

## TEST THE WEAK-FORM EFFICIENCY OF INDIAN STOCK MARKETS

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### ABSTRACT

*This paper examined to test the weak-form efficient market hypothesis in two major equity markets in India, using time series sample data for the period 2001 until 2015. The study used parametric and nonparametric test. The result showed that the Indian stock market is informational inefficient, that is stock price does not exhibit random walk theory. The study recommended that India needs to coordinate fiscal policies which enhance the confidence of investors by providing transparent information system ensures access to all the information quickly and efficiently, free of charge, which reflects positively on the performance of financial markets.*

**KEYWORDS:** *Efficiency Markets, Indian Stock Markets, Parametric Test, Non-Parametric Test.*

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### Introduction

The efficient market hypothesis (EMH) is an investment theory state that you cannot beat the market because of the market ready to reflect all the type of the information, whether historical, private or public. According to the EMH, stocks always trade at their fair value on the market. And inefficient markets, the only way an investor can possibly obtain higher returns is by buying riskier investments. The concept of EMH describes a market consisting a large number of rational, profit maximize. And the information is available to all investors. (Fama 1965). It means that asset prices respond quickly and effectively to absorb all the information and thus miss the opportunity to investors to make profits at the expense of each other. In the Inefficient market, there be a long time until the market absorbs the information which enables investors to use the time to analyze the data and thus make an unusual profit. The basic hypothesis underlying weak form efficiency is that you cannot use the historical data to try to predict future values of financial asset prices. On the other hand that if investors are able to make the prediction of future behavior of prices through the analysis of historical data, it means that the market is not efficient in the weak efficiency level.

### Indian Stock Markets

The reform process in India began in the early 1990s with stock exchanges and then spread to banks, mutual funds, NBFCs and of late, to insurance companies. However, reforms in the equity market, in particular, commenced in the mid-1980s (Datar & Basu 2004). (BSE) has played an important role in the Indian stock market. BSE is considered the leading stock on the level of India as it is one of the oldest stock exchanges in Asia established in 1875. It was initially named as "Native Share and Share Broker Association" (Poshakwale 1996). (NIFTY 50) index is National Stock Exchange of India's benchmark stock market index for Indian equity market. Nifty is owned and managed by India Index Services and Products (IISL), which is a wholly owned subsidiary of the NSE Strategic Investment Corporation Limited. IISL had marketing and licensing agreement with Standard & Poor's for co-branding equity indices until 2013. This study tries to examine the efficiency of stock markets in India, we considered two stock exchanges-BSE Sen sex and Nifty 50. In order to identify the efficiency of these emerging markets on the week from efficiency.

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