

"A man is
great by
deeds, not by
birth"

-Chanakya

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Working Paper

IIMK/WPS/378/FIN/2020/04

APRIL 2020

**Coalition-based Governance:
Ramifications of Parliamentary Meetings on Asset Prices**

Sandip Chakraborty¹
Avinash Ghalke²
Ram Kumar Kakani³

¹Visiting Research Associate, Indian Institute of Management (IIM) Calcutta, Kolkata, India
Email: csandip@gmail.com

²Associate Professor, Institute of Management and Technology (IMT), Nagpur, India,
Email: aghalke@imtnag.ac.in

³Professor and Head (Governance Center), Finance, Accounting and Control Area, Indian Institute of Management - Kozhikode, IIMK Campus P.O, Kerala 673570, Email: ramkumar@iimk.ac.in

Coalition-based Governance: Ramifications of Parliamentary Meetings on Asset Prices

Sandip Chakraborty, Avinash Ghalke & Ram Kumar Kakani

Abstract

Connecting the dots in developing nations between the 'political' powers and formal 'economic' performance parameters gains wider importance in periods of 'coalition' era political systems' based democratic parliamentary governance. We explore the inter-linkages between economic performance in terms of 'asset prices' and 'political powers' using their vital country-level metrics: stock market index, parliament session, ruling party strength and composition of the ruling coalition. By performing modified EGARCH based analysis on a 39-year data (1979-2018) across 15-different governments from India, we find interesting conclusions that highlight the 'coalition effect' on asset prices. Our results show that these effects tend to lower economic returns, induce a spike in terms of the volatility of asset prices, predicting thereby fallouts in governance coupled with allied political risk ramifications thereof. We explore a few key reasons behind the same to make Westminster-parliamentary governed nations more meaningful for the financial world.

KEY WORDS: Asset Price Dynamics; Coalition Politics; EGARCH Analysis; India; Westminster Parliament;

Research Office

Indian Institute of Management Kozhikode

IIMK Campus P. O.,

Kozhikode, Kerala, India,

PIN - 673 570

Phone: **+91-495-2809238**

Email: research@iimk.ac.in

Web: <https://iimk.ac.in/faculty/publicationmenu.php>



“ The
unexamined
life is not
worth living ”
-Socrates