Volume : 3 | Issue : 2 | Feb 2014 • ISSN No 2277 - 8160

Research Paper Commerce

Performance of Livestock Exchanges in Pakistan – A Case Study of Karachi

Dr. S. V. Hegadal Associate Professor in Commerce, C.S.I College of Commerce , Dharwad

Dr. N. V. Gudaganavar Associate Professor in Statistics, Anjuman Arts, Science and Commerce College and PG Centre of Commerce , Dharwad

ABSTRACT

Karachi Stock Exchange is the oldest among the three Stock Exchanges in Pakistan. Its business magnitude is much higher compared to the other two Stock Exchanges. Karachi Stock Exchange had the distinction of being declared as the "Best Performing Stock Market of the World" for the year 2002. Total market capitalisation of Karachi stock exchange reached Rs. 5.22 trillion (US $ 53.3 billion) as on May 28, 2013. Karachi Stock Exchange is owned by 200 members/brokers. It has 1850 trading terminals existing at broker end. The Karachi Stock Exchange has 6 indices and it provides live updated market information for investors. The Stock Exchange has an Investor Corner which works for increasing investor confidence by enhancing market discipline through Market control and Surveillance Department at the Stock Exchange at Karachi.

KEYWORDS : KSE, Market capitalisation, Performance

Introduction:

In general, the financial market divided into two parts, Money market and capital market. Securities market is an important, organized capital market where transaction of capital is facilitated by means of direct financing using securities as a commodity. Securities market can be divided into a primary market and secondary market.

The secondary market is an on-going market, which is equipped and organized with a place, facilities and other resources required for trading securities after their initial offering. It refers to a specific place where securities transaction among many and unspecified persons is carried out through intermediation of the securities firms, i.e., a licensed broker, and the exchanges, a specialized trading organization, in accordance with the rules and regulations established by the exchanges.

KSE (The Karachi Stock Exchange (Guarantee Limited) was established on 18th September, 1947, and incorporated on 10th March, 1949. KSE was a first Stock Exchange of a Pakistan. It started with 5 companies with a paid-up-capital of Rs. 37 Million. In KSE trading was done through open-out-cry system, and the first index of KSE was KSE 50 index.

KSE Location: KSE located at Stock Exchange Building (SEB) on stock exchange road, in the heart Karachi's business district , Chundrigarh road Karachi-Sindh

Objectives:

The study is conducted with the following objectives.

- To study the evolution and significance of Karachi Stock Exchange.
- To examine the magnitude of market capitalisation by Karachi Stock Exchange.
- To assess the operational efficiency of Karachi Stock Exchange and its role in providing professional services to the stake holders and in developing capital market in Pakistan

Materials and Methods:

The data required for the study was selected from the secondary sources. These data have been collected from variouces. The concerned Stock exchange themselves have been major sources of the data regarding share indices Listed Companies at Karachi Stock Exchange published by State Bank of Pakistan and Data from Annual Reports of KSE over the entire sample period

Review of Literature:

The researcher has made a review of some of the research publications on the Indian Stock markets and World Stock markets. Which have a direct bearing on the present study and reviews have given necessary information and knowledge on the research article

Levine and Zervos (1996) examine whether there is a strong empirical association between stock market development and long run economic growth. They have defined and used some key stock market development indicators; market capitalization ratio, liquidity ratio (traded stock value/GDP) and turnover ratio (traded stock value/market capitalization) on the assumption that theses variables positively correlate with the ability to mobilize capital and diversify risk. An overall stock market development "index" has also been used in their study. An average of the stock market development indicators referred above has been subsequently employed by several other researches in their studies. The regression results indicate that there is a significant positive correlation between predetermined components of stock market developments and economic growth irrespective of the control variables.

The empirical evidence, particularly in the South Asian region, regarding the direction of causality between stock prices and the real variables is not conclusive. For example, a unidirectional causality from stock prices to consumption expenditures is observed by Nishat and Saghir (1991) in Pakistan and Ahmed (1999) in Bangladesh whereas Mookerjee (1988) observes the opposite case in India. Similarly, Mookerjee (1988) and Ahmed (1999) report a unidirectional causality from stock prices to investment spending for India and Bangladesh respectively whereas the opposite case is reported by Nishat and Saghir (1991) for Pakistan. Regarding causal relation between stock prices and economic activity Mookerjee (1988) finds evidence that GDP leads stock prices in India whereas Nishat and Saghir (1991) find the opposite evidence in Pakistan. On the other hand, Ahmed (1999) finds the evidence that Index of Industrial Production (IIP) leads stock prices in Bangladesh. In another study for Pakistan, Husain and Mahmood (2001), covering the data from 1959/60 to 1998/99 report a uni-directional causality from the macro economic variables, GDP, consumption, investments, to stock prices implying that the stock market lags economic activity and thus cannot be characterized as the leading indicator of the economy in Pakistan.

KSE Today:

Karachi Stock Exchange Guarantee Limited now become Pakistan's largest and most liquid stock exchange in Pakistan and one of the oldest Stock Exchange in South Asia by Market Capitalization . As on May 28th, 2013 in KSE 651 companies have been listed with total Market Capitalization of US$ 53.3 Billion and a volume is US$ 12 Billion. KSE owned by 200 member or brokers and have 1850 trading terminals exist at broker end. KSE have 6indices KSE 100 index, KSE all shares, KSE 30 index, KMI 30 index, BATi and OGTi.

KSE Market Information:

KSE provides live and updated immense market information for investors such as; online trade screen, market summary, market watch, top symbols, symbol upper / lower cap, market indices, sector wise summary, financial announcements, daily announcements, quotations, position limit, historical data, research & reports and book building mainly.
KSE Listing & Companies:

KSE aware to everyone about current listing & companies with details of listing companies, listing regulations, quarterly results, financial statements, annual reports of companies, demerged companies, suspended companies, list of liquidators, analysis report mainly .

Performance of KSE:

Mainly on the back of foreign buying, the KSE-100 index has risen 74 per cent since its trough in January 2009. Even after the recentselloffinequities,theKSE-100indexhasgained33%sincethestartoffiscal year 2009-10. Foreign portfolio investment (FPI) in the KSE has risen sharply for July to March 2009-10. According to National Clearing Company of Pakistan Limited (NCCPL) data, the cumulative net inflowofforeignportfolioinvestmentincreasedbyUS$431million.Theother positives during 2009-10 to which equity investors have responded have included the restoration of macroeconomic stability following the balance of payments crisis of 2008; the IMF program (signed in November 2008) having remained on track for over a year; the upgrading of Pakistan's sovereign rating by Standard and Poor's, and the revision, to stable, of Pakistan's outlook by Moody's, both in August 2009; and the semblance of a growth recovery in the economy, for large scale manufacturing in particular, despite the challenges. On the back of the net buying by off-shore investors, the KSE-100 index crossed the 10,000 mark on 12th March 2010 after a period of 18 months. The following table gives the information of KSE.

Table 1: Profile of Karachi Stock Exchange

(Jul-Mar)	2005-06	2006-07	2007-08	2008-09	2009-10
Number of Listed Companies	658	658	652	651	650
New Companies Listed	14	16	7	8	5
Fund Mobilized (Rs billion)	41.4	49.7	62.9	44.9	98.7
Listed Capital (Rs billion)	496	631.1	706.4	781.8	894.1
Turnover of Shares (billion)	79.5	54	63.3	28.2	33.1
Average Daily Turnover of Shares (million)	348.5	62.5	238.2	115.6	179.9
Aggregate Market Capitalization (Rs billion)	2,801.2	4,019.42	3,777.7	2,143.2	2,890.0

Source:KSE

KSE Investor Corner:

Increasing investor's confidence by enhancing market discipline through, Market Control & Surveillance Department at KSE, articles-views on news, investor awareness program, ICM program enrolments. Karachi Stock Exchange being a front line regulator promotes and ensures investor protection and directs all its efforts to provide transparent and efficient market to all its investors'. The Exchange had made efforts with respect to educating investors' and its members' in various functional areas of trading and had arranged number of presentations for this purpose. The following Table 2 provide Karachi stock exchange summary.

Table 2 Karachi Stock Exchange summary

Year	2009	2010	2011	2012	2013
Equities					
Listed Companies	651	644	638	573	569
Listed Capital (Rs in million)	814,478.74	919,161.26	1,048,443.8	1,094,367.4	1,116,005.4
Market Capitalization (million)	2,705,879.83	3,268,948.59	2,945,784.5	4,242,278.0	5,154,732.9
New companies Listed	4	6	4	4	1
Listed Capital (in million)	8,755.74	33,438.45	16,010.82	8,161.04	200.91
Debt Instruments					
New Debt Instruments Listed	1	4	5	6	4
Amount Listed (in million	3000.00	5,650.18	14,754.80	5,254.67	7,000.00
KSE – 100 INDEX					
High	9845.74	12031.46	12681.94	16943.19	22757.72
Low	4428.10	9229.60	10842.26	10909.12	14142.92
Year End	9849.92	12022.46	11347.66	16905.33	21005.69
KSE – 30 INDEX					
High	10508.35	11588.97	12476.12	13795.56	17787.71
Low	4428.10	9104.25	10154.14	10060.65	12246.91
Year End	9849.92	11588.24	10179.03	13764.00	16207.96
TURNOVER OF SHARES					
Total Shares (in million)	44,446.88	33,529.72	24,434.399	49,282.420	33,853.637
Average Daily Turnover (in million)	179.88	132.64	96.91	196.68	263.84
Year - End Basis i.e. January to December					

Conclusion:

Karachi Stock Exchange as a frontline regulator provides and ensures investor protection. It directs all its efforts to provide transparent and efficient market to all its investors. The exchange has made efforts with respect to educating investors and its members in various functional areas of trading.

REFERENCES

1) HISAIN F. AND T. MAHMOOD, "The Stock Market and the Economy in Pakistan," Pakistan Development Review, 2001 | 2) Levine R. and Zervos S. 1998."Stock markets, bank, and economic growth", American Economic Review, June pp.537-558. | 3) MOOKERJEE, R., "The Stock Market and the Economy: The Indian Experience 1949-81," Indian Economic Review, No.2, 1988. | 4) NISHAT M., AND M. SAGHIR, "The Stock Market and Pakistan Economy," Savings and Development, No. 2, 1991. | 5) PAKISTAN, GOVERNMENT OF, Annual Report, State Bank of Pakistan, (various issues). | 6) www.kse.or.kr |