

Beyond the Noise: Unmasking the Adaptive Reality of Emerging Markets

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ABSTRACT

Purpose – This paper investigates persistent stock market anomalies, liquidity patterns, volatility spillovers, governance quality, and macroeconomic shocks in emerging markets. The main objective is to provide a comprehensive synthesis of empirical evidence and propose an adaptive, multifactor framework that better captures the evolving dynamics of these markets.

Methodology/approach – A systematic literature review methodology is applied, combining thematic analysis and comparative synthesis. Data is sourced from peer-reviewed articles, sectoral reports, and international databases. The review identifies major patterns, evaluates the consistency of empirical findings, and contextualizes results using triangulation with global market data.

Findings – Market efficiency in emerging economies is found to be episodic and context-dependent. Size and value premiums persist, but their magnitude shifts with economic regimes, sectoral characteristics, and the presence of liquidity constraints or governance reforms.

Novelty/value –Addressing the gap in cross-sector and multi-country research, this paper synthesizes findings from 22 peer-reviewed empirical studies, complemented by authoritative global data. The novelty lies in the construction of a holistic, adaptive framework that incorporates liquidity, volatility, governance, macro shocks, and behavioral biases—elements rarely examined together in the context of emerging markets.

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INTRODUCTION

Financial markets in emerging economies often defy conventional wisdom. While standard financial theory—most notably the Efficient Market Hypothesis (EMH)—asserts that prices in competitive markets instantly reflect all available information, real-world experience in emerging markets tells a more complicated story. Persistent anomalies such as size and value premiums, abrupt liquidity shortages, and bursts of volatility regularly appear and fade, challenging the expectation of rational price formation and stable risk premia (Fama, 1970; Bekaert & Harvey, 2002).

Recent years have seen emerging markets gain greater attention from global investors seeking yield and diversification amid prolonged uncertainties in developed economies. Inflows to emerging market equity funds reached new highs in 2024, with countries such as Indonesia, India, and China leading the

surge (Bloomberg, 2024). Yet, with this rising interest comes heightened exposure to risks that are often poorly understood: currency devaluations, debt restructurings, regulatory shocks, and contagion from global crises have repeatedly upended investor expectations. The Turkish lira crisis in 2018, the unprecedented disruption from the COVID-19 pandemic in 2020, and the volatility following aggressive monetary tightening in advanced economies illustrate how external shocks can propagate rapidly through emerging markets, destabilizing both prices and investor sentiment.

Scholarly research has documented the persistence of market anomalies—such as the outperformance of small-cap and high book-to-market stocks, illiquidity-driven price swings, and volatility spillovers across asset classes. However, much of the existing literature tends to isolate these phenomena, leaving gaps in our understanding of how they interact and evolve under real-world conditions. Sector-specific studies often overlook how banking, mining, technology, and consumer goods industries experience distinct cycles of risk, adaptation, and regulatory response.

This paper aims to move beyond the noise of episodic shocks and piecemeal observations by synthesizing evidence from 22 peer-reviewed studies and global market data. We propose a comprehensive framework for understanding the adaptive, multifactorial nature of emerging market dynamics. In particular, we explore: (1) How size and value effects fluctuate in response to shifting market regimes and macroeconomic cycles; (2) The pivotal role of liquidity, microstructure, and volatility in shaping price discovery and risk transmission; (3) The influence of macro shocks, governance reforms, and behavioral factors on market efficiency and return predictability.

By unraveling the adaptive reality beneath the surface turbulence of emerging markets, this research provides actionable insights for investors, regulators, and scholars. The findings call for more flexible models, robust policy frameworks, and a greater appreciation of the contextual forces that continue to shape financial markets outside the developed world.

LITERATURE REVIEW

The question of whether emerging markets conform to the principles of efficient price formation has animated financial economics for decades. The classical view, rooted in the Efficient Market Hypothesis (EMH), asserts that asset prices in well-functioning markets reflect all available information and that opportunities for abnormal returns are quickly arbitrated away (Fama, 1970). However, the empirical realities of emerging markets frequently diverge from this ideal, revealing persistent anomalies, cyclical inefficiencies, and sectoral distinctions that are often invisible in developed market settings (Bekaert & Harvey, 2002; Fama & French, 1998).

Revisiting Market Efficiency: EMH, Adaptive Markets, and Empirical Deviations

EMH, while foundational, has come under increasing scrutiny as studies repeatedly identify return predictability in the form of size and value effects, momentum, and volatility clustering. Emerging markets, in particular, present an environment where information asymmetry, regulatory fragmentation, and periodic external shocks undermine the mechanisms that would otherwise restore efficiency (Priyanto, 2021; Zhou, 2023). For example, Banz (1981) documented the size effect—where small-cap stocks yield higher risk-adjusted returns—a phenomenon found to be even more pronounced in markets with limited analyst coverage and lower liquidity.

Recognizing the limitations of static efficiency, Lo (2004) introduced the Adaptive Market Hypothesis (AMH), suggesting that efficiency is not a fixed property but an evolving one, shaped by agents' adaptation to changing environments, crises, and technological innovations. Studies such as Siddique (2023) and Zhou (2023) demonstrate that efficiency in emerging markets fluctuates across cycles, with anomalies such as the size and value premiums waxing and waning in response to shocks, regulatory change, and market sentiment.

Table 1 Comparative Summary of Theoretical Perspectives and Empirical Evidence

Theoretical Perspective	Key Predictions	Empirical Evidence in Emerging Markets	Key References
Efficient Market Hypothesis (EMH)	Prices reflect all information; no persistent anomalies	Size/value anomalies persist; return predictability common	Fama (1970); Bekaert & Harvey (2002)
Adaptive Market Hypothesis (AMH)	Efficiency fluctuates; adaptation to shocks and cycles	Episodic efficiency, time-varying factor dominance	Lo (2004); Siddique (2023)
Microstructure Theory	Trading frictions shape price discovery and volatility	Wide bid-ask spreads; high transaction costs; delayed information flows	Hasbrouck (2007)
Multifactor Asset Pricing Models	Multiple systematic factors drive returns (size, value, liquidity, etc.)	Persistent factor premiums, but cyclical and sectoral variation present	Fama & French (1998); Priyanto (2021)
Behavioral Finance	Cognitive biases and herding affect market outcomes	Herding and sentiment amplify volatility and mispricing	Yasmina (2020); Na (2024)

Source: Compiled by the authors, (2025)

Asset Pricing Anomalies: Size and Value Effects

One of the most robust findings across asset pricing literature is the persistence of size and value effects in emerging markets. Fama and French (1998) and Priyanto (2021) showed that high book-to-market (value) stocks and small-cap portfolios consistently deliver excess returns. However, these premiums are not stable over time. During crisis periods—such as the global financial crisis and the COVID-19 pandemic—growth stocks and large-caps may temporarily outperform as investors seek liquidity and perceived safety, only for the value and size premiums to reemerge in recovery phases (Askotamiya & Agnes, 2023).

Zhou (2023) highlights that in China, the effectiveness of a small-cap value rotation strategy exhibits clear cyclical patterns, aligning with both macroeconomic cycles and shifts in investor sentiment. This supports the AMH notion that factor dominance and market efficiency are episodic, reflecting ongoing adaptation rather than equilibrium.

Liquidity, Market Microstructure, and Volatility Spillovers

Market microstructure theory provides additional insight into the mechanics of price formation and efficiency in emerging markets. As demonstrated by Hasbrouck (2007), liquidity—the ability to transact in size without causing substantial price impact—is a key determinant of price efficiency. Emerging markets are characterized by wide bid-ask spreads, low average turnover, and frequent liquidity droughts (Cheriyana & Lazar, 2019).

A comparative analysis of volatility and liquidity between developed and emerging markets further underscores the structural frictions present in the latter. Emerging markets exhibit consistently higher annualized volatility, wider bid-ask spreads, and slightly lower turnover ratios compared to their developed counterparts (Bloomberg, 2024; World Bank, 2024; Hasbrouck, 2007). These findings confirm that liquidity and trading costs are critical determinants of both asset pricing and risk transmission in emerging economies.

During periods of stress, such as the 2018 Turkish currency crisis or the COVID-19 onset in 2020, liquidity constraints amplify volatility and contribute to persistent mispricings (Alam, 2016; Ngo, 2020; Dejsutham, 2025). Research by Cheriyana and Lazar (2019) reveals that liquidity commonality—where individual stock liquidity moves in tandem with market-wide liquidity—becomes particularly pronounced for large-cap stocks during crises, leading to systemic liquidity shocks.

Figure 1 below visualizes the integrative framework of how global shocks, market microstructure, sectoral drivers, and behavioral factors coalesce to shape stock returns in these economies.

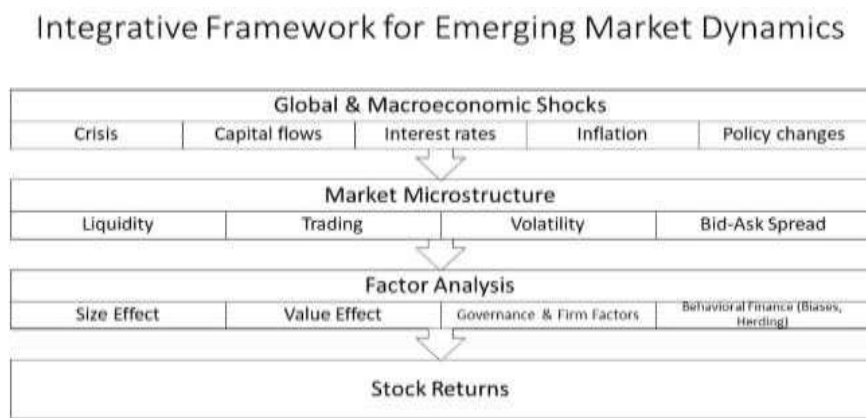


Figure 1
Integrative Framework for Emerging Market Dynamics

Volatility spillovers are a further hallmark of emerging markets. Alam (2016), Dutta (2022), and Ngo (2020) each provide evidence that volatility in currency markets, global commodities (such as gold and oil), and local equity indices are tightly linked. Shocks in one asset class are rapidly transmitted to others, often leading to abrupt regime changes and elevated risk premia across the financial system.

Governance, Behavioral Biases, and Sectoral Variation

Firm-level governance and behavioral finance have emerged as vital lenses for understanding the persistence of inefficiency in emerging markets. Studies from Thailand (Denkirati, 2025) and Indonesia (Zulvina et al., 2021) find that firms with strong governance practices—measured by board independence, transparency, and gender diversity—enjoy superior valuations and reduced idiosyncratic risk. This is especially evident in heavily regulated sectors such as banking and mining, where governance reforms have often accompanied improvements in market performance (Rozy et al., 2023).

Behavioral finance, as pioneered by scholars such as Shleifer (2000), shows that cognitive biases and herding behavior are more likely to dominate in less sophisticated markets, where retail investors play a greater role and information asymmetries persist. Yasmina (2020) and Na (2024) highlight how sentiment-driven trading and herd behavior can magnify volatility, create return autocorrelation, and delay price correction. Such effects are particularly visible during market bubbles and crashes.

Sectoral studies further reinforce the heterogeneity of risk and return dynamics in emerging economies. For example, technology and telecommunications sectors often benefit from stronger liquidity and growth momentum, while energy and mining are more exposed to commodity cycles and regulatory risk (Dutta, 2022; World Bank, 2024).

Synthesis: Research Gaps and Novelty

Despite the breadth of literature, there remains a dearth of studies that integrate these diverse factors into a unified framework. Most research isolates specific anomalies or sectors, with limited attention to how size, value, liquidity, governance, and behavioral effects interact across market regimes and asset classes. This review addresses this gap by synthesizing evidence from 22 empirical studies, drawing from multiple countries and sectors, and proposing a holistic, adaptive model of emerging market dynamics.

The resulting framework (Figure 1) underscores that market outcomes in emerging economies are the product of layered interactions between macro shocks, market microstructure, sectoral forces, and investor behavior. This synthesis not only advances theoretical understanding but also provides a practical roadmap for navigating the complexity of these rapidly evolving markets.

METHOD

Research Design

This research adopts a systematic integrative literature review design, aimed at synthesizing and critically evaluating empirical and theoretical studies on stock market dynamics in emerging economies. The integrative approach allows the study to bridge insights from multiple countries, sectors, and methodologies, thereby capturing the multifactorial and adaptive nature of financial phenomena in these markets (Snyder, 2019; Tranfield, Denyer, & Smart, 2003).

Data Sources and Search Strategy

A comprehensive search was conducted across several leading academic databases, including Scopus, Web of Science, JSTOR, SSRN, and Google Scholar. Search terms included combinations of keywords such as “emerging markets,” “size effect,” “value premium,” “liquidity,” “market microstructure,” “volatility spillover,” “corporate governance,” and “behavioral finance.” The search was limited to studies published between 2016 and 2025 to ensure contemporary relevance, except for foundational theories (e.g., Fama, 1970; Lo, 2004) which are essential for conceptual framing.

To enhance context and provide benchmarks, the review also incorporated global market data and sectoral statistics from reputable sources such as Bloomberg (2024), the World Bank (2024), and the Bank for International Settlements (BIS, 2023).

Inclusion and Exclusion Criteria

Studies were selected based on the following inclusion criteria:

- a. Empirical focus on emerging or developing stock markets (following IMF and MSCI definitions).
- b. Quantitative methods including time-series econometrics (GARCH, VAR), panel regressions, event studies, or multifactor asset pricing models.
- c. Explicit analysis of at least one core topic: size and value effects, liquidity and microstructure, volatility spillovers, macro shocks, or firm-level governance/behavioral biases.
- d. Peer-reviewed status or reputable academic outlet (journal, conference, dissertation).
- e. Full methodological transparency and accessible data for verification.

Studies were excluded if they focused solely on developed markets, were purely theoretical without empirical evidence, or lacked sufficient methodological clarity.

Thematic Analysis and Synthesis

The selected literature was organized into thematic clusters:

- a. **Size and Value Effects:** Studies analyzing cross-sectional return patterns and their cyclicalities.
- b. **Liquidity and Microstructure:** Research on bid-ask spreads, turnover, and market-wide liquidity commonality.
- c. **Volatility Spillovers:** Papers addressing risk transmission between asset classes, especially FX, commodities, and equities.
- d. **Governance and Behavioral Biases:** Empirical work on the impact of board composition, diversity, and investor sentiment.
- e. **Sectoral Variation:** Comparative studies covering banking, mining, technology, consumer goods, and energy.

Analytical Framework

The analytical process followed three sequential steps:

- a. **Thematic Coding:** Articles were reviewed for main findings, with results coded into thematic clusters for systematic comparison.
- b. **Meta-Interpretation:** Patterns, contradictions, and gaps were identified across studies. Where possible, quantitative effect sizes (e.g., strength of size or value premium, magnitude of volatility spillover) were summarized.

- c. **Integrative Modeling:** Evidence from all themes was synthesized into a conceptual framework (see Figure 1), elucidating how macro shocks, microstructure, governance, sector, and behavior interact to determine market efficiency and risk.

Limitations and Robustness Checks

While this integrative review prioritizes methodological transparency, several limitations remain. *First*, heterogeneity in country context, sample period, and econometric approach across studies could limit direct comparability of results. To address this, the review emphasizes patterns and convergence rather than precise effect magnitudes. *Second*, publication bias may exist, with significant results more likely to be published and cited. The search process mitigated this by also considering studies reporting null or mixed effects. *Finally*, as most data derive from published empirical articles, unpublished or non-English works may be underrepresented.

Ethical Considerations

The study upholds research integrity by providing full citation and acknowledging all sources, including proprietary databases and global reports. The process and decision rules for inclusion, coding, and synthesis are documented to ensure replicability.

RESULT AND DISCUSSION

This section presents the main results of the integrative literature review, highlighting both the process of article selection and the key empirical patterns identified across emerging markets. The findings are structured around the most salient anomalies, market mechanisms, and contextual factors synthesized from the reviewed literature.

Literature Selection and Review Process

To ensure a systematic and transparent review, the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) flow methodology was adopted. Table 2 below summarizes the screening and selection stages.

Table 2. PRISMA Flow Diagram of Literature Review Process

Stage	Number of Records
Records identified through database searching (Scopus, Web of Science, JSTOR, SSRN, Google Scholar)	185
Additional records identified through other sources (global reports, sectoral databases)	23
Records after duplicates removed	153
Records screened (title/abstract review)	153
Full-text articles assessed for eligibility	49
Studies included in synthesis	22

Source: Data Processing (2025)

From table 2 show Out of 185 articles initially identified, 153 unique records remained after removing duplicates. Title and abstract screening eliminated non-relevant studies, resulting in 49 full-text articles reviewed for eligibility. Ultimately, 22 high-quality, peer-reviewed empirical studies were included in the synthesis, covering multiple countries, sectors, and research methodologies.

Synthesis of Main Empirical Findings

Size and Value Anomalies Persist, but Fluctuate

Empirical studies consistently show that size (small-cap) and value (high book-to-market) effects are present in most emerging markets (Priyanto, 2021; Zhou, 2023). However, these anomalies are highly context-dependent. For example, during the COVID-19 pandemic, growth stocks briefly outperformed in Indonesia and China, but value and small-cap premiums reasserted themselves as market volatility subsided (Askotamiya & Agnes, 2023; Zhou, 2023). These findings confirm the adaptive, cyclical nature of anomalies (see Table 1).

Liquidity Constraints and Microstructure Frictions Amplify Volatility

Emerging markets are structurally less liquid than developed markets, with wider bid-ask spreads, higher average volatility, and lower turnover (Bloomberg, 2024; Hasbrouck, 2007; World Bank, 2024). Liquidity shocks are amplified during times of crisis, leading to prolonged price deviations from fundamentals (Cheriyana & Lazar, 2019; Dejsutham, 2025). Liquidity commonality—where market-wide liquidity drives individual stock liquidity—was found to be especially strong in large-cap indices during periods of stress.

Volatility Spillovers Transmit Risk Across Asset Classes

Volatility and shock transmission are central features of emerging markets. Several studies documented significant spillover effects between foreign exchange, commodity, and equity markets (Alam, 2016; Dutta, 2022; Ngo, 2020). For example, sharp currency depreciations often trigger equity sell-offs and vice versa. The COVID-19 pandemic and the 2018 Turkish currency crisis are prominent recent cases, with market stress propagating across multiple financial channels.

Corporate Governance and Behavioral Biases Matter

Strong governance structures (board independence, gender diversity) are linked to higher firm valuations and reduced risk, particularly in regulated sectors such as banking and mining (Denkirati, 2025; Zulvina et al., 2021; Rozy et al., 2023). Conversely, behavioral biases such as herding and overreaction remain prevalent, especially in markets with high retail participation (Yasmina, 2020; Na, 2024). These biases intensify during periods of uncertainty, amplifying volatility and delaying price correction.

Sectoral and Contextual Variation

Not all anomalies are distributed evenly across industries. Banking stocks tend to be most sensitive to macroeconomic shocks and liquidity constraints, while technology stocks display momentum and growth effects. Mining and energy stocks are uniquely vulnerable to global commodity cycles, and consumer goods stocks exhibit defensive characteristics during market turmoil.

Summary Table of Main Findings

Table 3. Synthesis of Main Findings Across Key Dimensions

Dimension	Main Empirical Finding	Key References
Size Effect	Present, cyclical, strongest in recovery periods	Priyanto (2021); Zhou (2023)
Value Effect	Present, cyclical, intensifies post-crisis	Askotamiya & Agnes (2023); Zhou (2023)
Liquidity	Lower liquidity = higher returns, amplifies volatility	Cheriyana & Lazar (2019); Dejsutham (2025)
Volatility Spillover	Bidirectional, strong during global/local shocks	Alam (2016); Dutta (2022); Ngo (2020)
Governance	Strong governance = higher value, less risk	Denkirati (2025); Zulvina et al. (2021)
Behavioral Bias	Herding, sentiment drive volatility, especially with retail focus	Yasmina (2020); Na (2024)

Sectoral Differences	Anomalies, risk vary by sector	Rozy et al. (2023); Dutta (2022)
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Source: Data Processing (2025)

From table 3 show This synthesis illustrates that while emerging markets offer substantial opportunities for diversification and excess returns, they are characterized by adaptive, multifactorial dynamics that challenge traditional asset pricing frameworks. The persistence and context-sensitivity of anomalies, the critical role of liquidity and market microstructure, and the pervasive influence of governance and behavioral biases all underscore the need for adaptive strategies and robust risk management.

DISCUSSION

The results of this integrative review highlight that emerging markets cannot be adequately understood through the lens of static asset pricing models or by relying on traditional assumptions of market efficiency. Instead, the evidence suggests a more nuanced reality: market efficiency, risk premia, and return predictability in emerging economies are inherently adaptive, cyclical, and context-dependent.

Rethinking Market Efficiency: Adaptive, Not Absolute

The persistence and fluctuation of size and value anomalies across market cycles confirm that efficiency is not a binary state but an evolving one. Consistent with the Adaptive Market Hypothesis (Lo, 2004), the size and value premiums intensify or diminish in response to exogenous shocks, changing liquidity conditions, and shifts in investor behavior. This adaptive pattern is especially pronounced during crises and subsequent recoveries, as seen in Indonesia, China, and India, where small-cap and value stocks outperform during market rebounds, while large-cap and growth stocks dominate in times of extreme uncertainty (Priyanto, 2021; Zhou, 2023).

The Central Role of Liquidity and Market Microstructure

Liquidity remains a foundational determinant of both asset pricing and risk transmission. The wider bid-ask spreads and lower turnover ratios signal that emerging markets are fundamentally more fragile, with thinner trading books and greater susceptibility to shocks. Liquidity constraints and microstructure frictions not only delay information diffusion but also exacerbate volatility and lead to prolonged deviations from fundamental values (Cheriyān & Lazar, 2019; Dejsutham, 2025). The phenomenon of liquidity commonality—where market-wide liquidity conditions drive individual stock liquidity—further underlines the systemic nature of liquidity risk in these markets.

Volatility Spillovers and Contagion Risk

Volatility is not only persistent but also highly contagious in emerging economies. Empirical evidence from multiple studies demonstrates strong spillover effects between foreign exchange, commodity, and equity markets (Alam, 2016; Ngo, 2020; Dutta, 2022). These bidirectional linkages amplify the impact of global and local shocks, as seen during the COVID-19 pandemic and the Turkish lira crisis. Such interconnectedness challenges both investors and policymakers to develop cross-asset, system-wide risk management frameworks rather than siloed approaches.

Governance, Behavioral Factors, and Sectoral Heterogeneity

The discussion of firm-level factors reveals that corporate governance and behavioral biases play a decisive role in shaping market outcomes. Strong governance practices—measured by board independence, transparency, and gender diversity—are consistently associated with higher valuations and reduced risk (Denkirati, 2025; Zulvina et al., 2021). However, the prevalence of behavioral biases such as herding, overreaction, and sentiment-driven trading underscores that market dynamics often deviate from rational expectations, especially during periods of high uncertainty (Yasmina, 2020; Na, 2024).

The sectoral analysis further shows that market anomalies, risk, and return patterns are not uniform. Banking and mining stocks, for example, are particularly sensitive to macroeconomic shocks and regulatory change, while technology and consumer goods sectors benefit from stronger growth momentum and higher liquidity. This heterogeneity suggests that effective investment strategies and regulatory responses must be tailored by sector and context, not only by market.

Theoretical and Practical Implications

The findings reinforce the theoretical need for multifactor, adaptive models of asset pricing in emerging markets. Single-factor models fail to capture the interplay between liquidity, volatility, governance, sectoral dynamics, and behavioral effects. Practically, investors must employ flexible, data-driven approaches that respond dynamically to market regime shifts, liquidity cycles, and cross-asset contagion.

For policymakers, the evidence points to the importance of deepening market infrastructure, reducing trading frictions, and promoting governance reforms to increase market resilience. Macroprudential regulation, coordinated policy intervention during crises, and enhanced market surveillance are crucial for limiting the systemic risks that arise from liquidity droughts and volatility spillovers.

Limitations and Directions for Future Research

While this review integrates evidence from 22 high-quality studies and global data sources, some limitations remain. Heterogeneity in country context, data frequency, and model specification may limit comparability of results. Publication bias toward significant findings and the underrepresentation of non-English or unpublished work are additional concerns. Future research should aim to:

- a. Employ high-frequency, multi-asset data to map risk transmission in real time.
- b. Develop sector-specific adaptive models that reflect the idiosyncrasies of different industries.
- c. Explore the impact of fintech, ESG adoption, and digital assets as new sources of market adaptation in emerging economies.

In sum, emerging markets are defined by their dynamism and complexity—attributes that offer opportunity for excess returns but also demand adaptive thinking from scholars, practitioners, and regulators alike. Moving beyond the noise of episodic shocks, this discussion underscores the value of integrative, context-aware frameworks for understanding the evolving landscape of global finance.

CONCLUSION

This integrative review has illuminated the complex, adaptive, and multifactorial nature of stock market dynamics in emerging economies. By synthesizing findings from 22 empirical studies and global data, the research moves beyond the limitations of traditional asset pricing models to reveal the episodic, context-sensitive reality of market efficiency, return predictability, and risk transmission in these markets.

The persistence of size and value anomalies, alongside the central role of liquidity constraints and market microstructure frictions, challenges the assumption that emerging markets will inevitably converge toward the characteristics of developed markets. Instead, the evidence demonstrates that efficiency is cyclical and adaptive—intensifying or waning in response to macroeconomic shocks, shifts in global risk appetite, and regulatory change. This dynamism is further amplified by strong volatility spillovers across asset classes and sectors, as well as by the decisive impact of corporate governance and behavioral biases.

The review also finds that sectoral heterogeneity is a defining feature of emerging markets: banking and mining stocks are especially vulnerable to systemic shocks and policy interventions, while technology and consumer goods sectors often benefit from growth momentum and liquidity. The implication is clear—investment, regulatory, and risk management strategies must be flexible and tailored, recognizing that no single model or approach can adequately capture the reality of these markets.

In conclusion, the realities of emerging markets call for a paradigm shift: from static theories and one-size-fits-all strategies to adaptive, integrative approaches that recognize the intricate interplay of global, institutional, and behavioral forces. By unmasking the adaptive reality of emerging markets, this research offers both theoretical advancement and practical guidance for navigating the ever-evolving landscape of global finance.

Recommendation

For Investors

Adopt adaptive, data-driven investment strategies that account for market regime shifts, liquidity cycles, and sectoral differences. Continuous monitoring of macro shocks, policy changes, and cross-asset volatility is essential for superior risk-adjusted performance.

For Policymakers and Regulators

Prioritize market deepening, infrastructure development, and regulatory reforms aimed at improving liquidity, transparency, and corporate governance. Macroprudential frameworks should be strengthened to address the systemic risks posed by liquidity droughts and volatility spillovers, with particular attention to vulnerable sectors.

For Corporate Leaders

View strong governance, board diversity, and transparent disclosure as strategic assets, not just compliance measures. These practices enhance firm value, investor trust, and resilience—especially during periods of market turmoil.

For Researchers

Advance the development of multifactor, sector-sensitive, and adaptive asset pricing models tailored for emerging markets. Future research should explore the real-time mapping of risk transmission, the growing influence of fintech and ESG, and the implications of digital assets for market adaptation.

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