A Study on the Weak Form of EMH – With Special Reference to Banking Stocks In India

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Abstract
The paper “A Study on Weak Form of EMH with Special Reference to Banking Stock in India” investigates the efficiency of the stock market with respect to the value of stock and its dissemination among investors. Also the paper investigates that whether value of the stock plays any significant role for the determination of its price among investors. Return is calculated using the software MS-Excel and to run test is done through the formula $Z = \frac{R - X}{\sigma}$, $R =$ number of runs, $X = \frac{(2n1*n2/n1+n2) + 1}{\sigma}^2 = \frac{(2n1*n2-n1-n2)/(n1+n2)^2 * (n1+n2-1)}$, $Z =$ standard normal variance. Price and Run were calculated using Ms-excel software by applying statistical tool. This study states the stock prices are not depend on previous prices it is concluded through Run test.

The research revealed that past prices of the stocks will not predict the future prices of the stocks. The changes in stock prices are just chance of occurrence. EMH has been based on an earlier theory that the market prices follow a random walk, hence they are not predictable.

Key words: run, EMH, Returns, standard deviation etc.