 general elections, 400 state assembly elections, 16 presidential elections, and one vice presidential election. In addition, legislative assembly elections will be held in Andhra Pradesh, Arunachal Pradesh, Odisha, and Sikkim.

**Data Analysis Technique**

The article provides detailed analysis of stock market movements, including changes in stock prices, index movements, election outcomes, and sectoral performance. It also discusses variables affecting market movements, such as election results, governmental policies, sectoral expectations, and investor attitude. The article also examines stock market performance in four election cycles, highlighting changes in sectors, top performers, and losers.

**Findings**

Firstly , significant developments, like the triumph of the UPA-led Congress in 2004, demonstrate how political movements affect the performance of the stock market. These shifts especially affect industries linked to changes in government policy. The optimism regarding government attention on infrastructure was reflected in the uptick that followed the 2009 elections, particularly in real estate and infrastructure equities. Similar to this, the BJP's victories in the Lok Sabha elections of 2014 and 2019 affected market sentiment, helping industries like banking and consumer durables. The link between outcomes and investor confidence is demonstrated by market changes after elections, as seen by the caution that followed the 2019 elections and the rise that followed the 2009 elections. Long-term economic consequences, which are impacted by things like policy programs and leadership stability, go beyond brief fluctuations to encompass whole sectors.

Furthermore, election results were significantly influenced by elements including organizational power, ideological focus, and incidents like the Balakot airstrike, which also influenced investor mood. The present study highlights the complex interplay of political changes, national security, and stock market dynamics, underscoring the need of taking political considerations into account when examining market behavior.

**Limitations**

The study on the influence of the 2019 Lok Sabha elections on the stock market is limited. Its exclusive focus on the Indian market during this election may restrict its generalizability. Although it looks at short-term impacts on investor mood and volatility, it could miss longer-term trends or outside influences on market movement. Furthermore, because of its emphasis on quantitative methods, it may overlook qualitative components of decision-making and ignore outside factors like trends in the world economy. These topics lack empirical evidence, even if they indicate directions for future study, such as sectoral analysis and comparative studies. By addressing these issues, future studies on the connection between political developments and stock market behavior may be enhanced.

**Implications**

This paper likely shows that Lok Sabha Elections in 2019 were influencing market volatility. This introduces uncertainty and speculation into the market. As a result, investors may witness heightened levels of volatility, characterized by abrupt price fluctuations and increased trading activity. These increased fluctuations could create both opportunities as well as risks for investors. While some may capitalize on short term movements, others may face challenges towards predicting trends in the market and adjusting their investment strategies accordingly.

Furthermore, another factor that could affect stock market profit or loss making is in the role of investor sentiment also known as an investor’s “gut feeling” in layman language. During periods of political uncertainty such as elections. Investor sentiment, influenced by emotions, perceptions, and market psychology, can significantly impact trading decisions and market outcomes. During the Lok Sabha Elections in 2019, investors might have exhibited varying levels of optimism, pessimism, or apprehension regarding the market's future trajectory. These sentiments could have influenced trading patterns, asset valuations, and overall market dynamics.

**Suggestions and Recommendations**

Examine regional differences in stock market responses to Lok Sabha election results, especially in states with different political and economic environments. Analyze how political events other than elections like policy changes, tense international relations, or natural disasters affect stock market performance. Market dynamics may be significantly impacted by political developments outside of election cycles, often to the detriment of the immediate effects of election outcomes. Through an examination of the interactions between political events that occur outside of elections, scholars may offer an additional point of view on the elements influencing market behavior in India.

## Further Scope of Research

Analyzing the Lok Sabha Elections' long-term impacts on the stock market might yield insightful information. Multiple election cycles of longitudinal study can reveal enduring effects on economic indicators and market behavior. Investment plans can be informed by sectoral analysis, which reveals how various businesses react to volatility associated with elections. Analyzing the effects of elections in different nations might provide light on global financial market dynamics and geopolitical implications. Our grasp of the connection between political developments, financial markets, and economic results may be strengthened by further study in these fields.

## Conclusion

This study investigates how the stock market and investor mood are affected by national elections in India, particularly the 2019 Lok Sabha Elections. It draws attention to how these occurrences heighten trade and cause uncertainty and speculative activity, which in turn increases volatility with sharp price swings. Making wise investing decisions requires an understanding of investor sentiment, which is shaped by feelings and perceptions during times of political unpredictability. The article proposes more research on sectoral analysis, in-depth case studies, comparative studies with other nations, and long-term electoral consequences. By addressing these issues, policymakers and investors can gain important insights that will help them navigate the market volatility brought on by elections.

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4. Market Efficiency of Indian Capital Market: An Event Study Around the Announcement of Results of Lok Sabha Election 2019 Nazreen Parveen Ali1 & Ashit Saha2 1 Department of Commerce, Dibrugarh University, Assam, India 2 Faculty of Commerce and Management Sciences, Dibrugarh University, Assam, India Correspondence: Ashit Saha, Dean, Faculty of Commerce and Management Sciences, Dibrugarh University, Assam
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