

# Measuring The Performance of Kse100: The Impact of Demutualization

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## **Abstract**

There was a greater need for stock exchanges in Pakistan to be transparent, cost-efficient and more widely accountable. Due to globalization, technological advancement growing competition, and concern for investor's interest stock exchanges in Pakistan began a process of demutualization. Demutualization is a process in which member-owned cooperative or mutual organisation is converted into a for profit investor-owned corporations raising capital with stocks issued and imparting offerings to customers and returns to shareholders. This study evaluated the impact of demutualization on the performance of KSE100 which is a Benchmark Index. The study used Descriptive Statistics and Paired Sample T-Test and daily data of KSE100 for 3778 trading days (1889 pre and 1889 post demutualization) from 2009 to 2019. The four variables (Market Capitalization, Traded Value, Daily Stock Return and Trading Volume) were tested in the first and second phase of demutualization and after listing of PSX on its own exchange. The results of the first phase showed significant increase in market capitalization, insignificant decrease in traded value, insignificant decrease in daily stock return and significant decrease in trading volume. The results of the second phase showed significant decrease in market capitalization, insignificant increase in traded value, insignificant increase in daily stock return and significant decrease in trading volume. After Listing of PSX on its own stock exchange results showed insignificant increase in market capitalization, significant increase in traded value, insignificant decrease in daily stock returns and insignificant increase in trading volume. The overall results established that the performance slightly improved and the results were in line with other studies except for market capitalization and trading volume. The study is useful for the stakeholders (investors, government and employees) of Pakistan Stock Exchange and potential investors who are interested in stock market growth and development. The study is also useful for regulators and policy makers in order to take necessary action in the best and worst case scenario.

**Keywords:** Demutualization, Pakistan Stock Exchange, market capitalization, trading value, stock returns, trading volume.