International Conference on Latest Innovation in Engineering Science and Management
Buddha Institute of Technology, GIDA, Gorakhpur (UP)
30th - 31st March 2019 www.conferenceworld.in ISBN : 978-93-87793-80-4

MARKET EFFICIENCY ON LONG TERM RETURN

Vinay Kumar Srivastav, Dr. Rakesh Kumar

**Author, MBA, Centre for Management Studies, Madan Mohan Malaviya University of Technology, Gorakhpur, 273010, UP, India.*
***Co-author, Assistant Professor, Centre for Management Studies, Madan Mohan Malaviya University of Technology, Gorakhpur, 273010, UP, India.*

Abstract

In efficient market, anomalies are chance results; over-reaction to information is as common as under-reaction. The stock market is unpredictable and it is hard to say that it provides complete information about the listed stocks. The return on investment made by the investor is directly based on up and down movements of the indices of stock exchange in which buying securities are listed.The Efficient Market Hypothesis states that security prices fully reflect all information based on different factors like company announcements, dividend policy of company, company disclosures, company fundamentals and change in government policy etc. and these tools are used to predict future prices of the stocks. The study is to test the market efficiency on long term return. The data is gathered through 5 listed companies in Bombay stock exchange. The companies include, ITC ltd, HDFC bank ltd, ICICI bank ltd, Reliance industries ltd and Tata consultancy services ltd. It is found that investor overconfidence can generate momentum effect in price of the stock. Weak form of market efficiency is claims that past prices of stock are reflected in current price of stock. Earlier studies on stock market suggest that market were efficient and the Random walk model was true. The study confirms that there is a shift in market efficiency and investors can maximize on this by correctly selecting securities that are undervalued. In this study by using modern tool like "Run test and Autocorrelation" on BSE listed companies to find out whether there is any relationship between the future prices of stocks and their past performance through efficient market hypothesis. In this paper runs test is used to find out the market efficiency. The stock price of the selected companies has been taken from BSE (Bombay Stock Exchange).

Keywords: Market efficiency, weak form, runs test, stock prices.