

Is the Karachi Stock Exchange efficient?
Paradoxes of Karachi Stock Exchange in Ramzan
On Selected Sectors of Pakistan

By

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A thesis presented to Bahria University, Islamabad in partial fulfillment of the requirements for the degree of Master of Science

May 2016

Dedication

*To my loving Parents,
My always supporting siblings,
And my teachers who were always there for me,
Without whom none of my success would be possible.*

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Abstract

This study will notice the efficiency of Karachi Stock Exchange by examining one of the calendar anomaly the “Ramzan Effect” on 25 listed companies of (Chemical, Cement, Pharmaceutical, Textile and Food & Personal care Product sectors by getting data of market index and stock prices of ten years from 2005 to 2014. Several theories and researches have been done in other countries on different calendar anomalies like the most prevalent “The January Effect. After presenting the efficient market theory by Fama (1965) numerous researches have been shown dealing with degree of market efficiency and the reasons against it. The ground of cramming indication of market inconsistencies has been fixed through the theory of efficient market. Ramezain (2013) studied the effect of Ramzan in Iran, on Tehran stock exchange. His research found that there is positive significant of Ramzan effect on stock exchange.

Collectively this study has significant effect of Ramzan on the stock return of selected companies in five different sector (Chemical, Cement, Pharmaceutical, Textile, and Food & Personal care Product). Though individual years have shown some positive & negative insignificance of abnormal returns, while collective results shows that there is positive significance of Ramzan on selected sectors of KSE.100 index. Event Study has been used to analyze the Ramzan effect by taking 1st of Ramzan as an event date. T test is used to check significance and insignificance of the selected companies.