

**The Impact of General Election 2018 on Stock Prices: Evidence from
Pakistan**



BY

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DEPARTMENT OF BUSINESS STUDIES

Pakistan Institute of Development Economics

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**The Impact of General Election 2018 on Stock Prices: Evidence from
Pakistan**



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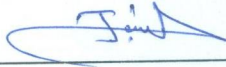
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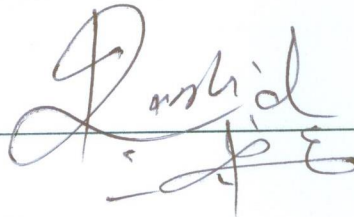
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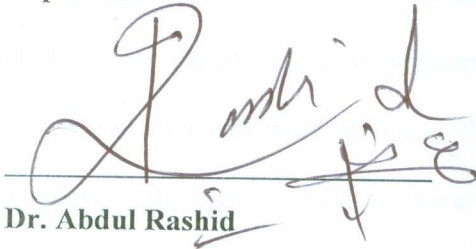
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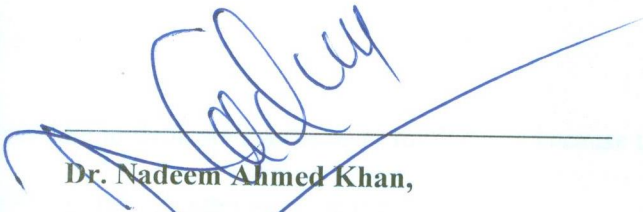
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I would like to dedicate my thesis to my Parents because their prayers and encouragement let me to complete my research work on time.

DECLARATION

I declare that this research work is my own effort, the material is properly identified and source of information is reliable, referenced completely and it is acknowledged according to the guideline which is provided to do this research work.

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ABSTRACT

The aim of the study is to investigate the impact of General Election 2018 of the stock prices of firms listed in Pakistan stock exchange. To find the impact of general elections on stock prices we used t-statistics and regression as a research methodology. The research includes sample data of 50 firms which are randomly selected from Pakistan stock exchange. The findings of the research reveal that stock prices of companies listed in Pakistan stock exchange respond negatively to the political event. The time period of the study was hundred days before the occurrence of event and hundred days after the occurrence of event.

Chapter:1

1.1 Introduction:

The term stock market means the place or any institution where stocks of organizations are traded. In stock market investors get ownership in return on their capital investment. Stock market is very important part of the economy's financial system which indicates the direction of economy as well as variations. Stock market plays an important part in any country productivity. Stock market daily basis movements are hard to judge by economics and financial fundamentals. Stock market is one of the complex markets and interdependent market where stocks movement is dependent on macroeconomics variables and other factors. The prices of stock market are influenced by government policies, investor's behavior, political conditions, and economics conditions so that's why it is called confused market. Betting take place by many individuals in exchange of securities however it is not a place of betting. Sometimes the one loses his all investment but in very rare cases.

Rise and fall of stocks can be analyzed by number of components. Those components include media, monetary, supply and request, political and social behavior, natural disasters, hazard are variables that spread bearish and bullish feeling sellers and purchasers on the significant data. So if there are less buyers than sellers then the prices of stock will decrease and similarly if the buyers are more but the seller are less then there will be increase in stock prices.

Trends in last five years has been increased of Pakistani stock market, In Pakistani stock market returns are higher except some cases where investors affected badly because of high volatility. Stock market of Pakistan performance has been growing day by day.

In past the research is on the movement of stock prices during any political event of general elections but all the research is done on international level but the behavior of stock prices during a single general election is not being yet studied. There is gap available in the current literature and this study is focused to fill up the gap by studying the 2018 Elections impact on the stock prices of the companies listed with Karachi stock exchange.

Normally the stock market prices calculations depends upon the expected cashflows created by the assets, other than this there are lot of other factors that cause movement in stock prices like political changes in any economy(Yang,2014)

Meanwhile researcher has found out many factors in last few years by which the performance of stock market is affected like interest rate, inflation, foreign exchange trends. Political events also effects stock prices and there is always a risk of political instability in low developed countries (Bittlingmayer,2010) in last few years the investigator analyzed the impact of political impact on the stock market movement in the world.(Bealieu,2006) the environment in which all the citizens feel safe and all the activities going on in the country are in control by law is call political instability and the political stability is attained by the country when the system is not running though crisis, and when there is political stability it is the most favorable condition for the investors to invest in market because they feel save and risk free when there is political instability (Manzoor,2013) When the political system is unstable it results decline in the performance of stock market of any country. The researcher investigates the movement of stock market which effects positively or negatively the economy of any country because of several political changes (Sulman,2012). When the political system of any country is not stable it causes reduction in the foreign investments and results movement in stock market because due to instability of political system the investors are not willing to invest (chan,2013)

The research investigates the politically changes nationally or internationally and the changing over of government between the political parties that effects the performance of stock market. Less developed economies are more often effected because of political conditions both international and national events and due to imbalance of macroeconomics factors (Rajagaur,2010) according to the researcher investigation the negative stock market returns are caused by the political instability and political risk (Simon1982). The purpose of the study is to analysis the movement of stock market due to political events. Nature of Political event cause the stock market volatility, stock prices move up if the event that occurs according to the expectations of investors and moves down if the event is not occur according to the expectations of investors (Tan,2002) the research analyzed that the movement in stock prices is because of the occurrence of political events (Nguthi.2013). thee research investigates the changing over of government among various political parties cause stock market fluctuation and proves the association among stock market movement and change of government. The study also examined that PSX-100 index returns are also effected by the change of government. Form the beginning of Pakistan the political conditions of Pakistan remain uneven and the economy of the country is highly volatile since the beginning of Pakistan. After the 9/11, nuclear tests, terrorism attacks and the numerous wars with India in the past made unstable political conditions(sulman.2012). in past fifty years among all the elected government failed to complete the five years tenor of government. Because of the disputes between PPP and PMLN military take over the charge of country. These conditions of the country confuse the investors about the government policies which results increase of systemic risk. This study investigates the effect of international and domestic political changes in the Pakistan stock market because the governmental system of Pakistan is not certain and it is effected by both international and domestic events (Gul 2013).

the focus of the investigation is on the 50 political events that effects the Pakistan stock exchange during the period 1998-2013. In last few months the index of Pakistan stock exchange is growing day by day which attract investors to invests in different portfolios in market (Gul,2013)

Political event is taken in study because it is main purpose in Pakistan for the movement is stock prices. There is excessive effect on stock prices due to any political event. 2018 General Election is event taken. 2018 General Election of Pakistan is different from all the elections held earlier in Pakistan. This time all political parties were the part of General elections and the election of 2018 was held in fully independent and democratic atmosphere. Pervious elected government Pakistan Muslim League Nawaz (pmln) handover all the powers to the caretaker government after completing five years of government. Caretaker government was imposed for the fairly conducting general elections of 2018 even though there were blames of rigging but rigging was not witnessed on the large scale as of last election of 2013. In all the earlier General Elections of Pakistan only two major parties at the national level were contested but in 2018 General Elections Imran Khan party Pakistan Tehrek e Insaf (PTI) was the third party contested against the Pakistan people party (PPP) and Pakistan Muslim League Nawaz (PMLN) at the national level.

1.2 Why stock market is so difficult to predict:

Prediction of stock market is most difficult thing. The past studies made on daily movement of stock market shows that it is a random walk to find the movement of stock market and stock prices many fundamentals are used in international stock market (e.g, Attari2013) and as well as in stock market of Pakistan (baloch,2014) Everything that can be used for the prediction of stock

market and stock prices has been already used by the investors. Unexpected events cause movement in stock market and stock prices. Many of the people hold cash and sit back and wait when, where to invest to get in perfect time.(shaheen,2004) Typically on the sideline people how they get to know when and what time is perfect to start in, by what means they get to know about the extraordinary chances to get out? It is important to realize the events those cause downfall and secondly understanding the time of stock expenses are regarded. The most important problem is decision making when there is a ups and downs in rates of stock market. Stock exchange and stock market are totally change from each other stock exchange is place where buyer and seller gather for the sale and purchase like Lahore stock exchange and Karachi stock exchange.

1.3 What is stock price and what cause variation of stock prices?

Stock price is the price of any single common outstanding stock of any company is called stock price. Strength of any company and the board of directors and management competence is measured by the stock price. If the prices of stocks are rising continuously it shows the efficiency of the management.

Stock prices are highly unpredictable they change quickly on daily basis, the change maybe positive or it can be negative. Change in stock prices occurs due to various factors like occurrence of any political event, inflation, deflation, terrorist's events and natural disasters. Some internal elements of the company also cause fluctuations in stock prices of company i.e. declaration of dividend, return on equity, income after deduction of tax, earning per share etc. These are the factors that spread bullish and bearish feeling in investors and sellers. Movement in

stock prices of any company occurs because of any political event. During general elections and presidential elections prices of stock of companies fluctuate.

1.4 Historical background of stock market:

There is very important role of stock market in the today's economy many of the countries depend on the stock market of the country for the economy growth of the country.

In early 15 century the genius first stock market was not formed but there are several examples of early alike stock exchange. For example, in 12th century there was a system in France where courtiers de change was concerned for supervision debts of agriculture on banks behalf. Then people those have expertise in this field started trading with assurances. This idea become successful and started spread rapidly in Flanders and then its bordering tertiaries soon in Ghent, Beurzen and then Amsterdam. Later in 13th century idea of exchange of securities government was introduced by merchants of Venice and In 1351 the government of Venice banned spreading gossipy tidbits to minimize expenses of government assets and later on in 14th century in Italian city like Genoa, Verona, Pisa bankers started trading government securities. Due to independent states board of residents administrate thesecities. Then later on Dutch business individuals started putting their resources into wanders to get offer of benefits or loses. After that in 17th century it was the first east India Dutch company who issued bonds and stocks and become first publicly trading company by issuing stocks and bonds in Amsterdam stock trade. For the fixed return of profits bonds and stocks were issued by east India company to investors and at that time Amsterdam Beurs was the first stock exchange. Earlier coffee shops were place where investors conduct their business and at that time stocks were handwritten on paper. At the it is not wrong to say that coffee shops were the first stock markets then somebody realize that business dealing

will be more efficient if investors have separate trading floor where they can buy or sell stocks without ordering coffee. The Dutch's originated merchant banking, futures, forwards, short selling, swaps and speculative instruments. Now most of the countries developed and developing have their own stock markets. USA, Germany, France, UK and Japan have largest stock markets. In early days no one understand the importance of stock market the now the value but they don't know that it will became that much important and valuable in coming future. Today every country has its own stock market New York stock exchange and London stock exchange are the first stock exchange created and worlds all powerful economies have their own highly developed stock exchanges like Canada have its own stock exchange developed in 1861 and that is the 3rd largest stock market with respect to capitalization in north America. Purchasers and merchants were the only financial experts in early times but later market become more organized with merchants and purchasers to a high level of organizations. For example: mutual funds, insurances companies, benefits reserves.

Stock market participants can be from single stock holder to larger investments brokers.

Stock market is most important part of economy and have vital role in the growth of commerce and industry of any economy so that's why central bank of the country, industry and government have a close eye on the events of stock market. It is very important for both investors point of view and industry's point of view. When companies want to start a new business or want to expand the existing one either they borrow money from any financial institutions or offers shares in stock market. Issuing share in stock exchange is the primary source for the business to raise capital, it is the part of ownership and company's issue shares to investors to invest in the stock of company to get company registered with the stock exchange and for the purpose of raising funds. Acquiring companies has increased the opportunities of increasing market shares,

increasing product lines distribution channels and hedging against volatility. By taking over bid or agreements of merger stock exchange acts as key part in the growth of company and it is the simplest way of company's growth by fusion and growth.

The system of controlling and directing companies is corporate governance. Company's directors have responsibility of governance and directors are appointed by the shareholders of company. The director's responsibility is to set strategic aims of company putting them in effort and management of business and reporting to the shareholders. Because of the different capitals layouts small and large investors both have beneficial stock investment they can purchase shares according to their affordability.

1.5 Background of stock market of Pakistan:

Stock exchange of Pakistan primarily characterized into three stock exchanges Lahore stock, Karachi stock exchange and Islamabad stock exchange. Among these stock exchanges Karachi stock exchange is the most important and large exchange of Pakistan which build in 18th of September 1947 after that in 1971 Lahore stock exchange was formed and in 1997 Islamabad stock exchange was formed. SECP (Security and exchange commission of Pakistan control all these business sectors which was established in 1997. As Karachi stock exchange is the largest exchange of Pakistan so as compare to Lahore stock exchange and Islamabad stock exchange, KSE controls high volume of exchange and shares. Karachi stock exchange started with just five companies listed with the paid-up capital of RS.37millions in 1949. KSE introduced first index which was 50 index based on only 50 companies initially. In 1970 lahore stock exchange (LSE) was formed by the government of Pakistan in reaction to the metropolis of Punjab province under the securities exchange ordinance 1969. LSE was initiated with 83 members only in a

crowded area of bank square in Lahore. By 1971 the numbers of companies were extended to 318 in KSE when the terrible political event happens of Bangladesh separation at that time 60 companies which fits in east Pakistan have de-recorded and after that government of Pakistan started nationalization of every private sector which result killing of private areas of Pakistan in 1973 and 1974. There are two sorts of indexes in Pakistan stock exchange PSX-30 and PSX-100 index.

PSX-30 index was introduced in 2005 having base value of 10,000 points which used to provide sense to the investors that how company is performing over the time in Pakistan's equity market. So it is used to compare over the time which tracks the country's economic activities like CPI, GNP etc. free float capitalization is used to calculate KSE-30 index.

Whereas KSE-100 index was introduced in 1991 having face value of 1000 points. In 100 index 100 companies are selected according to the free float capitalization and sector basis. 35 companies are selected one company from each sector is selected on the basis of free float capitalization and the other companies are selected according to the largest capitalization. Pakistan stock exchange KSE-100 index is growing rapidly in 2017 index point 5000 points for the first time in the history of Karachi stock exchange.

1.6 Problem Statement

The problem is to find the negative and positive effects of the political events on the stock prices so the study will analysis the positive and negative impact on stock prices of general elections. The purpose of finding the positive and negative impact of political events on stock prices will improve the investment decisions and it will be helpful for the investors on making investment decisions. investment decision can be helpful for the better of economy.

- Whether the general elections effect the stock returns?

- There is positive or negative impact of general elections on the stock returns?

1.7 Motivation of the study:

Different researches have been studied on the elections impact on the stock returns and find the required results and explained how the political events effect the stock prices of public firms of Pakistan. The relevant studies examine the pre and post event effect on the stock returns. To support the study is that in last few years the examiner has evaluated the significance of the political conditions on the stock market movement. (Beaulieu,2006)

1.8 Objectivity of the study:

The objective of the study is to find the general elections impact on the stock returns of the public firms of Pakistan. There is not enough literature available on the Pakistani market viewpoint. To examine the linkage of political event and stock returns this study strive to fill our research gap of general elections of 2018 impact on stock returns.

Following are the objectives of the study:

- Investigation of the impact political event on stock Returns.
- Investigation of the impact General elections of 2018 in the stock prices of companies listed in Pakistan stock exchange.

1.9 Research Questions:

- What is the impact political event on stock Returns?
- What is the impact of General Election of 2018 on the stock prices of companies listed in Pakistan stock exchange?

1.10 Significance of Study:

The purpose of the study is to examine the general elections impact on the stock returns of the public firms of Pakistan. This research will explain the effects of general elections on the stock returns. The results of the research may help the investors and it will provide significant evidence to investors for making the investing decisions in firms listed in Pakistan stock exchange. PSE is the largest and best market place for investors to invest.

1.11 Limitation of the Study:

In the given time series analysis there is a possibility of natural sources error, the most important being the analyzing data in total as well as separate and association between variables will mitigate such risks. And the study analysis the data of 200 days 100 days before election and 100 days after election and the study include the stock returns of firms listed in Pakistan stock exchange. Many external stocks were there to financial market in results of international political risk. International political stocks were mitigated and all the factors other than the scope of research are considered as constant so there is no effect on results

CHAPTER:2

2.1 LITERATURE REVIEW:

The main purpose of Sophia and Kumar study is to analysis the impact on performance of stock market because of loksabha election. The study analysis many elements by which stock market performance is effected and discovered that performance of stock market and loksabha election have significant association between them. The study reviled that company's external factors and the performance of company is affected. Investment decisions are based on the results of elections. (Kumar B, 2015)

In this study Art Durnev examines the uncertainty occurred due to the elections on the stock prices and the commercial investment. The study reviled that during the elections investment fall to 40% as compare to the years of non-elections. The fall in investment during the year of election occurs because of the less informative and helpful stock prices and when uncertain results of elections occurs in a country due to rigging it also cause high sensitivity in the investment. The study reveal that the uncertainty of the elections causes less investment and minimize the performance of company. (Durnev, 2012)

Irshad H examined the relationship stock prices and the political instability. The study shows that there is negative relationship between the stock prices and the instability of any political system of a country. The results of the study tell that due to the political instability prices of stock falls and there is a negative relationship between inflation and stock prices and there is positive relationship between the stock prices and the exports of good and industrial production. (Hira, 2017)

Zach in this studied the effect of anti-political event on the stock prices of the companies listed with the stock exchange of Israel from the period of 1993 to 1997. The study reveals that there is

high volatility in stock prices during any event as compare to the normal days. The volatility of stock prices is dependent to the event nature if the any good news occurs it cause a positive volatility on stock prices and if any bad news occurs it cause negative impact on the prices of stock with increase in rate of interest. The examiner claimed that any political favorable news minimizes the volatility of stock returns whereas the any unfavorable political news cause high volatility of stock return. Favorable news cause less effect whereas the unfavorable news has higher impact because of the coverage of media and large information available. The volatility of stock prices in elections increases. The researcher examined that in Spanish stock exchange there was abnormal negative returns during the election days as the level of uncertainty is high. After the elections the rise in the prices of stock occurs because the uncertainty is finished. (Zach, 2003)

KURANOV G, YAKUBOV A (2017) worldwide stock market of every country is affected by the political events. This effect easily can be traced economically on micro or macro level. In last one decade the world has seen major political changes that affect every country and every region of the world. These major changes have influenced the prices of the trading assets which is proclaimed by the market watchers. So there is a need to examine the affects produced by these political events as they change the economic systems and the behaviors of the investors. Key political occurrences are generally proposed as open specialists' choices with respect to the beginning of military tasks, transformations, official power and assembly decisions, establishment of key laws for a nation, and so on. Modern-day influenced by the negative upsets, markets are exceptionally delicate to such political news, particularly these days, in a time of dynamic globalization, because of present day correspondence advancements which empower financial specialists to rapidly get such data and respond viably. Understanding of the twists of

political news effect on significant elements of market resources is fundamental for market specialists. It allows them to develop increasingly successful venture systems and spread a superior weighted market basic leadership. Besides, it might help analysts in making increasingly subjective estimation models that builds up the monetary science. In the meantime, it ought to be seen that the highlights of such occasions' impact are as yet insufficient considered. This reality is exceptionally genuine for the youthful Russian securities exchange. It is commonly realized that in Russia political dangers are somewhat considerable – for example, it might be upheld by the 67th place in the global rating of the Fund for Peace - Fragile States Index (The Fund for Peace, 2017) – that is the reason, political speculation is one the main factors in financial specialists' selection making process. The present investigation is given to the long periods of the most noteworthy political dangers' stress – it empowers to see unequivocally the linkage between political news and diverse Russian ventures. The examination of the span of 2014-2015 shows how solid shareowner' temperament relies upon political circumstance in Russia since this period is set apart by critical political occasions which influenced all the existence circles including the economy. In this way, political dangers are a standout amongst the most essential factors that impact business ma's choices in Russia. So as to fill the space in research, the researchers set the accompanying objective – to think about the eccentricities of political elements' impact on price elements on Russian securities exchange. To be increasingly exact, their effect on return and unpredictability of market records is completely investigated. The goal of the paper isn't just in concentrate the response of the market overall yet additionally the different businesses are considered. The present research has a stamped hypothetical and commonsense criticalness which permits scientists and market specialists to have the most

precise and clear thought of the effect structure of political occasions on the Russian stocks' statements. KURANOV G, (2017)

In (2008) Gottschalk, wisniewski and Bialkowski examined the General elections effect on the stock market. The study shown that general election cause high volatility in stock market due to the uncertainty of political instability after the elections uncertainty is finished and in result stock market starts moving upward. (Bialkowski J).

The objective of the Schwert study is to find out the relationship between economic activity, leverage, nominal and real macroeconomic volatility with volatility of stock. It is found that volatility is correlated with leverage and in stock volatility it explains small movement.in depression while using simple stock valuation model explaining the total stock volatility movement is difficult. (W, 1989)

The objective of Marie and Essaddam study is to analysis the political risk effect on the stock returns volatility. The findings of the study show that the news about Canada separation from Quebec had a strong impact on the volatility of stocks and stock return volatility differ to the exposure of firm to political risk, foreign involvement which tell that those companies which are more bare to the political risk are likely to accept burden of change. (Claude M, 2005)

Hira I (2017) This investigation inspects the impacts of political vulnerability on corporate contributing practices by breaking down the adjustment in stock prices because of vulnerability in political framework. It is most regularly suspected that if political framework in any nation is indeterminate at that point business specialists will stay under a dread of losing their riches. Is it extremely the case with each nation? Or on the other hand is it conceivable that investors earn higher returns in powerless political system by having stress-free access to the law-

makingspecialists? This investigation has centered the issue of stock returns in a questionable political condition. It would make some commitment in officially going discussion on this point by giving experimental proof on this relationship in a nation where political shakiness is the major macroeconomic threat. The reason that it will build the clearness about the connection between political vulnerability and stock price is that Pakistan is a nation having half of her age driven by military governments and staying by vote based governments. There exists issues with both kind of routines, further tyranny can be grouped in to two more classes, kleptocratic autocracy and technocratic fascism, kleptocratic tyranny is the most noticeably awful type of government for economy since it is an administration for one itself and to build individual riches, vote based system likewise needs to confront the issue since it is a sort of government framed by individuals, so as per dominant part of votes distinctive weight bunches endeavor to put undue impact which prompts defilement and issues in running of government, however people's government is viewed as superior to kleptocratic autocracy. Technocracy is top in positioning as per economy of a nation; it is that type of government in which related organizations are being controlled by best related individuals. Recorded examples demonstrate that technocratic government stocks market dependably beaten the securities exchanges of majority rule routines. History of Pakistan has demonstrated that nation has been developing all the more quickly at whatever point it has been controlled by the Military-drove governments. Pakistan has appeared execution as far as its value showcase, Training, Essential Framework and other parameters which at last lead her towards a superior nation amid Military-drove governments. For example, Khan (2012) expressed that a large number of the monetary markers were more advantageous amid military directed governments when contrasted with regular citizen governments. This examination explored the effect of political precariousness on value returns in Pakistan. Writing

gives proof on connection between political weakness and stock rates. Alesina, et al. (1992) argued that steadiness of the administration would tend to increment the development of economy. Barro and Lee (1994) reasoned that political volatility and financial development are adversely related. Similarly, Beaulieu et. al. (2005) discovered that stock return unpredictability increments as dimension of association's introduction towards political hazard increments. Political shakiness occasionally will in general help a few ventures and hampers the profits for different enterprises. Any political government come into power in the wake of getting cast a ballot from people in general and government strategies are intended to address the approaches that cook their constituent base Hibbs (1977). This point of view may help to comprehend the unpredictability in stock returns in light of the adjustment in government. Speculator sees wanted approaches of the imminent and crisp government which may influence their portfolios. Some proof exist which bolster the idea that party introduction has a critical job in assurance of prices of different shares available in the market (Bernhard and Leblang, 2006; Foerster and Schmitz, 1997; Knight, 2006; Leblang and Mukherjee, 2005; Snowberg et.al. 2007; Wolfers and Zitzewitz, 2009).

Political parties do have distinction in their position towards the enactment for labour and privileged voters. Writing demonstrates that conservative parties are for the most part centered towards upper class voters, though left-wing parties center around lower-class voters/regular workers. Labor escalated enterprises may have negative impact on their share price if, conservative political parties come into power (Alesina et. al 1993; Alt and Chrystal 1983; Botero et al. 2004). This reality clears up the connection between introductions of presiding party what's more, equity market financial specialist observation towards their future riches. There are few investigations where proof was discovered that despotic governments will in general make

more prominent unpredictability in financial development in long haul and on the opposite side stable circumstance in long haul financial execution (Przeworski et al. 2000; Almeida and Ferriera 2002). On opposite, there are few examinations expressing that approaches are steady in short keep running amid despotic routines (Kenyon and Naoi, 2010). Additionally, Other kind of political dangers are likewise connected with the monetary circumstance of the nation and these factors likewise clarify the conduct of stock prices as government strength, financial strength, religious strains, and so on. Change of government is fundamentally the exchange of control from one political party of individuals to the next where financial advancement is the shared objective. Government may not be in power after next race if neglects to convey for what it was chosen by the individuals. Risk of not coming into power in next term may cause weight on governments to support the economy. Be that as it may, the goal of governments to support the economy blacks out subsequent to getting into the power in light of the fact that new government either suspend the activities started by the past government or re-dispatch with new personalities in the reason for getting the recognition for those ventures. The goal of government to demonstrate the advancement to individuals once in a while commands the genuine target of financial development and in some cases previous may likewise substitutes the later. Whatever the circumstance is; it is possible that it is suspension of past undertaking or venture has been re-propelled bring extra cost which is at last borne by the general population as levies (Asteriou and Price, 2001). Government workers are unceremoniously exchanged and substituted with those faithful to the new government. These progressions in government employees empower the government to force the approaches with no obstruction. Open interests are surrendered in return of interests of a political party. The unceremonious exchange arranges by the government urge the administration authorities to rehearse similar approaches inside their range of control. This is

the way how informal government arrangement of inclining toward dependability over trustworthiness and tenets turns into the informal approach of government establishments. The precarious political condition debilitates the administrative bodies and these impacts are transmitted to the stock market.

In this study Ramesh tried to analysis the effect of political events on the market efficiency in the stock exchange of Colombo. He used data of 40 political events from the period 2008 to 2012. The finding to the study revealed that political events have significant but negative relation to stock exchange of Colombo. Due to the occurrence of political event market react negatively and at the day of event market is unprofitable because of the sufficient market information available about event. (S, 2015)

The study carried by Kim, pantzalis and park analysis that on stock returns, political geography has a massive impact. The researcher used data of elections of 40 years and every country's political alignment index(PIA). Those companies whose headquarters are positioned in low level PIA states were outperformed the companies whose headquarters are in high PIA states. The study shows that political power affects the firm because it is exposed to policy risk. (Kim C, 2002)

The objective of Claudia, Chretien and Coggins study was to analysis the historical returns of Canada from the period 1951to 2011. The study results show that in stock market as compare to early canadian governments mandates or when republican American presidents versus democratic were in power there were better opportunities in late. Study finds that there is significant effect of American elections on the investment opportunities. (Champagne C, 2015)

Gul analysis the effect on share prices of companies of Pakistan due to different natural events like political events, terrorism and natural disasters. The research was done on 14 firms listed on

KSE-100index from the period 2007-2010. By applying t-test statistics the results show that there is significant relationship between event and stock prices due to any event occurrence shock prices performs negatively. For the efficiency of Pakistan's stock market joint effort is needed from share holders, investors, government etc. from the evils like terrorists, political pressure. (S G. , 2013)

Shahid and Ali (2017) studied the day to day movement in stock market, day to day movements in stock market can be determined by different events and news, therefore daily data of movement in stock market is collected, global news and political news ferociously effects the stock market. Whereas monthly movement of stock market can be analyzed by studying different fundamentals like interest rate, exchange rate, prices etc. (Shahid Raza, 2017)

In this study Aurangzeb focus on the factors affecting performance of stock market,he used regression findings to indicate that significant positive impact of foreign direct investment and exchange rate on performance of stock market whereas interest rate significant and negative impact of stock market performance. (Aurangzeb, 2012)

In this study James examines the impact of changing volatility in stockmarket prices It reveals that volatility is only weakly serially correlated, implying that shocks to volatility do not persist. volatility changes affect the short intervals expected required rates of return. These outcomes claim that poor performance of the stock markets during the 1970's can be described by volatility—brought increases in risk (James M, 1984).

The connection between conduct of financial investors and legislative issues depends on the idea of political risk, which is characterized as the horrible changes out in the open approach that influence speculation esteems (see, among others, Streams and Mosley, 2008). Speculators attempt to assess this hazard as best as conceivable, yet vulnerability is reflected in the midst of

political change and specifically amid races (Bernhard and Leblang, 2002). Shiller (1981) has contended that watched securities exchange unpredictability isn't reliable with the forecasts of various present esteem models. Henceforth drivers which drive unpredictability should be distinguished and assessed. There are different other variables which add to instability. Schwert (1989) has explored experimentally if the total stock return changeability can be connected to various macroeconomic factors, money related influences, and exchanging volume. He has inferred that just a little extent of the varieties in the market instability is conceivable to clarify. Political factors by and large and political vulnerability specifically, can impact both the arrival and hazard dimensions of money related resources (Gemmill, 1992). Bialkowski (2008) appeared in his paper that securities exchanges can turn out to be exceptionally disrupted amid the seasons of essential political changes. From writing, a negative connection between monetary resource valuations and dimension of vulnerability with respect to the economy has been accounted for. The inside and out investigation into return unpredictability encompassing races is essential because of three critical reasons. To start with, the vulnerability about the election result has critical ramifications for risk opposed speculators. Prior look into showed that speculators are typically not broadened universally and have a string home predisposition (French and Poterba, 1991; Baxter and Jermann, 1997). So they will in general hold increasingly household resources which mean the country specific political hazard won't diffuse in their portfolios. Consequently, on account of elections in the nation of origin, it will have huge ramifications for the risk dimension of their portfolios. Second, any market-wide changes accordingly to decision stuns will prompt increment in the efficient volatility of every single recorded stock. Along these lines it is apparent that at the point when voters go for throwing their polls, alternative costs could increment around that time. Likewise, instability climbs which are seen around a Race Day or

announcement of results of the elections would show that the endeavors to plan exact expectations ought to be encouraged and extra assets should be utilized to determine this issue.

Nidhi tried to study the factors the effects stock prices in different stock exchange. He used data of 95 companies from the period 2007 to 2012 and linear regression model results were used which indicates that book value price earnings ratio and earning per share has positive and significant relationship with firms stock price and dividend yield have inverse but significant relationship with market price of firms. (Malhotra, 2013)

Nishat and Shaheen in 2004 have studied the long-term relationship between Karachi stock exchange index and a group of micro variables. Different model was applied to find the relationship among the macroeconomic variables consumer index, price index, Industrial production index and the value of an investment earning of market rate. These variables having long term relationship among them was noticed. Results shows “causal” relationship between the economy and stock market of the country. Industries are one of the largest factors having positive impact on stock market prices. Whereas inflation was the one the largest factor effecting negative impact on prices of stock market of Pakistan. (Mohammed N., 2004)

Shubiri (2010) studied the determinants of movements of market stock price and macroeconomic variables of the Jordanian commercial Banks considering the sample size of from duration 2005 to 2008 of 14 commercial Banks. Strong significant impact among stock prices, net assets values and macroeconomics variables was suggested by simple and multiple regression. Regression results shows that there is positive relationship between prices of stock dividend percentage and GDP but there is a negative relationship between inflation and lending rate. The researcher recommended that stock exchange deliver has a bridge between those companies who

needed funds for the starting of new business for the operations of buying and selling of shares which is grounded on demand and supply not on the macroeconomic variables. (shubiri, 2010)

Zafar in 2013 focused on monetary and Political situations of any state. There are many studies those are working on institutional components and their association with the share trading system order theoretically and experimentally. Residential credit, Genuine financing cost and direct outside venture for the extent of GDP was used which was settled by keeping money segment, in last securities exchange execution is determined through business sector capitalization as of GDP. diverse information relapse examination in E-sees is used for the examination of available data and some distinctive tests were used to find the results of the study. Results showed that worth exchange and FDI had positive impact on the stock market performance whereas they had negative relationship between stock market performance and real interest rate however they have no considerable effect on development of banking sector of stock exchange performance. (Z., 2013)

sohail and Hussain in 2009 find the relationship between macroeconomic variables and exchange in short term and long term of Lahore stock exchange in Pakistan. It was discovered that CPI and stock returns have negative relationship and other variables like real effective exchange rate, money supply, industrial production index, had positive effect. And massive forecast error was shown by CPI for LSE25 Index when the results of variance decompositions were find out. (Hussain, 2009)

In 1998 Levine examined the factors which are used to measure the stock exchange progress and find that there is a direct relationship between economics growth of country and these factors liquidity in the market, stock market capitalization, and returns of stock market. (Nazir, 2010)

In(2009) Sohail and Hussain tried to measure the volatility of stock market. Movement in stock prices is the indicator to economy. Long run and short run relationship between the macroeconomics variables and Lahore stock market was analyzed. During the period in 2005 stock market crises was witnessed, and in 2008 and 2009 the most critical crises was witnessed where the both stock exchange of Pakistan Karachi and Lahore stock exchange fall by thousands of points which lead to negative growth in exchange market and it also results that the capitalization in market reduced. Law and order situation, Political instability was the main factor of volatility of the stock market. Political instability was the main cause of early two stock market shocks in Pakistan.(HUSSAIN, 2009)

Nazir, Anwar and Nawaz in(2010)suggest that corporate dividend policy and factors of interest determined by corporate finance. The main part of corporate dividend policy was studied to find the volatility in stock prices in Pakistan. There is a strong significant impact of dividend policy on volatility in stock prices was investigated. Early researches also suggest the same results. Relationship between macroeconomic variables and stock returns was examined in both developed and developing countries but in Pakistan is not planned. (Mian Sajid Nazir, 2010)

In 2013 Attari examined relationship between stock market and macroeconomic variables by using time series in both developed and developing countries. Interest rate, inflation and gross domestic product are the macroeconomics variables. The finding of study shows that there is a sufficient impact of macroeconomics variables on the stock prices. These macroeconomics variables and stocks prices play a vital part in any country economy and they are used to predict future market and country economy. there is negative impact of Inflation and interest rate on the

stock prices. High volatility exists due to macroeconomics factors in Pakistan stock market so to minimize the volatility the authorities must pay some attention (Attari, 2013).

Over the previous decades, experts have recognized various components that can influence stock trade returns, for example, financial and political components. Political menace is a vital factor particularly in constructing nations and developing markets. Political soundness file characterizes political hazard as a likelihood of political occasions happening that will change the prospects for productivity of a given venture. Brews (2009) clarify political threat as an arrangement of dangers related from working business abroad. Clark (2001) alludes it as stochastic component as well as the planning of the political occasions that reason misfortunes. Clark and Tunaru (2003) clarify political hazard as the normal entry rate of political occasions. Clark and Tunaru (2005) characterizes political occasions with huge negative monetary and budgetary results that are felt wherever as adjacent to political occasions whose monetary and budgetary results are restricted to explicit nation or area. This implies political hazard can emerge from countless sources, which are regularly commonly reliant. Writers like Root (1999) and Simon (2005) consider political hazard as an occasion that causes misfortune. Research on political hazard center that political news influence monetary markets. Particularly stock markets react more to new data with respect to political choices that may influence household and outside approach. The response of the stock trade relies upon the political news, costs should increment if the news prompts upward update of speculator's desire also, and comparably it can prompt descending if the financial specialists react to news in inverse way (Tan and Gannon 2002). Researchers utilize diverse approaches to test political occasions and use them to test against securities exchange's instability. Soultanaeva (2008) utilize political news as intermediary to see political deathtrap and find that there is seven days connection between political hazard and

securities exchange unpredictability. Analysts, for example, Sabac (2000), focused on political risk as it changes the endeavor's general productivity in both ways. Kim and Mei (2001),. Investigational writing on stock trade conduct has concentrated on the connection between stock rates and political vulnerability, (Beaulieu, Cosset and Essaddam 2006; Fong and Zhang Wang and Lin 2007; Chan and Wei 2009). Beaulieu, Cosset and Essaddam (2006) researched the short run impact of the 30 October 1995 Quebec submission on the regular stock returns of Quebec firms. Their outcome demonstrates that the vulnerability encompassing the referendum result affected stock returns of Quebec firms. They likewise find that the impact of the vote shifted with the political hazard introduction of Quebec firms, that is, the structure of resources and chiefly the level of outside contribution. Despite its outcome, a minor exact research has analyzed the significance of political hazard on securities exchange instability. Fong and Koh 2009 utilized the information from Hong Kong securities exchange to research regardless of whether political hazard has prompted routine moves in securities exchange's instability. They found a solid proof of the monotonous move in restrictive instability just as noteworthy unpredictability irregularity in high volatility periods.

2.2 Hypothesis:

H1: General Election has no significant impact on stock returns.

H2: General Election has significant impact on stock returns.

CHAPTER:3

3.1 Data and Methodology:

The aim of the study is to investigate the effect on stock prices due to general elections. For example, general election of 2018 effect on the stock prices. Although the studied were done one the stock returns but on the effect of general elections 2018 on stock returns is captured yet the way we are doing in our research. In this section of study first we define data and data collection sources and then we discuss our research methodology.

3.2 SOURCE OF DATA:

The sample of study consists of 50 randomly selected companies of Pakistan listed with Pakistan stock exchange. In sample all the firms included which the daily data of stock returns is available. All the data about daily stock prices of companies is collected from Business Recorder. The daily stock prices data is collected of 200 days, 100 days before election and 100 days after elections to analysis the impact of General Elections 2018 impact on stock prices.

3.3 Selection criteria of companies:

Selection of 50 companies listed in Pakistan stock exchange is made on the basis of capitalization. From all 35 sectors data of top companies of every sector is collected. All the data about daily stock prices of companies is collected from Business Recorder

3.3 Sample Size:

Daily data of stock prices of 50 companies listed in Pakistan stock exchange of 200 days is collected 100 days data is collected from 28th February 2018 before the election day which is 25 July and 100 days of data is collected to 31st December 2018 after the election day.

3.4 Population:

Our research target population is 50 public listed firms of Pakistan to investigate the impact on stock returns due to general election. The 50 companies are selected from PSX-100 index.

3.5 Time Horizon:

The time horizon is of 200 days. Data of 50 public listed firms is collected and 100 days of data of daily stock prices before elections is collected and 100 days of data is collected after elections to find the impact of elections on the share prices.

3.6 Methodology:

The main focus of the study is to analyze the impact of General Elections of 2018 on stock prices. To analysis the impact of elections on stock prices 50 companies listed in PSX is selected. And data of 200 days was collected 100 days before the occurrence of event and 100 days after the occurrence of event. Data is collected for post event dates pre-event dates and date on which the event is occurred.

Event study is a technique of econometric which is used to examine the impact of any particular event on any particular period. For this purpose of examine event study have following steps to be followed:

- i. Identify the event and specify the estimation and pre and post event window.
- ii. Calculating abnormal returns from the expected and actual returns comparison in the test period.
- iii. Checking event significance

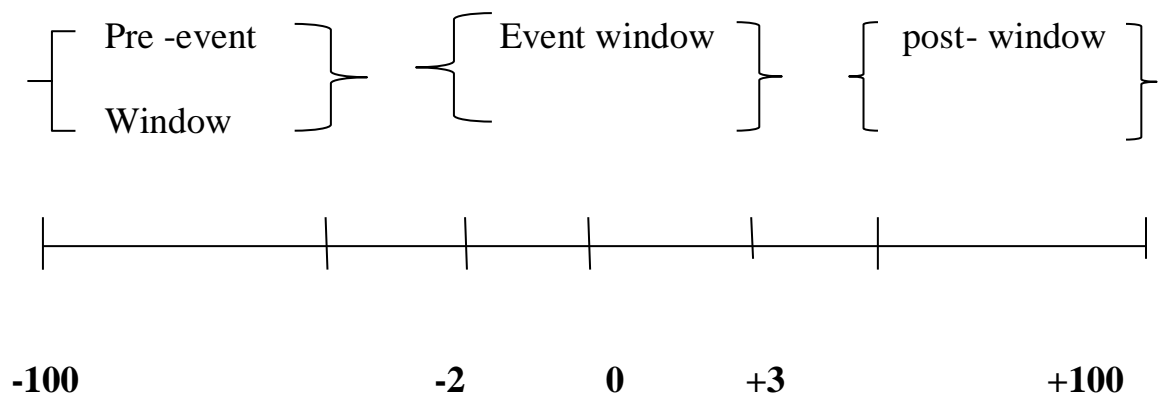
➤ **Identifying the event and specifying the estimation and pre and post event window:**

The important event of General Elections 2018 is taken into account and post event dates and pre-event dates are specified for the purpose of estimations. Pre-event window is also used for the estimations.

○ **Event Defining:**

We will examine the general elections 2018 impact of stock prices of the firms listed in Pakistan stock exchange. So therefore, the study event of interest the elections of 2018 held on 25 July so therefore 25 July is the event day which is time zero $t=0$.

Event is the duration in which the companies listed with Pakistan stock exchange stock prices are witnessed. Because our event is General Election 2018 so polling day is theoretically the event window but to analysis the reaction of stock prices of firms its extended to 5 days the event window starts two days before the event $t=-2$ and ends after three days after the event $t=+3$. Two days before the event is selected because election campaign have been finished and general public have decided to which party they are going to vote and three days after the election is selected because results of elections are announced after one day but the complete election result that which party get how many seats takes three days for complete announcement. On the polling day stock exchange was closed so it is not included.



➤ **Calculating abnormal returns from the expected and actual returns comparison in the test period:**

Usually for CAPM($R_i = R_f + B (R_m - R_f)$) is used for finding expected returns. But here in our situation we are using running average technique for the calculation of expected returns and actual returns will be used for the calculation of abnormal returns. We have taken daily closing prices of 50 companies listed in KSE of 200 days 100 days before occurrence of event and 100 after the occurrence of event under study and we have calculated daily returns of 50 companies by using following formula:

$$R_t = I(P_t/P_{t-1})$$

Here:

R_t = On day "t" Return

P_t = index closing value on date "t"

P_{t-1} = index closing value on date "t-1"

Abnormal return will be calculated by using the following formula:

$$ABit = Rit - E (Rit)$$

Here:

$ABit$ = Abnormal return on day 't'

Rit = Actual return on date 't'

$E (Rit)$ = Expected return on date 't'

To find the significance of event we will use t-test. T-statistics value will help us knowing the significance of the event and providing us proof of accepting or rejecting the hypothesis we have made.

CHAPTER:4

4.1 RESULTS AND DISCUSSIONS:

This study analysis the general elections 2018 effect on the stock prices of the 50 randomly selected companies listed at PSX. To find out the impact of general elections on stock prices first abnormal returns throughout the event were find out. The abnormal returns of the company's indications that event has impact of stock prices of the companies listed at PSX.

T-Test:

A t-test is a type of inferential statistic used to determine if there is a significant difference between the means of two groups, which may be related in certain features. A t-test is used as a hypothesis testing tool, which allows testing of an assumption applicable to a population. A t-test looks at the t-statistic, the t-distribution values, to determine the probability of difference between two sets of data.

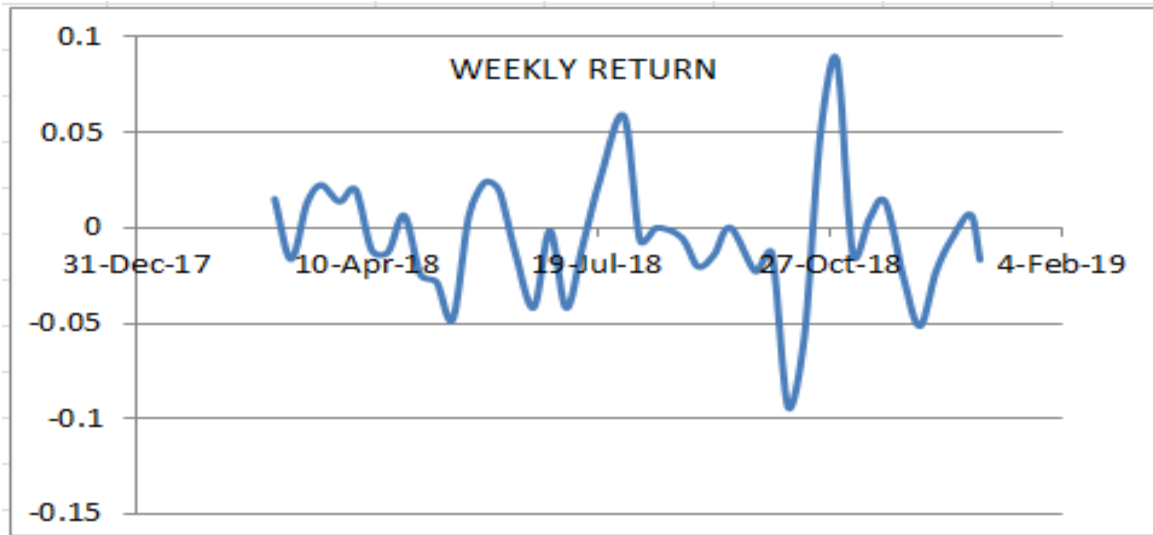
TABLE1: WEEKLY RETURNS

DATE	ER	AR	T.TEST
30-Jul-18	0.0585	-15.0596	-1.5667
6-Aug-18	-0.0067	1.7179	0.1787
13-Aug-18	0.0001	-0.0271	-0.0028
24-Aug-18	-0.0050	1.2863	0.1338
31-Aug-18	-0.0202	5.1895	0.5399
7-Sep-18	-0.0140	3.5978	0.3743
14-Sep-18	0.0003	-0.0679	-0.0071
25-Sep-18	-0.0229	5.8854	0.6123
2-Oct-18	-0.0132	3.4059	0.3543
9-Oct-18	-0.0938	24.1230	2.5096
16-Oct-18	-0.0572	14.7119	1.5305
23-Oct-18	0.0493	-12.6887	-1.3201
30-Oct-18	0.0882	-22.7005	-2.3616
6-Nov-18	-0.0140	3.5944	0.3739
13-Nov-18	0.0043	-1.1074	-0.1152
20-Nov-18	0.0138	-3.5397	-0.3683
28-Nov-18	-0.0265	6.8196	0.7095
5-Dec-18	-0.0515	13.2477	1.3782
12-Dec-18	-0.0227	5.8467	0.6083
19-Dec-18	-0.0053	1.3648	0.1420

27-Dec-18	0.0070	-1.7992	-0.1872
31-Dec-18	-0.0167	4.3069	0.4481

After the declaration of results of general elections of 2018 reactions of share prices is shown in the above table. Weekly stock prices data of 50 companies were used to find the impact of elections on stock prices. With the desire of general public results of general elections were against the king party. to find the t- statistics standard deviation technique was used 9.612261 was the Standard error for this event. After the elections the t-statistics of returns of companies in ninth week was 2.5096 which in positive and highly significant which shows the revival of market from the negative impact of the event and in thirteenth week after election t-statistic is -2.3616 which value is negative but highly significant. first week t-statistics is -1.56671 which shows that the reaction from the market was not very great to the very important political event and the negative sign of the value shows the negative response from the market toward this important political event. But the value of t-statistics on 2nd week was 0.17872 which was not significant but has positive value which shows that market revive from the negative impact of the political event.

GRAPH:1 Weekly Returns:



This graph shows the weekly returns of the firms during the event window which shows the patterns of movement of stock prices during the event. It clearly shows the movement of stock prices before general election and after general election it can be observed that the returns highly negative but significant after general events.

TABLE:2 Daily Returns

DATE	ER	AR	T.TEST
31-Jul-18	-0.0151	-0.0143	-1.1481
1-Aug-18	0.0075	0.0083	0.6683
2-Aug-18	-0.0075	-0.0067	-0.5409
3-Aug-18	0.0044	0.0052	0.4148
6-Aug-18	0.0040	0.0048	0.3882

7-Aug-18	0.0028	0.0036	0.2900
8-Aug-18	-0.0018	-0.0010	-0.0795
9-Aug-18	0.0102	0.0110	0.8803
10-Aug-18	-0.0049	-0.0041	-0.3320
13-Aug-18	-0.0062	-0.0054	-0.4322
15-Aug-18	-0.0075	-0.0067	-0.5378
16-Aug-18	-0.0162	-0.0154	-1.2376
17-Aug-18	0.0175	0.0183	1.4702
20-Aug-18	0.0007	0.0015	0.1224
24-Aug-18	0.0004	0.0012	0.0997
27-Aug-18	0.0042	0.0050	0.4021
28-Aug-18	-0.0056	-0.0048	-0.3883
29-Aug-18	-0.0071	-0.0063	-0.5048
30-Aug-18	-0.0060	-0.0052	-0.4187
31-Aug-18	-0.0057	-0.0049	-0.3907
3-Sep-18	-0.0074	-0.0066	-0.5314
4-Sep-18	0.0071	0.0079	0.6304
5-Sep-18	-0.0062	-0.0054	-0.4337
6-Sep-18	-0.0136	-0.0128	-1.0273
7-Sep-18	-0.0140	-0.0132	-1.0585
10-Sep-18	-0.0016	-0.0008	-0.0621
11-Sep-18	0.0043	0.0050	0.4051

12-Sep-18	-0.0061	-0.0053	-0.4233
13-Sep-18	0.0109	0.0117	0.9370
14-Sep-18	-0.0072	-0.0064	-0.5173
17-Sep-18	-0.0224	-0.0216	-1.7336
18-Sep-18	0.0143	0.0151	1.2104
19-Sep-18	-0.0007	0.0001	0.0104
24-Sep-18	-0.0139	-0.0131	-1.0530
25-Sep-18	-0.0002	0.0006	0.0483
26-Sep-18	-0.0043	-0.0035	-0.2779
27-Sep-18	-0.0040	-0.0033	-0.2612
28-Sep-18	0.0025	0.0033	0.2668
1-Oct-18	-0.0023	-0.0015	-0.1208
2-Oct-18	-0.0052	-0.0044	-0.3511
3-Oct-18	-0.0054	-0.0046	-0.3694
4-Oct-18	-0.0156	-0.0148	-1.1882
5-Oct-18	-0.0322	-0.0314	-2.5171
8-Oct-18	-0.0375	-0.0367	-2.9475
9-Oct-18	-0.0031	-0.0023	-0.1837
10-Oct-18	-0.0035	-0.0027	-0.2149
11-Oct-18	-0.0098	-0.0091	-0.7263
12-Oct-18	-0.0241	-0.0233	-1.8688
15-Oct-18	-0.0187	-0.0179	-1.4398

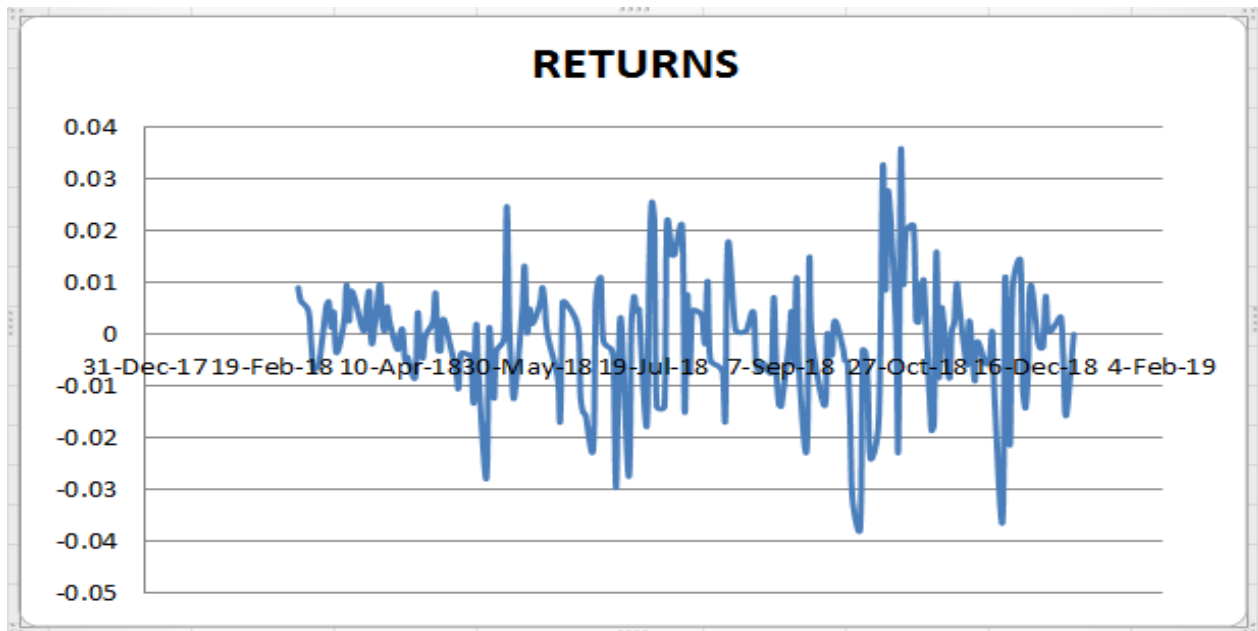
16-Oct-18	-0.0011	-0.0003	-0.0208
17-Oct-18	0.0327	0.0335	2.6842
18-Oct-18	0.0085	0.0092	0.7420
19-Oct-18	0.0277	0.0285	2.2852
22-Oct-18	0.0027	0.0035	0.2821
23-Oct-18	-0.0222	-0.0214	-1.7176
24-Oct-18	0.0351	0.0359	2.8837
25-Oct-18	0.0099	0.0106	0.8541
26-Oct-18	0.0199	0.0207	1.6585
29-Oct-18	0.0208	0.0216	1.7354
30-Oct-18	0.0025	0.0033	0.2669
31-Oct-18	0.0022	0.0030	0.2404
1-Nov-18	0.0094	0.0102	0.8155
2-Nov-18	0.0104	0.0112	0.8961
5-Nov-18	-0.0186	-0.0178	-1.4308
6-Nov-18	-0.0173	-0.0165	-1.3243
7-Nov-18	0.0158	0.0166	1.3306
8-Nov-18	-0.0084	-0.0076	-0.6084
9-Nov-18	0.0051	0.0059	0.4756
12-Nov-18	-0.0086	-0.0078	-0.6250
13-Nov-18	0.0003	0.0011	0.0907
14-Nov-18	0.0023	0.0031	0.2496

15-Nov-18	0.0098	0.0105	0.8461
16-Nov-18	0.0052	0.0060	0.4846
19-Nov-18	-0.0061	-0.0053	-0.4239
20-Nov-18	0.0025	0.0033	0.2658
22-Nov-18	-0.0091	-0.0083	-0.6640
23-Nov-18	-0.0015	-0.0007	-0.0595
26-Nov-18	-0.0057	-0.0049	-0.3929
27-Nov-18	-0.0058	-0.0050	-0.4042
28-Nov-18	-0.0044	-0.0036	-0.2883
29-Nov-18	0.0002	0.0010	0.0834
30-Nov-18	-0.0134	-0.0126	-1.0149
3-Dec-18	-0.0362	-0.0354	-2.8380
4-Dec-18	0.0106	0.0114	0.9117
5-Dec-18	-0.0127	-0.0119	-0.9562
6-Dec-18	-0.0209	-0.0201	-1.6134
7-Dec-18	0.0092	0.0099	0.7981
10-Dec-18	0.0142	0.0150	1.2013
11-Dec-18	-0.0108	-0.0100	-0.8010
12-Dec-18	-0.0144	-0.0136	-1.0905
13-Dec-18	-0.0077	-0.0069	-0.5526
14-Dec-18	0.0094	0.0102	0.8168
17-Dec-18	-0.0017	-0.0009	-0.0747

18-Dec-18	-0.0028	-0.0020	-0.1634
19-Dec-18	-0.0025	-0.0017	-0.1336
20-Dec-18	0.0073	0.0081	0.6472
21-Dec-18	0.0006	0.0014	0.0000
24-Dec-18	0.0020	0.0028	0.2210
26-Dec-18	0.0031	0.0039	0.3162
27-Dec-18	-0.0060	-0.0052	-0.4176
28-Dec-18	-0.0158	-0.0150	-1.2028
31-Dec-18	-0.0001	0.0007	0.0580

This table shows the daily reaction of stock prices of 50 companies after the general elections 2018 announcement results were against the strong party. the standard error of the event was 0.012464 and the t-statistics of the companies return for the first day after election is -1.148093342 which shows the negative value and negative response from the market on second of event the t-statistics value is positive but insignificant 0.668313141 which shows that on second day market revived from the shock of event after that returns showed the similar results.

GRAPH:2 Daily Returns:



The graph of returns of the firms shows the trend of movement of stock prices on daily basis during the event window. It shows the pattern of movement of stock returns during the event window. The daily movement of stock prices can be clearly observed. The movement of stock prices observed shows that the returns were highly negative but significant after general election.

TABLE:3 REGRESSION ANALYSIS:

The Impact of General Election on Stock Price

Variables	Coefficient	Std. Error	t- statistics	Prob.
C	-0.00077	0.00083	-0.9347	0.351
Dummy_1	-0.0030	0.0017	-1.7413	0.083
Dummy2	-0.0041	0.0037	-1.1118	0.267
R-squared	0.2015	Durbin-Watson stat	1.6019	
Adjusted R-squared	0.2003			
S.E. of Regression	0.1140			
F-Statistics	2.067			
Prob.F (statistic)	0.0012			

Regression is used to find the impact of general elections on the stock returns. The results obtained from the regressions finding explains that the independent variable before the event t-stats are -1.7413 which shows that there is a negative but weekly significant impact with dependent variable and after the event t-stats are -1.1118 which shows that there is negative and insignificant relationship with dependent variable whereas the R-square is 0.2015. the statistics

display that regression model is good as the Durbin-Watson stat value is 1.601 and the model F-test significance is 2.067 and (p=0.0012)

Dummy Variables:

A dummy variable is a numerical variable used in regression analysis to represent subgroups of the sample in your study. Dummy variables are "proxy" variables or numeric stand-ins for qualitative facts in a regression model. Dummy variables are used frequently in time series analysis with regime switching, seasonal analysis and qualitative data applications. Dummy variables are involved in studies for economic forecasting. In this research 100 days before the occurrence of event is our dummy1, and 100 days after the occurrence of event is our dummy 2.

CHAPTER:5

5.1 CONCLUSION:

The study aim is to identify the impact of General Election 2018 on stock prices of firms listed in Pakistan Stock Exchange. The findings of the study reveal that there is a negative impact of General Elections on the stock prices of firm's during the event. The study results enrich the managers and investors understanding a related to the stock prices behavior during the political elections. The study outcomes will be helpful for both international and local investors to understand the movement of share prices during political Event. Event study methodology is used to study to attain the objective of the study. The study revealed that theoretically there is a significant impact of general elections on the stock prices of firms listed in Pakistan stock exchange by analyzing the movement of stock prices of firms during the election. Firstly, it will contribute to cooperate finance and provides evidence of 50 firms listed in PSX and secondly this study is first of its nature and best knowledge of examiner in which the General election impact on the share prices of firms is analyzed. Results prove us the general Elections have significant impact on the price of stocks of firms which proves our hypothesis. On the basis findings our second hypothesis is accepted and our first hypothesis is rejected.

5.2 Suggestion for Further Research:

In future the examiners should try to advance and improve the techniques of decision making in this study by including more factors and the researcher should try to improve the performance by applying econometrics methods. Father the study can be improved by increasing the various time period. The researcher should try to other factors that significantly affect the stock returns of

firms listed in Pakistan stock exchange. The researcher may use the same data for different research and better techniques the decision making. In future the researcher should try to investigate the effect on the segments of stock markets like bonds or countries data can be used to find out the impact of general elections.

5.3 Policy Recommendations and Practice:

The results of the research have key policy implication. the general elections have the effect on the performance of the firms listed in Pakistan stock exchange. This research can be helpful in understanding the event nature and forecasting performance of public listed firms. The study can be extended by adding different political events and research can be made to find the effect of political event on portfolios.

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