

Testing the Weak Form Efficiency of Islamic Stock Market: Empirical Evidence from Indonesia

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Abstract : The Efficient Market Hypothesis (EMH) states that, in an efficient capital market, price fully reflects the information available in the market. This theory has influenced many investors behavior in trading in the stock market. Advanced researches have been conducted to test the efficiency of the stock market in particular countries. Indonesia, as one of the emerging countries, has performed substantial growth in the past years. Hence, this paper aims to examine the efficiency of Islamic stock market in Indonesia in its weak form. The daily stock price data from Indonesia Sharia Stock Index (ISSI) for the period October 2015 to October 2016 were used to do the statistical tests: Run Test and Serial Correlation Test. The results show that there is no serial correlation between the current price with the past prices and the market follows the random walk. This research concludes that Indonesia Islamic stock market is weak form efficient.

Keywords : efficient market hypothesis, Indonesia sharia stock index, random walk, weak form efficiency

Conference Title : ICIBFI 2017 : International Conference on Islamic Banking, Finance and Investment

Conference Location : Zurich, Switzerland

Conference Dates : January 13-14, 2017