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Analyzing the Influence of News Sentiment on Stock Market Volatility: A Research Study

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Abstract: *In the digital age, news sentiment has become a critical factor influencing stock market dynamics, shaping investor decisions, and affecting market volatility. This research paper focuses on the Harshad Mehta securities scam of 1992 as a case study to empirically investigate the relationship between news sentiment and stock market behaviour in the context of the Indian financial market.*

Our research methodology encompasses historical data collection, qualitative and quantitative analyses, sentiment analysis of financial news articles, and statistical tests. Through these methods, we uncover the impact of the scam on market behaviour, including short-term volatility, stock collapses, banking sector vulnerabilities, regulatory reforms, and investor confidence.

Based on our findings, we offer recommendations to enhance regulatory oversight, improve investor education, promote transparency and reporting standards, strengthen surveillance systems, and encourage prudent investment practices. These suggestions aim to mitigate risks and contribute to the integrity of financial markets.

It's important to acknowledge the limitations of this study, as it primarily examines a historical event and market conditions may have evolved. Additionally, market behaviour is influenced by various complex factors. In conclusion, this research highlights the critical role of methodology in understanding financial market dynamics and the value of research in gaining deeper insights..

Keywords: News Sentiment, Stock Market Volatility, Financial News, Harshad Mehta Securities Scam.