THE EFFICIENCY ANALYSIS OF ISLAMIC AND CONVENTIONAL CAPITAL MARKETS IN THE WEAK FORM OF INDONESIA STOCK EXCHANGES IN THE PERIOD OF 2010

Ibnu Khajar, Ristanti

Faculty of Economics, Sultan Agung Islamic University (UNISSULA),

didijon58@yahoo.co.id

ABSTRACT

Efficient markets can be classified into three forms: weak, moderate, and strong. Weak form efficiency suggests that security prices reflect all trade-related information, such as historical security price movements and security trade volume that have no relationship with the current price and volume. In other words, they have independent or random historical price movements over time. Thus, tests of weak form efficiency have the relationship with random walk theory. This research has two objectives. The first is to analyze whether Indonesian capital markets (conventional and Syariah) have been efficient (weak - form). The second is to analyze the differences between conventional and Syariah capital market efficiency in the period of 2010. The study was conducted with 20 stock indexes in the LQ-45 and 4 stock indexes in the Jakarta Islamic index (JII). The first objective was analyzed by using run test. The result showed the Indonesia Stock Exchanges (IDX) of both conventional and Syariah were efficient (weak - form). The second was analyzed to find the number of random stocks in both conventional and Islamic capital markets. The result showed that there were 13 (65 %) random stock prices in conventional capital markets and 4 (100 %) random stock prices in Syariah capital markets. Based on those results, it showed that Syariah capital markets were more efficient than conventional ones.

Keywords: Syariah capital market, JII, random, weak form, moderate form, strong form.