

Demutualization is the process whereby a shareholder enjoys proprietary rights and it is well taken wherever it has been practiced. This study empirically investigates the impact of demutualization on stock market growth. Literature review revealed that demutualization is strategic change which changes the objective, ownership and governance of the stock exchanges. The sample of the study was 13 demutualized stock exchanges out of 23 demutualized stock exchanges which were the member of World Federation of Exchanges (WFE). Multiple Regression, Paired Sample T-test and Wilcoxon sign Rank are applied to test the hypotheses of the study. Statistical analysis revealed that demutualization and its indicators such change in objectives, ownership and governance of the stock exchanges significantly lead toward the better stock market indicator through controlling the market forces from inside trading, market abusing and window dressing. This study signifies the positive impact of demutualization on stock market growth indicators and requires the attention of executives and policy maker about the demutualization in Pakistan to take the step toward the demutualization of the stock exchanges. It demands that demutualization is positive signal for the stock market growth and regulatory control regarding the inside trading, market abusing and window dressing in the Pakistani stock market such as Karachi Stock exchange, Lahore Stock exchange and Islamabad Stock exchange. It also positive initiative toward the stock market growth by attracting the unlisted companies toward the stock market and availability of advance technology and cross listing all over the world. Keywords: Demutualization, Stock Market Growth, Financial Performance , Shareholder's Primacy theory, Stakeholder Theory