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# A STUDY ON THE IMPACT OF WAR ON STOCK EXCHANGE

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**“A STUDY ON THE IMPACT OF WAR ON STOCK  
EXCHANGE”**

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**ABSTRACT:**

*The share market is one of the important pillars of any economy of the world. We are not different from others. Stock market also play a very important role in the economic development of our country. In India BSE and NSE are the main stock exchange, who look after the transactions in share market. The Bombay stock exchange is the oldest stock exchange in Asia. It was established in the year 1875. However, NSE (National Stock Exchange) was establish in the year 1992. In India stock market is governed by Securities Exchange Board of India (SEBI).*

*Stock market is always uncertain but at the same due to some political and other disturbance like war, social unrest etc. It became extremely uncertain. In this study we have studied about the impact of war on the stock market.*

**Keywords:**

***Impact of war, Stock Market, Price fluctuations, SEBI.***

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**Introduction:**

Since civilisation started, human is one of the highest intellectual but greedy animal of the earth. As per economic terms human wants are unlimited but resources to satisfy those wants are limited. So due to his greediness human is always used to interfere in other territory as well as jurisdiction, due to greediness of human political disturbances and war takes place.

When the peace of any country, region or area is violated, which is ultimately motivated by political interest is called as political disturbance. It may be cause of violation of law, bloodshed, riots, anti-government protests, torture etc.

An intense armed conflict between nations or different parties within the nation is called war. The scope of war may be land, sea as well air. It depends upon the intense of war. It may be from short term to long term.

The world is witnessing a continuous violence and instability like Ukraine v/s Russia, Hamas v/s Israel. Many time this disturbance bring the world on the edge of world war. This types of conflicts, threats and stand-off not only disturb peace and security but also for economic and global stock market. For example, in fiscal year 2022, the U.S. had spent an estimated \$8 trillion on post nine eleven war. The question is there that how war affect the stock market,

the experts suggest that it does not affect to market for long period, it has only an impact for a short period on the stock market.

### **Literature Review:**

#### **1. Politically Connected Firms, Mara Faccio, AMERICAN ECONOMIC REVIEW, VOL. 96, NO. 1, MARCH 2006**

In her comprehensive study encompassing over 47 countries, she asserts that a firm's worldwide market value generation occurs each time a new political relationship is formed. According to the study, a company's average return increases by 1.94% when a top executive is elected to a political office, whereas the return decreases by just 4.47% when a significant shareholder is elected to the same position. Additionally, the study notes that a company executive's market value is nearly ten times greater for a ministerial job than it is for a member of parliament. Nations reporting severe corruption also acknowledged enjoying advantages from their political ties. Nevertheless, remarkably (statistically), no appreciable effect on the market was noted anytime a politician who was already in office. In this case, political leaders typically receive compensation from businesses they ignore, so these expenses outweigh the gains.

#### **2. How Do Political and Economic News Affect Emerging Markets? Evidence from Argentina and Turkey, Zeynep Onder and Can Simga Mugan, July 2006, Emerging Markets Finance and Trade**

In this study the emerging markets of Turkey and Argentina, respectively, between January 1995 and December 1997. Examining the stock exchanges of these two nations—the Istanbul Stock Exchange (ISE) in Turkey and the Buenos Aires Stock Exchange (BASE) in Argentina—was the specific focus of the study. The authors looked at how these two stock markets were affected by political and economic events. According to this study, political news had an impact on these two stock markets. Put differently, the share returns of these two stock markets were influenced by both domestic and political news; the former had an impact on the volatility of the share returns, while the latter affected transaction volume. Specifically, the volume of trading in BASE was positively impacted by global political news, whereas the volume of trade in ISE was negatively impacted. There are variations when it comes to economic news. The Argentine stock market saw a rise in volatility, but the local economic news had no effect on the Turkish market. Domestic economic news also had

an effect on the volume of activity in both stock markets. In a similar vein, trade volume on both stock exchanges increased due to international economic news.

### **3. Impact of political events on stock market returns, Mian Sajid Nazir, Journal of Economic and Administrative Sciences:**

It examined the connection between political developments in Indonesia and the Jakarta Stock Exchange in the context of developing nations. The irregularities of the Jakarta Stock Exchange were examined during a period of "100 days of estimation and 11 days of event period" in their study. They selected the years 1999–2001 as the study period for their estimations. According to their analysis, there is no discernible relationship between the market and Indonesian political developments. When comparing the results before and after the significant political events, they could not find any statistical difference or departure. The only incidents that revealed any connection were the church bombing in Indonesia on May 28, 2000, and the notorious cabinet crisis on August 23, 2000. These two examples, however, were merely two of the 11 cases that were recorded in their study. The authors analyzed Indonesia's dispersion in terms of economic performance and noted that the country has been politically unstable since the Asian financial crisis of 1997. When 1995–1996 was compared to 1998–1999, the data showed that the dispersion increased from 0.97% to 2.65%. They observed that the year 1998 had more variation than the years 1999 and 2000. This study concludes that because Indonesians were used to political volatility, neither stock market investors nor the Indonesian people found much significance in the political events of 1999 and 2000 in their country.

### **4. Effect of Russia Ukraine War on the Indian Stock Market: An Event Study Approach, Deepthy Kuriakattil, The Empirical Economics Letters:**

This study examines the response of the Indian stock market to the conflict between Russia and Ukraine on February 24, 2022. The sectoral effects of the war on the Indian stock market are determined using the event research approach. The automotive, banking, and financial services industries have been adversely impacted by concerns about raw materials and payment problems with Russian enterprises that have experienced a rise in non-performing assets (NPAs). These industries have also recorded notable negative abnormal returns during the anticipation and adjustment window. The energy, pharmaceutical, and metals industries recorded significant positive abnormal returns in the adjustment window after the event,

while they posted negative abnormal returns in the anticipation window. Investors are enthusiastic about these industries because of the limits placed on Russian enterprises, which are expected to make them more appealing in an effort to gain market share. The tragedy has not had a significant effect on the FMCG and IT sectors. The AAR and CAAR indicate that, on the whole, the news of the War before it happened had a negative impact on the Indian stock market. However, ten days after the occurrence, the stock market bounced back from the decline and recorded an almost normal return.

### **Objective of this study:**

- To understand the effect war on stock market.
- To Understand the period of time spam and volatility level due to war.
- To understand the spillover effect of war.
- To find out the most affected sector due to war.

### **Hypothesis:**

H1 : War affect to the stock market.

H0 : War do not affect to the stock market.

H1 : War have spillover effect.

H0 : War do not have spillover effect.

### **Limitation of the Study:**

This study is subject to limitation of time period and also ignorance of the respondent upto the certain extent.

### **Methodology:**

Research can be based on Primary data or Secondary data. Primary data related to the data, which is directly collected data from primary sources, however secondary data are the data which is collected and used by someone else.

For this study I am using Primary as well as secondary data for the study purpose. Most of the study is based on primary data only; however secondary data is used for only for introduction and Literature review. For this study I have taken responses from 200 respondents.

**Scope of the study:**

This study covers the effects of war and political disturbance. This also covers the time period which may be short period as well as long period impact. It also covers the inflation level due to war. Study is concerned about the various other factors like safety of wealth, volatility etc.

**Data Collection:**

Data is collected through primary and secondary data sources. Following is the summary of data collected through primary sources.

**Data Collection and Interpretation:**

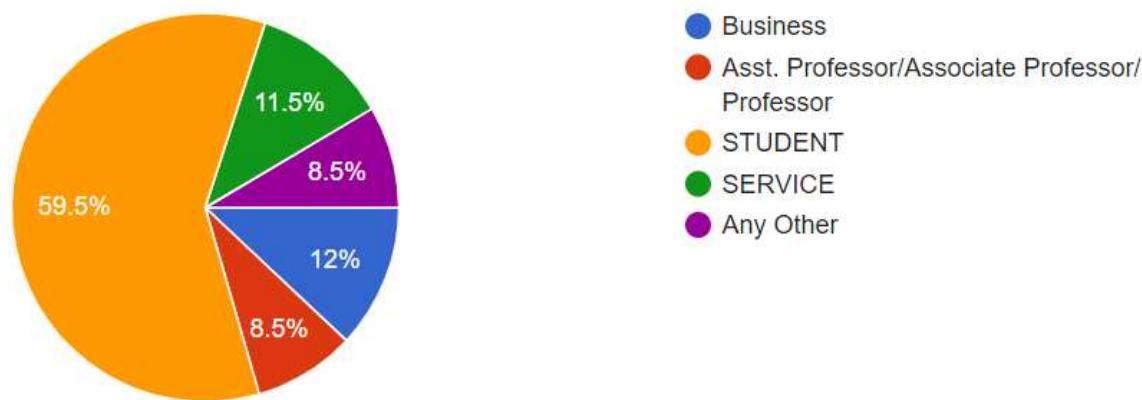
**Number of Respondents = 200**

**Data Interpretation:**

**Q.1. Name:** \_\_\_\_\_

**Q.2. Occupation:**

| Occupation                                     | Number of Responses | Percentage (%) |
|--|---------------------|----------------|
| Business                                       | 24                  | 12.00%         |
| Asst. Professor/Associate Professor/ Professor | 17                  | 8.50%          |
| Student  | 119                 | 59.50%         |
| Service  | 23                  | 11.50%         |
| Any Other                                      | 17                  | 8.50%          |
| <b>Total</b>                                   | <b>200</b>          | <b>200%</b>    |

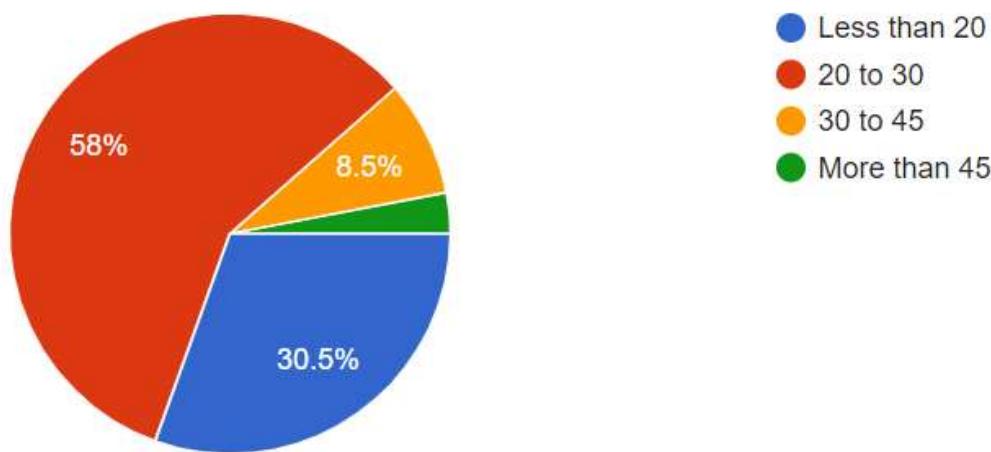


**Interpretation:**

This study includes Businessman, Teachers, Students, Service providers and others. It includes 12% Businessman, 8.50% Teachers, 59.50% Students, 11.50% Service providers and 8.50% Others.

**2. Age in years:**

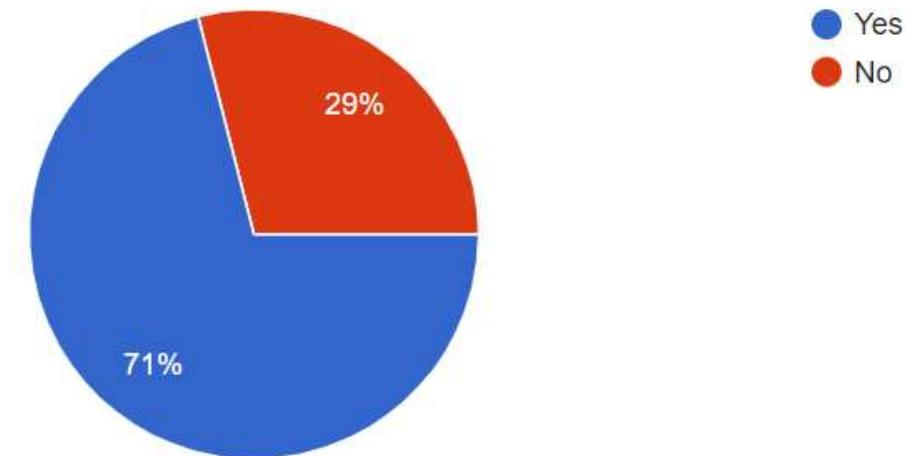
| Age in years | Number of Responses | Percentage (%) |
|--------------|---------------------|----------------|
| Less than 20 | 61                  | 30.50%         |
| 20 to 30     | 116                 | 58.00%         |
| 30 to 45     | 17                  | 8.50%          |
| More than 45 | 6                   | 3%             |
| <b>Total</b> | <b>200</b>          | <b>100%</b>    |

**Interpretation:**

This study includes various age groups. It covered 30.50% less than 20 years, 58% are between 20 to 30 years, 8.50% are between 30 to 45 years and 03% are more than 45 years.

**3. Are you aware about stock market?**

| Are you aware about stock market? | Number of Responses | Percentage (%) |
|-----------------------------------|---------------------|----------------|
| Yes                               | 142                 | 71%            |
| No                                | 58                  | 29%            |
| <b>Total</b>                      | <b>200</b>          | <b>100%</b>    |

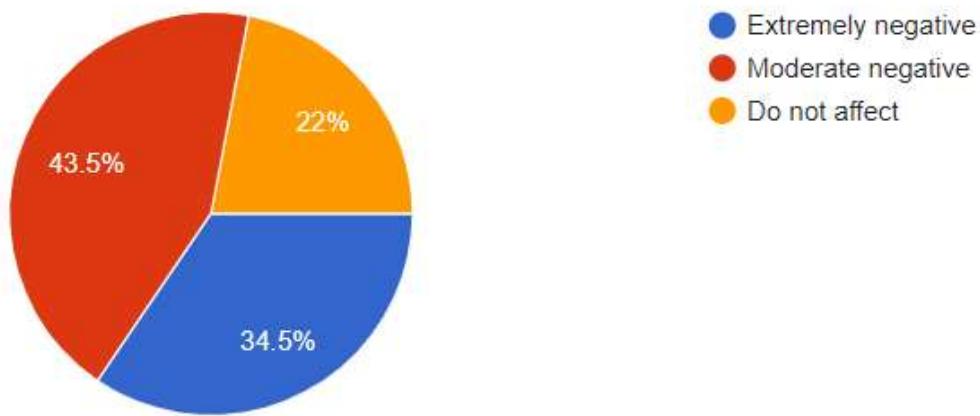


### **Interpretation:**

This includes awareness about stock market. As per study 71% people of this survey are aware about the stock and 29% are not aware about the stock market.

#### **4. How does war affect the stock exchange?**

| How you get awareness about stock market? | Number of Responses | Percentage (%) |
|---|---------------------|----------------|
| Extremely negative                        | 69                  | 34.50%         |
| Moderate negative                         | 87                  | 43.50%         |
| Do not affect                             | 44                  | 22%            |
| <b>Total</b>                              | <b>200</b>          | <b>100%</b>    |

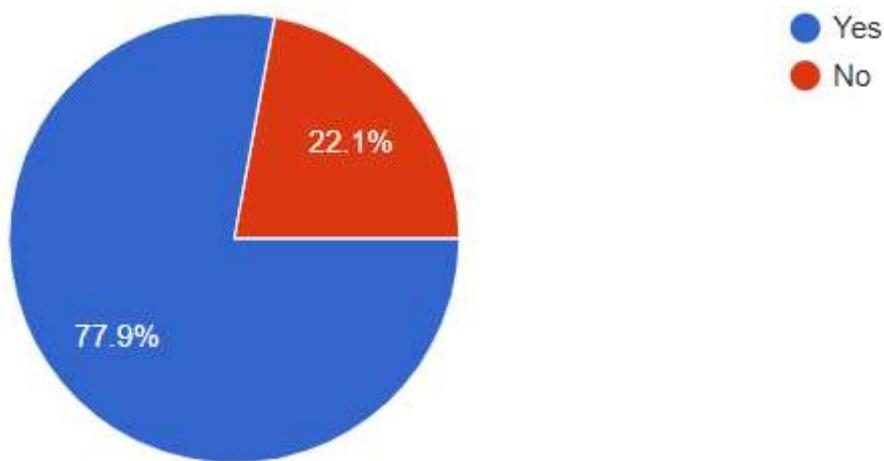


### **Interpretation:**

As per this study 34.50% respondent think that war affect extremely negative, 43.50% think moderate negative and 22% says that war do not affect to the stock exchange. In short maximum respondent accept that war create moderate negative effect on share market.

**5. Do you think war create long term effect on stock market in concerned countries?**

| <b>Do you think war create long term effect on stock market in concerned countries?</b> | <b>Number of Responses</b> | <b>Percentage (%)</b> |
|---|----------------------------|-----------------------|
| Yes   | 155                        | 77.90%                |
| No  | 44                         | 22.10%                |
| <b>Total</b>  | <b>199</b>                 | <b>100%</b>           |

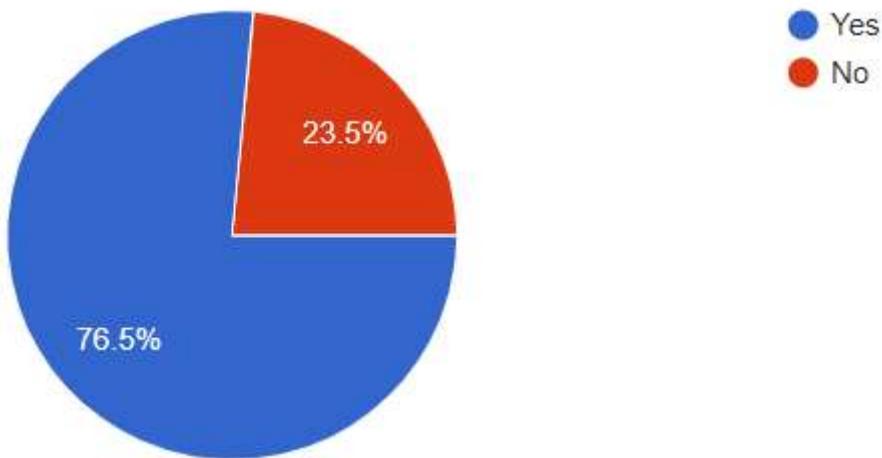


**Interpretation:**

As per this study 77.90% people said that war create long term effect on stock market however 22.10% are not agree with this.

**6. Do you think war creates spillover effect on other countries also due to globalisation?**

| <b>Do you think war creates spillover effect on other countries also due to globalisation?</b> | <b>Number of Responses</b> | <b>Percentage (%)</b> |
|--|----------------------------|-----------------------|
| Yes  | 153                        | 76.50%                |
| No   | 47                         | 23.50%                |
| <b>Total</b>   | <b>200</b>                 | <b>100%</b>           |

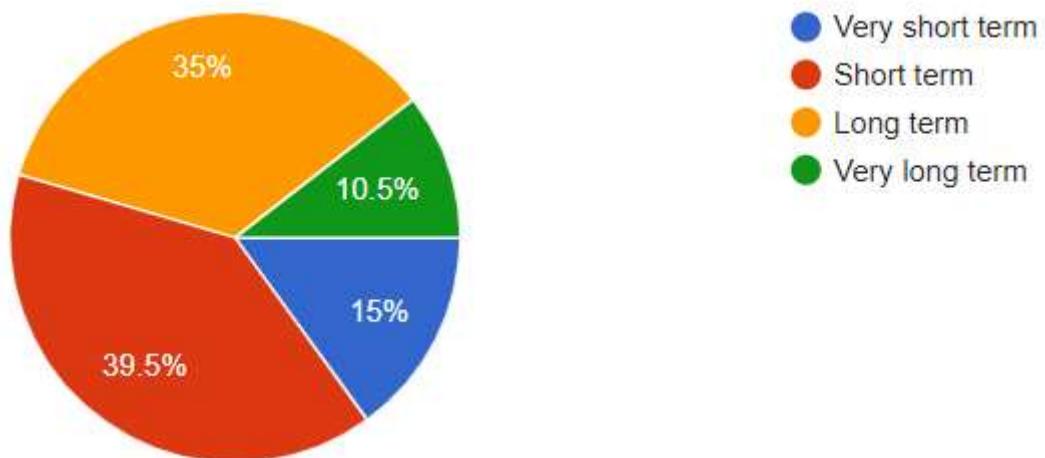


#### **Interpretation:**

As per this study 76.50% people says that war creates spillover effect on other countries also due to globalisation however 23.50% are not agree with this.

#### **7. What do you think about the effect of war on stock market regarding time period?**

| What do you think about the effect of war on stock market regarding time period? | Number of Responses | Percentage (%) |
|--|---------------------|----------------|
| Very short term  | 30                  | 15.00%         |
| Short term   | 79                  | 39.50%         |
| Long term  | 70                  | 35.00%         |
| Very long term   | 21                  | 10.50%         |
| <b>Total</b>   | <b>200</b>          | <b>100%</b>    |

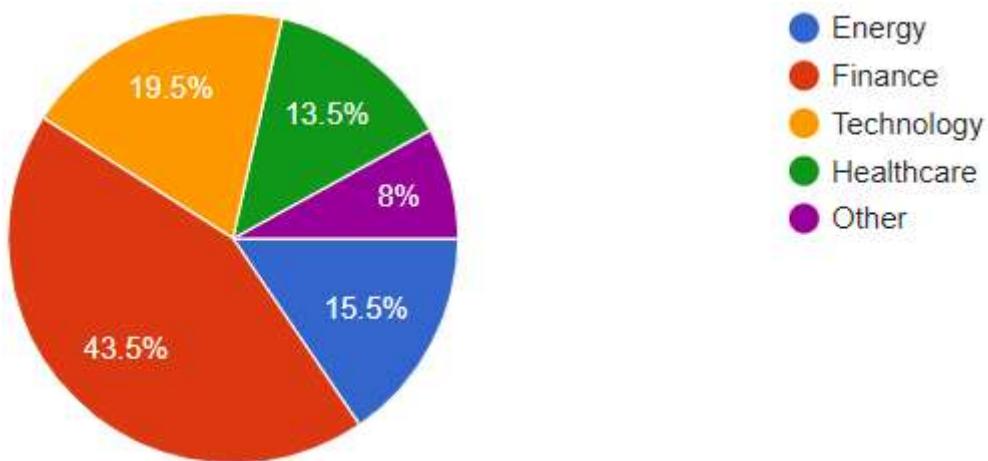


**Interpretation:**

Here 15% says that effect of war sustains for very short term, 39.50% says for short term, 35% says for long term and 10.50% says for very long period.

**8. In your opinion, which sector is most affected by war?**

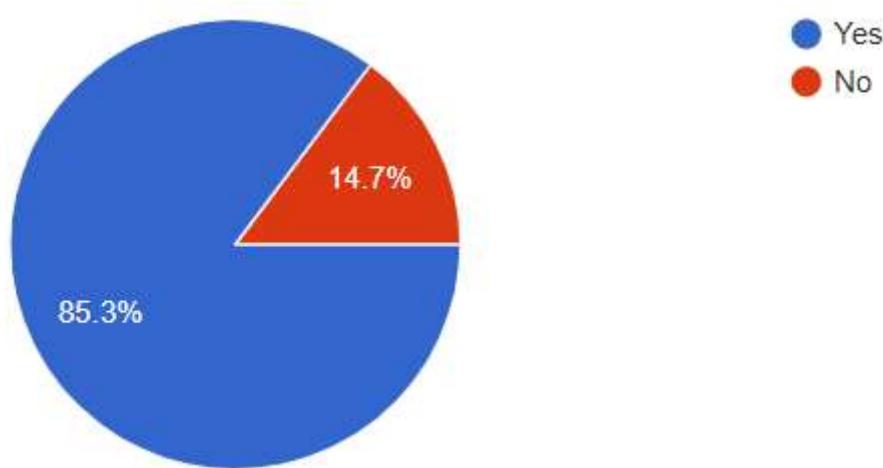
| In your opinion, which sector is most affected by war? | Number of Responses | Percentage (%) |
|--|---------------------|----------------|
| Energy   | 31                  | 15.50%         |
| Finance  | 87                  | 43.50%         |
| Technology   | 39                  | 19.50%         |
| Healthcare   | 27                  | 13.50%         |
| Other  | 16                  | 8.00%          |
|  | <b>200</b>          | <b>100%</b>    |

**Interpretation:**

As per this study Finance sector is highly affected by war i.e. 43.50% however energy at 15.50, technology at 19.50%, Healthcare at 13.50% and others at 8%.

**9. Do you think war creates inflation in the economy?**

| Do you think war creates inflation in the economy? | Number of Responses | Percentage (%) |
|--|---------------------|----------------|
| Yes  | 168                 | 85.30%         |
| No   | 29                  | 14.70%         |
| <b>Total</b>                                       | <b>197</b>          | <b>100%</b>    |

**Interpretation:**

As per this study 85.30% person think that war creates inflation in the economy however 14.70% are not agree with this statement.

**10. How to preserve your wealth during a war?**

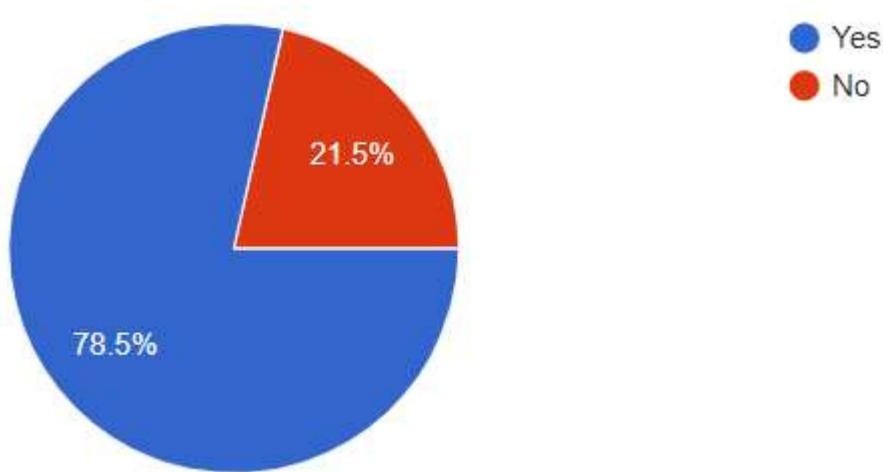
| How to preserve your wealth during a war?                        | Number of Responses | Percentage (%) |
|--|---------------------|----------------|
| By keeping patience and kept money for long term in stock market | 92                  | 46.20%         |
| By withdrawing money from market and deposit into bank           | 62                  | 31.20%         |
| Other ways   | 45                  | 22.60          |
| <b>Total</b>   | <b>199</b>          | <b>100%</b>    |

**Interpretation:**

Here 46.20% people says that we should keep patience and kept money for long term in stock market during war, 31.20% says that we should withdraw in from share market and keep it deposited in bank and 22.60 are not agree from both of the above way.

**11. Do you think that war creates volatility in the stock market?**

| Do you think that war creates volatility in the stock market? | Number of Responses | Percentage (%) |
|---|---------------------|----------------|
| Yes   | 154                 | 78.60%         |
| No  | 42                  | 21.40%         |
| <b>Total</b>  | <b>196</b>          | <b>100%</b>    |



### **Interpretation:**

Here 78.60% people think that war creates volatility in the stock market, however 21.40% people are not agreeing with this.

### **Findings:**

We found in our study that war extremely affect to the stock market at all. The effect of war on stock market depends upon the intensity and time period of war. War creates panic and volatility in the stock market.

### **Conclusion:**

This study shows that war creates long term effect on stock market. It creates spillover effect. As per study finance sector is highly affected by war. It also creates inflation in the economy.

### **Suggestion:**

As per this study the investors should keep patience and should not panic in this situation, market will take recovery when again the conditions will become normal.

### **Recommendation for further study:**

This study is only concerned with the effects of war on stock market, however there are various other factors which affect to the stock market like rumours, political disturbance etc, which may be taken for further study.

**Annexure****Q.1. Your Name:****Q. 2. Your Occupation:**

- Business
- Asst. Professor/Associate Professor/Professor
- Student
- Service
- Any other

**3. Age in years:**

- Less than 20
- 20 to 30
- 30 to 45
- More than 45

**4. Are you aware about stock market?**

- Yes
- No

**5. How does war affect the stock exchange?**

Extremely negative

Moderate negative

Do not affect

**6. Do you think war create long term effect on stock market in concerned countries?**

Yes

No

**7. Do you think war creates spillover effect on other countries also due to globalisation?**

Yes

No

**8. What do you think about the effect of war on stock market regarding time period?**

Very short term

Short term

Long term

Very long term

**9. In your opinion, which sector is most affected by war?**

Energy

Finance

Technology

Healthcare

Other

**10. Do you think war creates inflation in the economy?**

Yes

No

**11. Do you think many times rumours related to war also disturb the stock Market?**

Yes

No

**12. How to perserve your wealth during a war?**

By keeping patience and kept money for long term in stock market

By withdrawing money from market and deposit into bank

Other ways

**13. Do you think that war creates volatility in the stock market?**

Yes

No

## **Reference:**

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