GENERAL ELECTION RESULT 2009(UPA-2) AND ITS INFLUENCE ON BSE SENSEX IN INDIAN STOCK MARKET

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Abstract: *This paper focuses on the impact of Election result while the UPA-11 formed the alliance with the Samajwadi,RLD, DMK parties and the backdrop scenes in the Industries and the mood of the investors. Only the BSE Sensex of Ten days before and after the election results were declared were taken for the study to know the volatility in BSE Sensex in Indian Stock Market due to the UPA 11 alliance and its after effects.*

Key words: General election ,volatility,BSE Sensex,UPA11

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INTRODUCTION

India held general elections to the Lok Sabha in five phases between 16th April 2009 and 13th, May2009. With the electorate of 714 million(larger than European union and United states combined),it was the largest democratic election in the world . By constitutional requirement, elections to the Lok Sabha (lower house of the parliament of India) must be held every five years, or whenever Parliament is dissolved by the president of India. The previous election to the 14th Lok Sabha as conducted in May 2004 and its term would have naturally expired on June 2009. Elections are organized by the Election Commission of India (ECI) and are normally held in multiple phases better handle the large electoral base and its security concerns. The 2009 elections were held in five phases. In February 2009,Rs,1120 crores(Euro 176 million) was budgeted for election expenses by the Indian parliament.

The average election turnout over all 5 phases was around 59.7%. The results of the election was announced within three days of phase five, on 16 May 2009,following the first past the post system, as in most of the British commonwealth countries. The united progressive Alliance led by the INC formed the government after obtaining the majority of seats based on strong results in Andhra Pradesh, Kerala, Maharashtra, Rajasthan, Tamil Nadu, UttarPradesh and west Bengal. Manmohan singh became the first Prime minister since Jawaharlal Nehru 1962 to be re-elected after completing a full five year term. The UPA was able to put together a comfortable majority with support from 322 members of the house. Though this is less than 335 members who supported the UPA the last parliament. UPA alone had plurality of 260 seats as opposed to 218 seats in the 14th Lok sabha . Hence the government appears to be more stable than the previous one. External support came from the Bahujan Samaj Pary, Samajwadi party,Janata Dal,Rashtrita Janatha Dal and other minor parties.

On 22 may 2009,Manmohan Singh was sworn in as the prime minister at the Ashoka Hall of Rashtrapathi Bhavan. As per convention, on 18 May, he had already submitted his resignation as the Prime Minister to President Pratibha Patil with a recommendation to dissolve the council of Ministers.

OBJECTIVES OF THE STUDY

To analyze the movements of BSE Sensex when UPA 11 was formed , before and   after the General Election Result 2009

SOURCE OF DATA

BSE – SENSEX – Index of Bombay Stock Exchange(www.bseindia.com)

LIMITATION OF THE STUDY

1. Only BSE Sensex was taken for the study.

2. Only General Election Results of 2004 was considered.

TECHNIQUES USED

In India, a number of alternative stock price indices are available. For the convenience of the study only BSE-Sensex, Daily prices of 30 companies in Sensex and 50 companies were employed.

Table1: SENSEX DATA FROM 5[8H] MAY 2009 TO 5TH JUNE 2009

Date	Open	High	Low	Close
8-May-09	12092.97	12180.07	11765.06	11876.43
11-May-09	11997.37	12026.6	11621.3	11682.99
12-May-09	11629.97	12194.63	11625.39	12158.03
13-May-09	12201.93	12256.43	11934.44	12019.65
14-May-09	11774.04	11935.86	11695.52	11872.91
15-May-09	11948.7	12219.54	11948.7	12173.42
18-May-09	13479.39	14284.21	13479.39	14284.21
19-May-09	14757.82	14930.54	13834.13	14302.03
20-May-09	14230.73	14405.51	13976.49	14060.66
21-May-09	14043.38	14089.51	13704.43	13736.54
22-May-09	13663.54	13936.93	13611.3	13887.15
25-May-09	13988.1	14028.06	13819.25	13913.22
26-May-09	13929.84	13991.46	13518.79	13589.23
27-May-09	13780.41	14122.78	13780.41	14109.64
28-May-09	14150.51	14377.23	14078.62	14296.01
29-May-09	14319.87	14727.28	14319.87	14625.25
1-Jun-09	14746.51	14906.81	14655.49	14840.63
2-Jun-09	14892.93	14994.31	14608.23	14874.91
3-Jun-09	14902.62	15046.43	14733.59	14870.9
4-Jun-09	14755.08	15026.03	14599.43	15008.68
5-Jun-09	15040.24	15257.3	14993.6	15103.55

Source: NSE

Chart-1
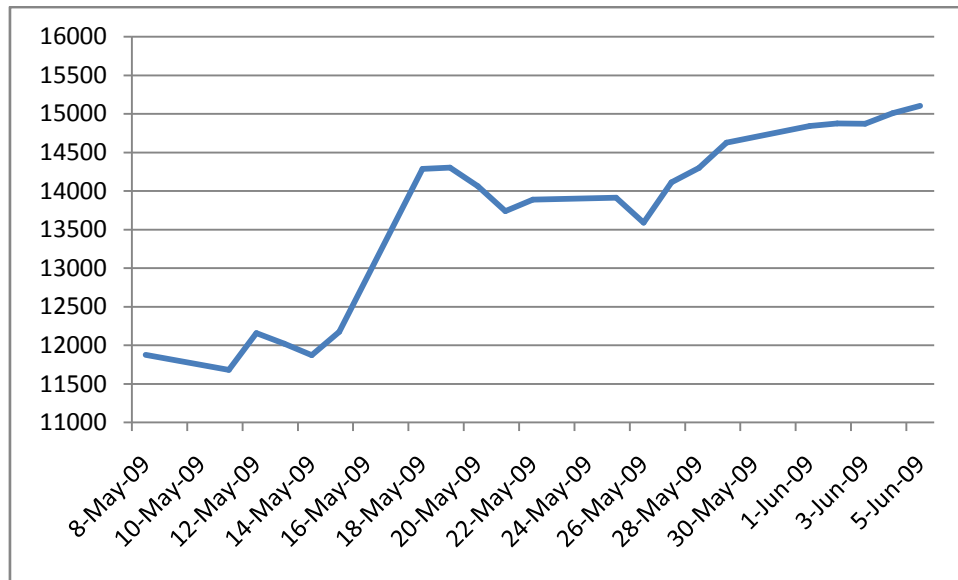
Source: NSE

ANALYSIS AND FINDINGS

1. Before one week from date of the Election result were published, BSE sensex was stood at 11840 and stood at 13,580 increased by 1740 points,an increase of 12.81% in the index.

2. The reason may be attributed to the alliance with the socialist parties by the Congress might have given a signal to the investors regarding the industrial policy that might be followed by the UPA11 Government.

3. After a week, there was a slow upward signal in the movement of the Sensex and then started moving up.

CONCLUSION

It may be concluded that the mood of the investors were very much depend on the nature of the alliance whether it is communist dependent or Socialist dependent. Hence on the principles followed by the alliance the volatility differs in Indian Stock Market.

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