A Thesis Paper
On
"Development of Capital Market in Bangladesh"

Submitted To

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Session: 2021-2022
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A Thesis Paper

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Sonargaon University (SU)
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Letter of Transmittal

Date: 08th April, 2022

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Subject: Submission of Thesis Paper on "Development of Capital Market inBangladesh."

Dear Sir,

It is a great pleasure and privilege to present the report title on "**Development of Capital Market in Bangladesh."** that was assigned to me as a partial requirement for the completion of EMBA program. Throughout the study, I have tried with the best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instruction as you have suggested. I have tried to make this paper as much informative as possible. It isa great achievement to work under your active supervision and guidance. However, I sincerely believe that this report will serve the purpose of the report.

I request you modestly to accept my paper as it may suffer from some shortcomings. I desired and endeavored to make this paper a complete one. Therefore, I hope that this will meet the standard of your judgment.

Sincerely Yours

……..
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Student Declaration

I, the undersigned, hereby inform that solemnly declare that the work presented this thesis paper submitted for the partial fulfillment of the requirement for the Degree of Executive Master of business Administration (EMBA). It is a record of original and independent research work done by me under the supervision **Md. Shabub Alam,** Lecturer, Department of Business Administration, Sonargaon University, has been carried out by me and has not been previously submitted to any other University /college /organization for an academic Qualification/certificate/diploma or degree.

The work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

……..

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Supervisor Declaration

This is certifying that **Mohammad Sarfaraz Ninad,** a student of EMBA, ID: EMBA2102023030 has successfully completed his Thesis Paper entitled on **"Development of Capital Market in Bangladesh."** under my supervision as the fulfillment of the EMBA degree. He has done his job according to my supervision and guidance. He has tried his best to do this successfully. I think this program will be help in the future to build up his career

.....

Md. Shabub Alam
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Executive Summary

The capital market is the market for long-term loans and equity capital. Developing countries in fact, view capital market as the engine for future growth through mobilizing of surplus fund to the deficit group. An efficient capital market may perform as an alternative to many other financing sources as being the leastcost capital source. Especially in a country like ours, where savings is minimal, and capital market can no wonder be a lucrative source of finance. The securities market provides a linkage between the savings and the preferred in- vestment across the business entities and other economic units, specially the general households that in aggregate form the surplus savings units. The stock market enables all individuals, irrespective of their means, to share the increased wealth provided by competitive enterprises. Thus, the greatest economic importance of securities market at this point can be understood from the opportunities being lost. Bangladesh having its target to become a middle-income country must have significant level of rise in investment, which at the present state of banking system cannot be met. The securities market could playthe key role in meeting these huge investment demands if the secondary market would remain stable. The capital market also helps increase savings and investment, which are essential for economic development. Through condition of capital market is not good in our country. Last few years share price falling and general share index is decreasing. Investor of our country lost their faith about capital market. Many reasons behind of this. Political instability week rules and regulation, insider trading, knowledge of investor about capital market etc. Various factors influencing the development of capital market. Those are interest rate, inflation rate, exchange rate, rules and regulation, insider trading, technology, transaction cost, systematic risk etc. For development of capital market, we should amend our rules and regulation stopping insider trading and reducing transaction cost.

Table of Contents

	Serial No	Topic Names	Page No
		Letter of Transmittal	
		Student Declaration	
		Supervisor Declaration	
		Acknowledgment	
		Executive Summary	
Chapter -1	**1**	**Introduction**	1-7
	1.1	Introduction	2
	1.2	Background of the Study	3
	1.3	Scope of the study	3
	1.4	Objectives of the study	4
	1.5	Methodology of the Study	4
	1.6	Limitation of the study	6
	1.7	Literature Review	6
Chapter- 2	**2.0**	**Bangladesh Capital Market**	8-15
	2.1	Securities and Exchange Commission:	9
	2.2	The Dhaka Stock Exchange (DSE):	9
	2.3	The Chittagong Stock Exchange (CSE):	10
	2.4	Over -the-Counter Market or OTC Market:	10
	2.5	Categorization of Listed Companies:	11
	2.6	Derivatives:	12
	2.7	Bond Market	12
	2.8	Investors' Protection Fund:	12
	2.9	Corporate Governance Guidelines:	13
	2.10	Securities Activities Over Internet:	13
	2.11	Capital Market Enquiry Committee:	13
	2.12	Capital Market Regulatory Reforms and Compliance	14
	2.13	Registration	14
	2.14	Credit Rating Company:	14
	2.15	Mutual Fund and SPV	15
	2.16	Central Depository System (CDS)	15

Chapter -3	**3.0**	**OVERVIEW LITERATURE ON CAPITAL MARKETS DEVELOPMENT**	16-23
	3.1	Related Literature on Growth-Finance Nexus	17
	3.2	Barriers to Development of Stock Markets: A review	18
	3.3	Review of Macroeconomic and Institutional Determinants of Stock Market Development	19

	3.4	A review of Stock Market Development and Capital Flows	20
	3.5	A Review of Stock Market Development and Privatization	22
	3.6	Barriers to Development of Bond Markets: A Review	23
Chapter- 4	**4.0**	**EVOLUTION OF CAPITAL MARKETS**	24-43
	4.1	Capital Market around the world	26
	4.2	Market Capitalization & GDP in few countries of Asia Pacific:	26
	4.3	Graphical presentation of securities listing in DSE and CSE:	27
	4.4	Market capitalization	28
	4.5	Market Capitalization to GDP (%)	29
	4.6	Graphical analysis of DSE:	31-36
	4.7	Hypothesis Development	37
Chapter -5	5.0	**Analyses, Interpretations, Conclusion and Suggestions**	38
	5.1	Analyses and Interpretations	39
	5.2	Problems of Capital Market	40
	5.3	Conclusion and Suggestions	41
	5.4	References	42

CHAPTER ONE

Introduction

Introduction

For the betterment of economy as a whole, of a country like Bangladesh an efficient monetary policy is very essential and an efficient monetary policy of the Government helps its economy to be strengthened in the long run. The very policy encompasses money market and capital market. Both the markets deal with financing for the institutions concerned. In the capital market some major institutions like Securities and Exchange Commission (SEC), Investment Corporation of Bangladesh (ICB), commercial banks and other banks like Bangladesh Shilpa Rin Sangstha and Bangladesh Shilpa Bank (both these banks are now converted into Bangladesh Development Bank Ltd.-BDBL), Issue Houses, Insurance Companies etc. mainly deal with long-term financing which covers the source of funds and application of the same, while SEC works as the controlling authority of the said market . Both the markets have a strong role to play in the Gross Domestic Product and Gross National Product (GNP) of this country because of the financing for the personal and institutional concerned and these markets are inter-dependent between each other. The accumulated savings of the people in the money market are invested in the capital market. In fact, two groups are keenly associated with the capital market and they are investors and issuers. Both the parties participate in this market with a view to achieving their targets. Actually, capital market acts as a bridge for financing for the industrial development of a country like Bangladesh through the selling and purchasing of shares, debentures, bonds, mutual funds, treasury bills, certificates & papers etc and the turn-over of capital market contributes to the GDP every year. Out of these dealings share market (stock market) plays a crucial role in the capital market, while the other contributions of loan from banks and financial institutions, bonds and mutual funds etc. cannot be undermined. Whereas, a great portion of people of this country remain behind the seen of Capital Market where they should come forward for the individual development in particular and for the emancipation of the economy in general. Considering this gap the study is planned. Of course, the present study will mainly focus on the share market issues of this country which play a terrific role in the capital market as a key component

1.2 Background of the Study

The origin of this thesis paper lies in the academic obligation of doing to successfully complete the EMBA degree. Objective of this program is to expose knowledgeable on specific area through research. Under this program, each student is required to work with a topic development of capital market in Bangladesh. This study paper has both academic and policy implications. First, it will enrich our knowledge about Capital market in Bangladesh, the compliance status, practical situation investing in our stock market and the magnitude of disclosure of capital market information by local and small investor in our country. The findings of this policy paper may contribute to public investor, government, listed and unlisted company.

1.3 Scope of the study

The study was concerned with the operations and performance of Disclosure with regard to development of capital market only. To understand whether the policies and measures adopted by the organization are adequate, policies and instructions laid down by the Securities and Exchange Commission, Stock market DSE & CSE, were taken as benchmark. The study also reflected the attitude of the top-level management in capital market

1.4 Objectives of the study

1.4.1 Broad Objective:

The general objective of the study is to review "The Development of capital market and its importance and impact of our economy country.

1.4.2 Specific Objectives:

The specific objectives of this study are

i. To analyze the nature and characteristics of the share market prevailing in Bangladesh;

ii. To find out the problems and hindrances associated with this market;

iii. To show the impact of the capital market on the economy and

iv. To give suggestions for the development of the capital market in Bangladesh

1.5 Methodology of the Study

1.5.1. Research Type

The study is both exploratory and descriptive in nature. To serve the objective to the study that is to critically observe the concept of Development of capital market. I had gone for a descriptive discussion.

1.5.2. Sources of Data

The paper written based on information collected from secondary sources.

1.5.3. Data Collection:

The study used observation method and is mainly based on secondary data while these have been collected from the various documents and papers like Reports of Securities and Exchange Commission; Dhaka stock Exchanges(DSE), Chittagong Stock Exchange (CSE), Monthly Economic Trends prepared by Statistical Department of Bangladesh Bank, Bangladesh Economic Review, Industrial Policy-2016, Annual Budgets, Reviewed Literatures, Web Site Data, Selected Books, Journals and Daily News Papers covering the recent periods. Analyses and interpretation have been done using tabular form.

1.5.4 Time frame

For the sake of calculation, here it has taken the data of the compliances from the year 2006 to 2016.

1.5.5 Data Processing and Interpretation

Collected data were processed with the help of MS Excel and presented through regression statistics, graphs and descriptive discussions.

1.6 Limitation of the study

During the completion of this project paper, numerous problems have been encountered for the accomplishment of the study. These problems may be termed as limitation of the study, enumerated as follows

- Time frame for the research was very limited. The actual survey was done within a short period.
- Past annual report is not available to the website.
- Have not clear idea of about many statistical tools.
- Unavailability of written documents as required for making a comprehensive study.
- Last but not the least, in many cases, up to date information is not published.

1.7 Literature Review

S. M. Solaiman1 in his study titled "Recent Reforms and the Development of the Securities Market in Bangladesh "found that the Bangladesh Securities Market has failed to play any significant growth since its inception in 1954 and this may cause for a number of factors which include, inter alia, the existence of weak legal and regulatory frameworks, the absence of active market professionals, the predominance of individual investors, and a serious dearth of foreign and institutional investors. Legal and regulatory weaknesses are considered to have critically hindered the market's potential growth. Conducting the study he observed that some important laws are outdated, and the regulator has introduced some unrealistic reforms over the years. Most of the reforms accomplished thus far concentrate on incentives to investors and issuers alike, but nothing significant has been done for investor protection. The study argues that effective legal protection to investors has to be given for the development of said market and the restoration of public confidence has to be established in the infant securities market of Bangladesh.

M. K. Mujeri, and Md. Habibur Rahman2 focused in the research paper titled "Financing Long Term Investments in Bangladesh: Capital Market Development Issues"

Regarding the capital market position that there has been an increased demand for the development of infrastructural services and opening up of the infrastructural sector for private investment so that a large number of financial intermediaries and private sector participants would participate the financial market to raise long term funds in Bangladesh. He, therefore, opined to set up the required debt market infrastructure which can create a vibrant secondary debt market in Bangladesh. The paper analyzes recent developments in the country's capital market and suggests measures and ways to ensure a liquid capital market in Bangladesh in support of the country's rapid development needs.

Kh. Asadul Islam Ripon 3 reported in an Article like "The prospects, possibilities and challenges of Bangladesh capital market" that the recent growth of capital market (CM) of Bangladesh was behind time. He witnessed the money market (MM) grew stable in this country over the last decade and the economy was starving for a matured and stable capital market. The stability came through a variety of sources namely, educated retail investors, institutional investors and last but not least the capital market regulators.

The study also found that the central bank (CB) played a thoughtful part in developing the capital market. It brought transparency to the banking sector, which actually welcomed the retail investors to join the capital market with high confidence. Theperformance and healthy return of the banking sector worked as a crucial component to bring in institutions and foreign investors.

In addition to that, the government facilitated the capital market by structuring its monetary and fiscal policies in a pro-capital market manner which helps to invite the funds from all over the world. It also helps investors to gain more confidence and positively impact on Gross Domestic Product (GDP) of the country. In the study he compared the Bangladesh capital market to the neighboring countries and opined that India and Pakistan have market capitalization more than 75% of their GDP.

Unfortunately, the Bangladesh capital market accounts for a far lesser share of its GDP indicating ample scope for future intensification in this sector. Hence, he suggested, the concerned authorities should have utmost seriousness with a future vision

CHAPTER TWO

Theoretical overview of Bangladesh Capital Market

2.0 Bangladesh Capital Market

2.1 Securities and Exchange Commission:

Capital market plays a significant role in the economy as a source of long-term financing. A fair, efficient and transparent capital market is essential for a country for its industrialization and economic development. To develop such a fair, efficient and transparent capital market, the Securities and Exchange Commission was established as a regulator through enactment of the Securities and Exchange Commission Act, 1993 in June 1993, with the following mission:

• Protecting the interest of investors in securities;

• Developing the capital and securities markets; and

• Framing of securities rules concerning above.

The Commission frames rules and regulations under the relevant laws ensure control of the capital market through compliance of duties and responsibilities of the issuer, stock exchange and market intermediaries.

The Commission consists of a chairman and four full time members who are appointed by the government for a period of three years as per law, and terms of their service is determined by the government. The Chairman is the chief executive officer of theCommission.

2.2 The Dhaka Stock Exchange (DSE):

Dhaka Stock Exchange Ltd (DSE) is the oldest and largest stock exchange in Bangladesh. Though DSE was established in 28 April 1954 but its commercial operation started in 1956. The board of directors consisting of 24 members directs the activities of DSE. Out of them, 12 directors are elected by direct votes of DSE members and other 12 directors are nominated by the elected members from non-DSE members upon approval of the Commission. At present, there are 238 members in DSE of which 22 members are registered by the Commission for conducting securities business. DSE has expanded its on-line trading network to many district towns like Gazipur, Narayanganj, Comilla, Feni,

Habiganj, Maulvibazar, Mymensingh, Chittagong, Khulna, Sylhet, Kushtia, Barisal, Rajshahi and Bogra including the divisional towns.

As on 30 June 2016 total number of listings in DSE was 490 against which issued capital was Tk. 80683.90 core and the market capitalization was Tk. 285389.22 core

2.3 The Chittagong Stock Exchange (CSE):

The Chittagong Stock Exchange Ltd (CSE), the second stock exchange, was established in 1995. The board of directors consisting of 24 members directs the activities of CSE. Out of them, 12 directors are elected by direct votes of CSE members and other 12 directors are nominated by the elected members from non-CSE members upon approval of the Commission. Now there are 135 members in CSE of which 120 members are registered by the Commission for conducting securities business.

As on June 30, 2016 total number of securities in CSE was 215 against which issued capital was Tk. 20677.39 core and market capitalization was Tk. 225978.00 core

2.4 Over -the-Counter Market or OTC Market:

Securities are traded without intermediaries through mutual understanding in the OTC market, which are outside the stock exchanges. In CSE stock exchange's OTC market, there are opportunities of securities trading. Under Securities and Exchange Commission (Over-the Counter) Rules, 2001, OTC market was established in CSE. Securities de- listed from the exchanges and securities not listed with the exchanges but issued obtaining consent from the Commission can be traded in the OTC market. Dhaka Stock Exchanges Ltd started OTC market in line with the direction of the Commission on 6th September, 2009. Settlement procedure of the OTC market is like the public market. The list of the companies trading in DSE OTC market as on 30 June 2016 is furnished in

2.5 Categorization of Listed Companies:

Listed securities are categorized into "A", "B", "Z", "N" and "G" based on profitability, commercial operation, holding of AGM and accumulated loss exceeding paid up capital etc. This categorization helps investors to know the qualities of securities before making investment decision. During the reporting FY, number of "A" category companies has increased compared to the last FY. The number of "B" category companies has increasedand "Z" category companies have decreased compared to the last FY, which can be seen in the following table:

During the reporting FY 2015-2019, number of "A", categories companies has increased compared to the FY 2005-2006, Number of "B", and "Z" categories companies has decreased compared to the FY 2005-2006 Which can be seen in the following table

Name of the category	Criteria of categorization	Number of companies FY 2005-2006	Number of companies FY 2015-2016
A Category	1. Regular holding of AGM, 2. Declaration of dividend at 10% or more;	140	273
B Category	1. Regular holding of AGM, 2. Declaration of dividend at less than 10%;	36	13
G Category	The Companies which did not yet start the commercial operations;	1	0
N Category	The companies which are newly enlisted with the Securities and Exchange Commission and could not hold the AGM within Six months from the enlisted date. Of course, this is a proposal to be categorized under	-	8

	consideration.		
Z Category	1.Failure in regular holding of AGM or 2. Non-payment of any dividend or 3; Excess of Accumulated loss over Paid up Capital or 4. Stopping commercial operation for more than six months;	92	36

2.6 Derivatives:

Derivative products are necessary for reducing the risk of investors through creating alternative investment opportunities in the capital market. At present there exists no rule for trading of derivative products and knowledge about derivatives are also limited among the intermediaries and investors. CSE is imparting training on derivative products. The Commission is now looking at the legal issues related to this matter so that it can frame necessary rules for introducing this instrument.

2.7 Bond Market:

The capital market of Bangladesh is predominantly an equity-based securities market. Number of bonds and other debt instruments are insignificant. At present, there are Tk 140 million of debentures of 8 companies listed in the stock exchanges. In order to popularize the government bond and to increase the depth of market, trading of government treasury bonds have been introduced in stock exchanges with effect from 1 January 2005. As on 30 June 2011, 2012 government treasury bonds, 3 corporate bond, 8 debentures were listed in DSE whose market capitalization was Tk 39401.30 crore. But bonds are not yet popular. Finance Division-Ministry of Finance, Bangladesh Bank, Securities and Exchange Commission and National Board of Revenue are working together for development of the bond market.

2.8 Investors' Protection Fund:

To protect the interest of the investors, 'Investors Protection Fund' has been created in both the stock exchanges under Dhaka/Chittagong Stock Exchange Investors Protection Fund Regulations, 1999. If any stock broker is declared insolvent by the court or itself— or if any other reason causes stock broker business to be wound up resulting in failure to pay the clients money, related stock exchange takes initiative to compensate theinvestors from the fund. As on 30 June 2016 for the end of financial year deposited amount of money in the Investors Protection of DSE is Tk. 1,50,00,000. and CSE Tk. 53,41,887.00. In the financial year 2015-2016 no claim was raised by the investors at DSE and CSE.

2.9 Corporate Governance Guidelines:

The Commission issued Corporate Governance Guidelines in February 2006 to elevate corporate governance scenario in Bangladesh for the listed companies on the basis either comply or explain. These guidelines, among other things, set the size of the board (5-20), require appointment of independent director, company secretary, chief financial officer (CFO) and head of internal control department. As per the guidelines, the Chairman and CEO have to be separate persons. The guidelines require that compliance status of each of the requirements be included in the annual report. The Commission ensures compliance of the guidelines issued

2.10 Securities Activities Over Internet:

Capital market related activities specially investment related information flow, value aided information services and other securities related activities may take place over the internet, which may be of immense value to various market participants. In this regard SEC is working to frame rules/guidelines named "Securities Activities Over the Internet". for introducing securities related activities in the internet

2.11 Capital Market Enquiry Committee:

In order to enquiry into the un-usual up-down trends of the capital market since December 2010 a national enquiry team was formed on 26.01.2016. The committee has submitted its report to the Government on 31.03.2011. In order to develop the capital market the Committee has recommended certain short term, mead term and long term recommendations and implementation of which is under process

2.12 Capital Market Regulatory Reforms and Compliance (CMRRC)

CMRRC Department makes drafts and issues securities related rules/regulations for the development of the capital market, amends those rules/regulations as and when necessary and conducts activities related to capital market reform

2.13 Registration

All market intermediaries associated with capital market are required to be licensed by the SEC in order to ensure the proper functioning of the capital market. Licensing of intermediaries help the Commission to discharge its oversight functions more effectively. During FY 2009-2010, the Commission issued registration certificates to the following companies

2.14 Credit Rating Company:

Credit rating plays an important role by helping investors in taking investment decision. Credit rating reflects the strength of a company including company's financial status and management efficiency. The Commission issued registration certificate in favor of CreditRating Information and Services Ltd. (CRISL), Credit Rating Agency of Bangladesh Ltd. (CRAB), National Credit Ratings Ltd. and Emerging Credit Rating Ltd. to operate as credit rating agencies under the Credit Rating Companies Rules, 1996. The

Commission directed said companies to comply with the code of conduct prepared by IOSCO to carry out rating activities with transparency and impeccable judgment.

2.15 Mutual Fund and SPV

Mutual Fund and SPV Department was established on 16 March 2009 in order to register, supervise, monitor and other activities relating to mutual fund and asset backed securities.

During the financial year (FY) 2015-2016 Mutual Fund and SPV Department performed the following functions:

• Completed all the process relating to the approval of Trust Deed up to listing with the stock exchanges of EBL NRB Mutual Fund.

• Completed the process relating to the approval of Trust Deed up to registration of NLI First Mutual Fund, Sonali Bank First Mutual Fund, First Agrani Bank Mutual Fund, Rupali Life Insurance First Mutual Fund, NCCBL Mutual Fund One, Prime Finance Second Mutual Fund, First Bangladesh Fixed Income Fund, Sandhani Life Growth Fund, EXIM Bank First Mutual Fund, Padma Islami Life 1st Mutual Fund and Bangladesh Fund and rest of the works of the Funds will be finished in the next financial year.

2.16 Central Depository System (CDS)

CDS Department oversights the functions and activities of Central Depository Bangladesh Ltd (CDBL) and Depository Participants (DP) as well as conversion of physical share certificates of listed companies into dematerialized form, supervision of the issuance of securities, transfer of shares, supervision of BO accounts, and issuance of directives/orders in these connections under the Depository Act, 1999. As a result of introducing depository system, transparency in securities issuance, trading and settlement has increased significantly and settlement period of securities transactions has also reduced.

During the FY 2015-2016, the depository system included 10, 31, 2016new BO accounts, 40 companies, 10 mutual funds and a bond. Up to June 2011 the number of existing BO accounts in CDBL stood at 27,63,793 and the number of securities under CDS was 246. At present, transaction of most of the securities and their transfer are taking place in dematerialized form

CHAPTER THREE

OVERVIEW LITERATURE ON CAPITAL MARKETS DEVELOPMENT

CHAPTER 3: OVERVIEW LITERATURE ON CAPITAL MARKETS DEVELOPMENT

This Chapter gives a synthesis of both theoretical and empirical evidence on financial markets development and its potential and documented links with both economic growth and development. The matrix of literature on what matters for financial markets development and its nexus with both economic growth and development focuses on macroeconomic evidence, for example, Schumpeter (1911)9, Goldsmith (1969), McKinnon (1973); and microeconomic evidence, for example, Schiantarelli et al. (1992). There is some point of convergence in the literature as well as a contrary view. For example, the works of Robinson (1952), Lucas (1988), Levine and Renelt (1992) which argue that economists tend to overemphasize the role of financial factors in the processof economic growth.

3.1 Related Literature on Growth-Finance Nexus

Most literature on capital markets deals with the relationship between financial development and economic growth. In Chapter 3, we focus on factors that lead to development of stock markets and banking sector; but for now, the next sub-sections willprovide a synthesis of both empirical and theoretical literature on the issues that characterize stock market and banking sector development and the potential impact of financial structure on economic development. The literature is based on the interaction oftraditional stock market characteristics (market size and liquidity) with macroeconomic and institutional environments. The other strand of literature focuses on effects of the interaction of stock market development, privatization programmed and foreign investors' participation. Lastly, the literature on linkages between financial structure and economic development is explored.

3.2 Barriers to Development of Stock Markets: A review

Legal barriers, information asymmetry, lack of accounting standards and investor protection laws, liquidity risk, political risk, economic policy risk and currency risk were found to be major factors that hinder investment flow to emerging market countries in Latin and Asia (Bekaert et al., 2003). These barriers can be classified as direct and indirect barriers. Direct include the presence of different legal provisions for foreign and domestic investors (legal barriers). Indirect are information asymmetry and varying accounting standards (both good and bad). Furthermore, some barriers can be classified as emerging market specific risks; that is, risk which discourages foreign investor participation.

Hearn and Piesse (2010) show evidence related to political economy issues as being the biggest set of barriers to growth in small markets of Swaziland and Mozambique. The initiative of establishing stock markets have been that of transferring ownership from the state to the wider population, but in Swaziland the participation has been exclusively by social elites. Swaziland is unique in that as a kingdom the dominance of royal stakeholders has led to delays in passing securities market bill in Swaziland due to lack of political will. The general lack of appropriate property rights have also led to delay in corporate disputes resolutions in Mozambique, which has affected investor's confidence (Hearn and Piesse, 2010).

The problem of minority and social elites' participation effects on Cote d'lvoire stock exchanges led to illiquidity and poor regulation practices in the early stages of formation of the bourse (Lavelle, 2001). The evidence on market participation by few social elites points

to the continual existence of poor institutional aspects of the stock market. Small economies such as Zambia and Mozambique are characterized by low savings as a result of substantial informal sector and lack of institutional investors (Marone, 2003). The small number of listed companies, small number of stocks traded, poor performance of listed companies, and limited number of trading hours have led to a low level of liquidity in the Lusaka Stock Exchange (Marone, 2003). Jefferis (1995) and Arowolo (1971) suggest that low income and asset preferences of the investing public in Africa is skewed towards commodities and livestock rather than holding financial assets.

3.3 A Review of Macroeconomic and Institutional Determinants of Stock Market Development

A well-developed stock market can lead to overall positive impact on economic development. Sound macroeconomic environment with low and predictable inflation, high domestic savings and investments support stock market development (Yartey and Adjasi, 2007). The stock market as an important segment of capital markets in Africa needs to address its liquidity constraints emanating from smallness of the market, infrastructural bottlenecks and weak regulatory institutions (Yartey and Adjasi, 2007). A well-functioning stock market should allow for accurate, reliable and timely flow of information, and disclosure of corporate business and financial affairs of listed companies.

The frontier stock markets should enthrone good legal infrastructure to protect investors against wealth transfer and insider trading. There is need for promotion of institutional investors through the improvement of regulatory and supervision standards13, which in turn can increase involvement of foreign investors. Regular disclosure, transparency and enforcement standards form an integral part of effective regulation and supervision of stock markets. Enforcement requires compliance and ability to prosecute. The presence of securities regulators is important to ensure effective enforcement.

In the modern view of financial development, institutions have the potential to facilitate economic exchange and control of investable resources which can result in long-term accumulation of capital. The literature on institutions and finance has identified three candidates as most important drivers of financial development: legal, cultural and political institutions.

The study by Cherif and Gazdar (2010) on Middle East and North African (MENA) region provides evidence that income level, saving rate, stock market liquidity andinterest rate indeed influence stock market development. Measures of institutional environment as captured by composite index of political risk were found to be insignificant determinants of stock market development in this region. The key insights

though can be gained by looking into individual components14 of political risk in relation to their potential impact on stock market development.

There is however, little empirical research in this area for African emerging and frontier stock markets. This research will fill that void by exploring the institutional and macroeconomic determinants of stock market development. We follow the study by Andrianaivo and Yartey (2010) and El-Wassal (2005) by incorporating various components of political risk to proxy for institutional quality measures rather than usinga composite measure of political risk. We vary from the study by Andrianaivo and Yartey (2010) by considering stock market development as measured by both the market size and liquidity (depth) in our analysis to provide robustness test for the existence of a relationship between financial development and its determinants.

3.4 A review of Stock Market Development and CapitalFlows

Theoretically, remittances can contribute to the growth of the economy in a number of ways. Firstly, an inflow of remittances may directly contribute to capital accumulation through easing the availability of funds for capital acquisition. If the availability of remittances may increase the credit rating scores of the recipient country and in turn lowers the cost of capital. Furthermore, remittances may improve the stability of the macro economy. This will lead to low uncertainty, more investment and improvement in the financial sector base. Secondly, remittance can increase total factor productivity growth as a result of an increase in efficiency in the receiving country. This can be achieved through ease in adoption of new technology or through economies of scale.

On the other hand, flow of funds, in the form of remittances, from the developed world into the developing countries has increased dramatically by about 8700 percent from 1975 to 2016(World Bank, 2016). In recent years remittances have become second to foreign direct investment as sources of external finance for developing countries (Aggarwal et al, 2016). Just like the abundant research on the finance-growth nexus,there is huge literature on the remittance-growth nexus. However, very little attention hasbeen given to the role of remittances on financial development.

Remittances are considered to boost financial development in a number of ways, but primarily through an increase in financial products and loanable funds. An increase in the flow of remittances to developing countries leads to a rise in the demand for money transfer services. Since the receiving country's citizens in a well-functioning economy do not instantaneously withdraw the money from transfer agencies, this provides a short run boost in savings (Aggarwal et al, 2016). Moreover, as identified by Demirguc-Kunt et al. (2016), sending remittances is associated with a fixed cost and this comes primarily in the form of the sending and received fees. Given these costs, economic agents who send money home tend to send the money in batches so as to spread the fixed costs over a lump sum of money. As a result, the receiving households find themselves holding more liquid than they need. To safely store the funds for future consumption, these households seek the services of the financial institutions. This results in an accumulation of savings by the financial institutions.

Firstly, there is a direct effect of these savings on stock market as noted by Billmeier and Massa (2007). Some of these households do not only save these funds through the banking sector but make use of the stock market. Even though the number of counters per household might be small, the summation of the total households' acquisitions brings about more liquidity on the stock market and hence stock market development. Secondly, there is an indirect effect that goes through the banking sector. As argued by Demirguc-Kunt et al. (2011), remittances direct people into the financial sector as those households who did not previously have access to or utilize the services of the financial sector end up demanding financial products as they hold funds received through remittances. This increases the depth and the breadth of the banking sector. All the excess savings collected from different branches of these banks are channeled to the bank's headquarters for investment and some of these funds find their way onto the stockmarket.

3.5 A Review of Stock Market Development and Privatization

Literature on privatization experiences of world stock markets suggests that sustained privatization programs can help in reducing public debt, improving incentives for broader share ownership, and increasing efficiency and transparency in the divesture of state owned enterprises through stock market public offerings.

The study by Perotti and van Oijen (2001) establishes evidence of the indirect effect of privatization on stock market development through the resolution of political risk in the case of emerging countries. They also show that political risk has a positive relationship with stock market development. Bortolotti et al (2007) support these results by providing evidence of privatization improving domestic market liquidity for both US and non-US OECD stock markets. In addition, they provide some evidence that privatization has spill-over effects on liquidity levels of listed non-privatized companies.

Turkey was among the first developing countries to start privatizing state assets in the mid1980s and its program was not successful. In contrast, Mexico's stock exchange was more capitalized, more liquid and developed prior to privatization program. Privatization in Mexico saw a limited initial impact on stock market development since it had been carried out through strategic investor sales method. Privatization has had dramatic second-order effects on the Mexican stock market; the privatized companies had a large portion of market capitalization and were the most actively traded in 1996.

The privatization experience in other emerging economies has mixed success. Poland's equity market responded positively to supply of privatized shares in 1990s. The privatization through Warsaw Stock Exchange resulted in increased stock market stability and liquidity; and due to its strict regulatory environment, it attracted significantforeign capital (Lieberman and Kirkness, 1998).

Overall, the empirical and theoretical literature suggests two possible channels on the potential impact of privatization on domestic stock market development. A direct effect comes from the choice of privatization method. If the privatization program is done through Share Issue Privatizations (SIPs)16, this will result in more firms listing on the stock markets, thus potentially increasing stock market size and liquidity. An indirect

effect stems from the privatization program's sustained efforts observed over time. The sustained privatization efforts will signal to investors government's commitment to bear residual risk. The sustained privatization efforts have a positive signal, and help in reducing uncertainty regarding future government actions, and possibility of policy reversal, this in turn encourages investors to increase their demand for privatization offerings as well as increase investors' participation in the markets.

3.6 Barriers to Development of Bond Markets: A Review

Bond market instrument is an important complementary source of finance since it would ensure that there is greater dispersion of risk in the economy. Developed bond markets should also reduce maturity mismatches in the corporate sector occurring as a result of firms undertaking short-term loans from the banking sector in order to finance long-term projects.

Debt is a contract in which borrowers accept some money and agree to pay it back. If the borrower fails to pay back the creditor rights have to be upheld. According to Hart (1995), the other reason besides the presence of creditor rights that will induce borrowers to pay is the possible reputational concerns which usually define the ability of personal and municipal reborrowing. Viewed from a perspective, the benefits of settling with creditors are avoidance of liquidation, job retention on the part of managers, resumption of dividends and unrestricted borrowing. Shleifer (2003) offers the same view that these powers of the creditors are the main reason that borrowers pay back and debts market exist and prosper.

The issue of creditor rights depends on whether the management can sit on the assets or can be replaced when creditors file for liquidation. If the corporate can unilaterally default without consent of creditors then the interest rate spread and default rate on debtis likely to be high. In terms of the sovereign debt the creditors have no rights to the money they lend out. In this case the management (government) cannot be replaced and countries in most cases default unilaterally without the consent of creditors (Shleifer, 2003). There is however the reputation effect.

CHAPTER FOUR

EVOLUTION OF CAPITAL MARKETS

CHAPTER 4: EVOLUTION OF CAPITALMARKETS

Bangladesh is recognized as an emerging economic power and positioned in next eleven (N-11) countries among the world economics. Its agriculture has already adopted machineries in cultivation, is industries and service sector are increasing gradually. Country apparel sector has positioned No-2 among the apparel exporting countries. Its human resources are contributing largely to the economy from within the country and from abroad

During July 2015 to June 2016, 14 companies have collected capital of tk. 368 million through IPO, where subscription from public was TK 6753 million, 18.35 times of IPO amount, which indicates a demand in primary market. Moreover, Right Issue for three companies was TK. 365.81 million.

As on June2016, the number of Bo account was 2.645 million, the number of demand securities was 308, the depository participants were 363 in the Central Depository Bangladesh LTD(CDBL). CDBL has been instructed to establish a disaster recovery site in another divisional town.

In DSE, as June 30, 2016, number of listed securities increased to 559 compared to that of 555 on June 30, 2015, the amount of all issued securities stands at take 112741.00 million on June 30, 2016 which was TK109,195.35 million on June 30, 2015, indicating a growth by 3.24%. As on June 30, 2015 market capitalization of DSE was TK 324,730.63 million which decreased to Tk 318,574.94 million on June 30, 2016 by a growth of (1.89)%. All share price index of DSE was 4583.11on June 30, 2015 which declined to 4507.58 on June 30, 2016 decreasing by 1.64%

4.1 Capital Market around the world

The Scenario of capital market in some countries and changes in their economies arepresented below:

country	June 2016	June 2006	Change in index (%) from 2006-2016	Change in GDP from last year	Change in inflation from last year	Annual interest rate (short term)
Bangladesh (DSEX)	4,507.58	1,339.53	236.50	14.10	(6.56)	7.29
India (BSE 30)	26,765.70	10,609.30	152.29	7.90	5.80	7.48
Pakisthan	38,149.30	9,989.41	281.90	5.70	3.20	8.03
Indronesia	4,896.80	1,310.26	273.73	4.90	3.30	7.59
malaysia	1,637.70	914.69	79,04	4.20	2.00	3.88
Thalind	1,424.70	638.13	110.09	3.20	0.50	2.15
Taioan	8,716.30	6,704.41	30.01	(0.70)	1.20	0.81
Japan	16,065.70	15,505.20	3.61	0.10	(0.30)	(0.15)
Honkong	20,795.10	16,267.60	27.83	0.80	2.60	1.20
Singapur	2,786.10	2,435.39	14.40	1.80	(0.50)	2.03
UK	6,261.20	5,883.40	7.33	2.00	0.30	1.20
USA	17,780.80	11,150.20	59.47	2.00	1.00	2.03

Source (annual report of security and exchange commission 2016)

4.2 Market Capitalization & GDP in few countries of AsiaPacific:

	Market Cap. (US dollar) in billion	GDP (US dollar) in billion	Market Cap and GDP ratio
Name of country June, 2019	June 2019		
Bangladesh (DSEX	40.63	220.61	18.42
India (BSE)	1521.04	2090.71	72.75
Pakistan (Karachi)	73.23	269.97	27.13
Srilanka (Colombo)	18.56	82.10	22.61
Indonesia (SE)	409.95	858.95	47.73
Bursa Malaysia	412.06	296.22	139.11
Thailand (SET)	400.52	315.29	101.32

Taiwan (SE Corp.)	790.05	523.58	150.89
Philippine (SE)	281.84	308.03	91.50
Japan(SE)	4686.45	4123.26	113.66
Hong Kong	2972.56	309.93	959.10
Singapore Exchange	665.75	227.42	227.42

Source (annual report of security and exchange commission 2016)

4.3 Graphical presentation of securities listing in DSE andCSE:

Interpretation: In this above graph show that number of listed companies in DSE and CSE in last 10 year. Number of issued companies in 2016-2017 was 10 in both DSE and CSE. Highest number of companies listed in 2018-2019 in both DSE and CSE and the number was 20

4.4 Market capitalization

To demonstrate the growth of the capital market, two graphs showing the market capitalization of DSE and the ratios of market capitalization of DSE to gross domestic product (GDP) during the last ten years have been presented below

Market capitalization is the total dollar value of all outstanding shares of a company. It is calculated by multiplying the current share price by the number of outstanding shares. Market analysts commonly use this figure to designate a company's size, as many stock market indexes are weighted by market capitalization.

Market capitalization in DSE

Interpretation: In this chart Market capitalization was 47,585.54. Market capitalization increasing order from 2007 to 2011 but decreased in 2012. After market capitalization also increasing in order and year 2015-2016 was 318,574.93 million.

4.5 Market Capitalization to GDP (%)

Interpretation: In this above graph market capitalization to GDP in 2006-2007 was 10% which was increased in year 2010 was 44%. After continuing decreasing in the year2016 was 18%

Market Capitalization and General Share index in DSE :

Interpretation: In this chart Market capitalization and General share index in 2006- 2007 was 47,585.54 and 2,149.32 million Market capitalization increasing order from 2007 to 2011 but decreased in 2012. After market capitalization also increasing in order and year 2015-2016 was 318,574.93 million. General share index in 2012-2013 was 4,104.65which was increased in year 2015-216 was 4,507.58

Market Capitalization and General Share index in CSE :

Interpretation: In this chart Market capitalization and General share index in 2006- 2007 was 39926.80 and 5194.76 million Market capitalization increasing order from 2007 to 2011 but decreased in 2012. After market capitalization also increasing in order and year 2015-2016 was 249,648.89 million. General share index in 2016-20017 was 5,194.76 which was increased in year 2015-216 was 13,802.59

4.6 Graphical analysis of DSE:

Net Income of DSE:

Interpretation: Net income (NI) is a company's total earnings (or profit); net income is calculated by taking revenues and subtracting the costs of doing business such as depreciation, interest, taxes and other expenses. In this graph Net income 944 million was in 2011. In 2015-2016 which was 1198 million. Highest amount net income earned in the year of 2014-2015 in last five years.

Current Ratio of DSE:

Interpretation: The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the current total assets of a company (both liquid and illiquid) relative to that company's current total liabilities. In this graph current ratio 2011-2012 was 1.34 and 2018-2019 was 1.13

Return on equity

Interpretation: In 2011-2012 return on Total equity was 14.55 which was higher than last 5 years. In 2015 -2016 it was lower than last previous year which was 5.86.

Return on Total assets: : The return on total assets (ROTA) is a ratio that measures a company's earnings before interest and taxes (EBIT) against its total net assets. The ratio is considered to be an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid.

Interpretation: In 2011-2012 return on Total assets was 11.7 which was higher than last 5 years. In 2015 -2016 it was lower than last previous year which was 4.91.

Operating Cash flow per Share

Interpretation: Operating cash flow per share in 2011-2012 was Tk 9908. The lowest amount cash flow earned in the year 2014-2015 was 0.2. In last year operating cash flow was Tk 0.27

Earnings per Share

Interpretation: Earnings per share (EPS) is the monetary value of earnings per outstanding share of common stock for a company. In this graph show that EPS in 2011- 2012 was 0.52 which increased at 0.75 in 2014.2015. Earnings per Share in 2016 was
0.66 which is less than previous year.

Size of IPO VS Extra Subscribed amount

Interpretation: In this chart we saw that size of the IPO in 2006-2007 was 3217.5 and Subscribed amount was 22148 million. There are big deference between size of IPO and subscribed amount in 2015-2016. In 2016 IPO was 368 and subscribed amount was 6753.69 million.

% of Extra Subscribed amount

Interpretation: The graph shows that Extra subscribed amount in 2007 was 8.88 million which increased in highest position in 2009 was tk 29.14 million then again decreased and lowest amounts in 2014 was 3.88 million. In 2016 extra, subscribed amount was
14.28 million.

4.8 Hypothesis Development

With a view of fulfilling the objective some relevant hypothesis has been formulated for the study

- Did Rules and regulation development the capital market?
- Did lower **Systemic Risks development the capital market?**

- Did better technology **development the capital market?**
- Did lower transaction cost **development the capital market?**

- Did absence of insider trading **development the capital market?**

Hypothesis Testing

	H1	H2	H3	H4	H5
1=Strongly disagree	0	0	0	1	0
2=Disagree	4	5	2	3	3
3=Neither agree nor disagree	4	3	6	4	5
Agree	10	9	9	6	8
Strongly agree	2	3	3	6	4

To determine population mean (μ)

No. of the observations	N=5	N=5	N=5	N=5	N=5
Average	4	4	4	4	4
Standard Deviation	3.74	3.31	3.53	2.12	3.04
To determine t- Test					
Summation of total no. of observation	20	20	20	20	20
Total	70	70	73	73	73
Average	3.5	3.5	3.65	3.65	3.65
Standard Deviation	0.94	1.06	0.76	1.22	0.98
t- test value	4.76	4.21	6.76	4.21	5.24

To determine t –test we consider null Hypothesis. Here we consider degree of freedom P= 0.05 and critical value is 2.02 so if t-test value is less than 2.02 we accept the null hypothesis. If value is greater than 2.02 we reject the null hypothesis.

So our null hypotheses are

- Rules and regulation is not development the capital market

  T- test value is 4.76 which is greater than critical value 2.02 so we reject this nullhypothesis

- Lower **Systemic Risks do not development the capital market.** T- test value is 4.21 which is greater than critical value 2.02 so we reject this null hypothesis

- Better technology do not **development the capital market** .T- test value is 6.76 which is greater than critical value 2.02 so we reject this null hypothesis

- Lower transaction cost do not **development the capital market.** T- test value is 4.21 which is greater than critical value 2.02 so we reject this null hypothesis

- Absence of insider trading does not **development the capital market.** T- test value is 5.24 which is greater than critical value 2.02 so we reject this null hypothesis

CHAPTER- FIVE

Analyses, Interpretations, Conclusion and Suggestions

5.1 Analyses and Interpretations

It is, in fact that the contribution of capital market to GDP is not as good as of the neighboring countries like India, Sri Lanka and so on which could be identified gradually. There are so many reasons behind the scene. Presently, the depression in world economy has hindered the capital market to be strengthened, imbalance of our trade reduces the export earnings, political instability in the recent years has polluted the investment environment and as a result, the investors especially, the small investors are afraid of their investment with return. Now a day, it is noticeable that the small investors feel interested to invest their money in the share market where they seem to get their returns expected on a regular basis, but the things do not remain constant due to various socio-economic and world-economic reasons. However, it can be stated how an investor can participate in the share market.

With a view to ensuring the proper issuance of securities, preserving the interest of investors, developing the capital and security market and controlling the same, the Securities and Exchange Commission of Bangladesh started its activities since 8th June, 1993 under the Securities and Exchange Commission Act, 1993. The board has overall responsibilities to administer the securities legislation and is a statutory body, while it is an attached department to the ministry of finance. Under this commission Broker/Dealer, Merchant Banker, Port-Folio Manager, Mutual fund, Asset Management Company, Trusty, Custodian, Depository Company and other Intermediaries have been working to develop the capital market as a whole. Share Market is the main part of Capital Market where Dhaka Stock Exchange (DSE)/Dhaka Stock Market and Chittagong Stock Exchange (CSE)/ Chittagong Stock Market have been functioning under the control of Securities and Exchange Commission. In this Market mainly, two parties play key role i.e. one party collects the capital expected while other ones investthe money they have. Basically, the companies collect their capital through issuing of shares/debentures/certificates/bonds and they (companies) are called the Issuers, while small and big money holders invest their money in purchasing the shares/ debentures/certificates/bonds and they are called the Investors. In the stock market the investors have two options regarding the purchase of shares. In the 1st option they can invest to purchase the Primary Shares of the newly established companies in the primary market through the initial public offering (IPO) and they become considered to be the

Share Holders who can get the ultimate dividend of the companies concerned. Of course, in this market purchased shares cannot be sold. The investors can also invest their money in the secondary market purchasing the secondary shares in case of 2nd option. Basically, the most known transactions of shares are dealt with this market. It is noticeable that the newly established companies cannot sell their shares directly in the share market because they are unknown to this market. So, their shares are sold out through the 'Consortium' comprising of Investment Corporation of Bangladesh (ICB), Bangladesh Shilpa Rin Sangstha (BSRS) and Bangladesh Shilpa Bank (BSB) belonging now to the Bangladesh Development Bank Ltd (BDBL) in exchange of commission which is called Underwriter Commission. In other words, this financing is termed 'Bridge Financing'. When those companies become acquainted with the share market, do not need to seek help for financing through the 'Consortium'. In this market (secondary market) the investors can purchase and sell their shares with the help of registered Brokers. At present, with the help of a broker an investor has to open a 'Beneficiary Owner' (BO) account to participate in the share market for purchasing and selling of shares and this account is used in any Depository Participant (DP) under the 'Central Depository of Bangladesh Limited' (CDBL) on behalf of the investor for the transaction of Electronic Shares, because all the shares of the companies concerned have been taken under this system (Demated shares/Electronic shares) since 24 January, 2004. An investor can purchase certificate shares, but he/she cannot get benefits of the Annual General Meeting (AGM) of the companies until those shares are converted into the Electronic Shares. Actually, this system is considered to be a Screen-Based Trading System through which the investors can participate in Trading Floor of every day with the help of a computer with internet seating at any place in home and abroad. By this time some of the district towns where these types of transactions are dealt with this system. Share market of this country has been playing role for the economic development since after the independence though this is not sufficient compared to the neighboring countries mentioned earlier. In fact, this market is termed as a 'speculative market'. Here investors have to think over their investments very deeply so that they should not be affected. Actually, there are so many factors that have to be considered while purchasing or selling the shares. Out of those factors, fundamentals and technical analyses of the companies concerned are deeply considered. Besides, tendency of the market, turnover of the market, alternative selection of the projects, availability of the loans, rate of interest, risk in the market, knowledge in the market, inflation rate, role of

the intermediaries, government facilities, world market conditions, political situation and so on play crucial role in taking decision of the said transactions. In Bangladesh almost the above mentioned factors have been functioning, especially, the recession of the share market in 1996 still alarms the investors in investing their money though the concerned parties have now become more alert owing to the benefits of modern technologies. Presently, in the light of profit and loss position, holding of Annual General Meeting (AGM), operational activities, declaration of dividend etc. the companies are categorically segregated and examining the

5.2 Problems of Capital Market

However, in the capital market especially, in the share market some problems are hindering the smooth running of the same; as a result, the capital market through the share market cannot substantially contribute towards the GDP of this country. There are four Interested Groups in the capital market and they are Issuer, Savings holder/Investor, Intermediaries and Securities Exchange Commission. Without the combined contribution of them the position of capital market can no longer be developed. The issuer Companies cannot contribute well because of the fewer numbers, irregularities in holding AGM and declaration of dividend or inadequate dividend, facing loss, corruptions, bad relationship between the lower management and top management, bad impact of Trade Unionism etc. The role of the saving holders/investors is not commendable, because they have no sufficient knowledge about this market, they become afraid of investing their capital, they feel better in investment of saving certificates or in small and medium business etc. The Intermediaries like banks and other financial institutions, issue houses somehow become engaged otherwise. For example, commercial banks involve in generating special credit program or become reluctant to allow loan for share market without sound securities, the merchant banks do no work properly etc. The guardian, Securities and Exchange Commission (SEC) cannot play proper role as it could do. It cannot attract the investors especially, the small investors introducing some lucrative packages like minimum benefit of investment, avoiding the risk, training center, proper supervision in the market; it cannot also create congenial environment for the larger as well as foreign direct investment (FDI), constructive coordination between or among the parties concerned and so on. Of course, recently, SEC suspended the transaction of nine Z

category companies' shares because of the ill transactions done by those companies. In those companies the shareholders are not getting dividends, AGMs are not being held, whereas due to the rumors and cheating done by the dishonest investors as well as syndicates the price of those shares are increasing artificially where the small investors are being affected in loss purchasing those shares5 Another problem is found that the presence of strong and mostly sound organizations in this market is negligible which could help make this market sound. In the existing system of determination of the price of Initial Public Offering (IPO) shares, the companies have to present their Prospectus to the SEC for scrutiny, and then SEC approves the Prospectus determining the price of the shares. Hence the large companies alleged for not getting the proper value of their shares and accordingly, they are not satisfied and interested to come in this market. Of Course, considering the matter concerned the SEC decided to introduce a new system namely, Book Building System (BBS) for the determination of the same. In this system the price of IPO (initial public offering) shares will be determined through the automated bidding process where the value of IPO shares will be initially determined by the indicative price through the 5 institutional investors and then that indicative price will be brought under the automated bidding process where the general institutional investors will participate and determine the price of the shares which will be approved by the SEC subsequently. The availability of loans with low interest, financial condition of the companies tendencyof the investors etc. are not supposed to be attractive in this market based upon which the sound financing system could be introduced. Besides, here the inflation rate is more or less high and fluctuating. However, analyzing the points mentioned above it is clear that the capital market cannot contribute a lot to the economy of this country despite its lotsof possibilities.

5.3 Conclusion and Suggestions

The above data as well as information reveal the facts that the contribution of capital market especially, of share market towards the economy of Bangladesh is not propitiatory so far. Because, in terms of indices, market capitalization, turnover, percentage of GDP, amount of securities, issued capital etc, the capital market position as a whole, does not support the sound economy. Besides, the position of primary and secondary share market is not smooth as well as stable where the issuers and investors could not feel better involving themselves. Thus, the second hypothesis could be considered established. Hence, the said market could not play the desired role to the economy of Bangladesh. Again, as per the analyses and interpretations done, regulatory systems are not transparent as well as not sound, as a result investor remain in dark in knowing the rules which are fluctuating also and that consequently invite the syndication appears to have dominated which causes market situation uncertain when local investors do not keenly intend to invest in the said market and foreign investments do not take place in time as well. Here, the intermediaries among the four groups mentioned earlier do not play adequate role in the development of this market. Here, first hypothesis corroborates the same ideas. Of course, the Government of Bangladesh has taken some positive steps regarding the strengthening of SEC imposing some compulsory terms on the intermediaries and developing the activities of banks and financial institutions. However, to upgrade the share market, in other words, to generate the capital market for smooth financing for the stakeholders the following suggestions could play the fruitful role

a. The presence of the financially sound institutions is negligible in the market. So, lots of Companies which are financially sound should come forward towards this market e.g. Grameen Phone Company has already appeared in this market, Again, careful attention should be given for regular holding of AGM of the Companies, preparation of financial statements along with the audit reports according to the Accounting and Auditing Standards;

b. The bridge financing activities are not satisfactory, here ‘Consortium body’ (ICB, BDBL) should be more active in playing their role for ‘Bridge Financing;

c. The monitoring phenomenon is somehow weak, hence, Merchant Bank which has been directed under the control of SEC must be monitored time to time whether it is properly functioning for the interest of participators in the said market;

d. The inflation rate is fluctuating and it has to be kept stable so that the value of money could not be degraded;

e. Adequate training and other options are not to be observed, thus, SEC should conduct a well-established Training Center where the new comers could have knowledge regarding their involvements in this market. At the same time, there should be an arrangement of seminars, symposiums and talk shows for the betterment of the investors;

f. To ensure the availability of loans along with low interests for the investors as well as participators (especially for the Small and Medium Scale Enterprises, SMEs) Bangladesh Bank should take positive steps through the schedule banks either public or private whatever they are;

g. The arms for control of the share market like 'Circuit Breaker', 'Surveillance with On-Line and Of-Line mechanism etc. have to be active more so that somebody could not take the chance otherwise;

h. High Savings-Investment Ratio can play a good role in this market. So, Proper steps should be taken for the increase of flow of savings of the people through the money market.

i. Tax facilities should be increased for the enlisted companies along with other facilities like tax holyday, tax-free transactions, reduction of the excise and duties by which other institutions could be encouraged to participate in the said market;

j. Research activities must be conducted to find out the deficiencies as well as efficiencies associated with this market which could contribute to the achievement of Gross Domestic Product and Gross National Product so far.

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