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LIBYA’S ECONOMIC REFORM PROGRAMME AND THE CASE FOR A STOCK MARKET

Introduction

This thesis was undertaken to develop a conceptual framework for a research model with a specific focus on the Libyan economic reform programme and the development of the Libyan stock market between 1999 and 2007.

The thesis consists of eleven chapters. After the first chapter, which describes the purpose of the study and the organisation of the thesis, Chapters 2, 3, 4, 5 and 6 represent theoretical contributions and review the relevant literature alongside a brief review of the theoretical framework. Chapter 2 discusses the function of economic growth theory while Chapters 5 and 4 focus on the nature of economic reform programmes and macro-economic reform performance. Chapter 5 considers stock market performance, including financial maturity. Chapter 6 considers the theories and concepts discussed in the previous four chapters in the context of Libyan economic and social development. Chapter 7 discusses the methodological framework of the current study. Chapters 8, 9 and 10 represent the empirical context of Libyan economic and social development.

The study investigates the determinants of economic reform and stock market performance within the Libyan economy utilising data from three different sources and a multi-method approach. Self-administered questionnaires were distributed to the entire target population of the Libyan financial market, banking sector and a number of companies, while semi-structured interviews were held with managers in a subset of companies, selected via a stratified sample of respondents to the self-administered questionnaires. The third method collected financial market data over the period 1995-2006 from 42 emerging market countries, specifically, Algeria, Argentina, Bahrain, Bangladesh, Brazil, Bulgaria, Chile, China, Czech Republic, Egypt, Fiji, Hungary, India, Indonesia, Iran, Israel, Jordan, Kuwait, Lebanon, Libya, Malaysia, Mexico, Morocco, Nigeria, Oman, Pakistan, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, South Africa, Sudan, Syria, Thailand, Tunisia, Turkey, United Arab Emirates, Venezuela, Yemen and Zimbabwe were analysed to examine whether best practice from emerging stock markets is transferable to the Libyan context.

Figure 1 – Classification of Stock Market

Source: Adapted from Handay (1999)

Figure 2 - Libyan Percentage of Real GDP Growth and GDP Per-capita in US$, 1980-2007

Source: IMF, WEO Database, April 2007

Figure 5 - Good Practice Model from 42 countries

Source: Analysis of SPSS output from statistics data

RESEARCH OBJECTIVES

- To determine the relationship between the economic reform programme and stock market performance in Libya.
- To assess the success of economic reform programmes and stock market performance in Libya.
- To determine the relationship between macro-economic programmes and stock market performance in Libya.

RESEARCH QUESTIONS

1. What are the main prerequisites for successful economic reform programmes?
2. What weaknesses in the structure of the Libyan stock market need to be addressed to improve performance?
3. Is the emerging economics model transferable to the Libyan context?

RESEARCH OF DATA COLLECTION

- Secondary Data: IMF, April, Washington, D.C.
- Primary Data: Interviews with managers, semi-structured interviews with managers, questionnaires

RESEARCH CONTRIBUTIONS

- Theoretically: This study contributed to the literature by examining the relationship between economic reform programmes and stock market performance in Libya.
- Methodologically: This study provided a comprehensive multi-method approach to the study of emerging stock markets by utilising data from 42 countries.

CONCLUSION

This research provides considerable knowledge about the relationship between economic reform programs and stock market performance with special emphasis upon the developing country of Libya. Some of the knowledge might appropriately be generalised for other developing countries that have a similar economic structure. The research provides an important introduction to this area and has attempted to explore its significance for both the economic and finance. This research adds to the existing body of literature in that it aims to better understand the economic and financial dynamics of the Libyan economy which has not been examined in previous studies.
