



Stakeholders' Perceptions and Predictions of Stock Exchange Demutualization: The Case of Kuwait Stock Exchange

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ABSTRACT

In this paper, we investigate the perceptions of various stakeholders in relation to the benefits stated in the new capital markets authority law to be achieved when Kuwait stock exchange (KSE) is demutualized. We use a survey questionnaire to solicit their agreement on the achievement of specific benefits after 6 years of activation. Factor analysis was used to extract four new constructs from the collected responses. Market harmony is the construct elected to be the independent variable affecting three dependent variables: Stability, corporate governance and attractiveness variables. The results indicate that the different stakeholders have the same perception that privatization of KSE will lead to the achievement of all benefits promised. Furthermore, all three dependent variable are found to be significantly affected by market harmony. These results contradict with the results of an earlier study of the same research project on the relationship between firm performance and market reforms. We provide discussions of the results and further implications.

Keywords: Stock Exchange Demutualization, Corporate Governance, Market Reforms, Factor Analysis

JEL Classifications: G10, G18, G20

1. INTRODUCTION

Demutualization, or sometimes, called privatization of stock exchange is the process of converting the stock exchange from a government-controlled organization into a shareholding company. There are many reasons for demutualization of an existing stock exchange. Some of these reasons include improving governance, improving decision making process, improving market resilience, providing more transparency, improving market efficiency and attracting new investors.

Since the demutualization of the Stockholm stock exchange in 1993, major exchanges including London stock exchange, Nasdaq, NYSE, Tokyo, etc., were privatized. Ryden (1997) documented the development process of the first demutualized stock exchange; the Stockholm stock exchange. As of 2014, only the Moroccan stock exchange was demutualized in the MENA region. Other markets in the region, including the Kuwait stock exchange (KSE), are considering the move.

In this paper we focus on the demutualization of the KSE. This study is motivated by the prolonged process that the government had to go through to come up with a law to regulate the exchange demutualization. 7 years ago, the 2010/7 law was approved by the Kuwaiti legislator and still unimplemented fully. It is known as the capital markets authority law (CMAL). Before formal approval, various stakeholders provided their own versions of the law. As the demutualized KSE is still not operational, different stakeholders had different perceptions and predictions on the ability of the new law to achieve its goals. Although some groups think the law will achieve the goal it has promised to achieve, others don't.

The objective of this study is to solicit the perceptions and predictions of all related stakeholders on the ability of the newly demutualized stock exchange to achieve the set of goals it was set to achieve. Knowing the expectations of the stakeholders should help regulators to remedy possible barriers and problems before the full privatized KSE is operational.

In the next section, we review the literature related to stock exchange demutualization and privatization with the objective to develop the research hypotheses. We then discuss our data and methodology to test the hypotheses. That is followed by results discussion and conclusion.

2. REVIEW OF THE RELEVANT LITERATURE

During the past two decades, many stock exchanges went through a structural major change of converting from government/members owned to public firms (for-profit). The question of whether stock exchange demutualization has favorable impact on the market performance was explored in several countries. With differences among markets in terms of transparency standards and attitude towards disclosure, it is vital to explore whether privatization has different implications. In developed markets, disclosure standards, transparency and information quality is significantly stronger than those in developing or less developed markets. Sound conflict of interest codes and governance regulations in established/developed markets can create safeguards against any illegal practices. Ownership transition implication in the MENA region was explored by OECD (2014) research report. The report concluded that all demutualization models in the MENA region involve conflict of interest. However, managing the conflict in a balanced manner served as an effective tool to ensure better control and achieve demutualization benefits.

The transition from non-profit government bodies to joint companies raised the question of conflict of interest. Yet the benefits foreseen, such as increased competitiveness, higher flexibility, improved decision making, flexible governance structure and access to capital; induced more stock exchanges to demutualize (Mehra, 2010). However, the conflict between the role of the exchange to become profitable and the role to self-regulate the market have raised concerns. For example, an exchange can lower the listing standards in an attempt to increase the number of listed firms to accumulate more listing fees Amico (2014). Magadi et al. (2015) assessed the performance of Zimbabwe stock exchange (ZSE) after demutualization and its impact on the economy. They found that the majority of stakeholders had a favorable perception about demutualization of ZSE.

Mehra (2010), summarized benefits and concerns associated with demutualization of stock exchanges. He argued that conflict of interest between the profitability goal and the quality of listed firms is one of the main hurdles for the success of the privatization process. Ameer and Othman (2017) suggest that an effective development of legal groundwork for stock market demutualization require "political consistency and forward planning" Furthermore, the process of privatization should occur under a strong legal structure that ensures integrity, fairness, and efficiency in the market. Hughes and Zargar (2006), argued that demutualized stock exchanges should balance between the investor protection objective and the profit motive of the exchange. Also, stronger oversight on the trading bylaws of a privatized exchange should be maintained to guarantee adequate investor protection. Akhtar (2002), argued that the privatization of exchanges involves

two main issues; changes in the legal and organizational structure and change in the ownership form. Adequate safeguards are very essential to protect public interest in these markets. In a discussion paper issued by IOSCO (2000), many issues and concerns related to demutualization were discussed and addressed.

The privatization wave of stock exchanges is growing and the majority of exchanges across the world are in the process of conversion. A key factor for this wave is new technology and competition which requires more funding and flexibility in decision making. Azzam (2010) summarized the most common challenges faced by government/broker owned exchanges such as smaller size, lower number of listing firms, weak governance structure, low quality of management, inefficient regulation of listed firms, and weak eligibility criteria for brokers and members.

It is vital to explore the quality and performance of the market in light of the demutualization wave. Theoretically, Boussetta (2016), analyzed the effect of competition between exchanges on the certification role of listing. She found that the profitability objective of privatized exchanges may lead other objectives and subsequently may negatively affect market quality. Later in another paper, Boussetta (2017) assessed the market performance of demutualized exchanges compared to mutual counterparties during the period from 2004 to 2014. She found that the converted exchanges have better profits, increased trading activities and lower transaction costs. Earlier, Abukari and Otchere (2016) focused on the liquidity of stock exchange after demutualization. They found that the transaction cost in the years after the demutualization is significantly better.

In the MENA region, most of the exchanges are government owned and an assessment of the impact of the demutualization wave on performance needs more research. In such regions, lack of transparency and non-disclosure of financials statements might obstruct assessment of performance. The question that most research is concerned with; whether privatizing of stock exchanges has succeeded. Two arguments are associated with demutualization. The first argument documented positive effects on stock exchange performance (Aggarwal and Dhahiya, 2005; Mendiola and O'Hara, 2003). Nyangara and Musikavanhu (2014), documented value enhancement in terms of market capitalization, liquidity and number of listed firms. Hazarika (2005), documented increase in the trading volume for both London stock exchange and the stock market in Italy. Altaf (2009), examined market performance of London stock exchange and Hong Kong stock exchange after changing their ownership structure and both had positive change in performance. Another group of studies (Otchere and Oldford, 2011) attributed the performance improvement to changes in the exchange's business model. Lee 2002, argued that the benefits derived from brokers' ownership in the exchange are higher than other benefits. The second is against (Sheleifer and Vishny, 1997; Lee, 2002; Kondgen, 1998). Indeed, exploring the effects of government reforms on the efficiency of Kenya's firms, Gitundu et al. (2016) argue that government reforms led to negative effects. Bouresli and Aldeehani (2017) provided evidence of decreased firm performance as a direct result of exchange demutualization reforms.

Improvement of firm performance always depends on the quality of the law organizing the conversion of the exchange. In an effort to provide guidance and recommendations to stock exchanges, the World Federation of exchanges (2015) called the attention for various value drivers to demutualized stock exchanges. These value drivers include (1) well-functioning, more resilient, less volatile, efficiently regulated and more attractive markets, (2) risks and opportunities management are more transparent, (3) better corporate governance, (4) contribution to national and international development goals. Earlier, in 2005, Mensah (2005) listed a number of factor drivers for exchange demutualization. These include improved governance, investor participation, competition, globalization/consolidation and unlocking stock exchange value.

However, when power rivals fight to draft the exchange privatization legislation, one would suspect a failure of stock markets conversion. This is the case of demutualizing KSE. In 2010 a law to establish the CAM and to privatize KSE was passed. Today, after 6 years of implementation, only the CMA is operational. KSE, however, is still a public entity. The prolonged process and preparation to demutualize KSE is what inspired our quest to explore the perceptions of the various stakeholders on the ability of CMAL to achieve its goals.

3. AUTHOR'S PERSONAL INVOLVEMENT

Before her service as a Minister of trade, coauthor Bouresli was involved in drafting the CAML back in 2006. During the preparation process, most of the main stakeholders attempted to interfere in drafting the law. Some of the stakeholders involved were the management of the stock exchange through the market committee, some of whom were representing the chamber of commerce and the investment companies through the union. They proposed a draft law through parliament members. The only independent party who was involved in drafting the law was the author with her team who cooperated with the SEC in the USA to draft an independent regulatory body law. After 18 months of work and prolonged discussions in the finance committee of the parliament, and in a move to reconcile political pressures, the government decided to blend all proposed versions of the law to come up with one final version. Surprisingly, an unexperienced parliament member was able to insert two provisions in the law, which later caused many problems and promoted legal action cases. The first was to convert all the financial assets of the exchange to the newly established CMA. The second was to convert all the existing staff of KSE to the CMA. Another provision was also inserted that limit the licensing of any stock exchange in Kuwait to a company and to convert KSE into a public company.

However, due to an increased criticism, this provision was later amended. In 2010, the law was issued and the commissioners were appointed in the same year. Partial implementation started later that year. The first year of operations faced challenges due to the implementation of troublesome law suffering from many problems and inconsistency with international standards. Later that year, Bouresli prepared a technical report comparing the

approved version of the law with the international best practices, represented by IOSCO principles, and concluded that the CMAL suffered from improper provisions.

In 2011 and during her time as Minister of trade, Bouresli attempted to amend the law to be in line with the best practices, however, she faced huge resistance from key stakeholders. Also, she approached the commissioners to request their corporation to amend the law nevertheless, they refused. The pressure from stakeholders to keep the law unchanged led to a replacement of the Minister with one tied to the chamber of commerce. Consequently, many legal cases were filed against the CMA due to improper provisions or due to improper implementation of the law. Interestingly, during the years of 2011 to 2014 trading volume has dropped significantly and many firms chose to delist from KSE.

Continuing her efforts as a university professor and expert to fix the approved law, Bouresli wrote several public reports published on newspapers about some of the provisions, in need of amendments. Eventually, some provisions were fixed in line with some of the issues of major concerns.

Nevertheless, some stakeholders expressed their doubts on the ability of the new law to achieve its goals. Indeed, these doubts are supported by the research results of Bouresli and Aldeehani (2017). They provided evidence of the decreased performance of the listed companies as a direct result of enforcing the CMA law. That is the issue we intend to explore in this paper. We want to investigate, after 6 years of implementation, and before privatizing KSE, how the various stakeholders perceive the ability of the new law to achieve its goals. We discuss this issue in detail, next, in the methodology section.

4. DATA AND METHODOLOGY

We used a structured survey to seek the perceptions and predictions of the various stakeholders affected by CMAL. The respondents were classified in 6 demographical groups covering regulators, potential owners of the new capital market, listed companies, investors/traders, brokers and auditors. The survey included a total of 20 statements based on a Likert scale. Each statement represents a preset benefit the CMAL is to achieve. Respondents are offered a choice of five pre-coded responses; 5 for completely agree, 4 for agree, 3 for undecided, 2 for disagree and 1 for completely disagree.

The demographical characteristics of the respondents are presented in Table 1.

A total of 51 responses were collected and one was disqualified for severe shortage of usable information. Respondents were asked to answer one main question. This question is: In your opinion, which of the following benefits will be achieved as a result of privatizing KSE as per the CMAL.

- A1, improvement of corporate governance and minimize agency problems in KSE management.
- A2, improvement of KSE decision-making processes.

Table 1: Demographical characteristics

	Frequency (%)	Valid percent	Cumulative percent
Regulator	9 (18.0)	18.0	18.0
Potential owner	3 (6.0)	6.0	24.0
Listed Co.	11 (22.0)	22.0	46.0
Investor/trader	8 (16.0)	16.0	62.0
Broker	6 (12.0)	12.0	74.0
Auditor	13 (26.0)	26.0	100.0
Total	50 (100.0)	100.0	

- A3, improvement of the confidence of the listed companies in KSE management.
- A4, improvement of performance and quality of KSE quality.
- A5, KSE shall be more resilient in facing challenges and financial crisis.
- A6, KSE shall be less volatile.
- A7, listed companies shall be more able to manage own risks transparently.
- A8, listed companies shall be more able to manage their investment opportunities transparently.
- A9, KSE shall be more attractive to local investors who will be more encouraged to be listed.
- A10, KSE shall be more attractive to foreign investors.
- A11, political intrusion in KSE management shall be lowered.
- A12, power groups' intrusion in KSE management shall be lowered.
- A13, KSE shall be better organized.
- A14, listed companies shall improve their corporate governance practices.
- A15, KSE shall contribute to the ultimate goal of the country of being a major regional financial hub.
- A16, KSE shall contribute to the country's development plan.
- A17, listed companies shall be more resilient in facing financial challenges.
- A18, quality and efficiency of information disclosure shall be improved.
- A19, owning companies shall not exploit KSE to achieve private interests.
- A20, CMA shall be able to protect all stakeholders from the overlapping interested resulting from the demutualization of the stock exchange.

Respondents were asked to mark their agreement score according to a 1-5 Likert scale.

5. VARIABLES AND HYPOTHESES DEVELOPMENT

In analyzing the effectiveness of the CMAL to successfully demutualize KSE, we are interested in detecting a more general trends rather than the detailed individual items. For this reason, in particular, survey analysts, turn to factor analysis (FA) or principal component analysis (PCA) to reduce any related individual items into new constructs. Indeed, one common reason for running PCA or FA is variable reduction.

Therefore, we use FA to identify a smaller number of variables representing and explaining the patterns of correlations within a wider number of observations. We also prefer FA procedure to generate causal hypotheses which suites the enquiry of this study. The research main hypothesis with this regard is that the implementation of CMAL to privatize KSE shall, positively, affect the achievement of the aforementioned corporate governance benefits.

By applying FA procedure, we identified four new groups. The first group which we call: Market harmony includes the first four statements; A1, A2, A3 and A4. Grouping these targets in one construct makes sense. The four targets are related to the governance, the decision-making process, the management confidence and the quality of service provided by the new KSE after implementing the law. We named this new construct as market "harmony." Harmony is defined by Cambridge Dictionary as "when things seem right or suitable together." We assume that, if market harmony is achieved, then it should be the variable that could explain the variation in the other groups generated by FA from the remaining targets. We, therefore, will be able to establish our causal model later in this section.

The results of this analysis are illustrated in Table 2.

As we suppressed small coefficients below 0.50, the table shows that the loadings of each statement is above 0.50 which is more than satisfactory. The variance accounted for by the four items also appears satisfactory at 64.457%.

Next, we measure the reliability of the harmony scale using the Cronbach's alpha consistency model. This is simply a measure of how consistent the items to form one group which can be transformed to a new construct. Table 3 shows a description of the four items along with the resulting 81.3% reliability statistic which means the grouping of the items is highly reliable and consistent.

Table 4 presents the correlation coefficients which also look significant between the four items comprising the harmony group.

We applied the same procedure to develop the other three new groups from all the items. Table 5 presents the results of FA applied to all 20 items along with the reliability statistic and variance explained.

Item A15 was removed from the list due to the double loadings resulting from analysis. Item A16 was also removed as it was ungrouped. Based on the resulting grouping and factor loadings illustrated in Table 5, we can now create 4 new construct (variables) representing each group. Our approach to grouping items is to compute an index variable through a weighted grouping of all items. These are called the factor scores. The factor loading represents the individual weight of the item. Therefore, the contribution of the items to the factor score is determined by how strongly they relate to the factor. Using item loading as weights should ensure that the scale of each factor will remain between 1 and 5. The transformation equation to create a new construct takes the form.

$$\widehat{Y}_{ki} = \frac{\sum_{i=1}^k W_i Q_{ki}}{W_i}$$

Where, \widehat{Y}_{ki} is the predicted value of item k observation i, W_i is the loading of item i, representing the weight and Q_{ki} is the original observation (response) i of item k.

Items A11-14 and 18-20 are grouped together by the factoring procedure as they are related to corporate governance benefits to be achieved by the CMAL. Therefore, they are assigned the name CG. Items A5-A78 and A17 are all related to achieving stability of the stock exchange and grouped together and named: Stability. Items A9 and A10 are related to attracting new local and foreign investors and therefore are grouped under the name attract.

To give an example of how the developed weighted average affect the creation of the new construct, a comparison of the weighted average extracted from the loadings of the items comprising the new harmony construct is illustrated by Figure 1.

Figure 1 exhibits the positioning of the weighted average mean for the new construct: Harmony. It shows how the observations with higher loadings affected the positioning of the weighted average line compared to the actual observed means of the A1, A2, A3 and A4 items.

A summary measures of the newly created constructs is presented in Table 6.

We can observe, in Table 6, how we employed the item loadings to maintain the original 1-5 scale of the mean statistic as a weighted average.

Table 2: Loading extracted*

	Component
Lower agency problems	0.781
Better decision process	0.829
Trust KSE management	0.825
Better KSE management	0.775
Variance explained	64.457%

*Extraction method: Principal component analysis, KSE: Kuwait stock exchange

Table 3: Description of items and reliability test

	Mean±SD	N
Lower agency	3.68±0.819	50
Better decision process	3.88±0.689	50
Trust KSE management	3.62±0.855	50
Better KSE management	3.96±0.781	50
Cronbach's alpha reliability test	81.3%	

SD: Standard deviation, KSE: Kuwait stock exchange

Table 4: Correlation coefficients of the harmony items

	Lower agency	Better decision process	Trust KSE management	Better KSE management
Lower agency	1.000	0.509	0.522	0.490
Better decision process		1.000	0.614	0.521
Trust KSE management			1.000	0.496
Better KSE management				1.000

KSE: Kuwait stock exchange

6. OUR RESEARCH HYPOTHESES RELATED TO THE NEW CONSTRUCTS ARE

Hypothesis 1:

H_a: Different stakeholders perceive harmony differently.

Hypothesis 2:

H_a: Different stakeholders perceive CG differently.

Hypothesis 3:

H_a: Different stakeholders perceive stability differently.

Hypothesis 4:

H_a: Different stakeholders perceive attract differently.

The correlations between the newly created constructs illustrated in Table 7 indicate significant associations between all of them.

Before analyzing the causal model, it is logical to test for significance in differences of perceptions among the various stakeholders. However, it's important to test for normality of the new variable to determine which method to employ. For this purpose, we use the one-sample Kolmogorov-Smirnov test. Table 8 exhibits the results of this test.

The results in Table 8 indicate that only attract construct failed the normality test as indicated by the 0.012 asymptotic significant value. Therefore, for significant differences among stakeholders, we apply one-way ANOVA for the constructs: Harmony, stability and CG. For attract construct, we apply the Kruskal-Wallis Test. The results of the two tests is presented in Table 9.

As indicated by the significant values, we can conclude from the results in Table 9 that the four construct are not significantly different among the various groups of stakeholders at the 5% level. The results indicate that the four groups have similar perceptions on the ability

Figure 1: Actual response mean against weighted average

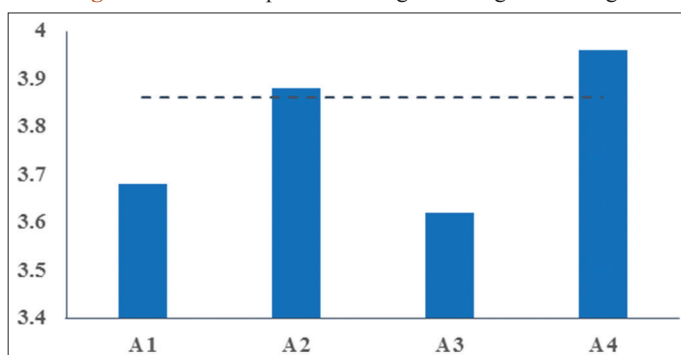


Table 5: Summary of FA for all items

Constructs	Reliability coefficient (%)	Variance explained (%)	Factor loadings
Harmony	81.3	64.457	
A1			0.781
A2			0.829
A3			0.825
A4			0.775
CG	90.9	65.62	
A11			0.858
A12			0.644
A13			0.792
A14			0.655
A18			0.687
A19			0.752
A20			0.576
Stability	86.9	65.812	
A5			0.769
A6			0.770
A7			0.802
A8			0.669
A17			0.620
Attract	79.9	83.365	
A9			0.812
A10			0.868
Overall	94.2		

FA: Factor analysis

Table 6: Statistical summary measures of the main constructs

	N	Mean		SD
	Statistic	Statistic	Standard error	Statistic
Harmony	50	3.8596	0.09101	0.64355
CG	50	3.4263	0.10773	0.76179
Stability	50	3.2790	0.09695	0.68554
Attract	50	3.6047	0.11534	0.81559
Valid N (list wise)	50			

SD: Standard deviation

Table 7: Correlation coefficients of the new constructs

	Harmony	CG	Stability	Attract
Harmony				
Pearson correlation	1	0.538**	0.552**	0.477**
Significant (two-tailed)		0.000	0.000	0.000
CG				
Pearson correlation		1	0.662**	0.506**
Significant (two-tailed)			0.000	0.000
Stability				
Pearson correlation			1	0.517**
Significant (two-tailed)				0.000
Attract				
Pearson correlation				1

**Correlation is significant at the 0.01 level (two-tailed)

of the law to achieve all various benefits. The results of the tests are supported by the descriptive statistics of the new constructs against the stakeholders' demographics illustrated by Table 10.

7. CASUAL MODEL

Our causal model consists of three dependent variables (constructs) that are to be tested together, one categorical factor

and one explanatory variable. The three dependent variables are stability, attract and CG. The categorical factor Q1 represents the demographics of six stakeholders. The independent variable (a scale predictor) is harmony. This model requires the use of a multivariate general linear model (GLM) procedure.

The multivariate GLM procedure factor and covariate are assumed to have linear associations with the dependent variables. A typical multivariate GLM may be written as:

$$Y = XB + U,$$

Where Y is a matrix with series of multivariate measurements. In our case the dependent variables are stability, attract and CG. X is a matrix of categorical fixed factors or covariate representing a matrix of Q1 and harmony. B is a matrix of coefficients to be estimated and U is a matrix of noise.

Before estimating the GLM procedure, we test how well the mean of our independent covariate can separate the groups. The results of this test is presented in Table 11.

Pillai's trace, Wilks' lambda, Hotelling's trace and Roy's largest root are measures of how well each function splits cases into groups. The smaller the values the more discriminatory ability of the function.

The resulting values of all four measures related to harmony indicate that the means of the discriminant function is causing a significant separation in the groups. The fixed factor representing the stakeholders has no discriminant effect.

The results of testing between-subjects effects is presented in Table 12.

A causal effect of harmony on stability, attract and CG is evident as indicated by the significant values at the 1% level. The model is also well specified as indicated by the significant values of the corrected model.

8. SUMMARY AND DISCUSSION OF THE RESULTS

1. The null hypotheses that the different stakeholders have the same perception regarding the ability of CMAL to achieve the benefits of market harmony, stability, improvement of corporate governance and attracting new local and foreign investors cannot be rejected. This result contradicts with the empirical evidence, provided by Bouesli and Aldeehani (2017), that firms' performance was negatively affected by the implementation of CMAL. Our interpretation of this inconsistency is that what we are measuring in this paper remains a perception that lacks support of evidence after the full demutualization of KSE. This evidence can only be provided when KSE is fully privatized and operational. This is definitely a gap in the literature that needs to be bridged by future research.

Table 8: Testing for normality in the new constructs

	Harmony n=50	CG n=50	Stability n=50	Attract n=50
Normal parameters ^{a,b}				
Mean±SD	3.8596±0.64355	3.4263±0.76179	3.2790±0.68554	3.6047±0.81559
Most extreme differences				
Absolute	0.114	0.091	0.111	0.143
Positive	0.088	0.062	0.111	0.143
Negative	-0.114	-0.091	-0.085	-0.121
Test statistic	0.114	0.091	0.111	0.143
Asymptotic significant (two-tailed)	0.106 ^c	0.200 ^c	0.168 ^c	0.012 ^c

^aTest distribution is normal, ^bcalculated from data, ^cLilliefors significance correction, SD: Standard deviation

Table 9: Testing significance of differences in constructs by stakeholder demographics, one way ANOVA and Kruskal-Wallis test

	Sum of squares	df	Mean square	F	Significant
Harmony	2.958	5	0.592	1.502	0.209
CG	5.409	5	1.082	2.067	0.088
Stability	3.915	5	0.783	1.802	0.132
CG	Kruskal Wallis test, $\chi^2=3.104$ (significant=0.684)				

Table 10: The new constructs against stakeholders' demographics

Q1	Harmony	CG	Stability	Attract
Regulator				
Mean	4.2211	3.8951	3.6471	3.8926
N	9	9	9	9
SD	0.67433	0.75351	0.98023	0.78241
Potential owner				
Mean	4.0741	3.8458	3.4850	4.0111
N	3	3	3	3
SD	0.00868	0.38709	0.11518	0.51702
Listed Co.				
Mean	3.9847	3.5774	3.3262	3.5045
N	11	11	11	11
SD	0.85633	0.85123	0.62301	1.22613
Investor				
Mean	3.5099	2.9040	2.8075	3.7500
N	8	8	8	8
SD	0.57614	0.86781	0.77141	0.59388
Broker				
Mean	3.8685	3.2976	3.5338	3.5000
N	6	6	6	6
SD	0.59198	0.37158	0.44285	0.63779
Auditor				
Mean	3.6650	3.2577	3.1091	3.3551
N	13	13	13	13
SD	0.43674	0.64405	0.44465	0.66012

SD: Standard deviation

- All stakeholders perceive the newly demutualized KSE to be in harmony when its corporate governance, decision making, confidence, performance and quality are improved and agency problems are minimized.
- Stakeholders believe that when market harmony is achieved in the newly demutualized KSE it will significantly increase stock market stability. The market will be more stable and more resilient in facing challenges and financial downturns. Listed companies will be more able to manage their own risks and investment opportunities transparently.

- They also perceive a positive significant effect of market harmony on corporate governance. They believe that political and power groups' intrusion will be minimal. KSE shall be better organized, corporate governance of the listed companies shall be improved, and information disclosure shall be more efficient with better quality. They perceive owners of the new KSE to be honest and shall not exploit resources. Moreover, they believe that CMA will be able to protect all stakeholders from the overlapping interests resulting from the demutualization process.
- Stakeholders agree that when market harmony is achieved it shall attract new local and foreign investors.

The summary results of the casual model of this enquiry indicate a general optimism among all related stakeholders in the ability of the new demutualized KSE under the umbrella of CMAL to achieve all of its target benefits. Market harmony shall be achieved leading to improvements in market stability, attractiveness and corporate governance.

The results of this research contradicts with the results of another enquiry, of the same research project, that used fundamental data to explore how performance indicators of the listed companies were changed in response to the partial implementation of the law (Bouresli and Aldeehani, 2017). These contradicting results can only be explained by the fact the stakeholders perception is based on their own predictions of the future of the market after full implementation of the law including the demutualization of KSE. This perception remains to be supported by further research.

9. CONCLUSION

Stock exchanges are demutualized to achieve various positive benefits including better governance, more stability, healthy competition, resilience, attract new opportunities and investments ... etc. The first exchange to demutualize was the Stockholm exchange back in 1993. Since then, researchers have strived to investigate to what extent has exchange demutualization achieved these benefits. Although most of the literature reviewed provide evidence of benefits achievement, few scholars cautioned against demutualization resulting from cumbersome reforms. This is exactly what took place with regard to the process of KSE demutualization. The process started in 2006 leading to the approval of CMA law in 2010 with major pitfalls. According to this law, the CMA is to be established and KSE is to be privatized. The CMA was established later that year, but the KSE is still, till

Table 11: Multivariate tests

Effect	Value	F	Hypothesis df	Error df	Significant
Intercept					
Pillai's trace	0.153	2.478	3.000	41.000	0.075
Wilks' Lambda	0.847	2.478	3.000	41.000	0.075
Hotelling's trace	0.181	2.478	3.000	41.000	0.075
Roy's largest root	0.181	2.478	3.000	41.000	0.075
Q1					
Pillai's trace	0.301	0.958	15.000	129.000	0.503
Wilks' Lambda	0.722	0.948	15.000	113.584	0.514
Hotelling's trace	0.354	0.937	15.000	119.000	0.526
Roy's largest root	0.242	2.079	5.000	43.000	0.087
Harmony					
Pillai's trace	0.316	6.315	3.000	41.000	0.001
Wilks' Lambda	0.684	6.315	3.000	41.000	0.001
Hotelling's trace	0.462	6.315	3.000	41.000	0.001
Roy's largest root	0.462	6.315	3.000	41.000	0.001

Table 12: Tests of between-subjects effects

Source	Dependent variable	Type III sum of squares	df	Mean square	F	Significant
Corrected model	CG	10.133 ^a	6	1.689	3.968	0.003
	Stability	8.362 ^b	6	1.394	4.086	0.002
	Attract	9.354 ^c	6	1.559	2.885	0.019
Intercept	CG	2.292	1	2.292	5.384	0.025
	Stability	2.030	1	2.030	5.953	0.019
	Attract	1.622	1	1.622	3.002	0.090
Q1	CG	1.889	5	0.378	0.888	0.498
	Stability	1.339	5	0.268	0.785	0.566
	Attract	1.945	5	0.389	0.720	0.612
Harmony	CG	4.725	1	4.725	11.100	0.002
	Stability	4.447	1	4.447	13.037	0.001
	Attract	6.958	1	6.958	12.874	0.001
Error	CG	18.303	43	0.426		
	Stability	14.667	43	0.341		
	Attract	23.240	43	0.540		

^aR²=0.356 (adjusted R²=0.267), ^bR²=0.363 (adjusted R²=0.274), ^cR²=0.287 (adjusted R²=0.187)

today, a public entity. With this background, we chose to explore the perceptions of the various stakeholders regarding the ability of CMAL to achieve the benefits of KSE demutualization.

To achieve this, we designed a survey questionnaire to solicit stakeholders' perceptions on 20 benefits extracted from the CMAL. FA was used to extract four factors from the responses. These factors are named: Harmony, stability, CG and attract. First, we tested the hypothesis that the different stakeholders have different perceptions with regard to the four benefits. This hypothesis was not rejected indicating an agreement among the various stakeholders that the CMAL will lead to all targeted benefits.

We then estimated a GLM procedure to measure the causal effect of market harmony to achieve market stability, better corporate governance and investment attractiveness. The results provided significant evidence of positive causal relationship.

These optimistic and positive results contradicts with an earlier study of the same research project indicating lower firm performance resulting from applying CMAL. A comparison between the perceptions and reality can only be achieved when KSE is fully demutualized and operational. This is a topic that will definitely add to the existing body of knowledge.

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