

Strathmore
UNIVERSITY

**Impact of General Elections on Stock Market Returns:
A Case of the Nairobi Securities Exchange.**

Kimutai Ruth Cheptoo, 098597

**Submitted in partial fulfilment of the requirements for the Degree of
Bachelor of Business Science Financial Economics at Strathmore University**

Strathmore Institute of Mathematical Sciences
Strathmore University
Nairobi, Kenya

May, 2025

This Research Project is available for Library use on the understanding that it is copyright material and that no quotation from the Research Project may be published without proper acknowledgement.

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the Research Project contains no material previously published or written by another person except where due reference is made in the Research Project itself.

© No part of this Research Project may be reproduced without the permission of the author and Strathmore University

..... [Name of Candidate]

..... [Signature]

..... [Date]

This Research Project has been submitted for examination with my approval as the Supervisor.

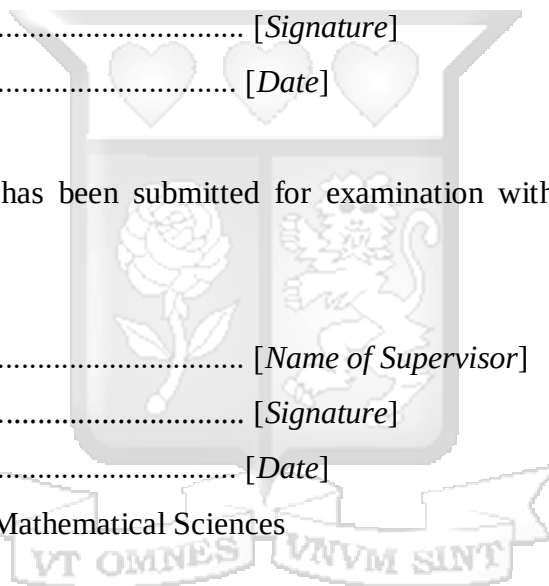
..... [Name of Supervisor]

..... [Signature]

..... [Date]

Strathmore Institute of Mathematical Sciences

Strathmore University



ACKNOWLEDGMENT

First and foremost, I give praise and thanks to God Almighty for His blessings and favour upon me and for the grace and strength to start and complete this research project successfully after a long journey. I am grateful for the constant encouragement from my family and supervisor to push till the end.



ABSTRACT

This study investigated the Impact of General Elections on Stock Market Returns: A Case of the Nairobi Securities Exchange (NSE). The study investigated historical data to identify and analyse patterns in stock market returns during and around general election periods in Kenya. It also examined how different economic sectors represented on the NSE respond to general elections. Twenty-seven (27) companies and nine (9) sectors in the NSE were analysed. The companies were selected based on their market capitalization and sectors for sampling. Event study methodology approach was used and a comprehensive analysis of historical stock market return data from the Nairobi Securities Exchange, spanning 2012- 2022 covering three (3) election cycles was done. The study concluded that the Kenyan market was still sensitive to the elections though the statistical significance declined from 2013 to 2022. The stocks exhibited heterogeneity in their reaction during the elections while the Investment and Banking sectors were the most and least affected respectively during all three elections.

Keywords: General Elections, Stock Market Returns, Nairobi Securities Exchange, Political Events, Event Study Methodology, Kenya.

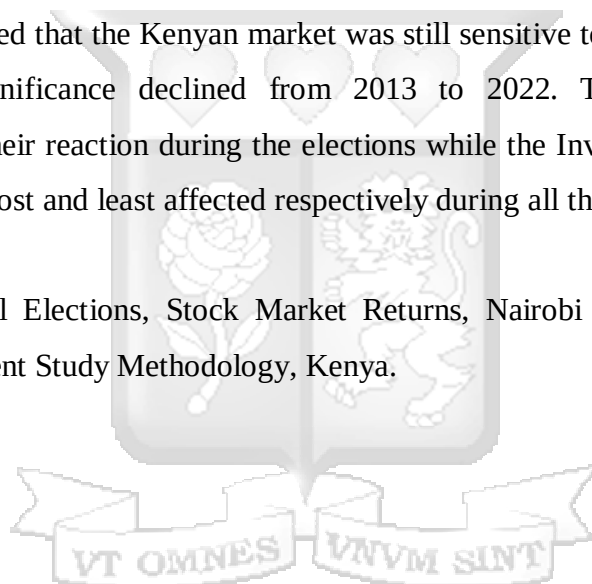


Table of Contents

DECLARATION	ii
ACKNOWLEDGMENT	iii
ABSTRACT	iv
Table of Contents	v
List of Abbreviations	viii
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background	1
1.2 General Elections in Kenya.....	2
1.3 Stock Market in Kenya	3
1.4 Stock returns and general elections	4
1.5 Problem Statement.....	5
1.6 Research objective.....	6
1.7 Research questions	6
1.8 Significance of the study.....	6
1.9 Scope and organization of the study	7
CHAPTER TWO.....	8
LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Theoretical Literature Review	8
2.2.1 Efficient Market Hypothesis	8
2.2.2 Behavioural finance.....	9
2.2.3 Political Business Cycle	10

2.3	Empirical Literature Review	10
2.3.1	International studies.....	10
2.3.2	Local studies	13
2.4	Overview of literature.	15
2.4	Literature gap.....	16
2.5	Conceptual framework.	16
CHAPTER THREE		17
RESEARCH METHODOLOGY.....		17
3.1	Introduction.....	17
3.2	Research design	17
3.3	Population and Sampling.....	17
3.4	Data.....	20
3.5	Data Analysis.....	21
3.5.1	Descriptive statistics	21
3.5.2	Model selection	21
3.5.2.1	Abnormal returns.....	21
CHAPTER FOUR.....		24
EMPIRICAL ANALYSIS		24
4.1	Descriptive statistics.....	24
4.1.1	Measures of Central Tendency.....	24
4.1.2	Correlation analysis.....	27
4.2	Empirical analysis.	28
4.2.1.	Identify and analyse patterns in stock market returns during and around general election periods in Kenya.....	29
4.2.2.	Examine how different economic sectors in the NSE respond to general elections.	35
CHAPTER FIVE.....		39

CONCLUSION.....	39
5.1 Summary of Key Findings	39
5.2 Discussion	39
5.3 Conclusions	40
References.....	42



List of Abbreviations

NSE Nairobi Securities Exchange PLC

GARCH Generalised Autoregressive Conditional Heteroscedasticity

ESM Event Study Methodology



CHAPTER ONE

INTRODUCTION

1.1 Background

The intersection between political events and financial markets has been a subject of interest for researchers, investors, and policymakers. In the context of developing countries, such as Kenya, where political stability is linked to economic growth (Cervantes Martínez, 2015)) due to its effect on economic variables and notably stock market dynamics.

General elections are pivotal moments in any nation's democratic journey, embodying the collective voice of the electorate and charting the course for governance, economic policies, and overall stability (Arestis, 2019). The electoral cycles in Kenya have witnessed both moments of political stability and instances of heightened uncertainty, each leaving a distinct imprint on investor sentiment and market behaviour.

Several factors contribute to the potential impact of general elections on stock market returns. Investor confidence, policy expectations, and the perceived stability of the political landscape all play a crucial role in shaping market trends during election periods (Kariuki & Waititu, 2019). Investors may opt to hold their current stocks until after elections with the assumption that the market will have corrected and gone back to normal. Other investors may sell or buy more stocks to take advantage of the other uncertain investors who sell at cheaper prices with the need to hold cash.

This research aims to delve into the dynamic relationship between electoral cycles and stock market performance, with a specific focus on the Nairobi Securities Exchange which is the largest exchange in East and Central Africa (Gichiri, 2021).

The Nairobi Securities Exchange, as the primary platform for securities trading in Kenya, serves as a barometer reflecting the market's response to political uncertainties surrounding general elections.

1.2 General Elections in Kenya

General elections are an important part of Kenya's democratic process shaping the trajectory of governance, policy direction, and socio-economic development (Maina, 2017). It involves the election of the President, Members of Parliament, Governors, Senators, County Women Representatives and Members of County Assemblies. Elections display different ideologies and priorities held by different stakeholders. The stakeholders include political parties, civil society, and international observers, contributing to the broader legitimacy and credibility of the elections (Kanyinga, 2013).

Since independence, Kenya has held numerous elections with the most recent one in 2022. The electoral history of Kenya has been marked by moments of both triumph and challenge (Oyuke, 2014). While elections have often been a platform for peaceful transitions of power, certain contests have been marred by disputes, leading to efforts to enhance the integrity of the electoral system. Notable milestones, such as the restoration of the multi-party system prior to the 1992 elections, the coalition government after the 2007 elections and the adoption of a new constitution in 2010, have sought to address historical electoral grievances and reinforce the democratic principles that underpin the electoral process.

The Constitution of Kenya provides the legal foundation for the conduct of elections, emphasizing principles of transparency, fairness, and inclusivity (Constitution of Kenya, 2010). General elections are overseen by an electoral body called the Independent Electoral and Boundaries Commission (IEBC). It was tasked with the organization and management of elections in Kenya (IEBC, 2024). Its mandate includes voter registration and education, candidate nomination oversight, and the conduct of free and fair elections. As Kenya approaches each election cycle, the nation witnesses heightened political activity, public discourse, and civic engagement. The electoral outcomes not only determine the composition of the government but also influence policy priorities, socio-economic development, and the overall stability of the country.

1.3 Stock Market in Kenya

Established with the inauguration of the Nairobi Stock Exchange (NSE) in 1954, the Kenyan stock market has evolved significantly over the years, reflecting the nation's economic development, regulatory advancements, and technological innovations. At its core, the stock market serves as a platform where buyers and sellers come together to trade financial instruments, such as stocks or equities, representing ownership in publicly listed companies (Mwangi, 2013). Investors, ranging from institutional entities to individual traders, participate in the market with the goal of capital appreciation, dividend income, and portfolio diversification.

The Nairobi Stock Exchange, now known as the Nairobi Securities Exchange PLC, is the primary exchange where securities are traded in Kenya. It has played a central role in providing companies with access to capital for expansion, infrastructure development, and innovation. Over the years, the NSE has witnessed notable transformations, including the digitization of trading processes, the introduction of new financial instruments leading to the change of the name, and improvements in regulatory frameworks aimed at enhancing market transparency and investor protection (Our Story: Nairobi Securities Exchange, 2024)).

It is overseen by the Capital Markets Authority which is the regulatory body of the securities market (About Us:Capital Markets Authority, 2024). The listed companies must comply with the requirements set by the Authority. The Authority plays a pivotal role in safeguarding investor interests, maintaining market stability, and fostering confidence in the financial system.

The Nairobi Securities Exchange has different segments that are based on products offered by the company, which include, agricultural, automobile, banking, commercial and services, construction and allied, energy and petroleum, insurance, investment, investment services, manufacturing and allied, telecommunications and technology, real estate investment trust and exchange traded funds (Listed companies: Nairobi Securities Exchange, 2024).The securities market is key in helping companies get capital as well as showing the opportunities for investment. There are over 60 listed companies on the Nairobi Securities Exchange platform.

1.4 Stock returns and general elections

Political events have influence over financial markets (Gitau, 2017); (Kariuki, 2019). General elections are major political events in a country that have profound impact on policies, governance structures, and the broader economic environment. The Nairobi Securities Exchange (NSE) emerges as a dynamic arena wherein the outcomes of elections can markedly shape asset valuations and market sentiment (Gitau, 2017)

The correlation between stock returns and general elections is a significant example of political events and financial market dynamics. Beyond the immediate responses during election cycles, the anticipation and aftermath of general elections are reflected in the stock market. Investors navigate uncertainties surrounding election outcomes differently with some buying, selling or holding, this uncertainty leads to volatility of stock prices as Lusinde (2012) concluded in his study of volatility of stock prices around general elections. These decisions influence market conditions, and shapes long-term investment strategies (Gitau, 2017). The Kenyan context is particularly intriguing due to its multi-party-political system, diverse economic sectors represented in the stock market, and the historical significance of elections in shaping the nation's trajectory (Gitau, 2017)

An understanding of the intricate relationship between stock returns and general elections entails an examination of factors such as investor sentiment, policy expectations, and the potential consequences of political changes on diverse economic sectors (Gitau, 2017). Research in this domain involves delving into historical patterns of stock market behaviour during election periods, seeking to identify trends, anomalies, and the underlying mechanisms steering market responses.

1.5 Problem Statement

The stock market as a critical component of Kenya's financial infrastructure, is subject to various external factors that influence its performance. Among these factors, the impact of general elections on returns has been a subject of growing concern. Elections, being pivotal moments in the democratic process, have the potential to introduce uncertainties and fluctuations in investor sentiment, thereby affecting the stability and efficiency of the stock market. Stock prices are more volatile around announcements and especially so, with bad news compared to good news. This leads to uncertain returns in the financial markets. Investors tend to overreact or underreact with new information as seen in behavioural finance.

The scarcity of a well-defined understanding of how political events, particularly general elections, impact stock market returns hinder informed decision-making and risk management around that period. Moreover, the existing studies such as Shyam (2019) and Nguthi (2013) predominantly focus on the overall effect on stock market performance, and there is a lack of in-depth analysis specific to the different segments represented in the Nairobi Securities Exchange.

Murigi (2008) studies the impact of elections on the segments in the NSE. The author concluded that the financial & investor sector was the most impacted with the agriculture segment having the least changes in prices. Since 2008, there have been additions in the number of listed companies in the NSE. Studies such as this leave a gap in having recent studies with the new constitution and change in government regimes.

To address this gap, it is important to investigate the relationship between general elections and stock market returns in Kenya, with a concentrated emphasis on the NSE segments. The potential implications on investor confidence, capital flows, and the overall health of the Kenyan financial system underscore the need for such research.

This study aims to explore historical patterns, empirical data, and theoretical frameworks on the relationship between general elections and stock market returns in the Kenyan context by focusing on the Nairobi Securities Exchange.

1.6 Research objective

The primary objective of this study is to investigate and analyze the impact of general elections on stock market returns, focusing specifically on the companies listed under the equities market in Kenya's Nairobi Securities Exchange (NSE). The study aims to achieve the following objectives;

- i) To investigate historical data to identify and analyze patterns in stock market returns during and around general election periods in Kenya.
- ii) To examine how different economic sectors represented on the NSE respond to general elections.

1.7 Research questions

Specifically, the study sought to answer the following questions:

- i) What are the patterns in stock market returns during and around general election periods in Kenya?
- ii) How do different economic sectors represented on the NSE respond to general elections?

1.8 Significance of the study

This study is essential for investors and market players seeking to navigate the market effectively by helping inform investment strategies. The study aims to show different sectoral responses to elections that will help market players in creating diverse portfolios during election periods.

It will be of help to policymakers aiming to foster a resilient and responsive financial system by identifying the patterns that characterize the market's response to political events. The study will also help in providing evidence to support or lead to making evidence-based policy decisions.

1.9 Scope and organization of the study

In the subsequent sections of this research, it will delve into the literary resources, methodology, data analysis, and findings that aim to shed light on how general elections impact stock market returns, providing valuable insights for investors, policymakers, and scholars interested in the intersection of politics and finance and will end with a summary and conclusion.

The study focuses on the 2013, 2017 and 2022 election years with 2012, 2016 and 2022 being the observation periods. The study also focuses on the Equity market of the NSE with a focus on all securities listed in the market.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literary review related to stock returns and general elections. Section 2.2 entails the theoretical literature review; section 2.3 discusses the empirical literature review and section 2.4 summarizes the chapter with an overview of the literature.

2.2 Theoretical Literature Review

Various theories have been used to explain the stock market characteristics and some of the links to political events. These theories include the Efficient Market Hypothesis, Behavioural finance Event study and Political Business Cycle. This section discusses these theories.

2.2.1 Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) has been a pivotal concept in financial economics since its inception by Eugene Fama in the early 1960s. This theory posits that financial markets are efficient, and that all available information is quickly and accurately reflected in asset prices. The theory assumes the rationality of investors, the stock price has all relevant information both public and private investors have homogenous expectations. The EMH is grounded in the belief that in a fully efficient market, it is impossible to consistently achieve abnormal returns through the analysis of historical price information or other publicly available information.

Fama (1970) proposed three forms of the EMH: weak, semi-strong, and strong. The weak form suggests that past price and volume information is already reflected in current prices, the semi-strong form argues that all publicly available information is reflected in prices, and the strong form posits that all information, including private information, is incorporated into asset prices. Market efficiency is improved by competition between companies with sector-specific changes or market-specific. (Nyangweso, 2011) in their study testing the weak form of market efficiency in the Kenyan Stock Market, concluded that historical prices are important in predicting future prices, but the Kenyan market is still lacking in resource allocation.

Notable contradictions include behavioural finance theories, which argue that psychological factors and irrational behaviour can lead to market inefficiencies (Shleifer, 2000). Behavioural biases, such as overreaction and herding behaviour, challenge the assumption of rationality embedded in the EMH.

This study borrows the assumption that the stock prices have all relevant information. The theory does not work for this study in assuming the rationality of investors as investor confidence will be seen with abnormal returns in the securities market.

2.2.2 Behavioural finance

Behavioural finance attempts to explain and increase understanding of the reasoning patterns of investors, including the emotional processes involved and the degree to which they influence the decision-making process, (Ricciardi, Fall 2000) The study of behavioural finance has led to the development of certain theories that discuss the irrationality of investors.

Prospect Theory is one such, which was developed by Daniel Kahneman and Amos Tversky (1979). Investors are more sensitive to possible losses than gains making them more risk-seeking for losses and risk-averse when gains are made.

The Overconfidence Bias, introduced by De Bondt and Thaler (1985), delves into the cognitive biases that influence decision-making. It sheds light on how individuals may overestimate their own capabilities and the precision of their information.

Herd Behaviour, introduced by Kuran and Bikhchandani (1995), ventures into the realm of collective decision-making, exploring how individuals imitate the actions of a larger group. Due to lack of the ability to process all information and choosing shortcuts to reduce mental activity, some investors opt to follow the popular voice in the market.

In summary, These behavioural finance theories offer profound insights into the intricate relationship between general elections and stock market returns. The study draws on these theories to unveil the psychological dimensions of decision-making and market dynamics during election periods. However, acknowledging the limitations is crucial, as these theories might not provide a comprehensive explanation for the multifaceted nature of market behaviour during elections such as private information and rationality in some instances. The study may need to incorporate additional factors and perspectives

to offer a truly nuanced understanding of the complex interplay between general elections and stock market movements.

2.2.3 Political Business Cycle

Nordhaus (1975) introduced the notion that elected officials strategically time economic expansions to coincide with election cycles. Thus, creating a favourable economic environment to boost their electoral prospects. This may be characterized by the completion of pending projects and lowering costs of certain essentials.

This theory tries to link politics to economics. Hibbs (1977) provided evidence that political candidates tend to manipulate fiscal policies to stimulate the economy before elections. Additionally, subsequent research by Rogoff and Sibert (1988) and Alesina and Roubini (1992) supported the notion that politicians strategically time economic policies to influence voters. As the theory has been studied, the role of communication strategies, media influence, and public perception in shaping political cycles has become an area of increasing interest. (Eisfeldt, 2006) The theory has evolved to integrate behavioural economics and input from psychology on the response of voters to different economic stimuli.

This theory has been challenged with the existence of various factors other than political influence affecting economic conditions in a region that lead to endogeneity of results. Nordhaus (1989) and Brender and Drazen (2008) have attempted to address endogeneity concerns, emphasizing the importance of rigorous econometric methodologies.

This theory is helpful to this study in having established a relationship between politics and economics. The study includes companies operating in different parts of the Kenyan economy which are affected by some of the political decisions made.

2.3 Empirical Literature Review

This part of the review explores different studies done in the area of research. It considers the objectives, methodology and findings. 2.3.1 covers international studies while 2.3.2 looks into the research done in the Kenyan context.

2.3.1 International studies

Suleman (2012) while studying the effect of good and bad political news used the Karachi stock index to represent the Karachi Stock Exchange. The variables, returns and volatility were tested using Exponential GARCH models. Good news had a positive effect on returns and a decrease in volatility was observed whereas bad news had a negative effect on returns by decreasing them while an increase was seen in volatility. Bad news had a stronger effect than good news on volatility. Further, the research showed the response of different sectors to the news. The Financial and Auto and Parts sectors had more positive returns while Basic material and financial sectors had more volatility with good news. When bad news occurred, the returns and volatility of the Financial and Basic materials sectors had the most impact. Some of the sectors showed insignificant results, this meant that they were not affected by political news. This study focuses on general elections in the Kenyan context by checking for abnormality of returns.

Kolawale & Ademole (2019) studied Political risk on the Nigerian stock market. The study was set to determine the effect on stock returns and volatility of the market. A causal research design was employed as the study sought to determine a cause- effect relationship between political risk, stock market returns and volatility. GARCH model was used in the analysis of the Nigerian all-share index for the periods 1985-2018. The author used secondary data. The study concluded that there was indeed an effect of political risk on the two variables all be it insignificant and there exists a linear relationship.

Qubbaja and Omar (2019) studied the effect of political events on the Palestinian Stock market using the Al-Quds index. The study covered 27 elections between 1997 and 2016. The study applied event study methodology regression analysis on the data with event windows 1,5,10,15 and 20 days. The data was divided into favourable and unfavourable events. The study concluded that elections had no significant impact on the index returns. The index did not show the impact on the different industries that were in the market which this study aims to discover.

Santos (2019) studied the stock market reaction to the Brexit announcements. The study focussed on the UK top exporters and importers market indices. These were the USA, Germany, France, Netherlands, Ireland, China and Switzerland. The study employed traditional event study methodology in observing the trading volumes and returns. Time series regression models such as the auto-regressive moving average model were used in

calculating the expected returns under. The study used five and two for event windows pre and post the announcement date. The study found that abnormal returns and cumulative abnormal returns were not equal to zero. The researcher concluded that the markets were well informed about the announcements and reacted as expected. This was in line with the semi strong form of efficient markets.

Kumara and Fernando (2020) studied fifteen major political events from 1st May 2009 to 29th March 2018 effect on the Colombo Stock Exchange index in Sri Lanka. Sri Lanka like Kenya is an emerging market, the researcher aimed to add empirical literature to the scarce material available to emerging markets. The study used 2,7,15 and 30 days before and after the election days as the event window. The research concluded that political events have an effect on stock performance both significantly and insignificantly. The study does not show the direction of the impact due to the inefficiency of the market which took 30 days post elections to correct itself. This study uses a 30-day event window to check for the impact of the elections in Kenya.

Parab and Naik (2020), in their study of the impact of economic events on stock market returns in India, examined the different reactions to expected and unexpected events. Using regression analysis with date dummy variables, they found that there were immediate positive or negative reactions though the responses were short term and the stock market recovered quickly. Unexpected events led to more dramatic effects that create opportunities for arbitrage which contradicts the efficient market hypothesis. The study also investigated the sectoral responses with each event that this study aims to do as well. The study will look at political events as opposed to economic events in Kenya.

Afego (2023), in the study “How do markets react to political elections during periods of insecurity and governance crises? Evidence from an African emerging democracy” aimed to operationalize insecurity and governance crises to study their effects on stock market response to two political events in Nigeria – the 2015 and 2019 presidential elections. The study used event study methodology and made three conclusions. First, expectations of an incumbent (opposition) getting re-elected (elected) in the face of internal insecurity and governance challenges reflect in aggregate stock returns. Second, there are pronounced differences in how these expectations adjust to the actual election results. Third, the effects vary across sectors, with banking stocks exhibiting greater sensitivity relative to oil and

gas stocks. The study focussed on two election periods and only two sectors that were key in the study. This study will look at the Kenyan stock market during seemingly differently characterised elections and more than two sectors in the equities market.

Yiadom (2023) used Generalized Method of Moments to investigate the effect of general elections on stock market performance in selected African markets. The markets studied were Ghana, Kenya, Mauritius, Namibia, Nigeria, Botswana, Rwanda, South Africa, Tanzania, Zambia, Zimbabwe, Eswatini, Morocco, Egypt and Tunisia. The study concluded that electioneering activities positively affect the performance of the stock market, signifying a direct relationship with the stock market performance indicators. When the elections lead to a change in government, the effect is that the stock market shrinks. It was also observed that GDP and inflation significantly shape the stock market performance. The dependent variables used were trade volume, market capitalization and trade value divided by the country's GDP. The study covered various countries hence a gap was left in which sectors were mostly affected by the change in government and electioneering activities that this study will try to fill.

2.3.2 Local studies

Murigi (2008) aimed to investigate the effect of elections in Kenya on the returns of stocks in various segments of the NSE market. The study focused on the election years from 1997- 2007 and the segments; Agricultural, Commercial and services, Finance and investment and Industrial and Allied were analysed. The study employed Event Study Methodology to analyse the abnormalities in return. It found evidence of drastic change in share prices and the volume of stocks traded at the stock market during the election period. Abnormal returns were found to be positive before an election takes place and become negative thereafter. The agriculture sector was the least affected while the Industrial and Allied and financial and Investment Sectors were hugely affected as seen in the returns. The study did an analysis of the segments compared to many in the Kenyan context that focussed on the Index and individual companies which this study will also focus on. This study aims at filling the literary gap of updated studies on the various segments affected during general elections with a wider range of segments and increased securities.

Irungu (2012) investigated the informational content of general election results announcements on the stock market performance for the elections in 2002 and 2007. The study used event study methodology on the companies within the NSE 20 share index. The researcher computed share price changes as measured by the market capitalization. The event window was 21 days, the estimation and post event windows were both 30 days. Significant abnormal returns were seen after the announcements were made. The study concluded that there exists a strong relationship between the announcement of election results and the stock market performance.

Lusinde (2012) studied the volatility of stock returns in listed companies around general elections. The study applied GARCH model to 20 out of the 47 listed companies from 1997 to 2007. The researcher used the GARCH model to analyse the data. The event window was 30 days before and after the election dates. The study concluded that volatility increases around elections and especially around the election date. This study goes further to investigate the impact of the elections in different sectors and companies. Nguthi (2013) used Event study methodology and market model in examining the effect of political news on stock markets in Kenya during the 2013 election period. The study sampled the 20 companies in the NSE 20 index due to their total contribution to trading volumes being 80%. One of the companies, CMC holding Ltd was under suspension hence omitted from the study. The event window of 60 days pre and 60 days post the election date of 4th March. The study noticed volatility in stock prices in the short term to the election date. The prices rose during the election period which may be explained by the confidence of investors in the new government. Positive abnormal returns were observed before elections and negative abnormal returns were observed after elections. The study also observed the market correcting itself 20 days post elections which added to the implication that the market is efficient in the semi-strong form. Despite the abnormality of returns 17 out of the 19 stocks analysed were statistically insignificant. This study does a comparative analysis of different election years and sectors in the NSE.

Zainabu (2014) assessed the effect of elections on the stock market returns in Kenya. The study delved into the elections between 1996 and 2013 through analysis of the companies in the NSE 20 like Nguthi (2013). Monthly data of stocks was collected for the election's periods 1997- 2013. Event study was used with returns collected -1 year and +1 year after

the event. The study concluded that stock returns were affected by elections and differently due to the election itself. This study uses shorter event windows to arrive at a conclusion that can be compared to the reviewed study.

Shyam (2019) studied the effect of Macro- Economic Factors on the stock market performance of the NSE 20 constituent companies. The researcher focused on political events, technology adoption and foreign direct investment as the factors. A descriptive research design was applied on secondary data from Central bank of Kenya, Kenya National Bureau of Statistics, and the National Treasury. Regression analysis was applied on the data. It was concluded that there was a positive but insignificant correlation between political events and NSE performance which was attained through paired sample t tests on the mean returns before, during and after the elections for each year. As opposed to regression analysis this study applies event study methodology as it focuses on one variable affecting the NSE.

2.4 Overview of literature.

This section gives a summary of the literature reviewed.

The efficient market hypothesis and behavioural finance theories describe the impact external factors have on stock prices. The EMH posits that in an efficient market the stock prices reflect all available information and assumes rationality of investors which is challenged by behavioural finance which delves into the human side of investors.

Investors may invest in certain companies because of personal beliefs and not just profit based. Some investors opt to follow the crowd when investing and is explained by herding behaviour.

Political Business cycle tries to explain how politicians change policies before elections to cater to the voters' needs in order to be re-elected. In Kenya each electoral seat has different consecutive terms a politician can be re-elected. Due to the democratic process the Kenyan context undergoes the cycle every five years. The policies or decisions made by politicians cut across the stock market as the companies are in different economic sectors hence the value of securities may change.

The international studies focused on emerging markets Pakistan, Sri Lanka, Nigeria, India and Palestine. The studies concluded that there was a relationship between political news

in their respective stock markets. Some of the studies focused on various countries reaction to political events such as Brexit and elections. The studies applied different methodologies such as GARCH, event study and generalised method of moments for different election periods and economic events.

The local studies reviewed show different election periods that were studied the earliest being 1997 up to 2017. The authors used different methods to conclude the existence of a relationship between politics and the financial market. The studies used companies in the NSE 20 share index for sampling the stock market.

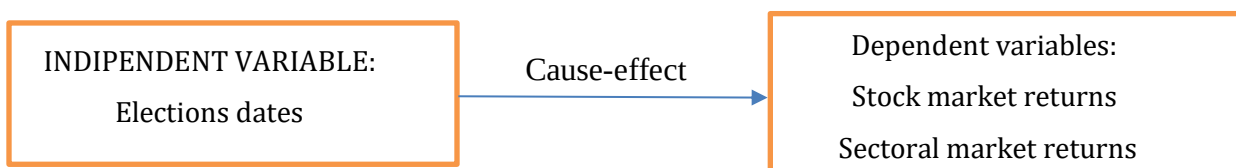
2.4 Literature gap

This study aims to fill the gap of lack of evidence in emerging markets by adding the Kenyan market as one of reference, especially with changes in fiscal policies as well as the constitution. It also aims to add the direction of the impact of elections as well as any sectoral variances that may exist during elections in 2013 to 2022. The study aims to use all securities as opposed to sampling from the index or segments.

The variables of interest from the empirical literature were stock market returns and which was calculated as using lognormal return method and election periods. The stock market returns are the dependent variables.

2.5 Conceptual framework.

The first objective of the study is to identify and analyse patterns in stock market returns during general elections in which the empirical literature gave possible patterns to be expected in the study. The second objective is to examine the response of different economic sectors represented; few studies reviewed noted that some sectors had bigger responses while others were not as impacted by elections.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology explains the procedure the study aims to achieve the objectives by identifying patterns, trends, and relationships between general elections and stock market returns. Section 3.2 presents the research design; section 3.3 presents the population and 3.4 presents sampling; section 3.5 presents data and data collection methods instruments used; section 3.6 presents data analysis.

3.2 Research design

The research design is the blueprint for fulfilling objectives and answering questions (Schindler, 2014). The study applies the cross-sectional time series descriptive design. The approach was employed as it aimed to generate information on how the general elections impact stock market returns and how different segments react.

3.3 Population and Sampling

The target population is the total number of individuals in the groups of study. The population of the study is 63 companies listed on the Nairobi Securities Exchange.

The study will not sample but aims to incorporate all companies listed on the NSE in analysis.

SECTOR	COMPANY.
a) Agricultural	1. Sasini (SASN) 2. Kakuzi Plc (KUKZ) 3. Kapchorua Tea (KAPC) 4. Eaagads Ltd (EGAD) 5. Limuru Tea (LIMT) 6. Rea Vipingo Plantations (REA) 7. Williamson Tea Kenya (WTK)
b) Banking	8. Equity (EQTY) 9. KCB

	10. ABSA 11. Stanbic Holdings Plc (SBIC) 12. I&M Holdings (IMH) 13. Diamond Trust Bank Kenya (DTK) 14. Standard Chartered Bank Kenya (SCBK) 15. Cooperative Bank (COOP) 16. Bank of Kigali (BKG) 17. Housing Finance (HFCK) 18. NCBA
c) Commercial & Services	19. Express Limited (XPRS) 20. Sameer Africa (SMER) 21. Kenya Airways (KQ) 22. Standard Group Limited (SGL) 23. Uchumi Supermarket (UCHM) 24. Longhorn Publishers (LKL) 25. Nairobi Business Venture 26. Deacons East Africa (DCON) 27. TPS East Africa Limited (TPSE) 28. WPS Scangroup (SCAN) 29. Nation Media Group (NMG)
d) Construction & Allied	30. Athi River Mining (ARM) 31. Bamburi Cement (BAMB)

	32. CROWN Paints Kenya (CRWN) 33. E.A Portland (PORT) 34. E.A Cables (CABL)
e) Energy& Petroleum	35. Total Kenya (TOTL) 36. KenGen (KEGN) 37. Umeme Ltd (UMME) 38. Kenya Power & Lighting (KPLC)
f) Insurance	39. Jubilee Holdings (JUB) 40. Sanlam Kenya (SLAM) 41. Kenya Re-Insurance Corporation Ltd (KNRE) 42. Liberty Kenya Holdings (LBTY) 43. CIC Insurance Group (CIC) 44. BRITAM Holdings (BRIT)
g) Investment	45. Olympia Capital Holdings (OCH) 46. Trans-Century Ltd (TCL) 47. Home Afrika (HAFR) 48. Kurwitu Ventures (KURV) 49. Centum Investments (CTUM)
h) Investment Services	50. NSE
i) Manufacturing & Allied	51. B.O.C Kenya Ltd. (BOC) 52. British American Tobacco Kenya (BAT) 53. Carbacid Investments (CARB)

	54. Mumias Sugar (MSC) 55. Unga Group plc (UNGA) 56. Eveready (EVRD) 57. Kenya Orchads (ORCH) 58. Flame Tree Group (FTGH) 59. East African Breweries Ltd (EABL)
j) Telecommunications	60. Safaricom (SCOM)
k) Real Estate Investment Trusts	61. Laptrust Imara I-REIT (LAPR)
l) Exchange Traded Funds	62. New Gold Issuer (RP) Ltd (GLD)
m)Automobiles and Accessories	63. Car & General

Table 3.1: List of companies in the study.

Data source: MarketWatch.com

3.4 Data

The study period is strategically chosen to encompass general election years in Kenya from 2012 to 2022, ensuring a comprehensive analysis of market behavior around election cycles. This will cover three elections whose dates were 4th March 2013, 8th August 2017 and 9th August 2022.

The high frequency data of daily prices would make observation of abnormal returns greater than use of weekly and monthly data (MacKinlay, 1997) hence daily closing prices of the companies will be collected.

This study collected secondary data from 2012 to 2022 for the companies.

The data will be sourced from Market Watch.com.

3.5 Data Analysis

3.5.1 Descriptive statistics

The data will be analysed first by measures of central tendency such as mean, median, skewness and kurtosis. This will help in checking for distribution of the stock returns and sectoral returns.

A correlation test will be carried out between the stocks. There is an expected level of correlation due to trading in the same market for all and being in the same sector for some.

3.5.2 Model selection

The study will take the approach of an event study. The Event Study Methodology (ESM) has been a foundational tool in financial economics, enabling researchers to assess the impact of specific events on financial markets and securities. It was introduced and improved by Fama, Fisher, Jensen, and Roll in the 1960s, where it was aimed at measuring the effects of corporate events on stock prices.

The events of interest are the general elections held on 4th March 2013, 8th August 2017 and 9th August 2022. These will be the event dates. The event window(T) is the period in which the impact of the event is investigated. The study sample includes both pre-election and post-election periods to capture the temporal dynamics of the impact, it also includes the day of the elections. The chosen period is 90 days before and after the election days. Firms in the study were selected as per section 3.4

3.5.2.1 Abnormal returns

The return is the change in the value of a security over time. This is calculated as

$$R = \frac{P_t - P_{t-1}}{P_{t-1}} \quad \text{Eqn 3.1}$$

P_{t-1} is the closing price the day before

P_t is the current closing price

Normal return is the return that would be expected if the event did not take place. The study will apply the market model in its calculation.

Calculated as the following;

$$R_{it} = \alpha_i + \beta R_{mt} + e_{it} \quad \text{Eqn 3.2}$$

Where;

R_{it}, R_{mt} are the period returns of the company i and market portfolio,

e_{it} is the error term

, α_i is the current return on the stock during the estimation window.

β = Market beta

Abnormal returns are the above average gains or losses occurring during the event window. Abnormal returns are calculated as follows.

$$AR_{iT} = R_{iT} - R_{it} \quad \text{Eqn3.3}$$

Where;

AR_{iT} ; Abnormal Return on individual stock

R_{iT} ; Actual return of stock

R_{it} ; normal return from Eqn 3.2

The estimation window is the period prior to the event window whose returns can be used as a benchmark representing normal performance of the security. Concerning the length of the estimation window, in studies of several authors such as MacKinlay (1997) and Santos (2019) suggest a period between 100 and 200 trading days prior to the event window for observation. The estimation window as suggested by Brown and Warner (1985) will be 200 days prior to the set event window.

The hypotheses being tested are:

Null Hypothesis (H0): There is no significant impact of general elections on stock market returns on the Nairobi Securities Exchange.

Alternative Hypothesis (H1): There is a significant impact of general elections on stock market returns on the Nairobi Securities Exchange.

Sectoral Hypotheses:

H0: There is no variation in stock market abnormal returns across different sectors during general elections.

H1: Stock market abnormal returns vary across different sectors during general elections.

The above hypotheses will be tested using the abnormal returns by aggregation across securities.

$$AAR_t = \frac{1}{N} \sum_1^N AR_{iT} \quad Eqn 3.4$$

AAR is the Average Abnormal Return across the securities per day, N is the number of securities in the study

$$CAAR(T_1, T_2) = \sum_{T=T_1}^{T_2} AAR_T \quad Eqn 3.5$$

CAAR is the cumulative average abnormal return over the event window T_1, T_2 .

To test the null hypothesis, the CAAR is divided by its standard deviation:

$$\theta_1 = \frac{CAAR(T_1, T_2)}{\sqrt{Var(CAAR(T_1, T_2))}} \quad Eqn 3.6$$

To check for variations in the sectors during elections, the sectors will be portfolios.

$$ER = W_1 R_{i1} + W_2 R_{i2} + \dots + W_n R_{in} \quad Eqn 3.7$$

W is the weight of the security in the sector. Equally weighted portfolios are assumed.

The portfolio returns are then treated as securities and calculated as presented above.



CHAPTER FOUR
EMPIRICAL ANALYSIS

This section presents the analysis of the findings from the study.

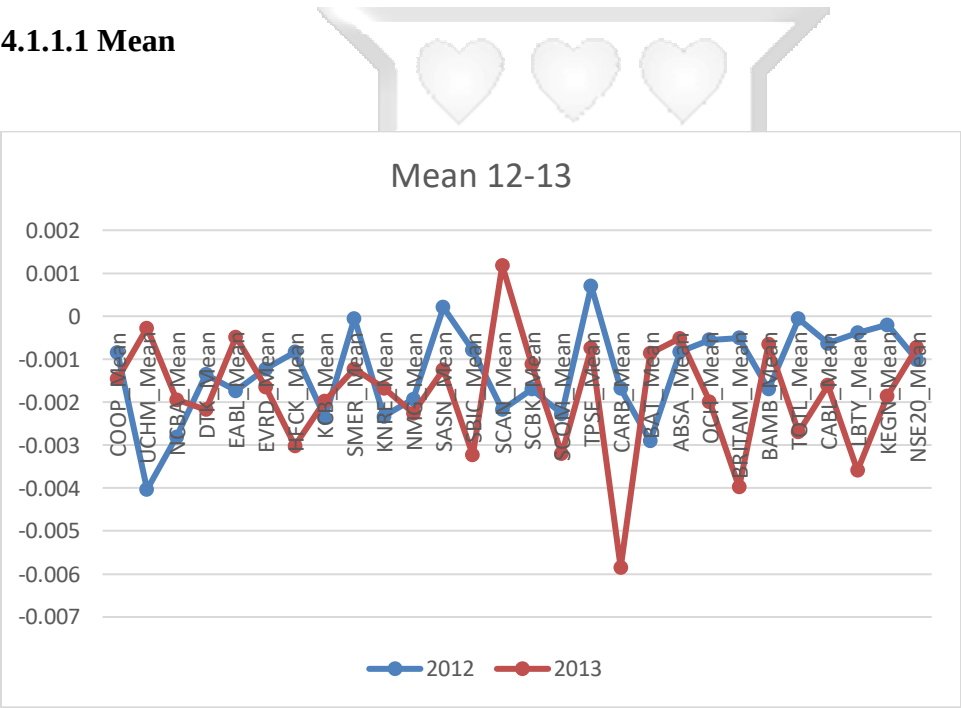
4.1 Descriptive statistics

This section focuses on providing an overview of the collected data through various measures, offering insights into the central tendencies, variability, and distribution characteristics.

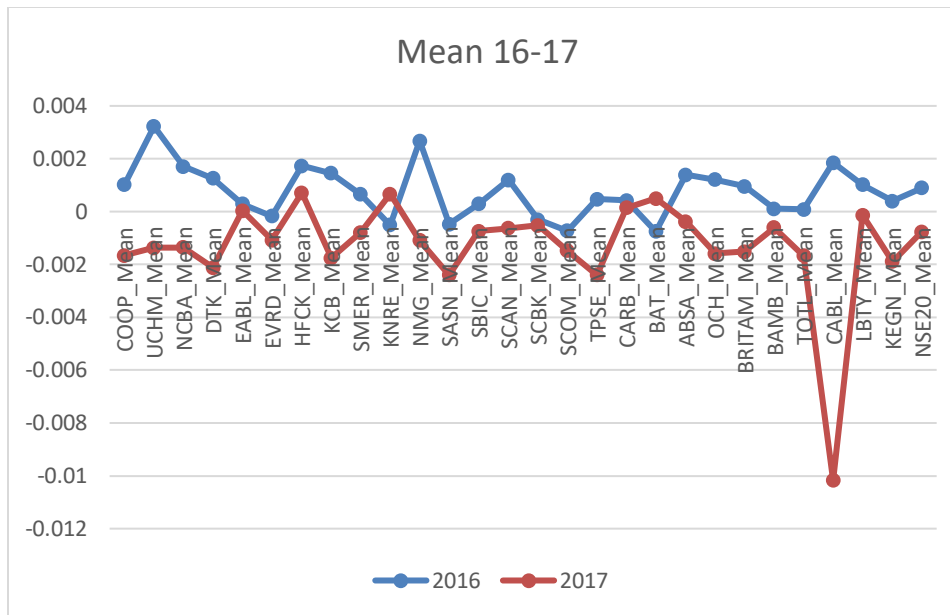
4.1.1 Measures of Central Tendency.

The mean, standard deviation and range was analysed and compared between the election years and the pre-election years.

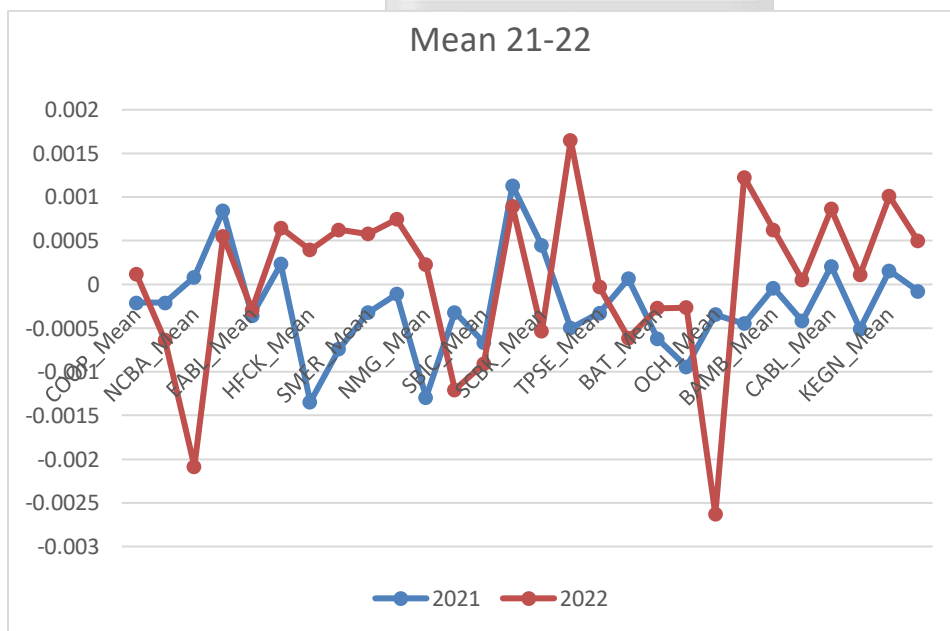
4.1.1.1 Mean



Graph 4:1: 2013 Mean



Graph 4:2: Mean 2017

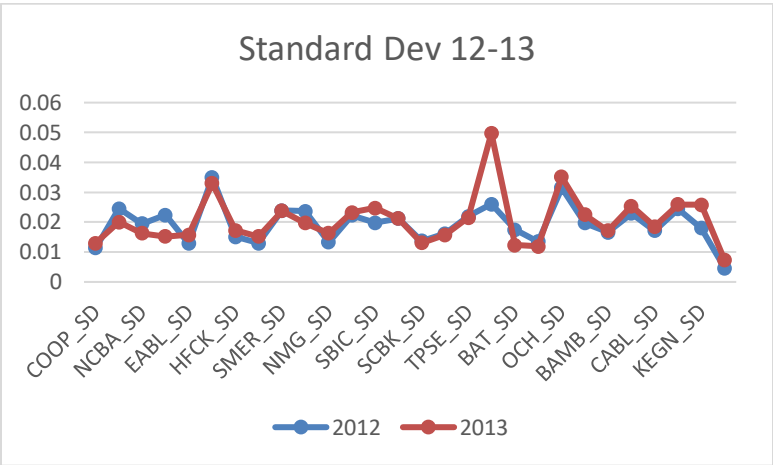


Graph 4:3: Mean 2022

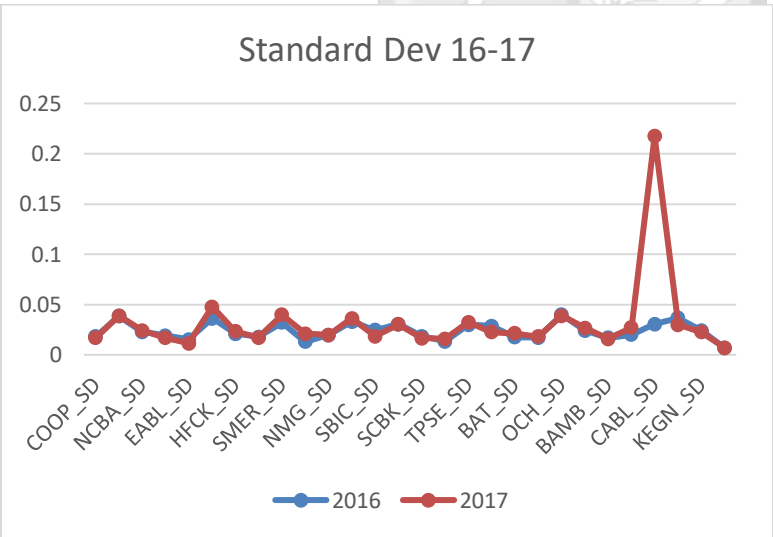
The means in the election years are very different from the means in the non-election years with the majority of the companies having lower means other than the 2022 elections where the majority of the companies recorded higher means from the 2021 returns.

These may infer that there was increased hope in investors in 2013 and 2017 to the incoming government hence buying pressure was higher. The investors may have opted for other investment opportunities in 2022 and less trade in the securities market implying they expected returns to lower. The overall view is that the election period affected majority of the securities similarly hence happened across board.

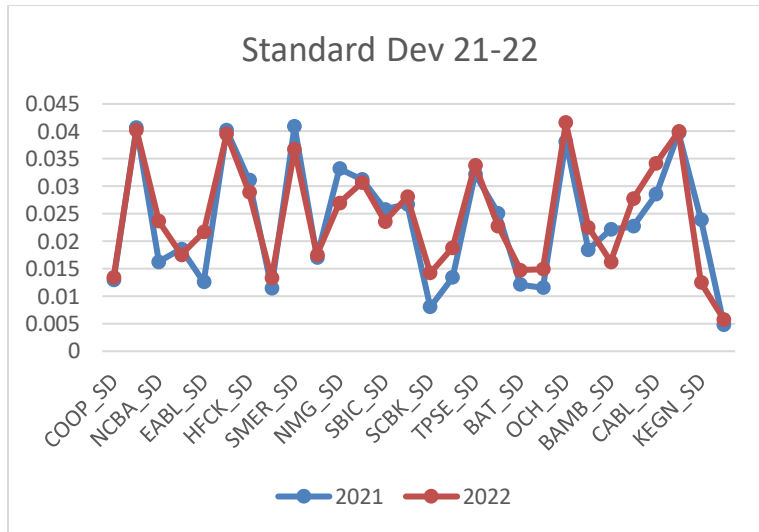
4.1.1.2 Standard Deviation



Graph 4:4: 2013 Standard Deviation



Graph 4:5: 2017 Standard Deviation



Graph 4:6: 2022 Standard Deviation

The standard deviations over the years were the same for the stocks over the years.

4.1.1.3 Skewness and Kurtosis

The skewness and kurtosis of the securities and sectors was analysed.

The securities were mostly negatively skewed and very few had highly skewed returns in some years. The conclusion was that the securities were not symmetric over the period.

This was backed with the non-normality seen through the kurtosis values of the companies that were above 3 for the various years in the study implying them to being leptokurtic.

A Shapiro-Wilks test for normality was done on the returns. The returns were not normally distributed with P values of less than 0.05. This was expected given the kurtosis and skewness revealed asymmetry in the data.

4.1.2 Correlation analysis

A correlation test was done on the stock returns to check if and how the securities are affected by each other. Some form of correlation was expected due to being in a similar market and for some being in the same sectors.

The Scangroup was mostly negatively correlated with other companies with low correlation. The NSE 20 was expected to have some correlation with the securities due to being an index and this was observed. Scangroup and Olympia Capital had the most

negative correlation while the highest positive correlation was between NSE 20 and KCB. The companies all had correlation values between -0.062 and 0.414. In the sectoral returns, banking and telecommunications had the most positively correlated while investments and Commercial and Services sectors were the most negatively correlated.

4.2 Empirical analysis.

An event study approach was carried out on a 90-day event window for the three elections. The abnormal returns of the various sectors and securities were analysed in the section below based on the set objectives of the study.



4.2.1. Identify and analyse patterns in stock market returns during and around general election periods in Kenya.

The study analysed the individual stock market abnormal returns to achieve the first objective of the study.

4.2.1.1. Analysis of Abnormal Returns

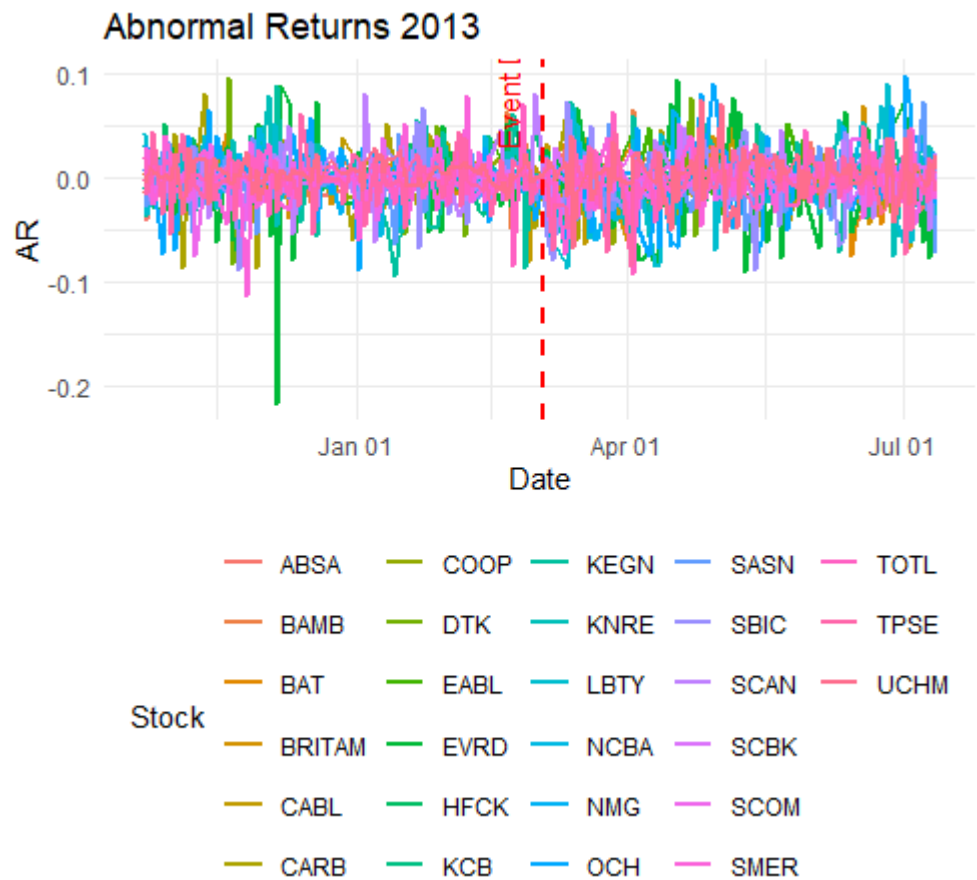


Figure 4:1: Abnormal Returns 2013

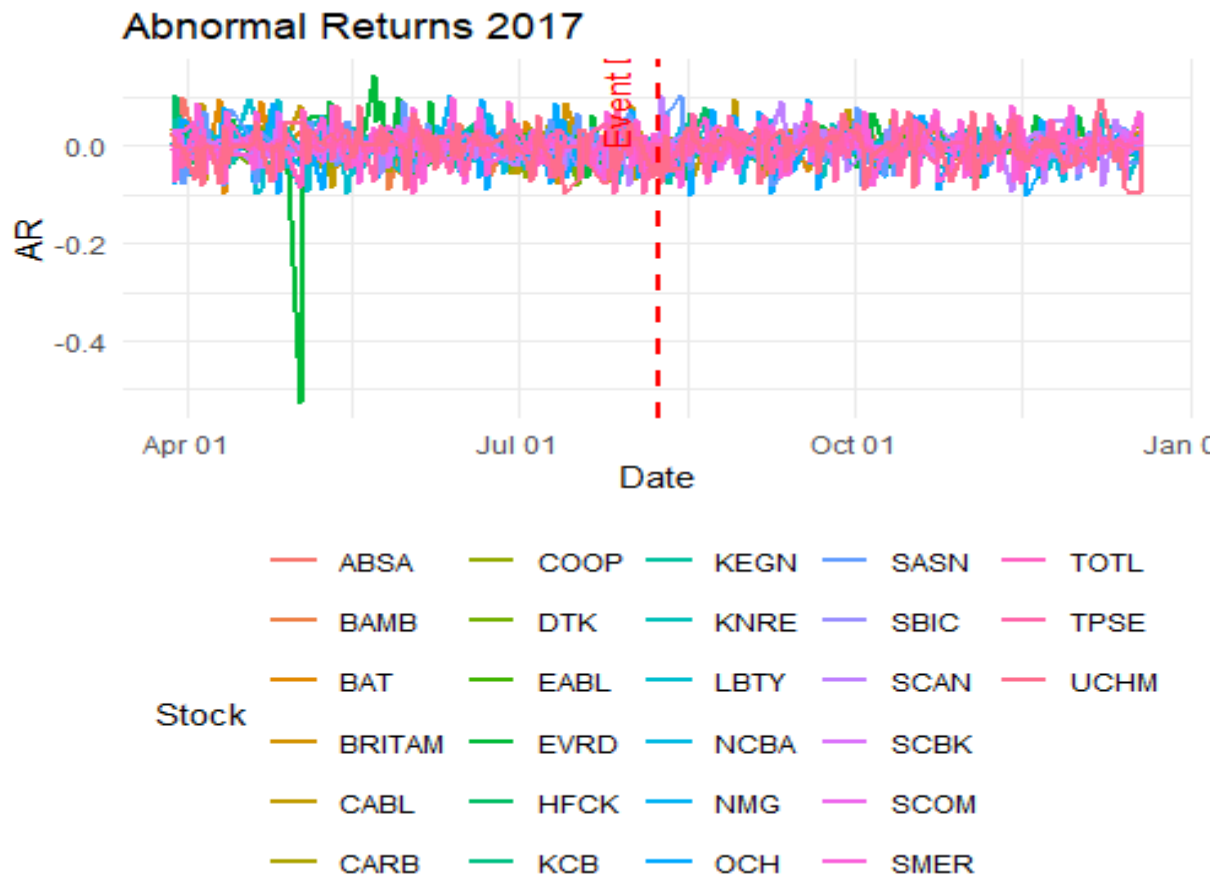
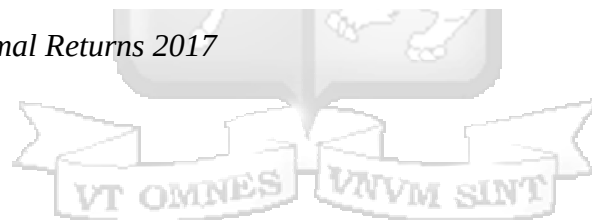


Figure 4.2: Abnormal Returns 2017



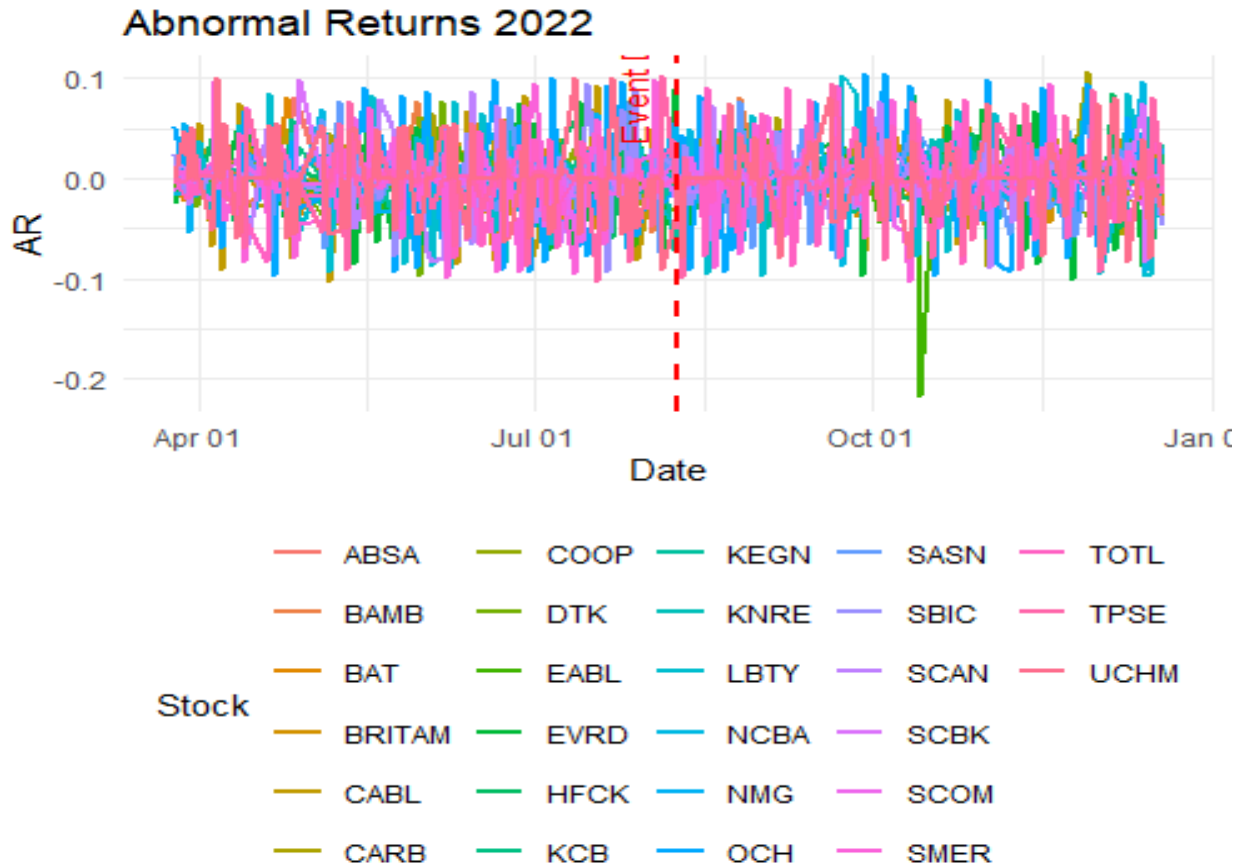


Figure 4:3: Abnormal Returns 2022

The 2022 elections had the most positive mean abnormal returns with more than ten stocks having positive abnormal returns while 2013 elections had the most negative means. EVRD, UCHM and NCBA had the lowest means in all elections while UCHM, SASN and CABL had the highest means. The variations in 2022 elections were the highest while 2013 elections had the least. EVRD and OCH had the highest standard deviations while SCBK, EABL and COOP had the lowest in the elections being studied.

4.2.1.2 Analysis of Average Abnormal Returns

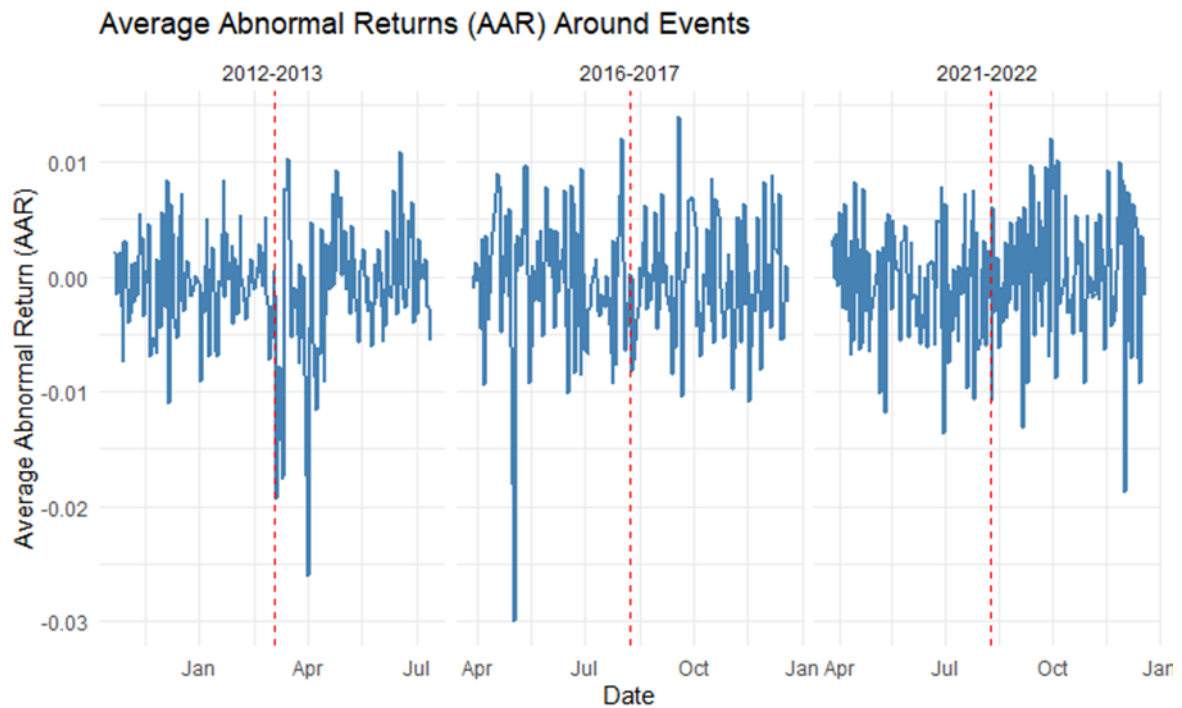


Figure 4:4: Average Abnormal Returns

The table above shows the Average abnormal returns of the stocks in the three election periods. It was observed that the 2013 averages went down immediately after the elections and took a few days before returning to the pre-election averages. The 2017 returns had the least variations before and after the election date. The averages were closest to zero compared to the other two elections. The 2022 elections had the widest range with an increasing trend post-election date.

4.2.1.3 Analysis of Cumulative Abnormal Returns

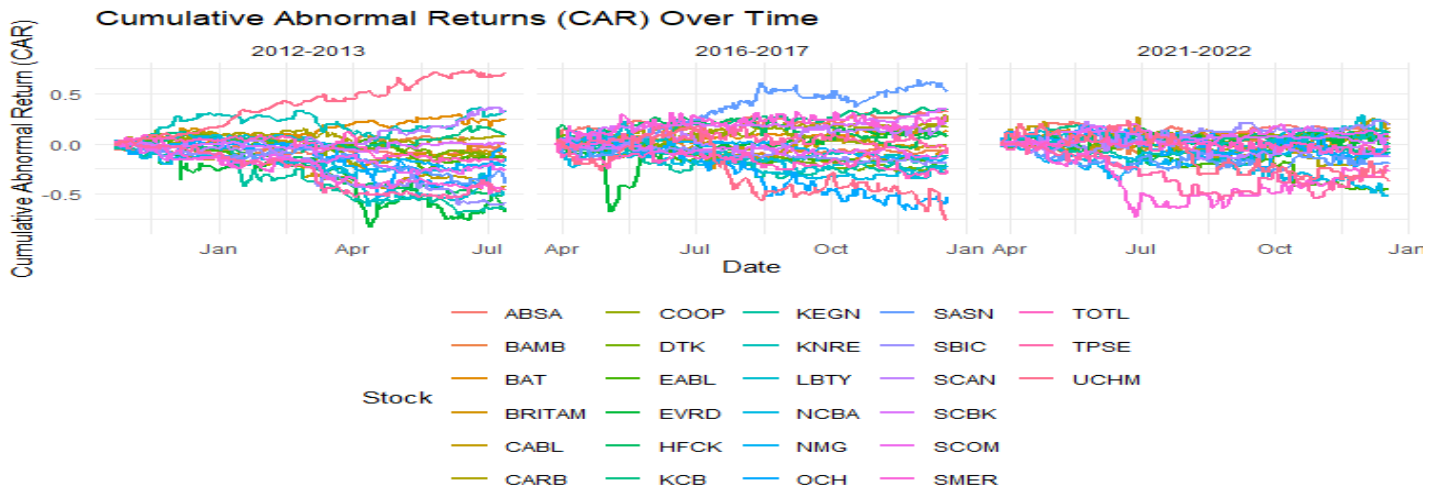


Figure 4:5: Cumulative Abnormal Returns

The 2013 elections showed the highest volatility in CAR movements, with notable positive and negative swings. The 2017 elections had moderate reactions, with a few stocks displaying significant shifts. Lastly, the 2022 election was generally more stable but still showed some variation.

In the 2013 elections, KCB had the most positive reaction while COOP was the most negatively affected stock. In 2017, EQTY and SCBK stocks were the most positively and negatively affected respectively. In 2022, ABSA and KCB were the most positively and negatively affected. The positive and negative reactions were analysed based on the stocks that maintained and experienced positive increase or negative drops.

4.2.1.4 Testing of hypothesis

Null Hypothesis (H0): There is no significant impact of general elections on stock market returns on the Nairobi Securities Exchange.

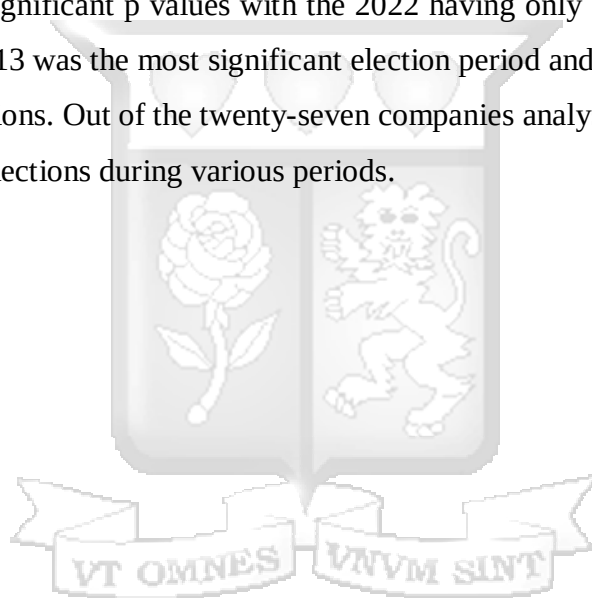
Alternative Hypothesis (H1): There is a significant impact of general elections on stock market returns on the Nairobi Securities Exchange.

Stock	Group	p_value
ABSA	2016-2017	2.642079e-02

BAT	2012-2013	2.510391e-02
BAT	2016-2017	6.462225e-04
CARB	2012-2013	8.547524e-05
CARB	2016-2017	3.794316e-02
EVRD	2016-2017	3.690520e-02
HFCK	2012-2013	6.929218e-03
KEGN	2012-2013	2.366850e-02
NCBA	2021-2022	2.306334e-02
UCHM	2012-2013	1.353116e-04
UCHM	2021-2022	4.844253e-02

Table 4:1: Individual stocks Significance.

The above hypothesis was tested using the Wilcoxon test and the 2013 elections had the highest number of significant p values with the 2022 having only two being significant. This showed that 2013 was the most significant election period and significance declined in the next two elections. Out of the twenty-seven companies analysed, eight had showed significance of the elections during various periods.



4.2.2. Examine how different economic sectors in the NSE respond to general elections.

4.2.2.1. Analysis of Abnormal Returns

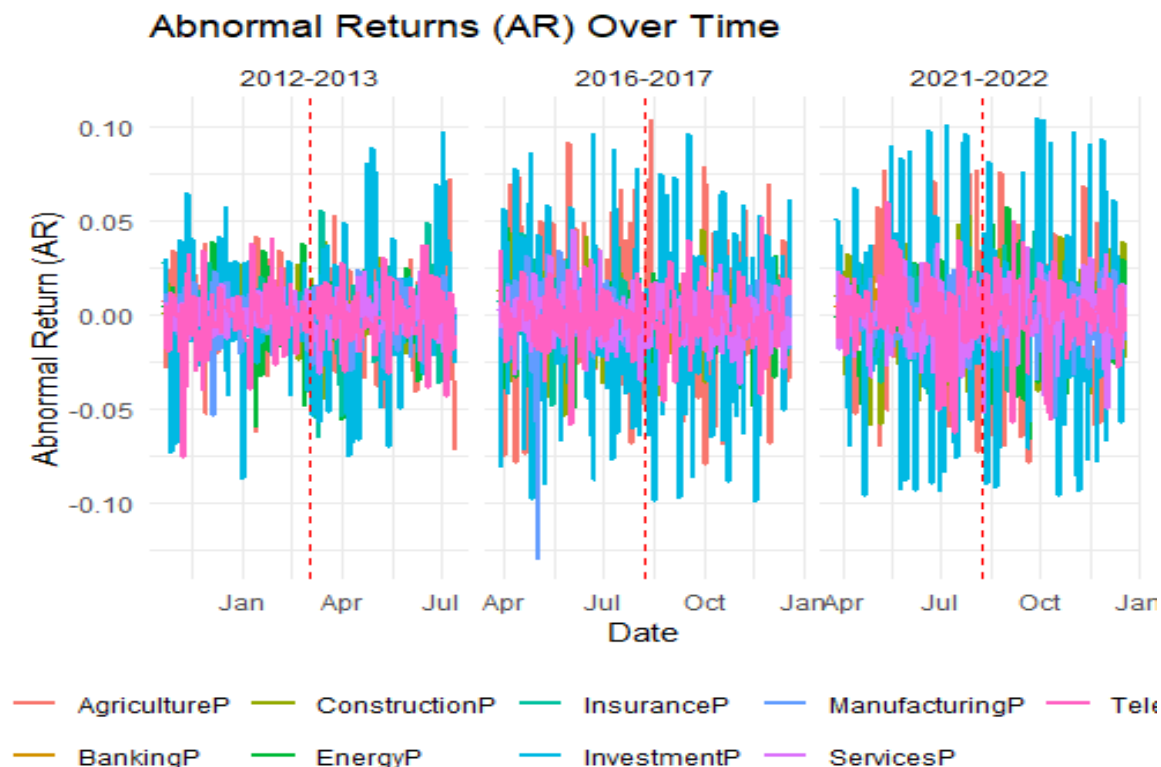


Figure 4:7: Abnormal returns

The graphs were used to represent the abnormal returns of all sectors for the three events in the study. The 2013 elections showed that the abnormal returns had a wider range post-election than pre-election. The Banking sector had the least standard deviation in all elections while the Investment sector had the highest standard deviation in all elections.

4.2.2.2 Analysis of Average Abnormal Returns

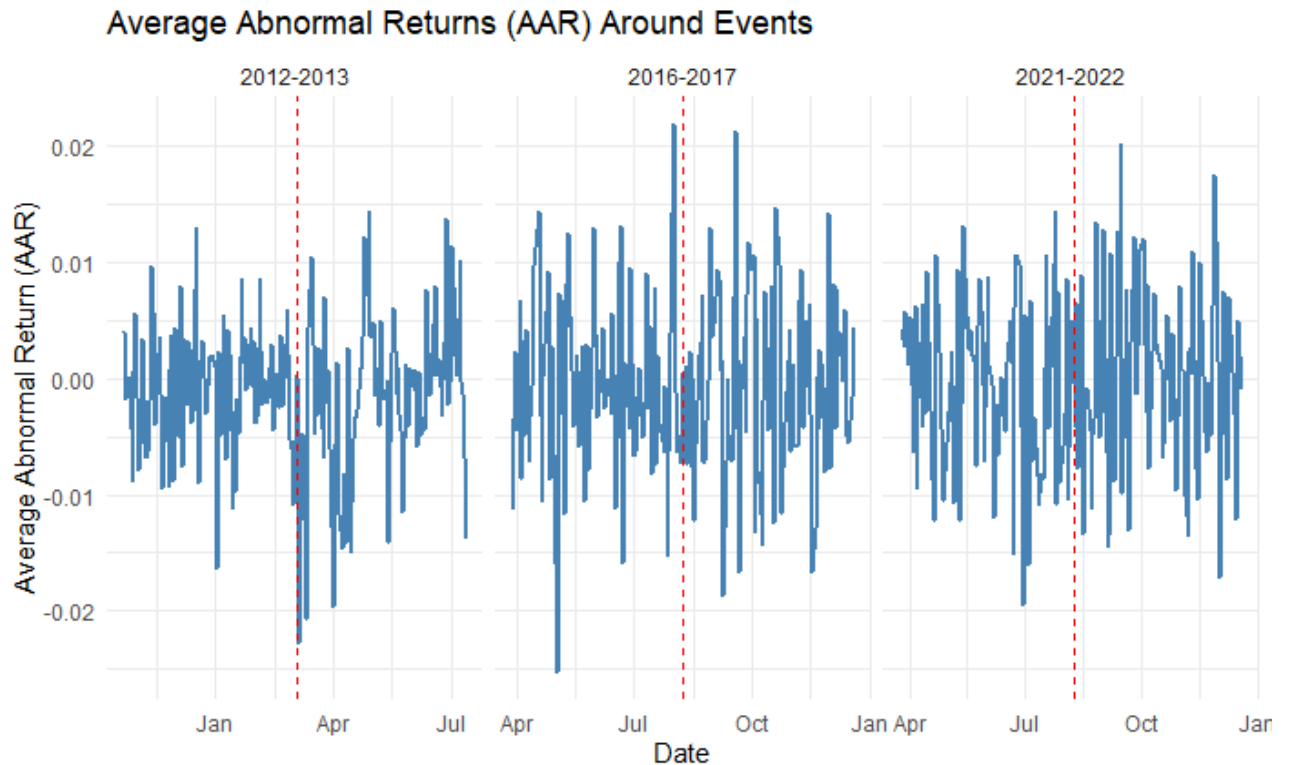
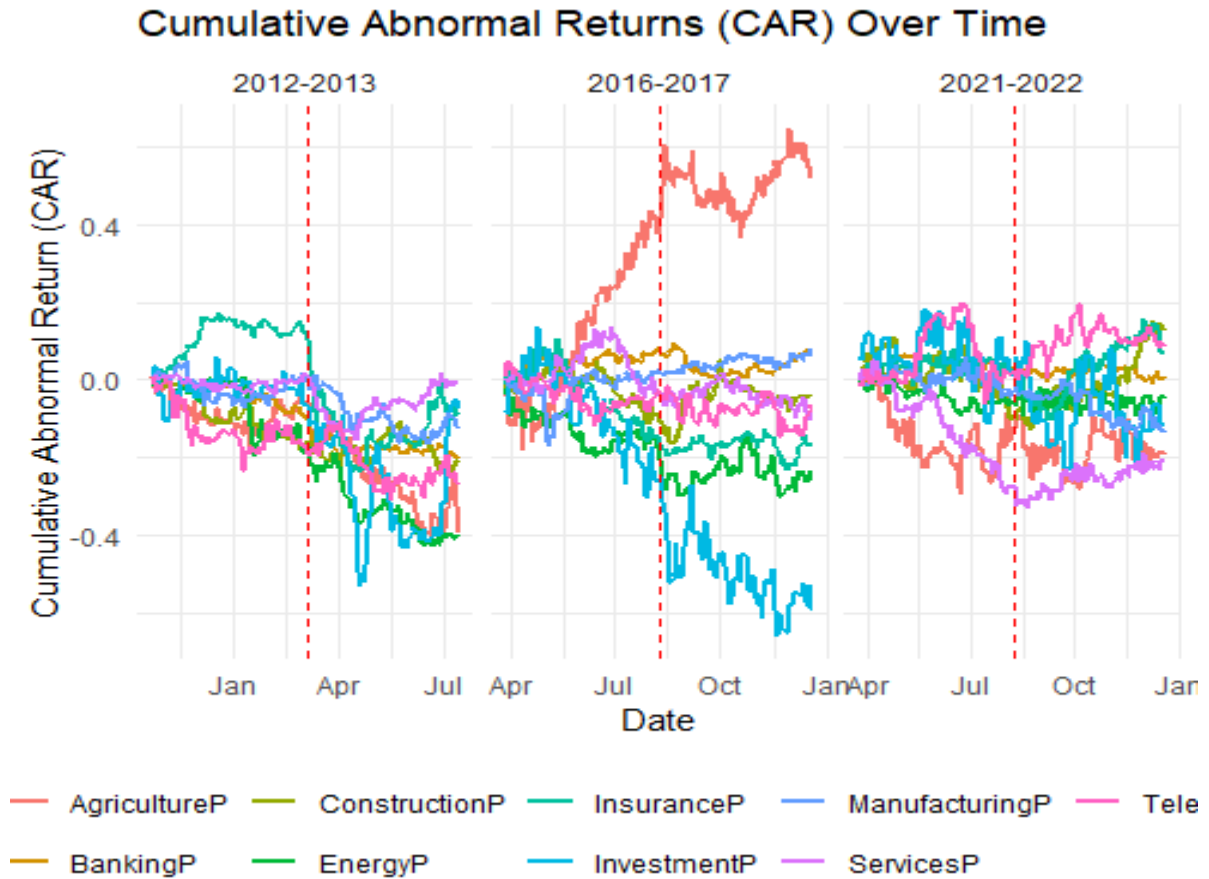


Figure 4:8: Average Abnormal Returns

The table above shows the average abnormal returns of the sectors in the three election periods. It was observed that the 2013 averages went down immediately after the elections and took a few days before returning to the pre-election averages. The 2017 averages increased after the election date after a significant drop immediately before the election date. The averages were closest to zero compared to the other two elections. The 2022 averages did not change immediately after the elections but dropped after a few days.

4.2.2.3 Analysis of Cumulative Abnormal Returns



Graph 4:15: Cumulative Abnormal Returns.

Similarly to the individual stocks, the 2013 elections had downward trend after the election date. The insurance sector had the biggest decline immediately after the election. The Commercial and Services sector had an increasing curve a few days after the elections and at the end of the event window had resumed to its prior CAR values close to zero. The Energy sector on the other hand did not increase at any point and its CAR continued downwards.

The 2017 elections had vast reactions in the sectors, with the agricultural sector having an upward trend while the investment sector having a downward trend. The 2017 elections also had many sectors with CAR below zero and only three above zero may be an indication of a negative market reaction by investors.

The 2022 elections were observed to be a bit different from the other elections. This was due to an upward trend after the elections with majority of the sectors showing an increasing CAR though still negative for some. This observation implied a positive reaction by the investors to the elections.

4.2.2.4 Testing of hypothesis

H0: There is no variation in stock market abnormal returns across different sectors during general elections.

H1: Stock market abnormal returns vary across different sectors during general elections.

A Wilcoxon test was done on the abnormal returns on the different sectors to test the hypothesis. The result showed that only the Banking sector had a significant p-value during the 2013 election period. This was consistent with the individual stocks analysis that concluded that the 2013 elections had the highest significant results.

Sector	Group	p_value
BankingP	2012-2013	0.04780167

CHAPTER FIVE

CONCLUSION

This chapter presents the discussion of findings, conclusions drawn from the study, and recommendations for practice and future research. The results are interpreted in light of the objectives and hypotheses of the study.

5.1 Summary of Key Findings

The study examined and analysed abnormal returns of twenty-seven stocks and nine sectors' behaviour around the 2013, 2017 and 2022 Kenyan general elections.

The comparative means of non-election years and election years were found to be different depending on the election with only 2022 means being positive. Standard deviations in all years did not show difference between non-election years and election years. There was correlation between stocks and sectors that was expected due to similar market conditions. In 2013, the majority of sectors and stocks exhibited negative abnormal returns around the event date, indicating a loss of investor confidence. In 2017, the market showed mixed reactions, with some sectors and stocks showing resilience and others declining sharply. 2022, the market reaction appeared more subdued, suggesting that market participants may have adapted to political event risks over time.

EVRO and OCH had the highest standard deviations while SCBK, EABL and COOP had the lowest in the elections being studied. In the sectors, Banking and Services had the least volatility while Investments and Agriculture had the highest.

The Wilcoxon signed-rank test indicated that for most stocks and sectors, there was no statistically significant difference between pre-event and post-event abnormal returns in the various elections. The 2013 elections had most statistically significant stocks and the only significant sectoral returns were in that election. The statistical significance reduced per election for the stocks.

5.2 Discussion

The findings suggest that political events cause temporary disruptions in stock returns, with varying magnitudes across stocks and sectors.

The results showed heterogeneous reactions across stocks and election periods. Investors reacted differently to each stock that allowed for diversification of their portfolio for maximum gain in each election. The stocks under the banking sector had the most notable CAR's in all elections that showed the sensitivity of the sector during elections

The Banking sector, in particular, has historically shown strong sensitivity to political transitions due to its close ties to macroeconomic stability and interest rate environments (Ngunjiri, 2020). The study also agreed with Murigi (2008) who found that the Investment sector was highly affected by the elections although the study also concluded that the agricultural sector was least affected by the elections that this study proved otherwise with it being second in being volatile.

The 2013 event resulted in the largest negative AR and CAR values, likely due to the high political tension during the transition under the new constitutional framework. The 2017 event showed market fragmentation, possibly influenced by the Supreme Court ruling nullifying the first election results. The 2022 event had the least dramatic market impact, suggesting improved market maturity and political stability.

The findings indicated that general elections influence investor sentiment significantly, especially in the 2013 election, which had the most negative impact on individual stock performance. This aligns with Nyaboga (2018) and Oduor (2015), who emphasized heightened volatility around elections due to political uncertainty.

5.3 Conclusions

Political events significantly affect stock market performance in the short run, especially in politically sensitive sectors like the banking sector. However, the Kenyan market appears to recover relatively quickly after major political disruptions which aligns with the semi-strong form of the Efficient Market Hypothesis, which asserts that markets quickly absorb and adjust to publicly available information, including political outcomes (Fama, 1970).

The 2013 elections had the most significant effect on individual stocks, followed by a gradual decline in market sensitivity in 2017 and 2022. This trend may reflect increasing political maturity and investor resilience and insensitivity to political events over time as inferred by Masinde and Mwiti (2017) .

5.4 Recommendations

Active investors should closely monitor political calendars and diversify portfolios proactively during election years, particularly in sectors historically sensitive to political events. This would help in minimising losses and capitalising on possible areas of profit. Policymakers and Regulators transparency and timely communication around political events can help stabilize market expectations and minimize panic-driven volatility in the sectors such as investment sector that was found to be the most sensitive to elections.

Future studies could perform a comparative study with other African stock markets during election periods. Studies could also be done on the impact of cabinet changes and release of various government policies on the stock market.



References

- About Us:Capital Markets Authority. (2024, May 5). Retrieved from Capital Markets Authority: <https://www.cma.or.ke/>
- Afego, P. B. (2023). Afego, P.N., Bala Abdullahi, D.A., Tijjani, B. How do markets react to political elections during periods of insecurity and governance crises? Evidence from an African emerging democracy. *African Journal of Economic and Management Studies Vol. 14 No. 1,*, pp. 135-149.
- Alesina, A. &. (1992). Political Cycles in OECD Economies. *Review of Economic Studies*, 59(4), 663–688.
- Anthony, I. K. (2012). Informational content of General elections.
- Arestis, P. (2019). *Political Economy of Money and Finance*. Edward Elgar Publishing.
- Brender, A. &. (2008). How Do Budget Deficits and Economic Growth Affect Reelection Prospects? Evidence from a Large Panel of Countries. *American Economic Review*, 98(5), 2203–2220.
- Cervantes Martínez, R. &-B. (2015). Political Stability and Economic Growth.
- De Bondt, W. F. (1985). Does the Stock Market Overreact? . *The Journal of Finance*, 40(3), 793–805.
- Dol, M. (2021). *Comparison of the GARCH, EGARCH, GJR-GARCH and TGARCH model in times of crisis for the S&P500, NASDAQ and Dow-Jones*. Erasmus University Rotterdam.
- Eisfeldt, A. L. (2006). Capital Reallocation and Liquidity. *Journal of Monetary Economics*, 53(3), 369–399.
- Eric B. Yiadom, V. T.-M. (2023). Political change, elections, and stock market indicators: a generalized method of moment analysis. *Journal of Humanities and Applied Social Sciences*.
- Fama, E. F. (1970). Efficient Capital Markets: A Review of Theory and Empirical Work. *Journal of Finance*, 25(2), 383–417.
- Gichiri, K. (2021). *Impact of financial globalisation on equity returns in the Nairobi Securities Exchange*. Retrieved from <http://hdl.handle.net/11071/12596>
- Gitau, N. M. (2017). The Effect of Political Events on Stock Returns: The Kenyan Experience. *International Journal of Economics, Commerce and Management*, 5(5), , 1-18.

- Gitau, N. M. (2017). The Effect of Political Events on Stock Returns: The Kenyan Experience. . *International Journal of Economics, Commerce and Management*, 5(5), 1-18.
- Hibbs, D. A. (1977). Political Parties and Macroeconomic Policy. *The American Political Science Review*, 71(4), 1467–1487.
- IEBC. (2024, May 1). *Mandate: Independent Electoral and Boundaries Commission*. Retrieved from Independent Electoral and Boundaries Commission: <https://www.iebc.or.ke/iebc/?mandate>
- Irungu, A. K. (2012). *Informational content of general election results announcement at the Nairobi securities exchange*. University Of Nairobi.
- Kahneman, D. &. (1979). Prospect Theory: An Analysis of Decision under Risk. *Econometrica*, 47(2), 263–291.
- Kanyinga, K. &. (2013). The constitution of Kenya 2010: A historic context. . *African Studies Review*, 56(2), 145-162.
- Kariuki, L. W. (2019). The Impact of Political Events on Stock Returns: Empirical Evidence from Nairobi Securities Exchange. *International Journal of Economics, Commerce and Management*, 7(7), 53-69.
- Kolawole, A. &. (2019). THE EFFECT OF POLITICAL RISK ON STOCK MARKET RETURN AND VOLATILITY IN NIGERIA.
- Kumara, H. V. (2020). Impact of Political Events on Stock Market Return: Empirical Evidence from Sri Lanka. *Proceedings of the International Conference on Business & Information (ICBI)* .
- Kuran, T. &. (1995). Social Norms and the Fading of Heresy: An Evolutionary Model of Herd Behavior. *Journal of Economic Perspectives*, 9(4), 115–136.
- Listed companies: Nairobi Securities Exchange. (2024, May 5). Retrieved from Nairobi Securities Exchange: <https://www.nse.co.ke/listed-companies/>
- Lobão, J. a. (2019). Stock Market reaction to BREXIT announcements:Evidence from a natural experiment. *Global Economy Journal*. 19., 1-17.
- MacKinlay, A. C. (1997). Event studies in economics and finance. . *Journal of Economic Literature*, 35(1),, 13–39.

- Maina, S. G. (2017). General Elections and Electoral Reforms in Kenya. In J. Olewe, M. P. Wambua, & M. O. Omondi (Eds.), *Democratic Transition in Kenya: The Struggle for Political Reform*), 117-141.
- Masinde, W. &. (2017). Effect of General Elections on Stock Returns at Nairobi Securities Exchange. *International Journal of Finance and Accounting*, 6(3), 76–85.
- Michael, L. M. (2012). *Volatility in Stock returns of NSE listed companies around general elections*. University of Nairobi .
- Mugenda, O. M. (2013). *Research Methods: Quantitative and Qualitative Approaches (2nd ed.*
- Mwangi, M. (2013). An overview of the Kenyan capital markets. *International Journal of Economics, Commerce, and Management*, 1(3), 1-11.
- Ngunjiri, S. K. (2020). The effect of political risk on financial markets: Evidence from emerging economies. *African Journal of Finance and Economics*, 12(1), 45–62.
- Nguthi, N. P. (2013). *The effect of political news on Stock maket returns inKenya: The case of March 2013 General elections*. Univeristy of Nairobi.
- Nordhaus, W. D. (1975). The Political Business Cycle. *The Review of Economic Studies*, 42(2), 169–190.
- Nordhaus, W. D. (1989). Alternative Approaches to the Political Business Cycle. *The Brookings Papers on Economic Activity*, 20(1), 1–68.
- Nyaboga, M. N. (2018). *Effect of general elections on stock market performance in Kenya*. . University of Nairobi.
- Nyangweso, M. &. (2011). Empirical tests of the weak-form efficient market hypothesis: Evidence from the Nairobi Securities Exchange. . *African Journal of Business and Management*,, 1(7), 119-128.
- Oduor, J. W. (2015). Political transitions and their impact on the Nairobi Securities Exchange: A case of the 2007 and 2013 general elections in Kenya. *Journal of African Financial Studies*, 7(3),, 67–84.
- Our Story: Nairobi Securities Exchange*. (2024, May 5). Retrieved from Nairobi Securities Exchange: <https://www.nse.co.ke/>
- Oyuke, E. O. (2014). Kenya’s 2013 General Election and the Making of a New Political Culture. *Africa Spectrum*, 49(2), 93-107.

- Parab, N. &. (2020). The Impact of Economic Events on Stock Market Returns: Evidence from India. . *Asian Economic and Financial Review*. 10.
- Qubbaja, A. &. (2019). The Impact of Political Events on Palestine Securities Exchange Returns: An Empirical Study between (1997-2016). . *International Journal of Academic Research in Accounting, Finance and Management Sciences*. 9. 10.600.
- Ricciardi, V. a. (Fall 2000). What is Behavioral Finance? *Business, Education & Technology Journal*, Vol. 2, No. 2, 1-9.
- Rogoff, K. S. (1988). Elections and Macroeconomic Policy Cycles. *Review of Economic Studies*, 55(1), 1–16.
- Schindler, D. R. (2014). *Business Research Methods Twelfth Edition*. McGraw-Hill Education,.
- Shyam, L. A. (2019). *Effect of Macro Economic Factors on the stock Market Performance of NSE 20 constituent companies*. United States International University Africa.
- Stephen J. Brown, J. B. (1985). Using daily stock returns: The case of event studies. *Journal of Financial Economics*, Volume 14, Issue 1, Pages 3-31.
- Suleman, M. (2012). Stock Market Reaction to Good and Bad Political News. *Asian Journal of Finance & Accounting*, 4.
- Villatoro, M. (April 2015). *Volatility of global equity indices: comparison of GARCH and Beta-t-EGARCH models*. Universidad Francisco Marroquín.
- Wanjiru, M. B. (2008). *An Investigation Of The Impact Of National elections in Kenya on the stock returns at the NSE*. University of Nairobi.
- Zuwena, Z. (2014). *An assessment of the effect of general elections on the stock market returns in Kenya*. University of Nairobi. .