

Mutual Fund Anchoring Bias with its Parent Firm Performance: Evidence from Mutual Fund Industry of Pakistan

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Abstract : Purpose The purpose of the study is to find anchoring bias behavior in mutual fund return with its parent firm performance in Pakistan. Research Methodology The paper used monthly returns of equity funds whose parent firm exist from 2011 to 2021, along with parent firm return. Proximity to 52-week highest return calculated by dividing fund return by parent firm 52-week highest return. Control variables are also taken and used pannel regression model to estimate our results. For robust results, we also used feasible generalize least square (FGLS) model. Findings The results showed that there exist anchoring biased in mutual fund return with its parent firm performance. The FGLS results reaffirms the same results as obtained from panner regression results. Proximity to 52-week highest Xc is significant in both models. Research Implication Since most of mutual funds has a parent firm, anchoring behavior biased found in mutual fund with its parent firm performance. Practical Implication Mutual fund investors in Pakistan invest in equity funds in which behavioral bias exist, although there might be better opportunity in market. Originality/Value Addition Our research is a pioneer study to investigate anchoring bias in mutual fund return with its parent firm performance. Research limitations Our sample is limited to only 23 equity funds, which has a parent firm and data was available from 2011 to 2021.

Keywords : mutual fund, anchoring bias, 52-week high return, proximity to 52-week high, parent firm performance, pannel regression, FGLS

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