TESTING THE WEAK FORM OF EFFICIENT MARKET HYPOTHESIS (EMH) TOWARDS BOMBAY STOCK EXCHANGE

NUR DAHIYAH BT ABD GHANI
2014277642

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.

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ABSTRACT

In the present times, the concept of the efficiency of stock market is an issue gaining ground and importance both in academics and business world. The Efficient Market Hypothesis is about the hypothesis that was described the notion that stock price and also prices in other financial market rapidly incorporate new information and related with efficiency of the stock market in stock price which will be react towards the new information regarding the new stock price. This Efficient Market Hypothesis had been narrowed down and specified to the weak form of efficient market hypothesis. The weak form of the efficient market hypothesis hold that stock prices that fully reflect any relevant information that can be obtained from an analysis of past price movement. Various studies have been made on testing weak form market efficiency but the results are mixed. While some support the Efficient Market Hypothesis, some do not. Bombay Stock Exchange is Asia's first stock exchange that was established in 1875. The present study entails both domestic and international issues. It is observed that economic, political and social issues have an impact on the study undertaken. Then the issue was derived in this study, whether Bombay Stock Exchange (BSE) is efficient in the weak form of EMH or not in weak form that was unrelated with the past price. This issue are important to security analysts, investors and security exchange regulatory bodies in their policy making decisions to improve the market condition.

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CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF STUDY

These days, the idea of the efficiency of stock market turn into an issue th[illegible]es and get to be importance for both in academics and business world. A market will be said as a proficient when with deference of an information set and the prices was completely reflects that information set. In the other word, the efficiency of the stock market will be classified when the significant data was reflects the degree to which stock prices. For instance, the price was unaffected by the information that was uncovering it and urge it to all market participants. This concept of efficiency for the emerging markets was expect the more prominent importance towards the investments and makes it quickening the consequence of stock market for the investors to invest into investment. Indirectly, this concept of efficiency was expels alternate boundaries for the global equity investments.

Other than that, this idea of efficiency are additionally vital particularly regarding a comprehension the concept of the working in capital markets. The capital markets known as the market which provide the buying and selling equity, debt instruments that channel savings funds and investments suppliers of capital, for example, retail investors and institutional investors furthermore for the users of capital including business, government and individuals. This capital market played as an essential to the functioning of an economy since the capital in vital part and segments for producing the positive yield. For this capital market, it was incorporate two markets which are primary market, where the new stock and bond was issue are sold to investors and secondary market, which involve trade existing securities to investors.

From the word of efficiency of stock market, it can be related with Efficient Market Hypothesis (EMH). This topic has been the issue of demanding by academic researcher starting over the past 50 years. Efficient Market Hypothesis (EMH) has come before economics and finance and was announced as the final theory that become as a clear movements in asset prices.