

Exit Poll Prediction – 2024 And Banking Stock Response – An Event Study Approach

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Abstract

Generally political events affect stock market returns significant, since it is closely connected with economic policies affairs. In particular, the results of general elections influence the market returns, since the new government may have different economic policies and if the existing government continues similar economic policies may be expected to be sustained. But, in India, the survey organizations and news agencies are allowed to make a survey and reveal its results of exit poll prediction, this prediction may also hit the market significantly. In this context, the authors analysed the impact of exit poll prediction of Lok Saba Election of India in 2024 on banking stocks listed in BSE. for this purpose, The authors selected a total of 27 banking stocks listed in BSE including 12 public and 15 private sector banks. The researchers framed an event window of 41 days and estimation window of 150 days. A standard event study methodology was used for the analysis. The study found that the event had a significant and immediate impact on banking stocks listed on the BSE. The presence of statistically significant negative AAR on the event day indicates that investors reacted cautiously to the exit poll information, leading to a short-term decline in banking stock prices. The CAAR results further show that this event had a short-lived persistent effect on banking stocks in the following week. It is concluded that the findings confirm that exit poll predictions carried substantial informational content, influenced investor sentiment sharply in the short run, and were quickly reflected in stock prices, thereby supporting the semi-strong form of market efficiency.

Key Words: Abnormal return, cumulative abnormal return, stocks, expected return, event study, market efficiency, exit poll prediction.

Introduction

Investments in the stock market are preferred by both individual and institutional investors as they generally offer higher returns compared to other forms of investment. Returns from equity investments largely arise due to fluctuations in share prices, making market volatility a key factor in investment decision-making. Therefore, having adequate awareness and a clear understanding of the nature and direction of volatility is essential for investors to make informed and efficient investment decisions. Stock market volatility is influenced by a wide range of factors, among which information plays a crucial role. The Efficient Market Theory (EMT), propounded by Eugene F. Fama (1970), explains the manner in which information is incorporated into stock prices. According to this theory, a market is considered efficient when security prices fully and promptly reflect all available information, thereby making it impossible for investors to consistently earn abnormal returns using the same information set. Fama formally articulated this concept in his seminal work in 1970 and classified market efficiency into three forms: weak, semi-strong, and strong. Under weak-form efficiency, current stock prices fully incorporate all past price and trading volume information, implying that historical price patterns and technical analysis cannot be used to predict future prices or earn abnormal returns. In such markets, price movements follow a random walk and are independent of past price changes. Semi-strong form efficiency suggests that stock prices adjust rapidly and without bias to all publicly available information. As a result, neither technical analysis nor fundamental analysis can consistently generate abnormal returns. The event study methodology is widely employed to test semi-strong efficiency by analyzing stock price reactions to new public information announcements. Strong-form efficiency asserts that stock prices reflect all information, both public and private, including insider information, implying that no investor can consistently outperform the market. However, empirical evidence largely rejects strong-form efficiency, as insiders and certain institutional investors have been shown to earn abnormal returns, indicating that private information is not always fully reflected in stock prices.

There are many natures of events such as political, economic, industry related and specific firm related events which influence stock prices. Among them political events make impact on investors' perception, it affects stock prices based on how the information is perceived. Among various political events, election results made impact on stock prices through positive abnormal returns (Gour (2020), Chavali, Alam, & Rosario (2020), Kakar and Batra (2024)). Studies found negative abnormal returns of general election announcements (Ali & Saha (2021)). Previous studies evidenced abnormal returns of the event related to general elections in Indian stock markets (Malav, Kantharia, & Salesbhai (2024), Purba R.B., and Junawan (2025), Gupta (2025)). But, apart from actual general election results, the political event 'Exit Poll Prediction' also influences the market performance. Generally, after the last spell of general election polling exit poll predictions are allowed. Majority of the researchers concentrated on the effects of general election results and deviated from exit poll prediction. The study concentrated to know the impact of this political event on stock price performance specifically on banking stocks in India.

Literature Review

Stock market return performances of presidential election announcements in the years of 2000, 2008 and 2016 were analysed by Ndekugri & Pesakovic (2017) using the event study methodology on multinational companies Exxon Mobil, Toyota Motors, and Gazprom. The study found the presence of both positive and negative significant abnormal returns around election announcements, showed mixed market reactions, showed that markets did not always adjust instantaneously. In Indian context, the impact of the 14th Lok Sabha General Election on stock market performance was studied by Manurkar, Deshpande, & Pednekar (2018) using an event study methodology taking the selected stocks from different sectors listed on the NSE over an event window of 10 days before and after the election result. The study found significant abnormal returns and heightened volatility around the election period, showed measurable impact on stock prices by the political event. The investor sentiment and expectations related to election outcomes are rapidly reflected in market movements. Gour (2020) examined the impact of the 2019 Lok Sabha election results on the Indian stock market using the event study methodology of S&P BSE Sensex, NSE Nifty, and four sectoral indices, Banking, FMCG, IT, and Pharma over a 40-day event window. A positive reaction in Sensex, Nifty, and Banking indices were found following the election results, it showed improved investor confidence after political uncertainty was resolved. In contrast, FMCG showed a negative response, while IT and Pharma sectors remained largely unaffected.

The impact of Indian general election results of 2014 and 2019 on stock market performance was studied by Chavali, Alam, & Rosario (2020) using the market model-based event study methodology with 31 randomly selected BSE-listed companies. The findings showed significantly positive ARRs around election result announcements, showed favourable investor reaction. However, the market response differed between the two elections. Similar study but considering the results of Lok Saba Elections of 2019 was studied by Ali & Saha (2021) testing the existence of semi-strong form efficiency of the Indian capital market using the event study methodology, considered 30 BSE Sensex companies with BSE 100 as the market proxy and employed a 21-day event window. The study showed that although stock prices exhibited negative abnormal returns around the event, these returns were largely insignificant and occurred randomly. CAARs remained negative throughout the event window but were close to zero, indicating limited economic impact. The impact of Indian general elections results between 2014 and 2024 on stock market performance were studied by Kakar and Batra (2024) and found that election-related events significantly influenced market movements, with noticeable volatility and abnormal returns around election periods. Markets tend to react positively to political stability and decisive electoral outcomes, while uncertainty during election phases increases volatility, which supported the existence of semi-strong form of Indian market as election-related information is quickly incorporated into stock prices.

Similar study with similar election results was done by Malav, Kantharia, & Salesbhai (2024) with BSE Sensex data to assess short-term market reactions. The findings of the study revealed statistically significant impacts of election results in 2014 and 2019, showed heightened market sensitivity during political transitions, whereas the 2024 election showed insignificant short-term impact. The study highlighted that political events influence stock market volatility, particularly when a change in government is anticipated, and emphasizes the need for cautious investment strategies during election periods. Purba R.B., and Junawan (2025) examined the impact of general elections in Indonesia, with particular emphasis on volatility, trading patterns, and sectoral responses. The study found that election periods are associated with increased market volatility and heightened trading activity. The banking, infrastructure, and property sectors showed positive price movements driven by expectations of supportive

government policies, while energy and industrial sectors experience greater uncertainty. The short-term stock market reaction to the 2024 Indian General Election results was studied by Gupta (2025) focusing on Central Public Sector Enterprises (CPSEs) using event study methodology and found significant pre-election optimism followed by a sharp post-election decline, indicating strong investor sentiment and heightened volatility around the election outcome. The observed overreaction and gradual correction showed temporary market inefficiencies, thereby challenging the semi-strong form of the Efficient Market Hypothesis.

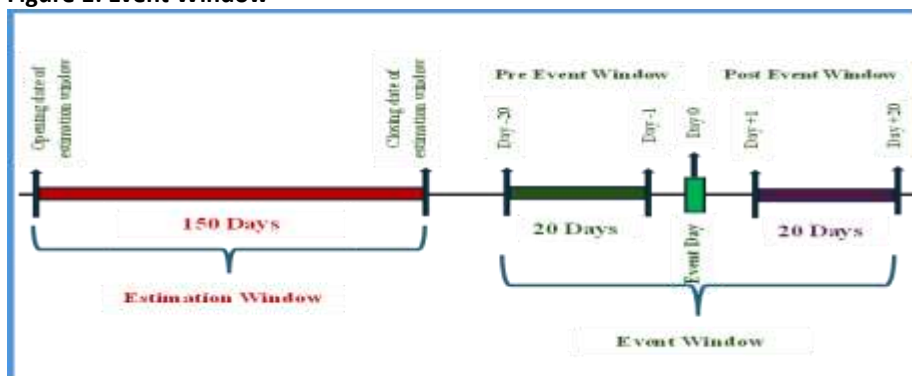
Objectives of the Study

The political event of exit poll prediction 2024 may exhibit abnormal stock prices in banking stocks for short period. In order to verify it the researcher studied the impact of exit poll prediction 2024 on banking stocks listed in BSE and also studied the persistent impact of the event during the short period. The researcher also aimed to know the magnitude of individual stock performance on the event day.

Methodology

The researcher applied a standard Event Study Methodology for the analysis. It was originally propounded by Fama, Fisher, Jensen & Roll (1969) and further developed by Brown & Warner (1980, 1985) and MacKinlay (1997). Efficient Market Theory provides the theoretical foundation for event study analysis. If the banking sector stocks listed on the BSE exhibit semi-strong form efficiency, stock prices should adjust rapidly to the political event of exit poll prediction 2024 General Lok Saba Election. The presence of significant AAR and CAAR around event dates would indicate delayed or incomplete information assimilation, thereby questioning market efficiency. Hence the researcher tested the existence of semi-strong form of market in terms of banking stocks listed in BSE. For this purpose, the researchers selected a total of 27 banking stocks listed in BSE. The broad based index of BSE500 was taken as benchmark index for the study. The least concentrated event of the political event, exit poll predictions for the 2024 General Elections, released on 1 June 2024 was taken to study. The researcher framed an event window of 41 days consisting of the event day and 20 days before and after the event. During the period the researchers computed Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR), for which the estimation window was framed for 150 days to calculate actual return, all together the researcher collected daily stock prices and the benchmark index for the period of 192 days from the official website of BSE. The researcher applied regression analysis to calculate Expected Return (ER) and used 't' test to test the significance of AAR and CAAR.

Figure 1: Event Window



Abnormal return is the outcome of results between actual return and expected return calculated using,

$$AR_{ct} = R_{ct} - ER_{ct}$$

Where, AR_{ct} = Abnormal return of company 'c' for day 't'; R_{ct} = Actual return of company 'c' for day 't'; ER_{ct} = Expected return of company 'c' for day 't'

Actual return is the percentage of return actually earned by the stock on the particular day calculated as follows,

$$R_{ct} = \frac{SP_{ct} - SP_{ct-1}}{SP_{ct-1}} \times 100$$

Where R_{ct} = Actual return of company 'c' for day 't'; SP_c = Share price of company; t =current day; $t-1$ =previous day.

Another component of the formula is 'Expected Return (ER). On the basis of past price movements of the particular stock, what is the return should have been earned on a particular day. It is calculated by the researcher using regression analysis. For this purpose, the researchers framed an estimated window consisting 150 days immediately prior to the event window. By considering 151 days stock prices, the researcher calculated return on the stock for 150 days and calculated return on broad based index BSE500 and individual stocks for the same days. Here, return on BSE500 is taken as independent variable and return on stock is taken as dependent variable. With this, the researcher run regression analysis. Calculation of return on BSE500, the following formula is used,

$$R_m = \frac{M_t - M_{t-1}}{M_t - 1} \times 100$$

Where R_m =Market return; M =Index of BSE 500; t =Current day end; $t-1$ = Previous day.

The ER is calculated using the following equation supported by regression analysis,

$$ER_{ct} = \alpha_c + \beta_c R_{mt} + E_{ct}$$

Where, ER_{ct} = Expected return of company 'c' for day 't'; α_c = Intercept for share 'c'; β_c = Systematic risk component of share 'c'; R_m = Market return for day 't' (BSE 500); E_{ct} = Error term for share 'c' for day 't'.

For computing overall effects of the selected banking stocks, the researcher calculated Average Abnormal Return (AAR) as follows,

$$AAR_t = \frac{1}{N} \sum_{c=1}^N AR_{ct} = (AR_{c1} + AR_{c2} + AR_{c3} + \dots AR_{cN})/N$$

where, N denotes number of securities considered for day 't';

Cumulative Average abnormal Returns (CAARs) were also calculated for analysing the persistent effect in the price. CAARs are the sums of daily average abnormal returns (AARs) during the event window calculated as follows,

$$CAAR_t = \sum_{t-k}^{+k} AAR_t$$

In order to check the efficiency of market, student 't' test has been applied (two tailed) to know the significance of the abnormal return for each AAR and CAAR.

Results and Discussion

This section of the paper presents the results and discussion of the impact of the political event of 'Exit Poll Prediction of Lok Saba Election 2024' on banking stock performance. For this purpose the following null hypotheses are framed.

- The return on the index BSE500 does not significantly influence the share price movements of sample banking company share prices during the study period.
- The Average Abnormal Return (AAR) of banking sector stocks in and around the event date is equal to zero on account of the selected events.
- The Cumulative Average Abnormal Return (CAAR) of banking sector stocks in and around the event date is equal to zero on account of the selected events.

The exit poll predictions for the 2024 Indian General Election, released on 1 June 2024, indicated continuity of the incumbent government at the Centre. The predictions reduced political uncertainty and reinforced expectations regarding policy stability, fiscal discipline, and ongoing reforms in the banking and financial sectors. As exit polls provide early signals of election outcomes before official results, the announcement acted as a significant political information event for financial markets. Consequently, the release of exit poll predictions influenced investor sentiment and banking sector stock prices listed on the BSE, making it a relevant event for examining market reaction using event study methodology.

Table 1 presents the descriptive statistics of abnormal returns of selected banking sector stocks listed on the BSE around the Exit Poll Prediction event of 2024 over a 41-day event window. The table summarizes the minimum, maximum, mean ($\bar{x}$), and standard deviation (σ) of abnormal returns, providing an overview of the magnitude, direction, and volatility of banking stock price movements in response to the exit poll predictions.

Table 1: Descriptive Statistics of Abnormal Returns of Exit Poll Prediction– 2024

SN	Stocks	N	Min.	Max.	$\bar{x}$	Σ
1	Bank of Baroda	41	-5.599	7.709	0.023	1.705
2	Bank of India	41	-5.239	13.800	0.530	3.163
3	Bank of Maharashtra	41	-6.267	15.845	0.171	3.493
4	Canara Bank	41	-4.921	44.167	1.076	7.132
5	Central Bank of India	41	-21.017	29.705	0.196	6.839
6	Indian Bank	41	-1.336	2.477	-0.050	0.570
7	Indian Overseas Bank	41	-17.093	24.236	0.069	5.935
8	Punjab National Bank	41	-5.716	14.833	0.070	3.176
9	Punjab & Sind Bank	41	-11.944	28.690	0.138	6.198
10	State Bank of India	41	-1.810	2.663	-0.082	0.556
11	UCO Bank	41	-11.110	17.164	0.096	4.345
12	Union Bank of India	41	-4.247	12.277	0.082	2.495
13	Axis Bank	41	-0.930	0.708	0.059	0.259
14	City Union Bank	41	-1.950	2.276	-0.027	0.772
15	DCB Bank	41	-3.819	5.287	0.116	1.521
16	Dhanalakshmi Bank	41	-5.020	4.833	-0.030	1.878
17	Federal Bank	41	-1.029	0.928	0.029	0.281
18	HDFC Bank	41	-0.600	0.688	0.152	0.206
19	ICICI Bank	41	-2.489	1.142	-0.004	0.573
20	IDBI Bank	41	-7.524	15.388	0.202	3.307
21	IndusInd Bank	41	-0.527	0.860	0.121	0.194
22	Jammu & Kashmir Bank	41	-5.804	15.832	0.302	2.944
23	Karnataka Bank	41	-1.001	1.583	0.179	0.398
24	Karur Vysya Bank	41	-2.881	2.164	-0.173	0.751
25	Kotak Mahindra Bank	41	-0.865	1.286	0.250	0.352
26	South Indian Bank	41	-3.869	7.272	0.279	1.679
27	Yes Bank	41	-4.193	8.035	0.091	2.174
28	BSE500	41	-6.725	3.600	0.205	1.466

Source: Computed from Secondary Data; Value – AR; For BSE500 – Actual Return.

Table 1 reveals substantial variability in abnormal returns across banking sector stocks during the event window period. It indicates a strong and uneven market response to the exit poll predictions of 2024. The minimum abnormal returns are particularly large for several public sector banks, such as Central Bank of India (–21.017%), IOB (–17.093%), and P&S Bank (–11.944%), reflecting sharp downside movements. On the positive side, the maximum abnormal returns are exceptionally high for certain banks, notably Canara Bank (44.167%), Central Bank of India (29.705%), Punjab & Sind Bank (28.690%), and IOB (24.236%). These extreme values indicate intense volatility and speculative trading, shows that the exit poll predictions triggered strong and rapid reassessments of banking sector prospects. In terms of mean abnormal returns, several banks reported positive averages, including Canara Bank (1.076%), BOI (0.530%), JK Bank (0.302%), South Indian Bank (0.279%), and Kotak Mahindra Bank (0.250%), implying relatively optimistic investor sentiment toward these stocks. However, a few banks such as Indian Bank (–0.050%), SBI (–0.082%), CUB (–0.027%), and KVB (–0.173%) exhibited negative mean abnormal returns, reflecting cautious or adverse reactions.

The standard deviation values further highlight the disparity in volatility across banks. Canara Bank ($\sigma = 7.132\%$), Central Bank of India ($\sigma = 6.839\%$), and P&S Bank ($\sigma = 6.198\%$) show exceptionally high volatility, while private sector banks such as Axis Bank ($\sigma = 0.259\%$), HDFC Bank ($\sigma = 0.206\%$), and IndusInd Bank ($\sigma = 0.194\%$) exhibit relatively stable price behaviour. The benchmark BSE500 index recorded a positive mean return (0.205%) with moderate volatility ($\sigma = 1.466$), indicating that although the overall market reacted positively, banking sector stocks experienced much higher dispersion and risk. It shows that the Exit Poll Prediction event of 2024 generated heightened volatility

and heterogeneous abnormal returns, underscoring the sensitivity of banking sector stocks to political information in a highly uncertain electoral environment.

Table 2 presents the Average Abnormal Returns (AAR) of selected banking sector stocks listed on the BSE around the Exit Poll Prediction event of 2024.

Table 2: AAR of the Event of Exit Poll Prediction– 2024

Day	AAR (%)	't'	'p'	Day	AAR (%)	't'	'p'
-20	1.7194	5.3892	0.0000	+1	8.5852	4.8209	0.0001
-19	2.1405	4.9650	0.0000	+2	-2.0635	-4.3539	0.0002
-18	-0.6968	-3.0934	0.0047	+3	-1.6627	-3.7871	0.0008
-17	1.6591	4.8042	0.0001	+4	-0.7841	-4.2990	0.0002
-16	-0.2673	-1.6349	0.1141	+5	-0.2230	-1.0210	0.3166
-15	1.4805	3.0611	0.0051	+6	0.1047	1.1250	0.2709
-14	-0.9716	-3.4666	0.0018	+7	-1.0300	-3.8320	0.0007
-13	1.2754	0.7696	0.4484	+8	0.0664	0.3278	0.7457
-12	0.3002	2.0036	0.0556	+9	-0.0194	-0.1726	0.8643
-11	-0.4080	-2.3889	0.0244	+10	0.4177	1.8683	0.0730
-10	-1.0069	-3.0850	0.0048	+11	0.1879	2.1793	0.0386
-9	-1.4894	-2.7308	0.0112	+12	-0.7590	-3.1057	0.0045
-8	0.1153	0.6034	0.5515	+13	0.8189	4.9891	0.0000
-7	-0.5150	-1.8741	0.0722	+14	0.4431	2.3997	0.0239
-6	0.2631	1.5459	0.1342	+15	0.4805	2.2588	0.0325
-5	-2.0136	-2.5919	0.0155	+16	0.2810	2.5032	0.0189
-4	1.7894	3.4177	0.0021	+17	0.8711	4.0488	0.0004
-3	0.2705	1.7819	0.0865	+18	-0.2918	-1.5332	0.1373
-2	1.2538	4.0213	0.0004	+19	0.0349	0.2359	0.8153
-1	-1.1816	-4.6402	0.0001	+20	0.6022	3.4017	0.0022
0	-3.9687	-4.0396	0.0004				

Source: Computed from secondary data; Sig. Level – 5% (<0.05); '0' represents Event Day

Table 2 shows a strong and statistically significant abnormal returns surrounding the exit poll prediction event. It exhibits heightened market sensitivity to political information. During the pre-event period (–20 to –1 days), several days exhibit positive and statistically significant AARs, notably Day –20 (1.72%), Day –19 (2.14%), Day –17 (1.66%), Day –15 (1.48%), Day –4 (1.79%), and Day –2 (1.25%) recorded high ARR. It shows market anticipation and speculative trading ahead of the announcement. At the same time, significant negative AARs are found on days such as –18, –14, –11, –10, –9, –5, and –1 indicate volatility and mixed expectations prior to the event. On the event day (Day 0), the AAR is negative and highly significant (–3.97%; $p < 0.01$), indicating a sharp adverse reaction by banking sector stocks to the exit poll predictions. This shows that the announcement generated immediate uncertainty or disappointment among investors, triggering short-term selling pressure. In the post-event period (+1 to +20 days), the banking sector shows continued volatility with several statistically significant AARs. A strong positive rebound on Day +1 (8.59%), it happened on account of receiving actual election result on that day. It is followed by significant negative corrections on Days +2, +3, +4, and +7, indicating rapid reassessment by investors. Subsequently, positive and significant AARs on Days +11, +13, +14, +15, +16, +17, and +20, show gradual recovery and stabilization. The presence of numerous significant abnormal returns before, on, and after the event day indicates that the exit poll prediction of 2024 had a pronounced significant impact on banking sector stocks around the event window and on the date of event. The delayed and oscillating price adjustments imply that the market did not fully absorb the information instantaneously, providing evidence of short-term inefficiency and heightened volatility in the banking sector during politically sensitive periods.

Table 4.11 presents the Cumulative Average Abnormal Returns (CAAR) of selected banking sector stocks listed on the BSE around the Exit Poll Prediction event of 2024.

Table 3: CAAR of the Event of Exit Poll Prediction– 2024

Day	CAAR (%)	't'	'p'	Day	CAAR (%)	't'	'p'
-20	1.7194	5.3892	0.0000	+1	8.3942	4.0213	0.0004
-19	3.8599	5.4308	0.0000	+2	6.3307	3.3315	0.0026
-18	3.1632	5.6405	0.0000	+3	4.6681	2.4616	0.0208
-17	4.8223	5.6638	0.0000	+4	3.8839	2.0728	0.0482
-16	4.5550	5.6651	0.0000	+5	3.6610	2.0380	0.0518
-15	6.0355	5.1554	0.0000	+6	3.7657	2.1047	0.0451
-14	5.0639	4.9349	0.0000	+7	2.7357	1.4907	0.1481
-13	6.3393	3.3761	0.0023	+8	2.8021	1.5222	0.1400
-12	6.6395	3.3805	0.0023	+9	2.7827	1.5052	0.1443
-11	6.2314	3.2309	0.0033	+10	3.2004	1.7663	0.0891
-10	5.2246	2.7605	0.0104	+11	3.3882	1.8852	0.0706
-9	3.7351	1.9267	0.0650	+12	2.6292	1.4154	0.1688
-8	3.8504	2.0166	0.0542	+13	3.4481	1.8573	0.0746
-7	3.3354	1.7482	0.0922	+14	3.8913	2.0941	0.0462
-6	3.5985	1.9126	0.0669	+15	4.3718	2.4146	0.0231
-5	1.5849	0.7211	0.4773	+16	4.6528	2.5909	0.0155
-4	3.3743	1.6957	0.1019	+17	5.5239	3.0404	0.0053
-3	3.6448	1.8561	0.0748	+18	5.2321	2.9073	0.0074
-2	4.8986	2.5515	0.0170	+19	5.2670	2.9629	0.0064
-1	3.7170	1.9396	0.0633	+20	5.8692	3.1985	0.0036
0	-0.1910	-0.0882	0.9304				

Source: Computed from secondary data; Sig. Level – 5% (<0.05); '0' represents Event Day

Table 3 shows a strong and statistically significant cumulative market response to the exit poll predictions of 2024 as shown by CAAR during the period of event window. Particularly during the pre-event period. From Day –20 to Day –15, CAAR remains positive and highly significant ($p < 0.01$), increasing from 1.72% to 6.04%, indicating strong market optimism and anticipatory trading well ahead of the announcement. This sustained rise reveals the presence of expectation building and possible information leakage prior to the event. As the event approaches, CAAR continues to stay positive and mostly significant, reaching 4.90% on Day –2, although significance weakens on a few days (–9 to –7), reflecting heightened volatility and mixed sentiment. On the event day (Day 0), CAAR sharply drops to –0.19% and becomes statistically insignificant, indicating a sudden correction and reassessment by investors in response to the actual exit poll predictions. In the post-event period, CAAR increased positively on Day +1 onwards (8.39%), on account high positive return on that day. CAAR again turns positive and gradually increases, becoming statistically significant from Day +6 onwards, and reaching 5.87% by Day +20. Significant CAAR values on Days +14, +15, +16, +17, +18, +19, and +20 indicate a delayed but sustained positive cumulative impact, suggesting that investors gradually regained confidence and adjusted their portfolios in favor of banking sector stocks.

The CAAR pattern reveals that the major cumulative impact of the exit poll prediction – 2024 occurred both before and after the event day, rather than on the announcement itself. The sharp dip on the event day followed by a steady recovery indicates short-term market overreaction and subsequent correction, providing evidence of partial semi-strong form inefficiency and pronounced volatility in the banking sector during politically sensitive periods. The event of exit poll predication of 2024 had persistent effects in short period, i.e. upto four days from the event date.

The results of AAR and CAAR of the event of exit poll predication of 2024 are presented in the following figure.

Figure 2: AAR and CAAR of the Event of Exit Poll Prediction 2024

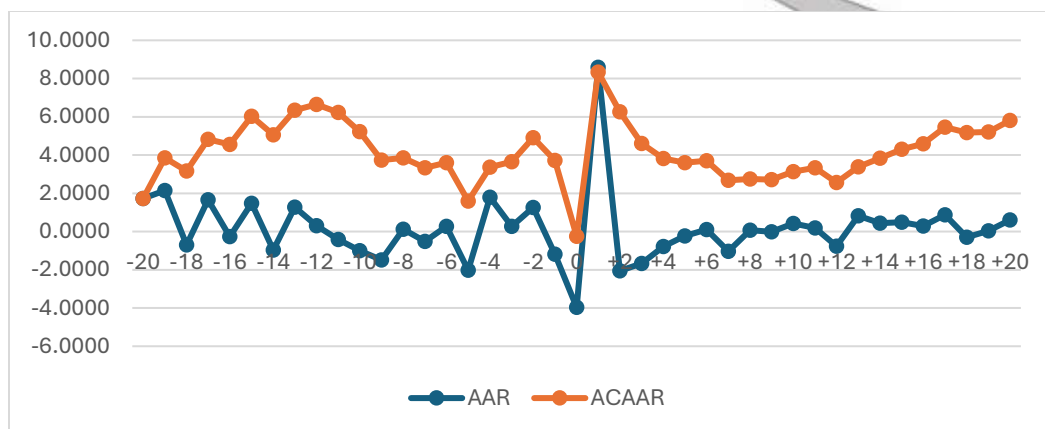


Table 4 presents the quantum of abnormal returns (AR) of the selected banking sector stocks on the event day of Exit Poll Prediction – 2024.

Table 4: Quantum of AR of Samples of the Event of Exit Poll Prediction– 2024

SN	Particulars	Positive Returns	Negative Returns	Total
1	Abnormal Return (AR) on the day of event	5	22	27
2	AR < 1%	4	5	9
3	AR >1% and <3%	1	5	6
4	AR >3% and <6%	0	6	6
5	AR >6% and <9%	0	3	3
6	AR >9%	0	3	3

The results in Table 4 indicate a strongly negative market reaction to the exit poll predictions of 2024. Out of the 27 sample banks, 22 banks recorded negative abnormal returns, while only 5 banks showed positive abnormal returns, reflecting widespread investor pessimism and risk aversion on the event day. An analysis of the abnormal returns shows that negative reactions were not only widespread but also intense. While 9 banks experienced mild abnormal returns of less than 1%, a considerable number of banks recorded larger declines, with 6 banks each falling in the 3–6% and 1–3% ranges. Notably, 3 banks recorded abnormal returns between 6% and 9%, and another 3 banks experienced abnormal returns exceeding 9%, indicating sharp and extreme negative price movements for a few banks. In contrast, the positive abnormal returns were limited and relatively small in magnitude, with only 4 banks recording gains below 1% and just 1 bank in the 1–3% range. No bank recorded positive abnormal returns beyond 3 percent, underscoring the dominance of negative sentiment.

Conclusion

Generally political events affect stock market returns significant, since it is closely connected with economic policies affairs. In particular, the results of general elections influence the market returns, since the new government may have different economic policies and if the existing government continues similar economic policies may be expected to be sustained. But, in India, the survey organizations and news agencies are allowed to make a survey and reveal its results of exit poll prediction, this prediction may also hit the market significantly. The analysis of the paper how the exit poll prediction of general election 2024 hit banking stocks reveal that it had a significant and immediate impact on banking stocks listed on the BSE. The presence of statistically significant negative AAR on the event day indicates that investors reacted cautiously to the exit poll information, leading to a short-term decline in banking stock prices. The CAAR results further show that the negative impact was more pronounced in the immediate post-event period, suggesting temporary uncertainty and heightened market volatility following the predictions. Stock-wise analysis highlights that public sector banks experienced stronger and more adverse abnormal returns compared to private sector banks, reflecting their higher sensitivity to political expectations and potential policy outcomes. It is

concluded that the findings confirm that exit poll predictions carried substantial informational content, influenced investor sentiment sharply in the short run, and were quickly reflected in stock prices, thereby supporting the semi-strong form of market efficiency.

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