

Impact of Budget on Indian Share Market

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Abstract: This paper seeks to study the impact of budget on share market. The method of study was descriptive research. To study the impact is measured in average return by using the event window of Pre-Budget and Post-Budget of 30 Days and the data has been collected for the 18th December 2020 to 1st February 2021 & 2nd February 2021 to 16th March 2021 (excluding Saturday, Sunday and Festival) and the statistical tools used are T-Test Paired, two sample for means on return are calculated by using the formula. The most probably there is not impact on budget on share market because at the same time there is other factors are also present in the market. The implication of this paper is that the investor should not only consider one factor and one event window because there is other factor present with affect the share price at the same time and by using the more than one event window. so, investor come to know a which period they will get a more returns so investor should use either one factor and multiple event window or take multiple factor and one event window. It gives more clear and accurate result.

Company Name & Return	Pre-Budget	Budget-Day	Post-Budget
XYZ	X1	X	X2

Here we have taken the 10 companies return of pre-budget and post- budget. On the basis of this we will further analyse that investor should invest in which companies.

Keywords: Budget, Event Study, Sectors, Indices

I. INTRODUCTION

In India, the budget is an annual financial statement containing the estimated receipts expenditure of the government of India, which has to be laid before parliament in respect of every financial year, which runs from 1 April to 31 march under article 112 of the constitution. a budget is a powerful tool in the hand of the government to control the economic resources of the country. it contains the proportion regarding changes in tax policy, industrial policy, trade policy, exchange rate policy and financial sector reforms which may have favourable or adverse impact on stock market. After the announcement of budget 2021 this all sectors are affected:

1. Banking sector
2. Personal finance sector
3. Insurance
4. Auto sector
5. Health care sector
6. Consumer products sector
7. Real estate sector

Among this all sector we have taken the 5 sectors and indices which is impacted more and its share price too. Whenever there is budget presentation, speech by finance minister, its impact can be clearly seen in the bull and bear run in the stock markets.

II. LITERATURE REVIEW

Varadharajan and Vikraman(2011) studied on the effect of budget on the volatility of share market from 2002-2011 in the 4-indices. During the post budget volatility is higher than the pre budget.

Kutchu (2012) studied on effect of budget on six indices. But the study shows here is chances of abnormal return by the investor and it's gives ambiguity and Inconclusive results. But at the end we see that effect of the budget may from the company specific.

S. Babu and Dr. M. Venkateswara (2013) studied on the impact of budget on Indian share price. But results shows the effect can be seen only to 15 trading day from the budget day as return is concerned & on the budget day it's starts get reduced.

III. RESEARCH METHODOLOGY:

The study analyses the impact of budget on Indian share market. The sub objective of the study includes the following.

1. To analyse the effect of announcement of budget on Indian share market pre & post budget period.
2. To examine the impact of union budget on different sectors and indices.

The following hypothesis have been formulated.

- H_0 : there is no impact of budget on Indian share market.
- H_1 : there is an impact on Indian share market.

Two set of hypothesis test will be conducted in the part of analysis

1. In first set average return of pre-budget and post-budget have been calculated.
2. In second set are measuring this average return by using the event window of 30 days by graph and t-Test table.

The daily opening and closing prices have been collected from that balance sheet of each company from NSE Website for the period of 18 Dec to 16 Mar for each company. We have used the event window of 30 days for calculating the return of pre-budget and post budget of each company. And after the statistical tools, a paired t -Test using the SPSS have been applied for finding the average return and P value of 2 two tail to know that significant differences in the two sample means.

Company Name	Pre-Budget Return	Budget-Day Return	Post-Budget Return
XYZ	X1	X	X2

X – budget announcement day, X1 – pre budget data & return, X2 – post budget data & return

For each company's null hypothesis are accepted and there are no differences in return.

IV. ANALYSIS AND DISCUSSION

PRE BUDGET		POST BUDGET	
DATE	RETURNS	DATE	RETURNS
18-Dec-20	30842	02-Feb-21	33589
21-Dec-20	30596	03-Feb-21	34556
22-Dec-20	29608	04-Feb-21	34549
23-Dec-20	29561	05-Feb-21	35635
24-Dec-20	30072	08-Feb-21	36074
28-Dec-20	30559	09-Feb-21	36059
29-Dec-20	31007	10-Feb-21	36042
30-Dec-20	31480	11-Feb-21	35687
31-Dec-20	31296	12-Feb-21	35737
01-Jan-21	31297	15-Feb-21	36501
04-Jan-21	31485	16-Feb-21	37493
05-Jan-21	31041	17-Feb-21	37042
06-Jan-21	31840	18-Feb-21	37089
07-Jan-21	32130	19-Feb-21	36372
08-Jan-21	32298	22-Feb-21	35874
11-Jan-21	32280	23-Feb-21	35541

12-Jan-21	31835	24-Feb-21	35205
13-Jan-21	32547	25-Feb-21	36763
14-Jan-21	32527	26-Feb-21	35807
15-Jan-21	32509	01-Mar-21	35374
18-Jan-21	32275	02-Mar-21	35458
19-Jan-21	32083	03-Mar-21	35754
20-Jan-21	32389	04-Mar-21	35576
21-Jan-21	32733	05-Mar-21	35459
22-Jan-21	32088	08-Mar-21	35462
25-Jan-21	31507	09-Mar-21	35706
27-Jan-21	31236	10-Mar-21	36112
28-Jan-21	29812	12-Mar-21	36497
29-Jan-21	30701	15-Mar-21	35544
01-Feb-21	30976	16-Mar-21	35352

Return Formula: = Closing Price – Opening Price / Opening Price

So, here also we have taken the 27 companies return of pre-budget and post-budget. After calculating the total returns of pre & post we come to know that those who invested after announcement of budget earn more return but budget is not only the factor which affect the prices of share because other factors present in between these 30 days. So, considering the event window of 30 days and return and measure the budget impact. So according to our data, analysis and report budget cannot impact the price of share by using event window of 30 days then so we come to know that budget impact can be last for one day not more than that. On that day only it will give more turn compared to pre & post budget return.

Along with return we have applied T-Test paired of 2 sample for means because we want to find the differences and impact pre & post budget return of each company. So, after testing we get that P value of Two Tail is greater than significant level $\{\text{NUMBER}\}$. It means we can accept null hypothesis and there is a no impact or differences of budget on each company returns. It means that is no significant differences between the 2sample for means and $H_0: \mu < 0$ it means investor earn same return as he was earning before that announcement of budget.

4.1 Nifty Bank

t-Test: Paired Two Sample for Means

	Variable 1	Variable 2
Mean	-0.00033	-0.00135
Variance	0.000358	0.000212
Observations	30	30
Pearson Correlation	-0.06029	
Hypothesized Mean Difference	0	
df	29	
t Stat	0.227276	
P(T<=t) one-tail	0.410902	
t Critical one-tail	1.699127	
P(T<=t) two-tail	0.821804	
t Critical two-tail	2.04523	

From above table and graph, we can interpret that p value of two tail is greater than the significance level that is $(0.821804 > 0.05)$, It means we can accept the null hypothesis and there is a no impact of budget on nifty bank.

4.2 Remark

For all the companies and indices P Value of Two Tail is greater than significance level it means null hypothesis has been accepted and there is no impact of budget.

V. CONCLUSION

We conclude that through event window we came to know that changes in budget impact the share market and price of particular company however for only one day (budget announcement day) not for 30 days. And its effect cannot last for many days because there are other factors also present which impact the prices of share.

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