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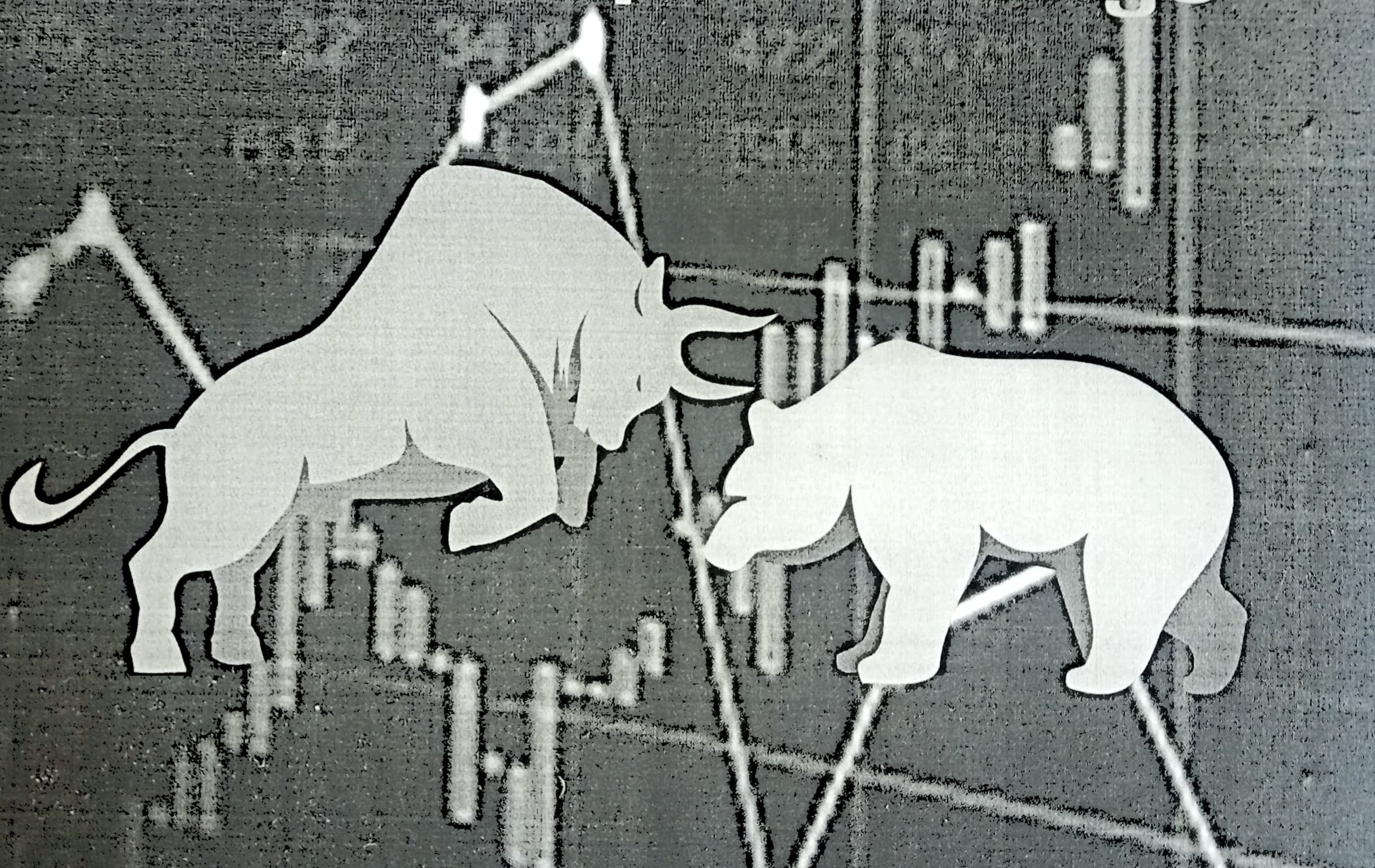
The Indian Securities Markets on the Cusp of Change



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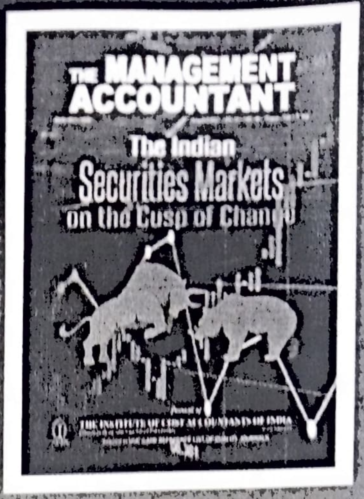

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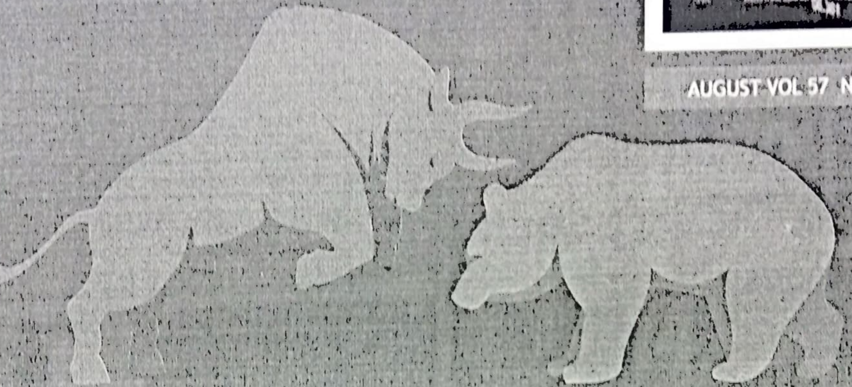

EMERGING CHARACTERISTICS OF CAPITAL MARKET EFFICIENCY: AN EMPIRICAL STUDY OF NIFTY 50 STOCKS

Abstract

While the Indian stock markets are gradually getting integrated with the developed stock markets across the world, many scholars get landed to the puzzling findings that stock markets in India are not efficient. The authors of this paper produce arguments to support that Indian stock markets have every evidence of market efficiency. Applying Normality Test to the daily stock prices of Nifty 50 stocks, the authors notice that some of the stocks satisfy the normality test, while other stocks fail to pass the normality test. The results are very much consistent because all stocks are not equally attractive and these are never traded with equal frequency.

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INTRODUCTION

An efficient capital market is believed to ensure the correct pricing of securities by reflecting firm-specific and economy-related information into the stock prices. A market of this nature comes to facilitate the efficient allocation of resources and eliminates the scope of abnormal profits. Hence, every Government adopts measures to see that the market of the country is developed to satisfy the efficiency benchmarks. In India, a wide range of reform measures have been undertaken by the Securities Exchange Board of India (SEBI) for enhancing the efficiency of the stock markets.

Researchers' quest for verifying the presence of efficiency in stock markets in India is not new. Numerous empirical tests, parametric as well as non-parametric, have been done by the researchers to examine the presence efficiency in the stock markets. The existence of a good number of authentic databases and the availability of user-friendly software come to act as incentives to a great number of researchers to apply time-series analysis. However, by applying time-series analysis, majority of the researchers arrived at the conclusion that Indian stock markets are not efficient. Therefore, instead of time-series analysis, we propose to apply the normality test in this article. In theoretical statistics normality test is regarded as the unfailing methodology of global acceptance. In fact, the normality test provides the foundation for many other forms of empirical analyses. The normality test is based on the priori-assumption that, when a market is efficient, the distribution of return on a security is projected to be normal.

LITERATURE SURVEY

Empirical studies on capital market efficiency are numerous. On the efficiency of the Indian markets,