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# Efficiency of Islamic Stock Markets / İslami Sermaye Piyasalarında Etkinlik

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## A B S T R A C T

In the last decade there has been a growing interest in Islamic Finance. Especially, after the financial liberalization Islamic capital have become an important part of global markets, and governments have tried to attract the capital of oil-rich countries to their country. To do this, they issue Islamic financial instruments. The buyer of these instruments aim to obtain maximum return with minimum risk, as it is in conventional financial instruments. But, the opportunity of earning returns above the markets depends on the efficiency of the market. In an efficient market investors do not have the opportunity of earning abnormal returns by using past values of the prices. For this reason, determining the efficiency degree of the markets will inform the investors if they can earn above the average or not. In this context, the purpose of this study is to examine the efficiency of Islamic indices on the basis of country. In accordance with this purpose, the efficiency of Islamic indices of 59 countries will be tested by linearity test developed by Harvey et. al (2008) and valuable information will be presented to the investors to be used in portfolio management.

**KEYWORDS** Islamic Finance; Market Efficiency; Linearity Test

**JEL** G14, C58, G11