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Efficient Market Hypotheses and Stock Market Anomalies: Accounting Theory Perspective

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Abstract: Destination *-*
Thispaperisintendedtoaddandclarifyinsightsabouthowtheefficientmarkethypothesisandstockmarketanomaliesarei ntheperspective of accountingtheory.
Design/methodology/approach *- Study of literature on accountingandmanagementliteraturesources as well as severalarticlesusingtheefficientmarkethypothesisandstockmarketanomaly as variables as well as ananalysis of howthebasicconcepts of theefficientmarkethypothesisrelateandthebasicconcepts of marketanomaliesintheperspective of accountingtheory.*
The results of thisstudy*- showsseveralanalysisstudies of theexistence of efficientmarketsandinterrelatedmarketanomaliesthatcanbeempiricallyproven on stockexchangesinseveralcountriesintheworld.*
Keywords: Efficient Market Hypothesis; Stockmarketanomaly

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I. Introduction

The rapid growth of the capital market has become one of the benchmarks for a country's economic growth. The capital market, which is a place where stock price information is marketed legally, shows stock information which is sometimes positive and negative either alternately or continuously. The stock market is an interesting part to analyze. Fluctuating stock market prices sometimes do not match the analysis and predictions of stock experts or by institutions or individuals working in the capital market. Fluctuating stock prices in the capital market is one of the unique and interesting factors for analysis and research by many parties, and has become a field that is of great interest to many people including academics to better understand and solve solutions to what is happening on the stock exchange. stock. An efficient stock market is highly expected by parties in making decisions to release, maintain or add shares that are already owned. The efficient market which was introduced by Fama (1970) for the first time is still an interesting part of the capital market information to be studied from various points of view. The efficient market hypothesis which Fama (1970) supports by Miller (1999) asserts that the theory of market efficiency is one of the most appreciated financial theories and is tested empirically by many people in almost all world capital markets. The efficient market which was introduced by Fama (1970) for the first time is still an interesting part of the capital market information to be studied from various points of view. The efficient market hypothesis which Fama (1970) supports by Miller (1999) asserts that the theory of market efficiency is one of the most appreciated financial theories and is tested empirically by many people in almost all world capital markets. The efficient market which was introduced by Fama (1970) for the first time is still an interesting part of the capital market information to be studied from various points of view. The efficient market hypothesis which Fama (1970) supports by Miller (1999) asserts that the theory of market efficiency is one of the most appreciated financial theories and is tested empirically by many people in almost all world capital markets.

The efficient market which was first introduced by Fama (1970) is still an interesting part of capital market information to be studied from various perspectives. The efficient market hypothesis is fully appreciated by Miller (1999) who asserts that the theory of market efficiency is one of the most appreciated and empirically tested financial theories in almost all world capital markets. The efficient market introduced by Fama (1970). Fully supported by Miller (1999) asserts that the theory of market efficiency is one of the most appreciated and empirically tested financial theories by many people in almost all world capital markets.

The efficient market hypothesis has been empirically proven by various academics and others with various research results that show supporting results, but in fact there are also several studies that show events that contradict the efficient market hypothesis called market anomalies. Market anomalies occur with causes that

are difficult to describe with certainty, even in some previous studies that have been carried out. In the phenomenon of market anomalies, deviations occur in the form of things that should not happen if the efficient market is considered true.

Research conducted by (Nasir, Khan and Rossi, 2016) makes it clear that Calender Anomalies (CA) have indicated that CA rejects stock market efficiency, market anomalies are deviations from the concept of efficient markets. Stock market anomalies are also an important topic to study in the stock market. The stock market anomaly is a deviation from the efficient market hypothesis. In response to the above, it is interesting for the author to find out more and add insight to try to review how it is understood, what the study is to be able to understand what is meant by the efficient market hypothesis and capital market anomaly and how to relate the two in the perspective of accountingtheory.

II. Literature Review

1. The basic concept of efficient market hypothesis theory

The Basic Concept of the Efficient Market Hypothesis popularized by Fama (1970) that a market is said to be efficient if no one, both individual investors and institutional investors, will be able to obtain abnormal returns, after adjusting for risk, using existing trading strategies. This means that the price formed in the market is a reflection of existing information or "stock prices reflect all available information". A market where the prices of all securities can quickly and accurately reflect all available information. Jones (2004:314). Efficient markets at least require rational investors, free information, random information, and quick reactions. According to Brealey/Myers in Pakarti (2006), the capital market is said to be efficient if information can be obtained easily and cheaply by capital users, so that all relevant and reliable information has been reflected in the share price. Meanwhile, according to Sunariyah (2006) capital market efficiency is determined by how much influence relevant information is taken into consideration in making investment decisions.

1.1 Efficient Market Form

The Efficient Market Hypothesis is divided into three groups according to Fama (1970):

(1) Weak form of the efficient market hypothesis

The weak form efficient market hypothesis is that the stock price reflects all the information contained in the past history of the price of the security in question. That is, stock prices are a reflection of related stock price movements in the past. For example, there is a seasonal form of the price performance of a stock which indicates that the stock price will rise towards the end of the year (the end of the year) and then fall at the beginning of the year. Based on the weak form efficient market hypothesis, the market will immediately pay attention and revise its price policy by making changes to its trading strategy.in the company's stock price.

The efforts of these traders will cause the company's overall share price to fall. Smart investors will certainly sell their shares at the end of the year to avoid losses due to falling stock prices at the beginning of the year. If the weak-form market hypothesis is satisfied, and consequently prices are independent of the historical stock price form, then it can be said that price changes will follow the random walk method when testing only on historical price changes. Random walking is a statistical concept that predicts that the next output in a sequence is independent of the previous output. Since risky securities offer positive returns, we can expect that the share price will continue to rise or appreciate over time.

(2) Semi strong shape

The semi-strong efficient market hypothesis, Fama (1991) calls it an event study, where prices reflect all relevant public information. From historical stock prices, prices created also occur due to several factors such as market information, financial statement information and other additional information as indicated by accounting regulations. Other general and specific information available to the public may also include financial regulations such as property taxes or interest rates and/or stock betas including company ratings. According to the semi-strong form concept, investors will not be able to earn abnormal returns using a strategy built on publicly available information. Financial statement analysis may not provide any benefit. The idea of this view is that once the information becomes public (general) information, then of course investors will react quickly and push prices up to reflect all publicly available information. In contrast to the proponents of the weak form efficient market hypothesis, in the strong form efficient market many investors think that they can make a profit by conducting analysis using accounting data or information (from financial statements) and from other sources to identify stocks that are incorrectly priced. (wrong prices) is called fundamental analysis investors. All investors will react quickly and push prices to reflect all publicly available information. Contrary to the proponents of the weak form efficient market hypothesis, In strong form efficient markets many investors think that they can profit by conducting analysis using accounting data or information (from financial statements) and from other sources to identify mispriced stocks. (wrong price) is called by investors doing fundamental analysis (Fundamental Analysis). The idea of this view is that all investors will react quickly and push prices to reflect

all publicly available information. Contrary to the proponents of the weak form efficient market hypothesis, in the strong form efficient market many investors think that they can make a profit by conducting analyzes using accounting data or information (from financial statements) and from other sources to identify mispriced stocks. (wrong price) is called by investors doing fundamental analysis (Fundamental Analysis). The idea of this view is that information becomes public information (general), meaning that it spreads in the market, then all investors will react quickly and push prices up to reflect all publicly available information. Contrary to the proponents of the weak form efficient market hypothesis, in the strong form efficient market many investors think that they can make a profit by conducting analyzes using accounting data or information (from financial statements) and from other sources to identify mispriced stocks. (wrong price) is called by investors doing fundamental analysis (Fundamental Analysis). The idea of this view is that once information becomes public (general) information, that is, it spreads in the marketplace, then all investors will react quickly and push prices up to reflect all publicly available information. Contrary to the proponents of the weak form efficient market hypothesis, in the strong form efficient market many investors think that they can make a profit by conducting analyzes using accounting data or information (from financial statements) and from other sources to identify mispriced stocks. (wrong price) is called by investors doing fundamental analysis (Fundamental Analysis). In strong form efficient markets many investors think that they can profit by conducting analyzes using accounting data or information (from financial statements) and from other sources to identify mispriced stocks. (wrong price) is called by investors doing fundamental analysis (Fundamental Analysis). In strong form efficient markets many investors think that they can profit by conducting analyzes using accounting data or information (from financial statements) and from other sources to identify mispriced stocks. (wrong price) is called by investors doing fundamental analysis (Fundamental Analysis).

(3) Strong form

The strong form efficient market hypothesis states that prices that occur reflect all available information, both public information and private information. So, in this case the strong form includes all relevant historical information as well as information that is relevant in the public, as well as information that is only known by a few parties, such as company management, directors, and creditors. . The strong efficient market form is the strictest form of efficient market. This is related to the understanding that market prices reflect all information, both public and non-public. Understanding in the context of a strong efficient market form no one, both individuals and institutions can obtain abnormal returns, for a certain period of time, by using publicly available information in the context of information overload, including information that can only be accessed by certain people. Some empirical evidence supports the existence of efficient markets, especially in the United States, but there is also a lot of evidence that does not support it. Thus, whether or not the capital market is efficient, or precisely where the capital market is, depends on whether or not there is evidence of abnormal returns that investors can get. In its development, researchers seem to agree that testing the strong form of the efficient market hypothesis is often associated with the successful use of monopolistic information access by certain market participants. Some empirical evidence supports the existence of efficient markets, particularly in the United States, but there is also much evidence against it. Thus, whether or not the capital market is efficient, or precisely where the capital market is, depends on whether or not there is evidence of abnormal returns that investors can get. In its development, researchers seem to agree that testing the strong form of the efficient market hypothesis is often associated with the successful use of monopolistic information access by certain market participants. Some empirical evidence supports the existence of efficient markets, particularly in the United States, but there is also much evidence against it. Thus, whether or not the capital market is efficient, or precisely where the capital market is, depends on whether or not there is evidence of abnormal returns that investors can get. depending on whether there is evidence of abnormal returns that can be obtained by investors. In its development, researchers seem to agree that testing the strong form of the efficient market hypothesis is often associated with the successful use of monopolistic information access by certain market participants. Some empirical evidence supports the existence of efficient markets, particularly in the United States, but there is also much evidence against it. Thus, whether or not the capital market is efficient, or precisely where the capital market is located, depends on whether or not there is evidence of abnormal returns that investors can get. depending on whether there is evidence of abnormal returns that can be obtained by investors. In its development, researchers seem to agree that testing the strong form of the efficient market hypothesis is often associated with the successful use of monopolistic information access by certain market participants. Some empirical evidence supports the existence of efficient markets, particularly in the United States, but there is also much evidence against it. Thus, whether or not the capital market is efficient, or precisely where the capital market is, depends on whether or not there is evidence of abnormal returns that investors can get. researchers seem to agree that testing the strong form of the efficient market hypothesis is often associated with successful use of monopolistic information access by certain market participants. Some empirical evidence supports the existence of efficient markets, particularly in the United States, but there is also

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2. The Basic Concept of Stock Market Anomaly

Article (Rossi, 2015). explain calendar anomalies in the market characterized by different microstructures. Calendar anomalies are cyclical earnings deviations in which this series is found in the calendar. The calendar time hypothesis states that markets behave differently at different hours of the day, on different days of the week, and at different times of the month and year" (Rossi, 2015: 287). In general, studies on the influence of the calendar of the scholars are: (i) the effect of the month (especially January), and (ii) the effect of the working day.

2.1 January effect

"As going January, so going the yearis a popular rule in the equity market known as the January effect. The earliest evidence of research conducted on the US stock market of this seasonal effect is noted by Wachtel (1942). Rozeff and Kinney (1976) conducted a study to thoroughly examine anomalies in the US stock market. These researchers found an anomaly in the NYSE's monthly returns from 1904–1974: "With the exception of the period 1929–1940, some are statistically significant. the difference in average returns between months is mainly due to the large returns in January" (Rozeff & Kinney, 1976: 379). Gultekin and Gultekin 1983; Baron, 1990; Agrawal and Tandon, 1994 reported similar results. They show positive results that are unusual in other major developed countries. In particular, Fama (1991) studied the performance of S& P 500 during the period 1941-1981. He finds that "the average monthly return on the value-weighted portfolio of the smallest quintile of CRSP stocks is 8.06% (!), compared to 1.34% for the S&P 500" (1587). Brown et al., (1983) studied this season in Australia, where the tax year ends on 30 June. These researchers made cyclic anomalies in December-January and July-August. and that the relationship between returns and abnormal measures is always negative and is more pronounced in January than in any other month" (Keim, 1983: 13). These researchers made cyclic anomalies in December-January and July-August... and that the relationship between returns and abnormal size is always negative and is more pronounced in January than in any other month" (Keim, 1983: 13). Too, Fama (1991) studied the performance of the S&P 500 during the period 1941-1981. He finds that "the average monthly return on the value-weighted portfolio of the smallest quintile of CRSP stocks is 8.06% (!), compared to 1.34% for the S&P 500" (1587). Brown et al., (1983) studied this season in Australia, where the tax year ends on 30 June. These researchers made cyclic anomalies in December-January and July-August. These researchers made cyclic anomalies in December-January and July-August. and that the relationship between returns and abnormal measures is always negative and is more pronounced in January than in any other month" (Keim, 1983: 13). Also, Fama (1991) studied the performances of the S&P 500 during the period 1941-1981. He found that " Research on the effect of the moon on the Baltic stock market proves that the January effect and October effect occur in Estonia ... The most successful months for investors in the Lithuanian market are January, August and November because stock returns at that time are higher than other months . Together with the January, August and November effects, the October effect was established in Lithuania due to the seasonal trend of falling stock prices observed in October" (Norvaisiene et al., 2015: 472 -473). and Nasdaq OMX Vilnius on the Baltic exchange analyzed for the period 2003 – 2014" (Norvaisiene et al., 2015: 468). Their findings show that: "Studies on the effect of the moon on the Baltic stock market prove that the January effect and October effect occur in Estonia. .. August and November because stock returns at that time were higher than other months. Together with the January, August and November effects, the October effect was established in Lithuania due to the seasonal trend of falling stock prices observed in October" (Norvaisiene et al., 2015: 472 -473). and Nasdaq OMX Vilnius on the Baltic exchange analyzed for the period 2003 – 2014" (Norvaisiene et al., 2015: 468). Their findings show that: "Studies on the effect of the moon on the Baltic stock market prove that the January effect and October effect occur in Estonia. .. August and November because stock returns at that time were higher than other months. Together with the January, August and November effects, the October effect was established in Lithuania due to the seasonal trend of falling stock prices observed in October" (Norvaisiene et al., 2015: 472 -473). and Nasdaq OMX Vilnius on the Baltic exchange analyzed for the period 2003 – 2014" (Norvaisiene et al., 2015: 468). Their findings show that: "Studies on the effect of the moon on the Baltic stock market prove that the January effect and October effect occur in Estonia. .. and Nasdaq OMX Vilnius on the Baltic exchange analyzed for the period 2003 – 2014" (Norvaisiene et al., 2015: 468). Their findings show that: "Studies on the effect of the moon on the Baltic stock market prove that the January effect

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2.1 weekday effect

Another important anomaly is the weekday effect. Typically, the US market is characterized by low average returns on the first day of the week compared to other days of the week. Osborne (1962) documented this CA on the US stock market. Then the weekday effect was analyzed by many researchers: Cross, 1973; France, 1980; Gibbons and Hess, 1981; Lakonishok and Levi, 1982; Keim and Stambaugh, 1984; Jaffe and Westerfield, 1985; Jaffe, Westerfield and Ma, 1989; Wang, Li and Erickson, 1997; Bildik, 2004. However, French (1980) and Jaffe et al. (1989) recognize the most important studies on this topic. "They report that the average return is

Significantly negative on Monday and this is significantly lower than the average return for other business days in the US. In addition, the average return on Friday was found to be positive and higher than the average return for the rest of the week" (Rossi, 2015: 289). "During most of the study period, from 1953 to 1977, the daily returns to the Standard and Poor's composite portfolio were inconsistent ... Although the average return for the four days of the week was positive, the average for Monday was significantly negative . . . (France, 1980: 55).

Jain and Joh (1988) show that the NYSE exchange volume on the first day of the week is about 90% of its usual volume from Tuesday to Friday. Wang et al. (1997), using data from 1962 to 1993 observed "the well-known Monday effect occurs mainly in the last two weeks (fourth and fifth week) of each month. In addition, the average return on Monday in the first three weeks of the month is not much different from zero" (2171).

The weekday anomaly was also analyzed by Kiymaz and Berument (2003). They used the S&P 500 index from 1972 to 1997: "Volatility was highest on Mondays for Germany and Japan, on Fridays for Canada and the United States, and on Thursdays for the UK," the researchers note (Kiymaz & Berument, 2003: 363). Some research suggests that the anomaly could be related to the fact that companies and governments tend to receive negative news over the weekend or that trading volume increases on Friday due to information symmetry and decreases on Monday due to information asymmetry. Bildik (2004) asserts that the Monday anomaly disappears when "the return of the last trading day of the previous week is positive (Rossi, 2015: 290). Not all markets confirm the same deviation in the weekday effect. Jaffe and Westerfield (1985) studied the daily returns of four equity markets. They find that "the lowest average returns for the Japanese and Australian stock markets occur on Tuesday" (Jaffe and Westerfield, 1985: 433). Balaban (1995) detects the Tuesday effect in Turkey: "Empirical results verify that although the day of week effect is present in the Istanbul Composite Index

(ISECI) Stock Exchange returns data for the period January 1988-August 1994, this effect changes direction and magnitude through time" (Balaban, 1995: 139).

2.1 Other Calendar Effects

Other types of calendar anomalies have also been investigated by other researchers. The effect associated with the turn of the moon (TOM), recognized by Ariel (1987) on the US stock market, was followed by other studies: Pettengill and Jordan (1988), Lakonishok and Smidt (1988), Barone (1990), Agrawal and Tandon (1994).).), Hensel and Ziemba (1996), van der Sar (2003) and McConnell and Xu (2008). As noted by Rossi (2015: 291), other studies have examined the following CAs:

The holiday effect (Lakonishok & Smidt, 1988), was also analyzed by; Pettengill (1989), Ariel (1990), Barone (1990), Cadsby and Ratner (1992) and Dodd and Gakhovich (2011);

reveals a large amount of fragmentation in the literature "There is no single, unified view of relationship between EMH and calendar effects." (Rossi, 2015: 292).

II. Discussion

1. Efficient market hypothesis

From some literature, it can be concluded that the condition of the efficient market hypothesis is that the price of securities fully reflects past information. Stock prices that have occurred cannot be used to predict current stock prices and cannot generate abnormal returns for investors and rely on the principles of The efficient hypothesis. market is a theory which states that in a free market, with competition for profit, all knowledge and forecast information is reflected. accurate in market prices.

There are various situations and conditions that differ from one country to another, so that it will cause market efficiency in one country to be different from other countries. Here are some examples of a list of questions to categorize the concept of an efficient capital market in a country, which are summarized from several related articles:

- How do capital market participants react to new information? Participants include analysis capital market, investors and public companies (issuers).
- How quickly new information as a whole is used by users, especially investors.
- How quickly stock prices react to new information.
- Is the stock price able to describe the general state of the economy or the state of company.
- Is the investment or capital allocation very good.
- Is the capital market operating efficiently in accordance with the rules.

If all the questions above are answered positively, then the market can be said to be efficient. On the other hand, if some of the questions above are not answered properly, then the capital market is not efficient. The reasons for explaining the inefficient capital market include the lack of disclosure of the required financial information, as well as compliance with generally accepted accounting standards. But in reality all the questions above cannot be answered perfectly and the market usually cannot fulfill them either. This is because perfect market conditions can never be achieved by the most efficient market in a country.

2. Stock market anomaly

The efficient market hypothesis and the stock market anomaly are inseparable parts of each other. This means that in testing the efficient market hypothesis, it is necessary to discuss any irregularities (anomalies) that exist related to the efficient market hypothesis. The anomaly here is one form of the phenomenon that exists in the market. In this anomaly, things are found that should not exist if it is assumed that an efficient market actually exists. That is, an event can be used to obtain abnormal returns. In other words, it is possible for an investor to obtain abnormal returns by relying on a certain event. Anomalies that exist are not only found in one type of efficient market, but also found in other forms of efficient markets. That is, Empirical evidence of anomalies in capital markets appears in all forms of semi-strong efficiency. Testing based on the presence or absence of anomalies using the back tasted method approach. In this approach model, researchers conduct tests to answer the question of how historical prices (historical price data) move (change) as a consequence of events or observations. For a strong statement or evidence of a market anomaly, it needs a lot of support. That is, several studies must have conclusions that are not much different from each other. In this approach model, researchers conduct tests to answer the question of how historical prices (historical price data) move (change) as a result of events or observations. For a strong statement or evidence of a market anomaly, it needs a lot of support. That is, some studies must have conclusions that are not much different from each other. In this approach model, researchers conduct tests to answer the question of how historical prices (historical price data) move (change) as a result of events or observations. For a strong statement or evidence of a market anomaly, it needs a lot of support. That is, several studies must have conclusions that are not much different from each

other. In financial theory, there are at least four types of market anomalies. The four anomalies are company anomaly, seasonal anomaly, event anomaly, and accounting anomaly. Researchers conduct tests to answer the question of how historical prices (historical price data) move (change) as a result of events or observations. For a strong statement or evidence of a market anomaly, it needs a lot of support. That is, several studies must have conclusions that are not much different from each other. In financial theory, there are at least four types of market anomalies. The four anomalies are company anomaly, seasonal anomaly, event anomaly, and accounting anomaly. Researchers conduct tests to answer the question of how historical prices (historical price data) move (change) as a result of events or observations. For a strong statement or evidence of a market anomaly, it needs a lot of support. That is, several studies must have conclusions that are not much different from each other. In financial theory, there are at least four types of market anomalies. The four anomalies are company anomaly, seasonal anomaly, event anomaly, and accounting anomaly.

3. The Relationship between the Efficient Market Hypothesis and the Stock Market Anomaly

The Efficient Market Hypothesis Has Empirically Proved An Efficient Market Does Exist, Because Practitioners Do Not Take The Basic Reasons Into Account As A Benchmark In Making Decisions To Buy And Sell Securities. This Support Was Delivered By Le Baron (1983). Second, the existence of anomaly in the market which in many ways proves to be a challenge to the market efficiency hypothesis may be both evidence and challenge that the efficient market hypothesis must continue to be tested. The discovery of an anomaly in the market does not necessarily invalidate the efficient market hypothesis, because the anomaly seems to be related only to the form of a semi-strong efficient market. That is, an information that has just entered the market (becomes public) can affect theprice of securities.

II. Conclusion

The Basic Concept of the Efficient Market Hypothesis popularized by Fama (1970) is that a market condition is said to be efficient if no one, both individual investors and institutional investors, will be able to obtain abnormal returns, after adjusting for risk, by using existing trading strategies. This means that the price formed in the market is a reflection of existing information or "stock prices reflect all available information". A market where the prices of all securities can quickly and accurately reflect all available information. The efficient market hypothesis is divided into 3 forms, weak, semi-strong and strong forms.

It is evident from the many studies on the existence of an efficient market hypothesis driven by Fama (1970) (there is, because practitioners do not take into account the basic reasons as a benchmark for making decisions to buy and sell securities. This support is conveyed by Le Baron (1983) Second, there is an anomaly in a market which in many ways proves to be contrary to the efficiency market hypothesis may be evidence as well as a challenge that the efficient market hypothesis must continue to be tested. ie new information that enters the market (becomes public) can affect the price of securities.

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