EFFECT OF THE NULLIFICATION OF THE 2017 PRESIDENTIAL ELECTION RESULTS IN KENYA ON SHARE PRICE MOVEMENTS AT THE NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

This research project report is my original work and has not been presented for a degree in any other university.

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May the Almighty God reward you accordingly.

DEDICATION

I dedicate this project to my parents; Robert Sukulu and Josephine Sukulu and my siblings Fabian Mwendwa, Allan Sukulu, Carlos Kamitu, Yvonne Kanyangi, and Luvanda Kanyangi, Janet Sukulu, Njoki Rukahu, my niece Shantel Ndunge and nephew Jayden Sukulu, who whose prayers brought me this far. Amen.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATION AND ACRONYMS

ANOVA	Analysis of Variance
AR	Actual Returns
CAR	Cumulative Abnormal Returns
CPRA	Comparison Period Return Model
EMH	Efficient Market Hypothesis
EPS	Earnings Per Share
GDP	Gross Domestic Product
IEBC	Independent Electoral and Boundaries Commission
MM	Market Model
NSE	Nairobi Securities Exchange
PE	Price Earnings Ratio

ABSTRACT

This study sought to ascertain the effect that nullification of 2017 presidential election had on share prices of companies whose shares traded on the country's security exchange platform using an event study model design. To meet the study objective, this study adopted an event study model which lies in the need to determine among other factors some of the abnormalities in returns, with this attributed to the event under study and achieved through the adjustment of the returns that stem out from the fluctuations of stock market prices. The study was therefore based on a political variable (the nullification of the 2017 presidential results) to establish the impact of these factors on the performance of the share price indices NSE between the sample period of 2017-2018. The study collected secondary data collection from NSE. The data obtained for this study included the daily share price movement and NSE 20 share index for 20 days before and after the nullification of the 2017 presidential elections in Kenya. The collected secondary data from this study was then allocated unique numbers and captured in the latest version of the Statistical Package Software of Sciences (Version 25.0) in readiness for analysis. The study conducted descriptive analysis and trend analysis to establish the trend and changes interms of mean scores of the vriables before and after the nullification of the presidential election in 2017. Regression analysis was conducted to establish the relationship between actual returns and the market returns over the entire study period. Regression analysis was also done for the period before nullification of elections and after in order to calculate abnormal returns. The paired t-test was also applied to establish the significance of the difference of returns before and after the 2017 nullification of election results lead to a decline in actual returns, expected returns, markets returns and abnormal returns for companies listed at the Nairobi Securities Exchange. Using study results, this study concludes that NSE response to elections nullification is more negative as evident by the drop in the averages means for actual returns, market returns, expected returns and abnormal returns after the nullification of the results. It is further noted that election cycles generally affect the returns recorded on stock markets. The study recommends that countries should seek to attain political stability due to direct correlation between political instability and investors flight.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

A nation's politics may intricately exert influence on its prosperity and income distribution, thus affecting the activities of the stock market given the fact that several voters in democratic sovereign regimes elect parties that represent their interests and personal beliefs. Given this, it is essential to note that the nullification of electoral results may therefore, influence the performance of corporates through the general changes in the spending of the government as well as tax changes. In 2017, the Supreme Court bench played a pivotal role in convincing the bench over the nullification of the August 8th presidential elections. Kenya turned out as one of the first Africa nations to nullify presidential elections following the annulment of the results (Fiorina, 2014). The aftermaths of the nullification of the presidential electoral results led to post-election violence's that affected the performance of several corporate organizations hence inflicting a downturn in the economy of the nation. The instability in share prices are therefore a natural phenomenon which give a description of the changes in expectations, resulting in cyclical patterns in the stock market.

This study heavily relied on the efficient market hypothesis (EMH) that was designed by Markowitz around 1922 and named by Fama in the year 1970. According to this theory, the financial market may incorporate the use of public assets and information on the share prices in an effort to have an insight on the occurrences of the stock market (Samuelson & Fama, 1965). The theory accentuates that correct access to information remains pivotal in determining the expectations that may allow the investors to process the available information in determining discount rates. On the other hand, this study utilized the

modern portfolio theory developed by Markowitz in 1952 explaining the manner in which investors may conduct a selection of portfolios in an effort to make the most possible returns from a particular level of risk or rather accrues the lowest risks from a certain return level. Lastly, the study made use of the random walk hypothesis by French and Roll in 1986. According to this theory, every act of trading within the stock market is subject to volatility, posing a rise in stock return variances over specified periods.

Stock markets globally collectively and individually play crucial roles in different economies given that they provide a stream of revenues used in the trading of securities, hence providing opportunities for investors to accrue and generate returns. In this regard, the stock market performs a broad range of political and economic functions through the offering of investments, trading options, speculations, arbitrage and hedging opportunities. In this regard, the Nairobi Stock Exchange (NSE) may be used in the implementation of privatized programs and in the development of the growing economy (Booth & Booth, 2013). The performance of NSE in the economy therefore remains of interest to several parties that include the government, investors, venture capitalists, and other stakeholders. The performance of the share price indices NSE is therefore influenced by a number of trajectories that include the activities of the government and the general political health of an economy, hence positing the essence of this study that sort to unravel the correlations between the nullification of the 2017 presidential election results on the share prices in the market.

1.1.1 Share Price Movements

Share price movements are the changes in the stock market that occur on a daily basis due to different market forces as established by Fama (2012). On the other hand, French

& Rou (2016) considers the share price movements as the mean share prices that changes as a result of the supply and demands of a market. This therefore determines that during share price movements, a firm's value lies in the capitalization of the market, which Gichema (2007) defines as the stock price movement that is multiplied with the number of shares outstanding.

A share prices as established by Stoll & Whaley (2015) is the price charged on a single share or on a number of saleable stocks of a firm of its financial assets. On the other hand, Siegel (2014) views share prices as the highest amount of money an individual is willing to offer on stocks or rather the lowest amount of money surcharged on a stock. Pettengill & Clark (2013) broadly defines share price as the unit of ownership in a firms financial assets that provide the equal distribution of profits in the form of dividends. The performance of in terms of share price indices stock market is as a result of many factos with the main ones including actions by governments in the form of political actions like the general elections to elect office bearers in the high most seat of presidency besides government policies.

The performance of the share price indices share prices in the stock market is mainly affected by a variety of variables with the key indicators being the political process, the policies of a government, and the performance of an economy (Schneider & Tröger, 2016). The key share price indicators include volumes and prices that are used in the analysis of the stock market trends besides the incorporation of historical stock market data that may be used in discerning the strength and direction of the market. These variables are therefore considered as secondary indicators and can play an important role in clarifying market trends of share prices.

1.1.2 Nullification of the 2017 Presidential Results

According to Irungu (2012), the nullification of the presidential results is the voiding of results as a result of procedural violations either in the campaign process or the tabulation of the electoral results. Kithinji & Ngugi (2008) however alleges that the nullification of presidential results is the invalidation of entire election of at least more than half the participating voters. Following this, the electoral commission is required to re-schedule a fresh presidential poll according to the lection regulations. According to Lusinde (2012) in bourgeois states, nullification of presidential results includes the invalidation of the election of deputies that is denied by the court of law and the electoral representing body as defined in the rule of law.

The importance of the nullification of a presidential election lies in supporting the rule of law, detailing the need to ensure that elections are conducted within the laid down principles by the law. On the other hand, the nullification of electoral results helps in repealing irregularities during the conduct of future elections through the development of policies that define the integrity of an electoral process. Lastly, Kairu (2017) alleges that the nullification of presidential election results though may be viewed as a waste of public resources may be an approach of ensuring reforms are made in the election systems to address future eventualities. Besides the fact that the inclusion of the new constitution remains a measure that may be used in determining the validity of a free and fair electoral process, the concept of separation of power through checks and balances may be another indicator used in determining the validity of an electoral process.

1.1.3 Share Price Movements and Nullification of the 2017 Presidential Results in Kenya

According to Irungu (2012), the nullification of the presidential results is the voiding of results as a result of procedural violations either in the campaign process or the tabulation of the electoral results. Kithinji & Ngugi (2008) however alleges that the nullification of presidential results is the invalidation of entire election of at least more than half the participating voters. Following this, the electoral commission is required to re-schedule a fresh presidential poll according to the lection regulations. According to Lusinde (2012) in bourgeois states, nullification of presidential results includes the invalidation of the election of deputies that is denied by the court of law and the electoral representing body as defined in the rule of law.

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In Kenya, the dealing in stocks and shares begun in 1920 when the nation was still under the British colonies. The NSE came into being bank in the year in 1954 and is considered one of the most vibrant security markets in the Easter and Central African region. The NSE therefore acts as a go between or intermediary between the buyers of stocks and the sellers hence opening doors for the increments and maximization of investments at considerable costs in the Kenyan economy. The government therefore plays a role in the regulation and control of the NSE. In this regard, it is evident that the NSE plays a an important role in the growth of the Kenyan economy through financial intermediations. The NSE as established is therefore made of close to 65 listed companies thus establishing the rationale behind the consideration of the NSE as the backbone of the economy (Hibbs, 2015).

The NSE therefore serves two important functions. Firstly, the NSE provides a direct link to organizations that are in need of funds to expand their businesses or their operations with an access to investors who have the required finds to invest in such firms. On the other hand, the NSE provides and establishes a regulated market for the purchasing and sales of shares at prices that are determined by the demand and supply mechanism as well as other macroeconomic factors that include inflation and interest rates.

Kairu (2017) observes that the process of the nullification of the results created an atmosphere of uncertainty which mainly affected the investor's decisions and behaviors in making their investments in Kenya. The changes in the investor's behaviors and decisions were therefore reflected in the activities of the Securities Exchange, aspects that may result into share price movements. According to Black (2016), the nullification of

the 2017 Presidential election results in Kenya shaped the economic outcomes and affected the prices of shares in the market, resulting in financial risks.

Political scientists as well as economists allege that during this period, there was interplay between the nullification of the presidential results and the share price movements in the stock market. One of the primary reasons attributed to this interplay lied in the fact that the key political parties that were engaged in the elections strategically manipulated the economy with the purpose of influencing their voter base leading to a decrease in the stock returns of different firms (Durnev, 2010).

Bialkowski et al., (2012) acknowledged the diverse effects that the presidential elections for the stock movements and investments remain important and tangible. Fama (1965) confirms that the movements in the share prices in the market are mainly correlated with the economic health and activities of a country. The confident gained on a President may be used as a pedestal that implicitly gives a reflection of the underlying economic state of a nation, an aspect that is essential in determining the prices of stocks in an economy**.**

1.2 Research Problem

Information content emanating from significant events may either add economic value or decrease the value of stocks and shares in the market due to the price movements. Security of the stock prices are therefore considered as a function of the available information in the market due to significant events. Significant events may therefore influence the general performance of security market performance in terms of prices at which the shares trade at in the stock market as well as the general performance of an economy. The economy therefore remains a significant aspect in determining the

financial health and security of a nation or whether there is a fall in investments or a rise at the NSE.

The nullification of the 2017 presidential elections turned Kenya as one of the first Africa nations to nullify presidential elections following the annulment of the results. The aftermaths of the nullification of the presidential electoral results lead to post-election violence's that affected the performance of several corporate organizations hence inflicting a downturn in the economy of the nation. The share prices were significantly affected as a result of the outcomes of volatile human expectations, an aspect that resulted in the shifting of the supply and demand lines-causing the share prices to oscillate (Hibbs, 2015).

The instability in share prices are therefore a natural phenomenon of changing expectations, resulting in cyclical patterns in the stock market, hence accentuating the intent of this study that sought to underpin the correlations between the nullification of the 2017 presidential election results on the share prices in the market. The NSE is reported to have lost close to 200 million in 10 minutes following the nullification of the results, an aspect that affected the share price movements at the NSE.

A number of studies have been conducted with regard to share price movements in the stock exchange market and the political turmoil's emanating from an electoral period in different countries. In a study conducted by James (2012) on the policy risks, partisanship, and the electoral process on the performance of the share price indices stock market in the U.S revealed that electoral processes and partisanship had an adverse effect on the performance of the share price indices stock market. On the other hand, a study

conducted by Oehler, Walker, and Wendt (2013) on the way in which stock prices behaved following declaration of election results in the U.S. The research observed that the returns of the market were however higher during the Democrat than Republican presidencies elections in the United States.

Booth and Booth (2013) in a study aimed at determining if business conditions prevailing in the economy was a result of the cycle in presidential election cycle as indicated by returns recorded by share prices in an economy during an electoral period, pointing to a rise of stock prices during the first and the second half of a presidential term after an election. Cahan, Malone, Powell & Choti (2015) in a research study on the association between stock market performances and political cycles revealed that the movements in the share prices in the market are mainly correlated with the economic health and activities of a country.

A section of studies in Kenya have focused on the subject of elections and share demand and supply together with the prevailing share prices to unravel the correlations between the share price movements in the stock exchange market and the political turmoil's emanating from an electoral period in different countries. Lusinde (2012) on the other hand in a study that sort to review the volatility of the stock returns of NSE during general elections in Kenya found that the stock returns among the listed companies in Kenya decreases during electoral periods given that investors are sensitive to the developments in the political landscape given their influence of the economic outcomes of the nations, hence having a negative impact on the stock returns of listed companies. Irungu (2012) revealed that the share price movements in the stock market are mainly influenced by different trajectories that are well documented, with the political violence

that emerged during electoral processes considered as an impediment to the economic health of the nation. Kithinji & Ngugi (2014) revealed that the electoral process results announcement carries a lot of weight and uncertainties among investors, hence posing a significant challenge on the performance of the share price indices NSE.

This study was different given the fact that it will increase knowledge in determining the effect of the nullification of a presidential election on the health of the stock market. The study will therefore answer the question: what are the effects of the nullification of the 2017 presidential elections on the share prices?

1.3 Research Objective

This study sought to investigate the effect of nullification of 2017 presidential election on share prices of companies listed at the NSE.

1.4 Value of the Study

This study therefore remains important given the fact that it sought to contribute to the body of literature on the effect of nullification of 2017 presidential election on share prices. The study therefore remains crucial to policy makers, political figures, students, and the government since it provides insights on electoral processes and their impact on the stock markets, positing the need for reforms.

This study contributed to the prevailing literature in the nullification of the presidential general elections as well as the overall performance of the NSE. The results of the study was significant to the future academicians and researchers since it was regarded as a major source of reference on different topics. It will also provide recommendations on the fields requiring further studies on the Nairobi Security Exchange.

This study was required by the investors at the Nairobi Security Exchange due to its vital information concerning the nullification of the presidential elections. The study will provide important information to different investors which they will use to decide whether to sell or buy shares at the Nairobi Security Exchange during the nullification period.

The findings from this study will also help the persons charged with responsibility of making policies in the government since it will enlighten them on the policy formulation and execution concerning the organization of the Nairobi Security Exchange market to improve stability and decrease capital flights that may cause enormous losses to the investors.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In order to find direction in undertaking the study on the effect nullification of the 2017 presidential results on share price movements at the Nairobi Securities Exchange, it is of significance to undertake a review on the key underlying financial theories. Key among these theories include the efficient market hypothesis (EMH), the modern portfolio theory, and lastly the random walk hypothesis in backing the findings of the study. This study will primarily rely on the Event Study Methodology which mainly comprises of joint studies on the efficiency of the market. In precision, chapter two will cover the review of the study's theories, a review of its empirical studies, and a conceptual framework.

2.2 Theoretical Review

This section conducted a review on the theories that guided the research. Specifically, a review on the theories that explain the manner in which the nullification of the presidential results has an impact on the stock market performance and the manner in which variances affected investments. The section in close reviewed four main theories that include efficient market hypothesis (EMH), the modern portfolio theory, and lastly the random walk hypothesis in backing the findings of the study. These theories were deemed suitable and relevant for the study given their explanations in regard to the two variables under study in this research.

2.2.1 Efficient Market Hypothesis

This hypothesis came into being in the 1960s and on account of the work of Fama. The meaning of the efficient market as provided in this theory lies in the fact that the market

serves as a basis in which the prices of stock securities give a full reflection of all the variable information. This therefore implies that a significant political event of news on the value of security enters the market, then there is a likelihood that the prices of stocks may react to the news quickly and correctly, with the prices underreacting nor overreacting to the news announcements. According to this theory, the financial market may incorporate the use of public assets and information on the share prices in an effort to have an insight on the occurrences of the stock market (Samuelson & Fama, 1965). In other words, the theory accentuates that correct access to information remains pivotal in determining the expectations that may allow the investors to process the available information in determining discount rates through a normative and acceptable preference specification. According to this theory, there are three main forms of efficiencies that include, the weak form of efficiency, the semi-strong form of efficiency and the strong form of market efficiency (Cahan, Malone, Powell, & Choti, 2012). According to Fama's theory, in a weak form of market, the stock market is considered as a reflection of the prices from the past information. This therefore implies that the prices of stock at this stage may rely on no memories on the successive prices that are independent. In this regard, a market may be perceived as weakly efficient when it turns out impossible for the traders to make their abnormal returns through the history of share prices.

One of the importance of this theory lies in its capacity to examine the manner in which markets react to the nullification of presidential results. The theory views electoral processes are unique events, pointing to the need to have an understanding on the election dates to be certain in advance of the outcomes and the eventualities, thus helping the markets to establish proper measures to respond to such cases. The anticipation of an

elections outcome from within a market may result into the movement of stock prices to an implied direction before an electoral period. The EHM model therefore provides two approaches that would help investors in responding to the stock market returns during electoral periods (Cahan et al., 2012). One remains in the rapid adjustment of the prices within the stock market to the new information. It is in this case expected that there is a possibility of delays in providing a response on the available news in the stock market. Past empirical studies have revealed that there is a significant correlation between the share prices and news. In this regard, the responsiveness of a stock markets security price to the relevant information remains available for disposal in the security market that defines the behavior of share prices. According to James (2012) the price behaviors in the stock market may be considered as the resultant sum of the total of the actions of individual market players that react to new information that remains relevant to the security of the market.

One of the limitations of this theory is that the prices of the stock market give a reflection of all the available information. From this, it is evident that the flow of information may immediately have an effect on the stock prices. This would therefore mean that today's stock prices may be a reflection of the news covered today and are subsequently independent to the price changes that occurred yesterday. Owing to the unpredictable nature of different political information availed for public disposal, the resulting changes in prices may be random and unpredictable. Prices in this case give a reflection of the public's information, this implying that the processing of little or no information may give a rate of return on the equivalent prices to the experts and investors (James, 2012). The tenets of the EMH model have consequently been challenged by assumptions that the

market players are rational and may evaluate information in the same exact manner. However, most of the anti- efficiency theorists give a presentation of two investor cases where investors find interest in the undervalued stocks in determining the growth potential of the market. In this regard, it is essential to note that there are no modifications of this theory provided in literature.

2.2.2 Modern Portfolio Theory

This school of thought was formulated by Markowitz in 1952 explaining the manner in which investors may conduct a selection of portfolios in an effort to make the most possible returns from a particular level of risk or rather accrues the lowest risks from a certain return level. In a stock market, the prices of stocks as established in this theory are bound to rise or fall daily (Leblang, David & Bumba, 2015). The returns of stocks is considered as the ratio of the closing prices to the opening price of the stock daily. When investors engage in the buying out stocks, they often consider the profits that will emerge in return. Generally, of the expected returns are higher, the risks in between are equally higher.

A significant number of studies suggest that this theory remains effective given that it gives a higher level of efficiency within the capital market. However, it is essential to note that the security prices may not continuously give a reflection of the available information in a market since the information is asymmetrical. In other words, if the security prices are a function that depends on the available information, the new source of information may occur randomly and would result in the fluctuation of the security prices randomly, a weakness cited in this theory (Leblang et al., 2015). In this regard, the purchase or the sale of security within a prevailing market represents a net of zero at the

present transaction. Upon the increase of the risks of an asset, so are the expected returns. This therefore means that if investors undertake a single risk, they are expected to get compensation for engaging in such in order to get higher returns. Similarly, in the event that investors boost their expected returns on their investments, then they need to be ready to undertake more risks as established in this theory.

Literature on the other hand does to mention a modification of this theory. However, the implications of this theory are evident in its capacity to determine the relevance of provided information through a cross examination of the effects of an occurrence on the security prices. The modern portfolio theory therefore gives an explanation of how investors should conduct a selection of their portfolios in order to make the highest of all possible returns from a given level of risk or rather get the lowest possible risk over a level of return (Leblang et al., 2015). There is a positive correlation between the risks as well as the expected returns of financial assets. In other words, the impact of an even such as the nullification of the 2017 presidential election on the security prices may be measured as a function of the amount of time that may elapse between the stock price changes and the event occurrence.

2.2.3 Random Walk Hypothesis

The study made use of this school of thought formulated by French and Roll in 1986. According to this theory, every act of trading within the stock market is subject to volatility, posing a rise in stock return variances over specified periods. Stock markets globally collectively and individually play crucial roles in different economies given that they provide a stream of revenues used in the trading of securities, hence providing opportunities for investors to accrue and generate returns (Cahan, Malone, Powell, &

Choti, 2012). In this regard, the stock market performs a broad range of political and economic functions through the offering of investments, trading options, speculations, arbitrage and hedging opportunities.

The strength of this model lies in its sharp association with empirical implications that have been grown through thorough testing over the past few years. Majority of the literature in this theory revolves around the random walk hypothesis, with this attributed to the two statistical descriptions that are used in determining the unforeseen price fluctuations that are undertaken as implications of the model. One of the tests conducted through the use of this model was designed by Cowles and Jones in 1973 (Santa-Clara & Valkanov, 2013). The tests therefore conducted a comparison of the frequencies and sequences as well as the reversals in a stock markets historical stock return in which the former is paired with consecutive returns while the latter are pairs of the opposite returns. However, a weakness of this theory is evident in the variances that are eminent on weekends and holidays and the manner in which their return variances tend to be lower.

The implications of the theory lies bear, with literature providing no modification of this model. One of the eminent implications is that the share prices were significantly affected as a result of unpredictable expectations of people which make it difficult to predict how it is likely to go, an aspect that results in the shifting of the supply and demand for shares causing the prices to move widely from one region to another (Worthington, 2016).

The movements in share prices are therefore a natural phenomenon of dynamism in expectations, resulting in cyclical patterns. The overall prices for shares in a stock market is therefore influenced by a number of trajectories that include the diverse activities

undertaken by the government and the general political health of an economy, hence positing the essence of this study that sort to unravel the correlations between the nullification of the 2017 presidential election results on the share prices in the market.

2.3 Determinants of Share Price Movements

2.3.1 Presidential Election Results

Worthington (2016) shows that close to 50% of a markets stock price variation may be justified through an ex-post economic activity. Research studies have therefore embarked on studies with the intent of unravelling the factors that are fundamental in determining the fundamentals of the demand and the supply and the manner in which these factors influence the stock price movements. Generally, studies have therefore revealed that a release of political news on electoral processes such as the presidential election results may play an important role in the price shifts of stocks in the market. In the event that the news on the Presidential election results are negative, then there is a likelihood that the prospects of the stocks may be negatively affected, thus leading to more people engaging in the disposition of their stocks vehemently.

On the other hand, positive news emanating from the Presidential election results may lead to an increase in the interest in stocks, thus accumulating into better stock market prices. Significant movements in the share of stock market prices are therefore correlated with the announcements of trading figures. This therefore means that the outcomes of presidential elections may result in either an increase or a decrease in the earnings per share (EPS), thus giving a general feeling that the health of the organization influences the buying tendencies of the market (Worthington, 2016). Equally important is the fact

that the Price Earnings Ratio (P/E) may be used in determining the share prices on the stock earnings.

2.3.2 Public Perception

Perception is certainty in the stock market. It results in traders buying as well as selling decisions. The broad perception of a stock can be summarized through sentiment. A stock with negative sentiment can be buying and selling at a discount relative to its value, while a stock having relatively positive emotion may possibly be buying and selling at a huge premium. Sentiments can be affected if the market leaders make the information. Public perception may possibly lead to market going up or down, causing the rise or fall of stock prices (Aduda, Odera & Onwonga, 2012).

The common direction taken by the stock market determines stock value. Bull market refers to a resilient stock market in which prices of stock are increasing and investor confidence is rising as well (Guiying, Weiwei & Lei, 2015). It is basically connected to economic recovery or an economic boom and optimism of investors. Bear market conversely refers to a weak market in which prices of stock are dropping and investor confidence is diminishing as well. It usually occurs when an economy is undergoing recession with high unemployment rate, with increasing prices (Aduda, Odera & Onwonga, 2012).

2.3.3 Industry Standards

The stock market comprises sectors for instance information technology, healthcare, consumer optional and much more. Sectors also comprise industries. Apparently, perception determines prices of stock and flow of money seems to go towards the

direction of ‘hot’ sectors as well as particularly ‘hot’ industries in the sector. Particular industry standard financial metrics may possibly be used to match stocks among peers. Price/earnings is a metric that is broadly used by mutual funds to small investors. The average P/E is determined by considering the most widely traded Exchange-Traded Funds (ETF) for that specific industry. The stock performance of industry leaders seem to point out the general trend as well as sentiment for the industry. , Government legislation, media coverage, catalysts as well as themes seem to determine the major industry trends as certain businesses are perceived to be on the rise whereas others are perceived to be failing (Olweny & Kimani, 2011).

The general health of a certain sector can be significant for the in the success of particular stocks in that sector. Start-up enterprises in the initial business life cycle may possibly encounter increased growth well over 25 percent quarterly sales growth. Top line sales growth is the preferred growth measure as the business expands market share at the cost of revenues. Ultimately, profit growth comes to the forefront because the business grows (Aduda, Odera & Onwonga, 2012). When a business realizes constant top as well as bottom line growth course, it can ultimately become a leader in the industry.

2.3.4 Economic Factors

Economic factors for instance interest rates could possibly increase or decrease interest rates to soothe or fuel the economy. This is referred to as monetary policy. If a business borrows funds to increase as well as expand its operations, increased interest rates will influence its debt cost. This could possibly lower the enterprise’s profits as well as the dividends that stockholders receive. Consequently, its share price may possibly drop. And, when the interest rates are higher, investors find investments that pay interest to be

more attractive to compared to stocks. If the economic outlook indicates growth prospects, stock prices may increase. Investors may purchase more stocks in anticipation of profits as well as increased share prices (Elly & Oriwo, 2013).

On the other hand uncertain economic outlook leads to investors reducing their buying or start selling. Inflation similarly moves share prices as a result of increased consumer prices. This usually slow down sales as well as lowering profits. Increased prices will similarly result in increased interest rates (Farooq & Ahmed, 2018). Central Bank for instance may increase interest rates to decelerate inflation. These fluctuations will seem to lower share prices. Deflation on the other hand means falling prices that seem to lower profits for businesses as well as reduced economic activity. As a result, share prices may drop, and investors may perhaps start selling their shares as well as shift to fixed-income investments for instance bonds (Kisaka & Mwasaru, 2012).

2.4 Empirical Review

James (2012) focused his study on the policy risks, partisanship, and the electoral process on the outcome of as measured by the share price indices stock market in the U.S. The study's population sample included organizations that are listed in the stock exchange market in prior to the presidential elections in 2012. The study revealed that electoral processes and partisanship had an adverse effect on the performance of the share price indices stock market. In this regard, it is essential to consider that the findings of the study revealed that political news play an important role in the share price indices recorded in given stock market.

Niederhoffer et al. (2016) conducted an analysis of the stock market movement's days and weeks before the US presidential elections in a study that sort to ascertain the extent

that electoral processes affected the stock market. The study's population sample included 50 companies that in the U.S and used an event study model prior to the past elections and periods after the elections. The study revealed that the electioneering period had an effect on the stock market's performance, determining the prices of the stock markets; thus detailing a link between the performance of the share price indices stock market and political events.

Study conducted by Oehler, Walker and Wendt (2013) on the extent that stock prices among firms whose shares traded in a public market were affected by elections using the case of U.S. The study conducted literature reviews on the partisan theory and the evidences of electoral periods. The research observed that the returns of the market were however higher during the Democrat than Republican presidencies elections, owing these anomalies to the variations in the business condition proxies and contending that the public sentiments and views on any political process may be used as a barometer in determining the health of an electoral period and its correlations with the performance of the share price indices stock market.

Booth and Booth (2013) in a study aimed at determining if the manner in which business conditions of an economy could be used as a reflection of presidential cycle by examining the security returns. The study used a mapping approach of events in studying a population sample of 15 organizations. The findings of the study revealed that for close to four decades since 1965 to 2003, the US stock prices are determined by the cycles of the Presidential elections, hence revealing that stock returns bore some relationship with the elections period, pointing to a rise of stock prices during the first and the second half of a presidential term after an election.

Cahan, Malone, Powell and Choti (2015) in a research study on the manner in which a state of two small political democracy state affected stock market return in political cycles using the case of the U.S. The study used an event study model on a population of 150 organizations in Florida over the past two general elections. The findings revealed that the movements in the share prices in the market are mainly correlated with the economic health and activities of a country.

A section of studies in Kenya have been carried out to unravel the correlations between the share price movements in the stock exchange market and the political turmoil's emanating from an electoral period in different countries. Lusinde (2012) on the other hand in a study that sort to review the volatility of the stock returns of NSE during general elections in Kenya. The study conducted a research on the volatility of the stock returns on twenty companies out of a population sample of forty-seven between 1997 and 2007. Secondary methods were used in this study, with the findings revealing that the stock returns among the listed companies in Kenya decreases during electoral periods given that investors are sensitive to the developments in the political landscape given their influence of the economic outcomes of the nations, hence having a negative impact on the stock returns of listed companies.

Irungu (2012) in another study carried out a comparison period return model (CPRA) in calculating the portfolio returns on ten organizations listed in the stock exchange market. Study results revealed that the share price movements in the stock market are mainly influenced by different trajectories that are well documented, with the political violence that emerged during electoral processes considered as an impediment to the economic health of the nation.

Kithinji and Ngugi (2014) study involved the use of a descriptive research design and literature reviews on several organizations in Kenya since independence to the current moment in determining the stock market fluctuations during electoral periods. The findings of the study revealed that the electoral process results announcement carry a lot of weight and uncertainties among investors, hence posing a significant challenge on the performance of the share price indices NSE.

On the other hand, a study conducted by Menge et al. (2014) on the impact of elections on the performance of the share price indices stock market and the returns at the Nairobi Securities Exchange through the adoption of the events methodology covering a period between 2002 and 2013. The study used a descriptive design in studying thirty organizations and revealed that the actual stock returns had a significant growth before the elections as opposed to after the electoral process. The results of the study lead to the conclusion that the expected and forecasted returns on the market were significantly higher before the elections are conducted and lower after the elections.

2.5 Conceptual Framework

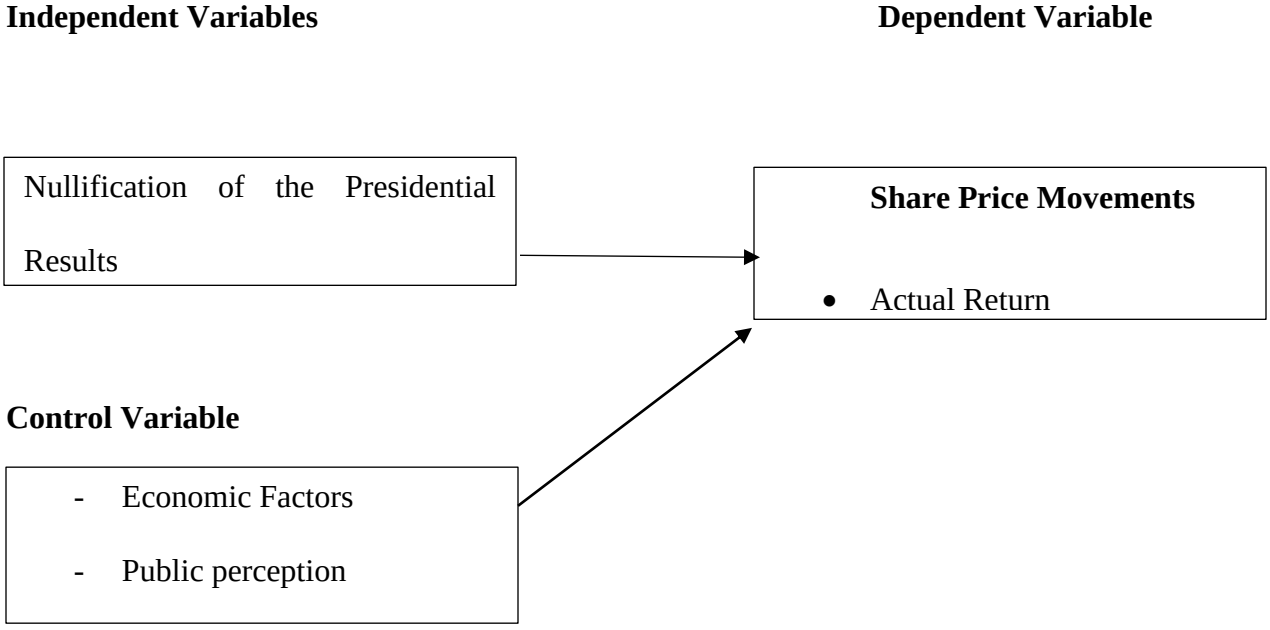

Figure 2. 1: Conceptual Framework

2.6 Summary of Literature

As established in this chapter, through the Efficient Market Hypothesis, the financial market may incorporate the use of public assets and information on the share prices in an effort to have an insight on the occurrences of the stock market. In other words, the theory accentuates that correct access to information remains pivotal in determining the expectations that may allow the investors to process the available information in determining discount rates through a normative and acceptable preference specification.

Secondly, the modern portfolio theory reveals the manner in which investors may conduct a selection of portfolios in an effort to make the most possible returns from a particular level of risk or rather accrues the lowest risks from a certain return level. In a stock market, the prices of stocks as established in this theory are bound to rise or fall daily. The return of stocks is considered as the ratio of the closing prices to the opening

price of the stock daily. When investors engage in the buying out stocks, they often consider the profits that will emerge in return. Generally, of the expected returns are higher, the risks in between are equally higher.

Thirdly, the random walk hypothesis by French and Roll in 1986. According to this theory, every act of trading within the stock market is subject to volatility, posing a rise in stock return variances over specified periods. Stock markets globally collectively and individually play crucial roles in different economies given that they provide a stream of revenues used in the trading of securities, hence providing opportunities for investors to accrue and generate returns. In this regard, the stock market performs a broad range of political and economic functions through the offering of investments, trading options, speculations, arbitrage and hedging opportunities.

In establishing the determinants of share price movements, it was revealed that close to 50% of a markets stock price variation may be justified through an ex-post economic activity. Research studies have therefore embarked on studies with the intent of unravelling the factors that are fundamental in determining the fundamentals of the demand and the supply and the manner in which these factors influence the stock price movements. On the other hand, the announcement of dividends in several cases contains the required relevant pricing information. The effects of such kinds of news remains more significant following the announcement dates as opposed to the pre-announcement and announcement dates. The share price movements in the stock market are therefore influenced by different trajectories that are well documented. The stock performance of a market remains an aspect that to some extent in determined by the performance of a respective board. Lastly, the empirical studies revealed that there is a positive correlation

between the impact of elections on the performance of the share price indices stock market and the returns at the NSE. This study will therefore fill the gaps in investigating the relationship between the general elections and the performance of the share price indices stock market.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sought to provide an outline on the research methods that was utilized in enabling the researchers to achieve the study's research objectives. The chapter will provide an outline of the research design, the targeted populace, the sampling design, and the data collection models and well as data analysis techniques employed.

3.2 Research Design

Cooper and Schindler (2013) define research design as a blue print that is used in guiding a research process, efforts that ensure that a study addresses its research problem. On the other hand, research problems are used to give inference to the structure of a study's research problem, its framework, configuration or organization of the study's relationships with other variables of the study. The design of a research study therefore helps in the planning of an investigation and in the acquisition of empirical evidences on these relationships. This study therefore adopted an event study model. The basic concept of this model lies in the need to determine among other factors some of the abnormalities in returns, with this attributed to the event under study and achieved through the adjustment of the returns that stem out from the fluctuations of stock market prices. The study is therefore based on a political variable (the nullification of the 2017 presidential results) to establish the impact of these factors on the performance of the share price indices NSE between the sample period of 2017-2018.

3.3 Data Collection

There are two main types of data that include the primary form of data and the secondary data (Cooper and Schindler, 2013). This study therefore utilized the secondary data

collection method accrued from NSE. The data obtained for this study included the daily share price movement for 20 days before and after the nullification of the 2017 presidential elections in Kenya.

3.4 Data Analysis

Data analysis as established by Cooper and Schindler (2013) is defined as a process used in brining order, meaning, and structure of the collected data to enable the researchers to interpret and communicate the findings prior to the research report. The collected secondary data from this study was then allocated unique numbers and captured in the latest version of the Statistical Package Software of Sciences (Version 25.0) in readiness for analysis. The study on the other hand adopts Market Model (MM) steps as outlined below:

Step 1: This process details the identification of the event of interest, in this case, the nullification of the presidential results in 2017 and its effects on the returns of the stocks as quoted at the NSE. The dates of the event of interest were August 2017.

Step 2: A definition is done on the events window which is considered to be between 20 days before the nullification of the presidential elections and 20 days after the electoral process.

Step 3: This process includes the selection of the study's sample that included a set of different firms that are included in the analysis. The study accessed the changes in share price index for firms listed on the NSE 20 share index was utilized in the study. It is essential to note only the companies that existed within the 120-day period, that is before the electoral process and 60 days after the electoral process were incorporated. This

therefore implies that the sample population of 20 firms entailed different organizations at different points in time.

3.4.1 Analytical Model

The event day represents the day presidential elections was nullified and is represented by t =0. Thus the event window is 21 days. The estimation period for the model is 20 days before and after the event period to observe the abnormal returns. Stock returns were determined using the Market model.

Step 4: The study's analytical model is established in this stage. The study therefore computed the changes that were recorded in terms of the share prices in an effort to disclose the actual returns.

In this case:

The Actual Share Returns in a Single day t, = $\frac{(pt-pt-1)}{pt-1} \times 100$

Where:

P_t = the Price of the securities denoted as i over a period of time t

P_{t-l} = the prices of the security at a given time t

Given this, the changes in the Nairobi Stocks and Exchange market over the time period established was computed, thus denoting the market returns.

NSE 20 Companies listed Share Index Returns in Time

(t) (Market Return) = $\frac{NSE\ t-NSE\ t-1)}{NSE\ t-1} \times 100$

To calculate the normal returns, the study's market model is as: $R_{xt} = \alpha + \beta_x R_{mt}$

In this case:

R_{xt} = Actual Returns on stock x at time period t.

R_{mt} = Market Returns at time t

B = is the security's price volatility relative to overall market

α = A constant

The Abnormal Returns (AR) was determined to measure the effect of nullification of presidential elections on share price movement. The information important for the event is then measured by determining the Abnormal Returns which is:

Abnormal Returns = Actual Returns – **The Expected Returns**

$AR_x = R_{xt} - ER_t$

Where

SD (ARt) = standard deviation of ARt calculated all along the estimation window.

The study analyzed the cumulative abnormal returns (CARs) for the 40-day event window in order to generalize the results and come up with conclusions for the case under scrutiny in Kenya.

The α and β constants were calculated for the statistics before and after election as shown in appendix 4.

3.4.2 Diagnostic Tests

To test the assumptions, the residuals was looked at. The errors were assumed to be: normally distributed as depicted by the mean of 0, being independent besides bearing equal variance in the treatment levels. The study plotted the residuals against the predicted values of *Y* on one side and treatment levels on another. The paired t-test was also applied to establish the significance of the difference of returns before and after the 2017 nullification of election results.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The study aimed at assessing the influence of the nullification of the 2017 Presidential Election results in Kenya on the share price movement of firms registered at the NSE. A summary statistic of the research variables was generated form the data analysis focusing on the influence nullification of the 2017 Presidential Election results in Kenya on share price movement indicators for the 20 days before and after the nullification of the results. The section was important since it enabled comparison to be undertaken so as to understand how the share prices of companies listed in the NSE performed as a result of the nullification of the 2017 Presidential Election results in Kenya.

The analysis is the aggregate summary the average change in share index focusing on the share index performance for periods /20days before and after the nullification of the 2017 Presidential Election results in Kenya. This is important because this study was a comparative study that compares the performance of the share price indices for companies Listed on the NSE for before and after the nullification of the 2017 Presidential Election results in Kenya.

The section was important to understand how the Share price index of companies listed on the NSE performed owing to the nullification of the 2017 Presidential Election results in Kenya. This is important because this study was a comparative study that compares the performance of the share price indices for companies Listed on the NSE for before and after the nullification of the 2017 Presidential Election results in Kenya.

4.2 Descriptive Analysis

Table 4. 1: Descriptive Analysis

		N	Minimum	Maximum	Mean	Std. Deviation
Actual Returns	Before Nullification	20	-.24	.25	.3945	.12963
	After Nullification	20	-1.02	1.81	.0255	.62733
Market Return	Before Nullification	20	-.58	1.81	1.0261	.52522
	After Nullification	20	-1.87	2.85	.4884	1.18587
Expected Returns	Before Nullification	20	.00	.02	.4311	.00449
	After Nullification	20	.35	.51	.0090	.03510
Abnormal Return	Before Nullification	20	-.24	.23	.0174	.12572
	After Nullification	20	-1.52	1.46	-.0362	.66237

The table 4.1 provides descriptive statistics for the actual, market, expected and abnormal returns before and after nullification of election. The results indicate a high score in the mean of actual return before the nullification of elections than after the nullification of elections. This is presented by a mean of .3945 before nullification of elections and a mean of .0255 after nullification of elections. The market return had a mean of 1.0261 before nullification of elections and a mean of .4884 after the nullification of elections. The same case is also presented in the expected returns mean

where the returns before nullification of elections are higher than after the election period, with means of .4311 and .0090 respectively. The mean of the abnormal return before election is .0174a value higher than the mean after the election period which is -0. 0362. These results show that abnormal returns are higher before nullification of elections than after nullification of elections.

4.3 Daily Trends of Returns

This section presents the trend analysis of the dependent and independent variables of the study.

4.3.1 Trend Analysis in Share Prices

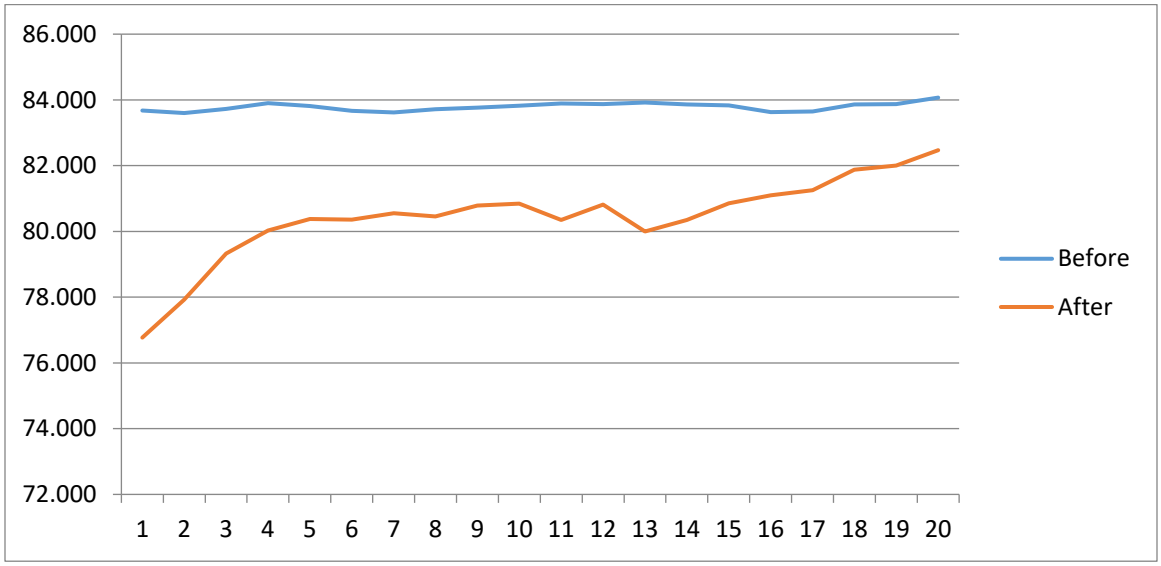

Figure 4. 1: Trend Analysis in Share Prices

Figure 4.1 presents the trend analysis of share prices before and after the election nullification period. The average share prices at NSE seemed steady for the 20 days before election with the prices being highest on the 31st of August at ksh 84. On the other hand, there was a steep drop in the share prices after the nullification of the presidential

elections with the average share prices falling at Ksh 76.8 this was followed by a steady increase in the share prices.

4.3.2 Trend Analysis in NSE 20 Share index

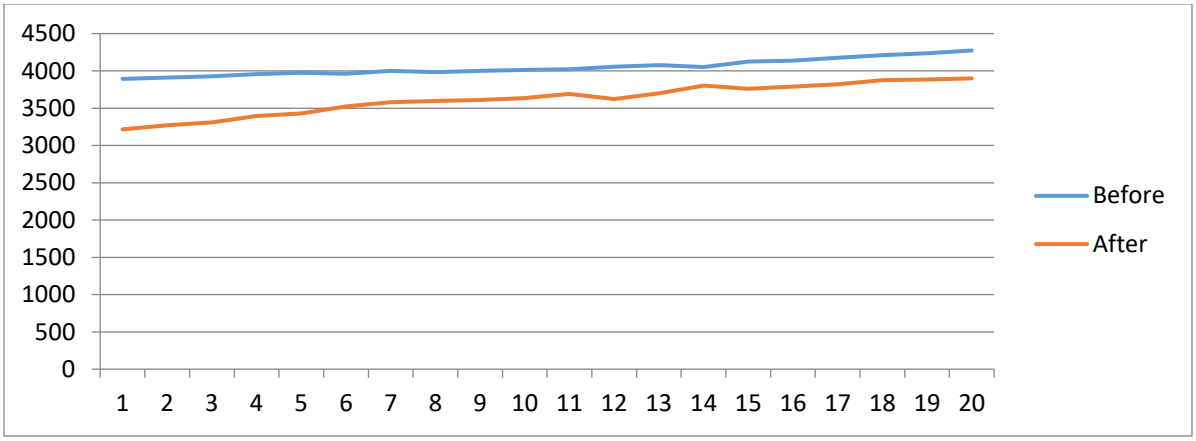

Figure 4. 2:Trend Analysis in NSE 20 Share index

Trend analysis NSE 20 share index presented in figure 4.2 indicates a a fall in the share index after the nullification of the presidential elections in 2017. However, the share index rose sharply with the first few days after the nullification.

4.3.3 Trend Analysis of the Abnormal Return

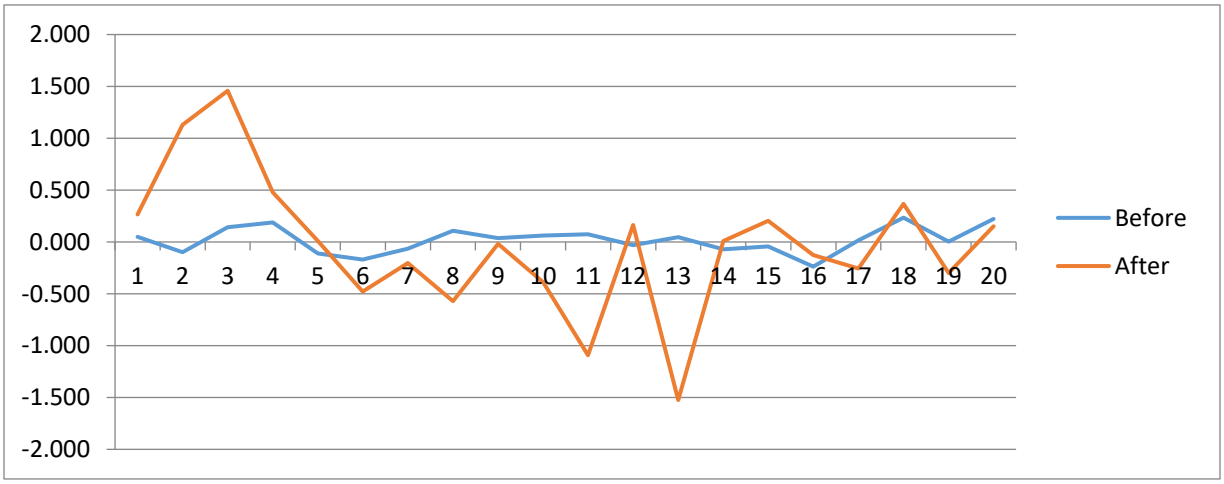

Figure 4. 3: Trend Analysis of the Abnormal Return

The trend analysis of the abnormal return represented in figure 4.3 shows drastic fluctuations in abnormal returns after the nullification of elections. This changes that caused the drift in abnormal returns as represented by the graph can be explained by the election nullification.

4.4 Inferential analysis

4.4.1 T-Test Analysis of Returns

The researcher conducted a t-test analysis to establish whether there was a significant difference between the variables before the nullification of the elections and after. The findings are shown in table 4.2.

Table 4. 2: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Actual Return A - Actual Return B	-.36900	.61574	.13768	-.65717	-.08083	-2.680	19	.015
Pair 2	Market Return A - Market Return B	-.53770	1.53512	.34326	-1.25616	.18076	-1.566	19	.134
Pair 3	Abnormal Return A - Abnormal Return B	.05360	.65846	.14724	-.25457	.36177	.364	19	.720
Pair 4	Expected Returns A - Expected Returns B	-.42210	.03591	.00803	-.43891	-.40529	-52.569	19	.000

A-Before election nullification

B-After election nullification

Table xx gives the paired t-test, there is evidence to suggest that the difference in actual returns and expected returns before and after the election nullification were statistically significant (p = .015 and p=0.000) respectively. The 95% confidence interval for the difference are (-.65717, -.08083 and -.43891, -.40529) respectively. The effect of election nullification can be said to have insignificantly affected the market return and abnormal returns as shown by the significant level (p=0.134, p=0.720) greater than 0.05 respectively

4.4.2 Regression analysis

Table 4. 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.034[a]	.001	-.025	.49064

a. Predictors: (Constant), Market Return

The above table 4.3 gives the model from where the equation that could fit the data was obtained. From the table, a positive correlation existed as shown by the correlation coefficient value i.e. (r=0.034) between the dependent and independent variable. Majority of data points represented by 1% were represented and explained by the model which is not satisfactory

Table 4. 4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	1	.011	.044	.835[b]
	Residual	9.148	38	.241		
	Total	9.158	39			

a. Dependent Variable: Actual Return

b. Predictors: (Constant), Market Return

ANOVA statistics presented on Table 4.4 indicate that the overall model was statistically insignificant. This was supported by an F statistic of 0.044 and probability (p) value of 0.835. Probability value (p) is usually given the value of 0.05, therefore, any value below the same is statistically significant while any value above 0.05 is not significant. Therefore from the results the reported p value 0.835 was greater than the conventional probability of 0.05 significance level thus its insignificance.

The F critical value at 5% level of significance is 161.45. The F calculated was 0.044. The F calculated of .044 is less than the F critical value of 40.437which implied that the overall model was insignificant. This was supported by p value for significance (0.835) which is greater than 0.05. The relationship that existed between the actual return and market return can be deduced to be insignificant.

Table 4. 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.197	.100		1.970	.056
	Market Return	.017	.083	.034	.210	.835

a. Dependent Variable: VAR00009

From the regression model obtained in table 4.5, holding all other factors constant, actual return would be 0.197 over the entire study period. Also, the results show that a unit increase in market return would lead to 0.017 increases in actual returns. These results are for the entire study period and the results used to calculate abnormal return are presented in appendix 3 for the data before and after nullification of the study.

4.5 Discussions of the Findings

The results indicate a high score in the mean of actual return before elections than after the nullification of election period. This is presented by a mean of .3945 before nullification of elections and a mean of .0255 after nullification of elections.

The market return had a mean of 1.0261 before nullification of elections and a mean of .4884 after the nullification of elections. The same case is also presented in the expected returns mean where the returns before nullification of elections are higher than after the election period, with means of .4311 and .0090 respectively. The mean of the abnormal return before election is .0174a value higher than the mean after the election period which is -0. 0362. These results show that abnormal returns are higher before nullification of elections than after nullification of elections.

Results further indicate that there was a significant effect of election nullification on actual returns and expected returns as shown by p values of 0.015 and 0.000 respectively. However, market returns and abnormal returns shown insignificant change when compared before the election nullification and after as indicated by p values of 0.134 and

0.720 respectively.

The sharp drop in share prices caused a loss of over 0.5 billion dollars within a few hours due to political uncertainty. These results are in line with those of Kabiru (2014) that examined whether political-related events mainly the national general elections. The period studied cut across beginning the second election held in Kenya under the multiparty rule in 1997, first regime change of 2002, the turbulent election period of 2007 and a second regime change election event of 2013. The information content in the general election is therefore useful for valuing the securities in the markets.

It is argued that times of political stability in a country provide the most appropriate environment for investors in such markets. Existence of political uncertainty brings about risk premium with huge magnitude especially for the case of weaker economies with unstable economic conditions. The uncertainties make stocks volatile. According to Nicholas (2017) political issues directly affect business in the country, therefore election results impact stock market since stock markets largely reflect the perceived collective business outlook. It has been established that the arrival f new information in any given market affects the share prices once this information gets digested and reflected in stock prices. Therefore going by these findings, for the investment strategy, investors ought not to be caught up in market mishaps which mean that they need to observe their main objective of investing in the market in the first place and ignore some happenings especially arising from political events.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This part gives a summary of what has been analyzed and presented in the previous part, draws conclusions thereof, and develops recommendations to guide future scholars, and policy formation or implementation. The section gives a summary of major findings; it draws the conclusions together with the recommendations. It further outlines the limitations and gives references for other studies.

5.2 Summary of the Findings

The study intended for assessing the impact of the nullification of the 2017 Presidential Election results in Kenya on the share price movement in companies registered in the NSE. The section was key to understanding how the share price index of companies listed on the NSE performed due to the nullification of the 2017 Presidential Election results in Kenya.

The study assessed the daily average changes in share prices of companies trading at the NSE for 20 days before and after the nullification of the presidential results. The study was a comparative study that compares the change in share price movement of the companies listed on the NSE.

The results indicate that the nullification of the 2017 Presidential Election results in Kenya negatively influences the shares prices of companies listed at the Nairobi Securities exchange therefore, we therefore conclude that the nullification of the 2017

Presidential Election results in Kenya would lead to a decline in share prices index for companies listed at the NSE.

According to the findings, there was a decrease in daily actual returns, market returns, expected returns and abnormal returns for the 20 days after the nullification of the 2017 Presidential Election results in Kenya for the companies registered at the NSE. The descriptive statistics indicate a general decline in share price index after the nullification of the 2017 presidential results.

The mean performance of actual returns, market returns, expected returns and abnormal returns were higher before the nullification of elections and lower after the nullification of the elections. Abnormal returns present the difference between the actual returns and the expected returns over a certain period of time. This changes that caused the drift in abnormal returns can be explained by the election nullification. The performance after the election nullification was affected by the then supreme court verdict which brought about instability in the country affecting the social and economic part of the economy. Results in the actual returns shows a steady performance of the actual stocks before the nullification and a steady rise after a drop a few days after the announcement of the election nullification.

T-test results indicated that actual returns and expected returns had a significant difference before the nullification and after the nullification day

5.3 Conclusions

The study aimed at verifying the effect of nullification of the 2017 Presidential Election results in Kenya on the share price movement in companies registered in the NSE.

Previous scholars in Kenya have posted that elections impact stock market especially the election cycle which have indicated a correlation with returns recorded. In line with the "presidential election cycle theory", a decline is usually recorded in the financial market in periods of a presidential election. Following the September 1, 2017 Supreme Court's ruling nullification of the 2017 Presidential Election results, the stock markets declined sharply.

The results indicate that the nullification of the 2017 Presidential Election results in Kenya negatively influences the shares prices therefore, it can be conclude that the nullification of the 2017 Presidential Election results in Kenya would lead to a decline in share prices index for companies listed at the Nairobi Securities Exchange

Using study results, this study concludes that NSE response to elections nullification is more negative as evident by the drop in the averages means for actual returns, market returns, expected returns and abnormal returns after the nullification of the results. This is because the effects vary from one election to another making it difficult to generalize the effect. The information communicated in the market following presidential result nullification in the year 2017 is relevant in valuation of securities at NSE. The NSE being the largest securities market in this region temporarily halted trading following a sharp decline in share prices resulting in a loss of over US 0.5 billion dollars.

It is further noted that election cycles generally affect the returns recorded on stock markets. Therefore, it is important that all players in a stock market take the information from elections seriously in making their investment decisions. This may influence the return they make. For instance, a sharp decline in share prices posted a reducing trend in

the week running to the nullification of presidential election results to a sharp increase after the nullification announcement. This shows that stock markets have the potential to absorb information in a long run and to reflect it in its share prices. The findings however show that investor confidence remained high despite the two election periods in Kenya.

5.5 Limitations of the Study

Since it was a census survey research using secondary data; data collection was extremely tedious and time consuming. The time period for the conduction of the research was limited thereby an exhaustive and comprehensive research could not be conducted. The study, however, minimized these by conducting in-depth analysis that significantly covers the shortcomings of the study. It was tedious gathering data as well as evaluation since it was relatively raw. Data presentation was diverse thereby difficulty in computation.

The annual financial statements are also prepared under the fundamental assumptions and concepts which are subjective and therefore not be consistently applied particularly in terms of provisions and estimates. Another limitation is the fact that financial statements are a reaffirmation of the previous year's performance hence misstatements of the material of the performance of the share price indices firm can lead to adjustment of the previous year's and this may not be revealed to the public. It was difficult to access secondary data due to strict confidentiality exhibited by most organizations.

Another limitation of the study is that the market performance in the considered elections period may be subject to other anomalies like weekend effect, holiday and Monday effect which have not been reflected in the analysis. The reality is that all these anomalies were

present and have not been taken into account hence the results may change once these anomaly effects are accounted for. Other factors like market liquidity, and dividend payouts were not taken into account.

5.6 Recommended Areas of Further Research

The fact that this study limited itself to the nullification of the 2017 Presidential Election results in Kenya in companies listed in the NSE; the study suggests that comparative study should be undertaken in other industries to establish the implications of the political climate on operational efficiencies and share price movement of such institutions. Other studies that attempt to predict the optimal political situations should be undertaken in order to inform investor strategic investment decisions. Given the turbulent nature of the business environment, for example technology, risks, and uncertainties, it was appropriate to mirror this research after a period of ten years and examine the influence of political environment.

There is also a limitation of this study which includes a similar study whose objective would be to reaffirm these findings. Further research could also be done to determine other elections such as the referendum that result in share price movement of firms registered at the NSE and can include the similar variables or more variables be added. This can be used to come up with more solid confirmation or reduction of error term.

Additionally, further studies should be carried out to determine the influence of a number of macro factors, such as interest rates, inflation, economic outlook, changes in policies, and wars on share price movement of companies listed in the NSE in order to depict reliable information that illustrates real situation with various macro-economic variables.

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APPENDICES

Appendix 1: Daily averages for 20 Days before nullification of 2017 presidential results

Date	**Share Price**	**Actual Returns**	**NSE 20 Share Index**	**Market Return**	**Constants (obtained from the regression model)**		**Expected Return (α+ β(actual Return))**	**Abnormal Return**
					α	**β**		
3-Aug-17	83.680	**0.060**	3892.810	**0.390**	**0.008**	**0.035**	**0.010**	**0.050**
4-Aug-17	83.600	**-0.096**	3908.660	**0.407**	**0.008**	**0.035**	**0.005**	**-0.100**

7-Aug-17	83.730	**0.156**	3927.590	**0.484**	**0.008**	**0.035**	**0.013**	**0.142**
9-Aug-17	83.900	**0.203**	3955.390	**0.708**	**0.008**	**0.035**	**0.015**	**0.188**
10-Aug-17	83.810	**-0.107**	3972.150	**0.424**	**0.008**	**0.035**	**0.004**	**-0.112**
11-Aug-17	83.670	**-0.167**	3962.000	**-0.256**	**0.008**	**0.035**	**0.002**	**-0.169**
14-Aug-17	83.620	**-0.060**	3998.700	**0.926**	**0.008**	**0.035**	**0.006**	**-0.066**
15-Aug-17	83.720	**0.120**	3982.690	**-0.400**	**0.008**	**0.035**	**0.012**	**0.107**
16-Aug-17	83.760	**0.048**	3999.450	**0.421**	**0.008**	**0.035**	**0.010**	**0.038**
17-Aug-17	83.820	**0.072**	4014.120	**0.367**	**0.008**	**0.035**	**0.011**	**0.061**
18-Aug-17	83.890	**0.084**	4023.040	**0.222**	**0.008**	**0.035**	**0.011**	**0.073**
21-Aug-17	83.870	**-0.024**	4056.770	**0.838**	**0.008**	**0.035**	**0.007**	**-0.031**
22-Aug-17	83.916	**0.055**	4076.100	**0.476**	**0.008**	**0.035**	**0.010**	**0.045**
23-Aug-17	83.860	**-0.067**	4052.470	**-0.580**	**0.008**	**0.035**	**0.006**	**-0.072**
24-Aug-17	83.830	**-0.036**	4125.830	**1.810**	**0.008**	**0.035**	**0.007**	**-0.043**
27-Aug-17	83.630	**-0.239**	4136.470	**0.258**	**0.008**	**0.035**	**0.000**	**-0.238**
28-Aug-17	83.650	**0.024**	4176.230	**0.961**	**0.008**	**0.035**	**0.009**	**0.015**
29-Aug-17	83.860	**0.251**	4209.430	**0.795**	**0.008**	**0.035**	**0.017**	**0.234**
30-Aug-17	83.870	**0.012**	4237.100	**0.657**	**0.008**	**0.035**	**0.008**	**0.004**
31-Aug-17	84.070	**0.238**	4273.530	**0.860**	**0.008**	**0.035**	**0.016**	**0.222**

Appendix 2: Daily averages for 20 Days after nullification of 2017 presidential results

Date	Share Price	Actual Returns	NSE 20 Share Index	Market Return	Constants (obtained from the regression model)		Expected Return (α+ β(actual Return))	Abnormal Return
4-Sep-17	76.770	0.680	3215.870	1.020	0.453	-0.056	0.415	0.265
5-Sep-17	77.920	1.498	3271.430	1.728	0.453	-0.056	0.369	1.129
6-Sep-17	79.330	1.810	3308.000	1.118	0.453	-0.056	0.352	1.458
7-Sep-17	80.030	0.882	3396.000	2.660	0.453	-0.056	0.404	0.479
8-Sep-17	80.380	0.437	3427.330	0.923	0.453	-0.056	0.429	0.009
11-Sep-17	80.360	-0.025	3525.000	2.850	0.453	-0.056	0.454	-0.479
12-Sep-17	80.550	0.236	3580.000	1.560	0.453	-0.056	0.440	-0.203
13-Sep-17	80.460	-0.112	3597.310	0.484	0.453	-0.056	0.459	-0.571
14-Sep-17	80.790	0.410	3608.330	0.306	0.453	-0.056	0.430	-0.020
15-Sep-17	80.840	0.062	3634.000	0.711	0.453	-0.056	0.450	-0.388
18-Sep-17	80.350	-0.606	3690.000	1.541	0.453	-0.056	0.487	-1.093
19-Sep-17	80.820	0.585	3621.000	-1.870	0.453	-0.056	0.420	0.165
20-Sep-17	80.000	-1.015	3699.000	2.154	0.453	-0.056	0.510	-1.524
21-Sep-17	80.350	0.437	3802.670	2.803	0.453	-0.056	0.429	0.009
22-Sep-17	80.850	0.622	3759.670	-1.131	0.453	-0.056	0.418	0.204
25-Sep-17	81.100	0.309	3788.000	0.754	0.453	-0.056	0.436	-0.126
26-Sep-17	81.250	0.185	3821.670	0.889	0.453	-0.056	0.443	-0.258
27-Sep-17	81.880	0.775	3875.000	1.395	0.453	-0.056	0.410	0.366
28-Sep-17	82.000	0.147	3882.000	0.181	0.453	-0.056	0.445	-0.298
29-Sep-17	82.470	0.573	3899.330	0.446	0.453	-0.056	0.421	0.152

Appendix 3: α and β Constants Before and After the Nullification of the Elections

The α and β values before nullification of elections

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.142[a]	.020	-.034	.13183

a. Predictors: (Constant), Market Return

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.006	1	.006	.371	.550[b]
	Residual	.313	18	.017		
	Total	.319	19			

a. Dependent Variable: Actual Return

b. Predictors: (Constant), Market Return

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.008	.041		.206	.839
	Market Return	.035	.058	.142	.609	.550

a. Dependent Variable: Actual Return

A and β values after nullification of elections

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.107[a]	.011	-.044	.64048

a. Predictors: (Constant), Market Return

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.085	1	.085	.207	.655[b]
	Residual	7.384	18	.410		
	Total	7.469	19			

a. Dependent Variable: Actual Return

b. Predictors: (Constant), Market Return

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.453	.192		2.364	.029
	Market Return	-.056	.124	-.107	-.455	.655

a. Dependent Variable: Actual Return