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Masoud, Najeb M. H.

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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 utilising data from three different sources and a multi-conclusions, discusses contribution, and its implications, this study. Chapter 11 presents the research summary and conclusions.

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 (1997)

Figure 2 - Libyan Percentage of Real GDP Growth and GDP Per-capita in L.S.S., 1980-2007

Source: IMF, WEO Database, April 2007

Figure 3 - Libya's percentage of real GDP growth

Source: Adapted from Handay (1997)

Figure 4 - Libya's percentage of real GDP growth

Source: Adapted from Handay (1997)

Figure 5 - Good Practice Model from 42 countries

Source: Analysis of SPSS output from statistics data

Research Objectives

To identify the benefits of a stock market to influence the Libyan economy. This involves examining the Libyan economic reform programme in Libya, specifically the deregulation, corporatisation, privatisation and liberalisation that has led to the inception of a stock market based on the Libyan situation and context.

Research Questions

1. Has Libya's reform programme prepared the Libyan economy for developing a stock market and how has it evolved over the past decade?
2. What is the relationship between economic reform programmes and stock market performance conducted on the Libyan economy?
3. To what extent can the concept of economic reform programmes and stock market performance be transferred or adapted to the Libyan case and context?
4. What roles in the structure of the Libyan economy may appear in the stock market and how does it affect the stock market performance in Libya?
5. What determinants have influenced the Libyan stock market performance?
6. What weaknesses in the structure of the Libyan economy and business may affect the stock market performance?

Methodologically

- The research methodology is based on the methodology of the theoretical framework of the research model and the research objectives.
- The research is based on empirical evidence and qualitative analysis of the Libyan economy and business to ensure that the results are consistent with the theoretical framework.
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Conclusions

This research provides considerable knowledge about the relationship between economic reform programmes and stock market performance with special emphasis upon the developing country of Libya. Some of this knowledge might appropriately be generalised to other developing countries that have a similar economic structure. The research provides an important contribution to this area and has attempted to explore its significance for both the economy and business. This research adds to the existing body of literature regarding development and application of a series of models of economic reform programmes, stock market performance and economic growth in developing countries. Additionally, few recommend that the research be extended regarding potential causal relations between future research aiming from the conclusions of this research. These develop into a strategic framework for the improvement of an economic reform programme and stock market performance.

Reference