INFORMATION ASYMMETRY, PERCEIVED PARTICIPATION COSTS AND 
PERCEIVED STOCK MARKET PARTICIPATION OF PRIVATE FIRMS IN 
KAMPALA

BY
ZAINABU TUMWEBAZE
2011/HD10/3742U
tumwebaze08@yahoo.com
+256 702 202 021

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PLAN A

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Declaration

I, Zainabu Tumwebaze, declare to the best of my knowledge that, this dissertation is my original work, which has never been submitted for any award in any other University.

Signed…………………………………………………… Date……………………………………

Zainabu Tumwebaze

2011/HD10/3742U
Approval

This is to certify that this dissertation has been submitted for examination with our approval as University supervisors.

Signed: ……………………………………………………………. Date: ……………………………

Dr. Laura Orobia
Makerere University Business School

Signed: ……………………………………………………………. Date: ……………………………

Dr. Nixon Kamukama
Makerere University Business School
Dedication

To my beloved daughter, Amirah.
Acknowledgement

God Almighty, All things are possible with you and surely this has been made possible with your unending love and presence in my life. I am forever beholden to you. Makerere University Business School Management for the financial support to pursue this programme. My supervisors, Dr. Laura, and Dr. Kamukama for the priceless guidance accorded to me throughout this process. May the Almighty God bless you abundantly.

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List of Acronyms

CMA: Capital Markets Authority
IPO: Initial Public Offering
NSE: Nairobi Stock Exchange
POH: Pecking Order Hypothesis
SMP: Stock Market Participation
URA: Uganda Revenue Authority
USE: Uganda Securities Exchange
Abstract

The study examined the relationships between information asymmetry, perceived participation costs and perceived stock market participation of private firms in Kampala. It was prompted by the limited numbers of firms listed on the Uganda Securities Exchange (USE) compared to the number of firms listed on the Nairobi Stock Exchange (NSE).

The study adopted a quantitative (descriptive and inferential) research designs. The study considered large tax payers with annual chargeable income above Shs. 50m within Kampala District who constituted the population of study. The sample size of the study was 118 respondents and self-administered questionnaires were used to collect data from the private firm’s managers.

The study found out that, information asymmetry and perceived participation cost are related with perceived stock market participation. Information symmetry was found to have a positive and significant relationship with Perceived stock market participation as well as perceived participation cost did with perceived stock market participation. However information asymmetry is a more important predictor of perceived stock market participation than perceived participation costs. There was also significant positive relationship between Information asymmetry and Perceived participation costs. These findings imply that if there is positive improvement in the quality and quantity of information provided more firms will be seen participating on the stock market.

From the findings, it is recommended that much emphasis should be put on provision of quality information (accurate and clear) by private firms as well as USE the making information about is operation mare available. Furthermore, CMA should review the costs involved in accessing finance through the stock exchange. If USE and CMA adopt this stand, the financing option is likely to be familiar and affordable to these firms and thus more firms will be seen to use the stock market as the source of finance.