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Impact of the Union Budget on Sectoral Stock Market Performance: Evidence from India

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Abstract: The study examines the influence of the Union Budget on stock market behavior across selected sectors and highlights its importance in understanding how fiscal policy announcements shape investment decisions, stock price movements, and market confidence. The main purpose of this study is to analyze the extent to which budget announcements affect stock prices, returns, and sectoral market performance during the budget period. The objectives of the study aim to identify changes in stock prices and returns of selected companies during the budget period and to analyze the effects of the Union Budget on sector-wise market performance in the pre- and post-budget periods. The research adopts a descriptive research design and is based on secondary data collected from reliable and authentic sources to provide a systematic understanding of market reactions, while purposive sampling is used to select relevant companies and sectors based on the objectives of the study. Data analysis is carried out using ANOVA to evaluate variations and significant differences in stock performance, supported through the use of JAMOVI software for statistical analysis. The findings of this study are expected to contribute to investors, researchers, financial analysts, policymakers, and market participants by offering insights into budget-driven sectoral trends and improving investment decision-making and policy understanding.

Index Terms - Union Budget, Stock Market Performance, Stock Prices, Stock Returns, Sectoral Analysis, Fiscal Policy, Investment Decisions, Market Behavior, Pre- and Post-Budget Analysis.

I. INTRODUCTION

The study Sectoral Impact of Union Budget on Stock Market Performance in India has gained significant relevance in today's economic and financial environment, where market movements are increasingly influenced by government fiscal policies and budgetary decisions. In recent years, the Indian stock market has shown immediate reactions to Union Budget announcements, as changes in taxation, public expenditure, subsidies, and sectoral allocations directly affect investor sentiment and business expectations. With the growing participation of retail investors and rapid access to financial information, understanding sector-wise stock market performance during budget periods has become essential for informed investment decisions. The Union Budget acts as an important policy instrument that influences industries such as banking, infrastructure, information technology, healthcare, and manufacturing, thereby impacting stock prices and returns. This study attempts to analyse how selected sectors respond during the pre- and post-budget period and examines changes in stock market performance across companies. By evaluating these effects, the research contributes to a better understanding of budget-driven market behaviour and supports investors, analysts, policymakers, and researchers in interpreting market trends in the current financial context.

II. CONCEPTUAL BACKGROUND

The conceptual background of the study is based on the relationship between the Union Budget and market performance in India, particularly focusing on sector-wise stock market reactions. The Union Budget serves as a major fiscal policy instrument through which the government announces taxation policies, expenditure plans, subsidies, reforms, and developmental priorities. These budgetary measures influence macroeconomic conditions such as inflation, employment, investment, industrial growth, and consumer demand, which ultimately affect business performance and investor expectations. Since the stock market reflects anticipated future earnings and economic prospects, any budget announcement creates immediate reactions in market indices and sectoral stock prices.

The conceptual foundation of this study is derived from the idea that different sectors respond differently to budgetary measures depending on the nature of policy interventions. Sectors such as banking, information technology, automobile, and FMCG are directly influenced by changes in taxation, government expenditure, infrastructure spending, digital initiatives, subsidies, and credit policies. Positive budget announcements generally improve investor confidence, increase expected profitability, and lead to favourable stock market performance, whereas restrictive measures may negatively affect returns and increase volatility.

Further, market performance is measured through stock prices, returns, and volatility represented by indices such as the BSE Sensex and Nifty 50, which indicate the overall condition of the Indian stock market. Thus, the study conceptually assumes that Union Budget announcements act as an external economic stimulus that influences sector-wise market behaviour and investment sentiment in India.

III. REVIEW OF LITERATURE

Hao Fang, Chieh-Hsuan Wang, Joseph C. P. Shieh, and Chien-Ping Chung (2025)¹¹ studied banking sector development, stock market development, and economic growth and found banking growth stronger in Germany and Japan and stock market influence stronger in the USA and UK. Cai Yang, Mohammad Zoyunul Abedin, Hongwei Zhang, Futian Weng, and Petr Hajek (2025)³ examined COVID-19 interventions on stock market sectors and found greater impact on market volatility than returns. Szabolcs Blazsek, Vijaya Subrahmanyam, and Astrid Loretta Ayala (2025)²⁸ analysed Indian and US stock market spillovers and found strong financial linkages and volatility transmission. Mr. Chandra Prakash Agrawal (2025)¹⁸ studied macroeconomic indicators and stock market volatility in India and found volatility clustering with no significant GDP causality. Riya Gupta and Dr. Suresh Pattanayak (2025)²⁴ examined macroeconomic indicators and stock market performance and found GDP positively and interest rates negatively influenced the market. Dr. Hanumant Vishnu Shingade et. al (2025)⁶ analysed Union Budget announcements and stock market performance and found mixed reactions to positive and negative policies. Ch Sai Venkata Sahadev and Ch Balaji (2025)⁴ examined share buybacks and market performance and found stock price movements varied based on market and firm conditions. Mridul Patel, G. Verma, A. Eberhard, A. Rao, and P. Kumar (2025)¹⁹ analysed Union Budget announcements and NIFTY50 returns and found increased volatility and mixed market reactions. Meghana Bhat and A. S. Shiralashetti (2025)¹⁷ studied spin-offs and stock performance and found positive long-term gains despite short-term declines. Arul Sulochana Yesudas (2025)¹ analysed gold and crude oil influence on stock market performance and found crude oil had significant market impact.

Karri Srinivasu and M. Prathyusha (2025)¹⁴ examined Union Budget announcements and stock market performance and found abnormal returns and sectoral volatility differences. Manisha Sanghvi, Arti Chandani, and Pankaj Sharma (2025)¹⁵ studied investor motives and found attitude, expected returns, and financial literacy strongly influenced decisions. Chandan Sharma, Archana Singh, and Rajan Yadav (2025)⁵ analysed China–India conflict effects on stock markets and found limited impact except in pharmaceuticals. Nirav Shukla and Vishal Dahiya (2025)²¹ examined machine learning techniques for stock forecasting and found LSTM and XGBoost more effective. Maysoon Khoja et. al (2025)¹⁶ studied investor strategies and found return expectations, risk, and tax benefits strongly influenced investment decisions. John Pradeep Kumar and N. Mukund Sharma (2024)¹² analysed stock market interdependence among Japan, India, and the USA and found stronger India–USA linkages. Neha Jain and Santosh Kumar Mahapatra (2024)²⁰ analysed market efficiency around Union Budget announcements and found semi-strong efficiency with short-term abnormal returns. Gaurav Jyoti and Ashu Khanna (2024)¹⁰ examined ESG and market performance and found mixed results with overall ESG positively influencing firms. Poonam Saini and Ramesh Chander (2023)²³ examined value investing strategies and found the Piotroski strategy

generated superior returns. Pooja Bangada (2023)²² analysed mutual fund stock selection and market timing and found strong stock selection but weak timing ability.

K. Padmasree (2023)¹³ analysed volatility spillovers among Indian stock market sectors and found high sectoral interconnectedness during COVID-19. Sadia Shafiq and Saiqa Saddiqa Qureshi (2022)²⁶ examined budget announcement effects on Pakistan's automobile and pharmaceutical stocks and found selective sectoral impact. Ewelina Lacka, D. Eric Boyd, Gbenga Ibikunle, and P.K. Kannan (2022)⁷ analysed social media content influence on stock markets and found significant short-term and long-term price effects. Sachita Yadav (2022)²⁵ analysed Nifty sectoral indices during COVID-19 and found IT, metal, and pharma outperformed FMCG and financial services. Samer Salameh and Asad Ahmad (2022)²⁷ reviewed stock market development and economic growth and found a strong positive relationship. Zahid Hassan Kharuri, T. Manjunatha, and V. Rajesh Kumar (2021)³⁰ examined Union Budget stock price reactions and found abnormal returns indicating market inefficiency. Aswani Kumar Mallick, Alok Kumar Mishra, and Iti Vyas (2021)² examined stock price forecasting of banks and found the model effective under normal and stress conditions. Farhan Ahmed et. al (2021)⁸ analysed COVID-19 impacts on stock and commodity markets and found negative stock effects with rising gold prices. Vivek Panwar and Ganesh Kumar Nidugala (2019)²⁹ analysed Budget and GDP announcements and found macroeconomic events significantly influenced stock returns. G. Sankararaman, S. Suresh, T.C. Thomas, and Vishnupriya (2019)⁹ examined NSE sectoral volatility during budget periods and found strong volatility and sectoral interrelationship.

IV. PROBLEM OF STATEMENT

The Union Budget is a major economic event that influences stock market performance in India. However, limited research has examined sector-wise changes in stock prices, returns, and volatility during the pre-and post-budget periods. This study addresses this gap by analysing the impact of budget announcements on selected sectors and their market performance.

V. OBJECTIVE OF THE STUDY

To identify the changes in stock prices and returns of selected companies during the budget period.
To analyze the effects of the Union Budget on sector-wise market performance in pre and post budget period.

VI. RESEARCH METHODOLOGY

6.1 Research Method

The study adopts a descriptive research methodology to analyze the impact of the Union Budget on market performance in India by examining changes in stock prices, returns, and volatility of selected companies. It explains sector-wise market behavior during pre-budget and post-budget periods without manipulating variables.

6.2 Sampling Design

- **Sampling Method** - The study uses a purposive sampling method in which companies are selected based on their relevance to the research objectives. Selected companies belong to key sectors such as Banking, Information Technology (IT), Automotive, and Fast-Moving Consumer Goods (FMCG). The selection is based on market capitalization, availability of data, and active stock market presence. This method ensures meaningful and reliable analysis of the sector-wise impact of the Union Budget.
- **Sample Size** - The sample consists of selected companies from four major sectors of the Indian economy, namely Banking, IT, Automotive, and FMCG. Around four companies from each sector are selected for analysis, making a total of sixteen companies. The selected sample is considered adequate for comparing stock prices, returns, and volatility across sectors during the budget period.
- **Period of the Study** - The study covers a specific period around the Union Budget announcement to assess market performance. It includes a pre-budget period of 15 days before the budget announcement and a post-budget period of 15 days after the announcement. This period enables comparison of stock price movements, returns, and volatility before and after the budget.

6.3 Source of Data

Secondary Data - The study is entirely based on secondary data collected from reliable and authentic sources. Data are gathered from official stock exchange websites such as NSE and BSE, company annual reports, financial statements, and published company reports. Additional information is collected from financial platforms such as Money control, Yahoo Finance, journals, and research articles. The data mainly include daily closing stock prices, returns, and market performance information during the pre-budget and post-budget periods.

6.4 Tools of the Study

Descriptive Statistics - Descriptive statistics are used to summarize stock market data using measures such as mean, standard deviation, and percentages. This method helps in understanding the general trend and behaviour of stock prices, returns, and volatility during the budget period and provides a foundation for further statistical analysis.

ANOVA - Analysis of Variance (ANOVA) is used to compare sector-wise performance among Banking, IT, Automotive, and FMCG sectors during the budget period. It helps determine whether significant differences exist in market performance across sectors due to Union Budget announcements.

6.5 Hypotheses

H₀₁: There is no significant change in stock prices and returns of selected companies during the budget period.

H₀₂: There is no significant difference in sector-wise market performance between the pre-budget and post-budget period.

VII. DATA ANALYSIS AND INTERPRETATION

This section presents the analysis and interpretation of stock market data collected from secondary sources to examine the impact of the Union Budget on market performance in India. Statistical tools are used to analyse stock prices, returns, sectoral performance, and volatility during pre-budget and post-budget periods, supporting the objectives and hypotheses of the study.

H₀₁: There is no significant change in stock prices and returns of selected companies during the budget period.

Table 1 ONE-WAY ANOVA (WELCH'S)

Parameter	F	df1	df2	p
Avg. Return	7.5	3	6.54	0.016
Risk	3.11	3	5.92	0.111
Beta	2.48	3	5.71	0.163

Source: www.finance.yahoo.com-Jamovi Output

The Welch's ANOVA results indicate a statistically significant difference in Avg. Return ($p = 0.016 < 0.05$) during the budget period, thereby rejecting the null hypothesis (**H₀₁**) for stock returns. However, because the p-values for Risk (0.111) and Beta (0.163) exceed 0.05, the null hypothesis (**H₀₁**) cannot be rejected for these two parameters. This concludes that while the budget announcement significantly impacted the selected companies' returns, it did not cause a statistically meaningful shift in their underlying market risk or volatility.

H₀₂: There is no significant difference in sector-wise market performance between the pre-budget and post-budget period.

Table 2 ONE-WAY ANOVA (WELCH'S)

Period	Parameter	F	df1	df2	p
Banking Sector					
Pre	Market value	14699.1	3	28.6	<.001
	Return	1.45	3	29.8	0.249
Post	Market value	16163.5	3	27.7	<.001
	Return	1.38	3	30.6	0.269
IT Sector					
Pre	Market value	39061.8	3	27.9	<.001
	Return	1.03	3	30	0.394
Post	Market value	2703.37	3	23.8	<.001
	Return	0.0949	3	30.7	0.962
Automotive Sector					
Pre	Market value	22603	3	23.7	<.001
	Return	2.36	3	30.8	0.091
Post	Market value	44183.4	3	24.2	<.001
	Return	0.0812	3	30.6	0.97
FMCG Sector					
Pre	Market value	75097.4	3	27.8	<.001
	Return	0.523	3	30.8	0.67
Post	Market value	46980.1	3	27.1	<.001
	Return	0.373	3	30.4	0.773

Source: www.finance.yahoo.com-Jamovi Output

The Welch's One-Way ANOVA results, we accept the null hypothesis (**H₀₂**) for market returns, as all p-values (> 0.05) show no significant difference in sector-wise performance between the pre and post-budget periods. Conversely, we reject the null hypothesis (**H₀₂**) for market value, as the highly significant p-values ($p < 0.001$) confirm that sector-wise market capitalization structures remained vastly different in both periods.

VIII. RESULTS AND DISCUSSIONS

- Stock Returns Changed Significantly During the Budget Period – Welch's ANOVA showed a significant difference in average returns ($F = 7.5$, $p = 0.016 < 0.05$), indicating the Union Budget influenced stock returns. However, Risk ($F = 3.11$, $p = 0.111$) and Beta ($F = 2.48$, $p = 0.163$) remained statistically insignificant.
- Since Avg. Return p-value (0.016) is less than 0.05, **H₀₁** is rejected, confirming that the Union Budget significantly influenced stock prices and returns of selected companies during the budget period.
- Sector-Wise Market Performance Showed Mixed Results – Welch's ANOVA revealed highly significant differences in market value across sectors in both periods ($p < 0.001$), with Banking ($F = 14699.1$) and FMCG ($F = 75097.4$) showing high variation. However, sector-wise returns

remained statistically insignificant, with p-values ranging from 0.091 to 0.970 (>0.05), indicating no meaningful difference in returns between pre- and post-budget periods.

- Since return-based p-values are greater than 0.05, H_0 is accepted for returns, indicating no significant difference in sector-wise market performance between pre- and post-budget periods.

IX. CONCLUSION

The study concludes that the Union Budget has a significant influence on the performance of sectoral stocks in the Indian stock market. Budget announcements create changes in stock prices, returns, and volatility as investors react to fiscal policies, taxation measures, government expenditure plans, and sector-specific incentives. The analysis of selected sectors indicates that the market responds differently across industries, depending on the nature of budget provisions and their expected impact on future growth and profitability. The findings reveal that while some sectors experience positive market reactions and higher returns, others may face uncertainty and increased volatility during the budget period. The study also highlights the relationship between pre-budget and post-budget stock performance, indicating that investor sentiment and market expectations play an important role in determining sectoral movements. Overall, the Union Budget serves as a key economic event that influences investment decisions, market behavior, and sector-wise stock performance in India.

The scope for future research can be extended by including a larger number of sectors and companies across different market capitalizations. Further studies may examine the long-term impact of budget announcements on stock performance and investor behavior. Researchers can also compare the effects of different Union Budgets across multiple years to identify changing market trends and sectoral responses. Additionally, future studies may incorporate macroeconomic variables and global economic factors to provide a broader understanding of the relationship between budget policies and stock market performance.

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