

# Preface

Efficient market hypothesis is the well-known yet highly controversial theory of the Neoclassical School of Finance. In an informationally efficient market, price fully and instantly reflects available information in such a way that there are no opportunities for the agents to predict prices and make excess profits. An inefficient market distorts efficient allocation of capital in the economy. This book presents an empirical analysis of the informational efficiency of the *Indian Stock Market*.

India began the process of economic reforms in 1991 in the wake of the balance of payments crisis. The reforms were intended to achieve higher growth, efficiency, and macro economic stability. A number of financial sector reforms were initiated and microstructure and trading practices in the Indian Stock Market have undergone drastic changes. The policy reforms in the financial sector have given rise to a need for re-looking the behavior of stock returns in India. The past two decades also witnessed the burst of the tech boom bubble, volatile exchange markets, sub-prime crisis, and global financial crisis. The present work is motivated from these changes and situates the objectives of the study in these contexts. This volume examines random walk hypothesis and focuses on issues like non-linear dynamics, structural breaks, and long memory properties of stock returns, which are of special interest in recent times.

This book caters to the needs of a wider audience. Apart from serving the needs of students of Economics and Finance, the empirical work will be of special interest to people in academia and in decision-making organizations. Instructors in universities, who teach topics like market efficiency, will find the present volume useful in relating the theory to the empirical evidence. The book also provides good coverage on latest sophisticated time series techniques which are useful to analyze time series data. The general reader, who is interested in knowing the Indian Stock Market, will also find this book informative.

This volume would not have been possible without the help of several people. The first encouragement I received was from Late Prof. Basavaraj Nimbur. I will never forget the advice of Late Prof. Mallappa Amravati and his confidence in me. I greatly miss these Teachers, who left the classroom before the lecture was over. I particularly wish to thank Prof. B. Satyanarayana and late M. Upender, Osmania University, Hyderabad for their continuous support, and more importantly for introducing me to Prof. Kamaiah.

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