THE WEAK FORM EFFICIENT MARKET HYPOTHESIS IN THE NIGERIAN STOCK MARKET: AN EMPIRICAL INVESTIGATION

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ABSTRACT

The study empirically examined the presence of weak form efficiency in the Nigerian stock market using time series data, 1985-2014. The data used to conduct this research is the All Share Index (ASI) converted to stock market returns. Time series econometrics techniques were conducted for the analysis. The study reveals that the large differences between the Mean and Standard deviation of the variables in the descriptive statistics suggest that the stock market is highly risky. The study shows that in the recent period, 2011 to 2014, it is found that stock returns are normally distributed. The results of the test of serial independence or randomness as obtained from Runs ADF tests show that in periods 1985 to 1992, 1993 to 1999, 2000 to 2010 and the whole period 1985 to 2014, the Nigerian stock market is dependent and not random thus inefficient, which indicate that investor can predict the markets returns. However, stock returns for period 2011 to 2014, market follow random walk, so investor cannot predict the market returns in the period. Finally, the result shows that previous stock market return has 15% positive relationship, and 0.23 0.23% predictive powers. Thus the study concluded that the NSE was not efficient in the weak form between 1985 and 2010, however, it has become efficient from 2011 up to 2014.

Keywords: Presence, Weak, Form, Efficiency, Nigerian, Stock and Market.