



6th Asia Pacific Conference on Advanced Research (APCAR-2018), Melbourne, Australia

ISBN :978-0-6481172-1-6

Asia Pacific Institute of Advanced Research (APIAR)

[www.apiar.org.au](http://www.apiar.org.au)

## **STOCK MARKET ANOMALIES AND HEURISTICS (Finding at Individual Investors)**

Dr. Syed Zulfiqar Ali Shah<sup>a</sup> and Syed Zain ulAbdin<sup>b</sup>

<sup>a</sup>International Islamic University, Islamabad, Pakistan

<sup>b</sup>Lahore Business School, The University of Lahore, Pakistan

*Corresponding email: Zulfiqar.shah@iiu.edu.pk*

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### **Abstract**

The main aim of this study is to examine the effects of behavioral factors on Efficient Market Hypothesis (EMH) in a developing country. The supporters of behavioral finance argue that the investors' heuristics generate anomalies in the stock market that deviate from Efficient Market Hypothesis (EMH). The finding of the research model relies on the data collected from 324 individual investors of Pakistan Stock Market. Partial Least Square and Structural equation modeling was used to test the model with the help of Smart PLS 3.0 software. Results depict that all four components of heuristics generate two classes of anomalies (fundamental and technical anomalies) and make market inefficient and take mispricing advantage, except those anchoring toward technical anomalies. Calendar anomalies were only followed by overconfidence heuristic and have positive effect to generate calendar anomalies in the stock. An individual could control their behavioral influence and make a decision reasonably for their better investment that brings market in equilibrium.

**Keywords:** Behavioral Finance, Heuristics, Stock Market Anomalies, Individual Investors and Market Inefficiencies.

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