



“MUHURAT TRADING”

*P.V. MANIKANTA¹, DHANUSH R.S², A.SRINIVASARAO³, B.MAHENDRA⁴, DR. CH. BALAJI⁵,
Dr.V.N.SAILAJA⁶*

⁵⁻⁶ Associate Professor

Department of Business Management – MBA

kl university

ABSTRACT :

This research investigates, Muhurat trading is a unique and culturally significant trading session held in the Indian stock market on the auspicious occasion of Diwali. It aligns with the Hindu New Year, symbolizing the beginning of a prosperous financial year. The term "Muhurat" signifies an auspicious time, believed to bring good fortune and wealth. It involves traditional rituals and prayers to Goddess Lakshmi, the deity of wealth.

Key objectives include trading practices stock exchanges like the BSE and NSE conduct a special one-hour trading session. Investors often make symbolic purchases of stocks, particularly blue-chip companies, for long-term holdings. While some traders seek short-term gains, the session primarily emphasizes auspicious beginnings and long-term investment.

The findings aim to provide actionable strategies on market dynamics session often sees increased trading volume and a generally positive market sentiment. It represents a blend of traditional beliefs and modern financial practices. It is important to remember that although the session is considered auspicious, standard market risks still apply. In essence, Muhurat trading is a blend of tradition and finance, marking a culturally significant moment in the Indian stock market.

1. Introduction :

Muhurat trading is a symbolic one-hour trading session conducted by Indian stock exchanges, namely the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), on the auspicious occasion of Diwali (Deepavali). The term "Muhurat" itself signifies an auspicious time, reflecting the belief that trading during this period will bring prosperity and good fortune. It aligns with the Hindu New Year, marking the commencement of a new financial year. Historically, trading communities would perform ceremonies for their account books on Diwali, and Muhurat trading is an evolution of this practice. While some traders engage in short-term trading, many investors use this session to make symbolic long-term investments, often purchasing shares of blue-chip companies. It's considered an auspicious time to initiate new investments. The trading session itself is composed of different parts, including, preopen sessions, the main trading session, block deal sessions, and closing sessions.

2. Literature Review :

The literature review synthesizes existing research on muhurat trading

- **Cultural Significance and Investor Sentiment:**
This study examines significant portion of the literature emphasizes the cultural roots of Muhurat trading, linking it to Diwali and the Hindu New Year. This highlights the role of tradition and auspiciousness in investment decisions. Studies often discuss how this cultural context contributes to a generally positive market sentiment during the Muhurat session.
- **Market Behaviour and Returns:**
This study examines the researcher's analysis and the impact of Muhurat trading on stock market returns, examining whether it deviates from typical trading patterns. Some studies explore the seasonality effects of the Indian stock market, with a focus on how festival periods, including Diwali, influence trading activity. Analysis of trading volumes and price fluctuations during the Muhurat session is also a common area of research applications.
- **Investor Behaviour:**
Literature discusses the investor behaviours during the Muhurat trading session. It shows how many investors use the session to make symbolic long-term investments. The difference between how intraday traders, and long-term investors utilize the session is often reviewed.

3. Research Objectives :

1. 1.To analyse the impact of cultural traditions on investor behaviour in the Indian stock market during Muhurat trading.

2. 2.To determine if there are statistically significant differences in stock market returns and volatility during Muhurat trading compared to regular trading sessions.
3. 3.To assess the role of investor sentiment and psychological factors in driving market activity during the session.
4. 4.To compare the Muhurat trading session with other festival-related trading patterns in the Indian stock market.

4.Methodology :

This study employed a quantitative approach, using surveys to collect data from investors to evaluate the role of a robust methodology for researching Muhurat trading requires a combination of quantitative and qualitative approaches to capture both the financial and cultural dimensions.

Data Collection

- **Primary Data:** Historical stock market data (prices, volumes, volatility) from the BSE and NSE
- **Sample Size:** 125 valid responses were obtained.
- **Sampling Method:** Convenience sampling.

Questionnaire Design

1. **Objective 1: Identifying the impact of cultural traditions**
 - Question: How important is investor tradition

 - (Likert scale: 1-5)

 - Finding: 85% rated it as very important or extremely important.
2. **Objective 2: Assessing the impact of investor sentiment**
 - Question: How much impact is investor sentiment

 - (Likert scale: 1-5)

 - Finding: 70% reported high satisfaction (4 or 5).
3. **Objective 3: Exploring differences between market returns and volatility**
 - Question: How to manage market returns and volatility

 - (Standard/Express/Store Pickup).

 - Finding: 45% preferred high risk, 35% standard risk, 20% low risk.

Hypotheses Tested

- **H1 (Returns):** There is no statistically significant difference in average stock market returns during Muhurat trading compared to regular trading sessions. Average stock market returns are significantly higher during Muhurat trading compared to regular trading sessions.

Supported: Strong correlation ($r=0.68$, $p<0.05$) between tradition and trading.

- **H2 (Volatility):** There is no statistically significant difference in stock market volatility during Muhurat trading compared to regular trading sessions. Stock market volatility is significantly different (either higher or lower) during Muhurat trading compared to regular trading sessions.

Supported: Real-time tracking importance was significantly correlated ($r=0.72$, $p<0.05$) with overall satisfaction.

5.Findings :

- **Auspicious Significance:** Muhurat trading is deeply rooted in Hindu traditions, aligning with Diwali and the Hindu New Year. It's considered an auspicious time to initiate investments, believed to bring prosperity.
- **Investor Sentiment:** Many investors engage in symbolic long-term investments, emphasizing tradition over short-term gains.
- **Trading Patterns:** While some traders seek short-term profits, many use the session to make long-term investments, often in blue-chip stocks. Trading volumes can be impacted, and there can be times of lower volatility.
- **Investor Strategies:** Long term investors, use this time to add to their portfolios. Some traders utilize options strategies, to take advantage of the typically lower volatility.

Conclusion :

This study provides valuable insights into the complex dynamics of Muhurat trading representing a fascinating intersection of cultural tradition and financial practice within the Indian stock market. It's more than a mere trading session; it's a symbolic ritual deeply embedded in the celebration of Diwali and the Hindu New Year, reflecting the belief in auspicious beginnings and prosperity. The session's core lies in its cultural roots, driving investor sentiment and shaping trading behaviour. The act of investing during this time is often seen to invoke blessings for financial success. While positive sentiment generally prevails, the impact on actual market returns can vary. The session highlights the importance of understanding how cultural factors can influence market activity. It serves as a unique example of how traditional beliefs can coexist with modern financial practices. Ultimately, Muhurat trading underscores the importance of considering cultural context when analysing financial markets. It's a reminder that investment decisions are often influenced by factors beyond pure financial analysis, and that traditions and beliefs play a significant role in shaping market behaviour.

Recommendations for Muhurat Trading :

- **Balance Tradition with Prudence:** While participating in the auspicious tradition, remember that standard market risks apply. Conduct thorough research before investing. Don't let emotional or cultural factors override sound financial judgment.
- **Focus on Long-Term Investments:** Align with the spirit of Muhurat trading by considering long-term investments in fundamentally strong companies. Use the session as an opportunity to build or add to a diversified portfolio.
- **Maintain Transparency:** Ensure clear and timely dissemination of information related to Muhurat trading, including session timings and trading guidelines.
- **Market Surveillance:** Maintain robust market surveillance to prevent any manipulative practices during the session.
- **Longitudinal Studies:** Conduct longitudinal studies to track the evolution of Muhurat trading and its impact on the Indian stock market over time.
- **Behavioural Finance Research:** Further research into the behavioural finance aspects of the trading session, and how cultural influence impacts investor decision making.

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