



An Investigation, Measurement, and Evaluation on the Stock Market Crisis, Performances and their Initiatives: A Study on the Investors' Perceptions

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AN INVESTIGATION MEASUREMENT AND EVALUATION ON THE STOCK MARKET CRISIS PERFORMANCES AND THEIR INITIATIVES A STUDY ON THE INVESTORS PERCEPTIONS

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An Investigation, Measurement, and Evaluation on the Stock Market Crisis, Performances and their Initiatives: A Study on the Investors' Perceptions

Md. Mohiuddin^α, Md. Zainal Abedin^σ & Mohammad Naymur Rahman^ρ

Abstract- Capital market (Dhaka Stock Exchange and Chittagong Stock Exchange) have multiple and significant roles in the development of nation's economy. They provide avenues for investment and capital acquisition and can provide an indication of overall economic condition (Stock Market Crisis: Hasan; The Financial Express, 12 July 2012). The stock market is the engine of growth for an economy, and performs a critical role in acting as an intermediary between savers and companies seeking additional financing for business expansion. Vibrant capital is likely to support a robust economy. While lending by commercial banks provides valuable initial support for corporate growth, a developed stock-market is an important pre-requisite for moving into a more mature growth phase with more sophisticated conglomerates. Today, with a \$3.41 Trillion TK economy and per capita income of roughly \$1466, Bangladesh should really focus on improving governance and developing advanced market products, such as derivatives, swaps etc. Despite a challenging political environment and widespread poverty, Bangladesh has achieved significant milestones on the social development side. With growth reaching 7.05 percent in 2016, the economy has accelerated to an impressive level. It is noteworthy that the leading global investment banks, Citi, Goldman Sachs, JP Morgan and Merrill Lynch have all identified Bangladesh as a key investment opportunity. The Dhaka Stock Exchange Index is at a 11 month high last October 14, 2015, however, the capital market in Bangladesh is still underdeveloped, and its development is imperative for full realization of the country's development potential. It is encouraging to see that the capital market of Bangladesh is growing, albeit at a slower pace than many would like, with market development still at a nascent stage. The market has seen a lot of developments since the inception of the Securities and Exchange Commission (SEC) renamed as Bangladesh Securities and Exchange Commission (BSEC) on December 10, 2012. After the bubble burst of 2011, the capital market has attracted a lot more attention, importance and awareness that have led to the infrastructure we have in the market today. All over the world, Stock Exchanges recognizes their investors need and motivate them to invest properly. The study investigates, measure, and evaluates the stock market Crisis, performances, activities, and initiatives from the reflection light of secondary data and investors' perceptions.

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To do this Five-Point Likert Scale has been used to survey investors. The study actually reveals the state of actual stock exchange crisis and performance from the view point of secondary data and investors and the initiatives taken by the DSE against critical situations. The study also focused to the extent that whether their (BSEC, DSE and CSE) activities, performance and initiatives and the defined investors perception can create positive impact on their (investors) mind and be able to create positive contribution on Stock Market Crisis and the building of good brand image of the DSE and CSE. A sample of 100 investors and some selective samples have been surveyed since they represent all investors segments in the industry.

Keywords: BSEC, DSE, CSE, IPO, BB, capital market, DEC-mobile, DSEX, NASDAQ, demutualization.

I. OBJECTIVES OF THE STUDY

Broad objective

The main objectives of the study are to investigate, measure, and evaluate the stock market Crisis, performances, activities, and initiatives from the reflection light of secondary data and investors' perceptions.

Specific Objectives

- To investigate the reasons for the stock market crisis and the impact of it on investors.
- To sort out the reasons for the crisis.
- To find out the investors knowledge on capital market.
- To motivate the investors doing analysis rather than running after rumor.

II. METHODOLOGY OF THE STUDY

a) *Research Approach*

- This is a quantitative research, in some cases qualitative approach has been applied.
- At first phase an exploratory research has been conducted to understand the nature of problem and its subcomponents.

b) *Sources of Data*

To meet the research objectives both primary and secondary sources of data have been used.

Primary Source

- i. A model questionnaire has been developed to elicit essential data. The Questionnaire is structured in nature and is based on Likert Scale method.

Population: All investors in share market and some selective investors.

Sampling technique: Convenience sampling technique was used to select investors.

Sample Size: Total 100 investors.

Survey area: Dhaka and Chittagong

- ii. Informal interviews with industry experts and managers of BSEC, DSE and CSE.
- iii. Observation of investors while investing in capital market.

Secondary Sources

- Books and articles on stock markets and financial institutions
- Website of BSEC, DSE, CSE and others.
- Newspapers, Magazines and government's source.

Data Analysis Techniques

- Excel and SPSS software has been used to analyze data
- Various statistical methods and formulae have been used.
- Different Graphs, Tables, Charts and others instruments are used to make presentable the research results (Findings).

III. LITERATURE REVIEW OF THE STUDY

Before going for the topic selection, and to gain insight of that problem, it becomes necessary to review the already published work on that particular area. Since the functions on a stock market is tend to be specialized and not is understood by common people, this review part will give some basic knowledge and review of stock market crash, history of the stock market crash and defined reasons for the crash.

Bangladesh is a rising market with two stock exchanges, Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE). DSE is the larger of the two. Dhaka Stock Exchange (Generally known as DSE) is located in Motijheel Commercial Area which is situated in the heart of the Dhaka city. It was incorporated in 1954. Chittagong Stock Exchange (Generally known as CSE) is located in SK Mujib Road, Agrabad Chittagong. It was incorporated in 1995.

a) Stock trader and investors

There are especially two types of investors in our country: institutional investor and small investor. Institutional investors include Mutual fund, Merchant Banks, Provident Fund Companies, Insurance Company and Investment corporations. They have the right to invest in the share market. But their buying natures are

restricted by the rules and regulations. They take part in the placement of shares. Retail investors are those who invest in the market with a view to earning profit. Their capital is not defined or confined by any laws or means. They are invited by the companies to participate in the IPO. After the IPO, the shares enter into the secondary market for transaction. In the recent collapse of share market, the retail investors are the main victims. The institutional investors are being accused of taking part in destroying the market (**MOF, 2011**). ICB has more than thirty thousand accounts to facilitate the institutional investors, whereas more than three hundred thousand people are involved in the share market. That means there are more than 30 lakh small investors in our country.

b) Stock Market Collapses in 1996 & 2011

Most of the countries' stock markets have confronted the taste of collapse at least once. In 2000, London Stock Exchange and American Stock Exchange encountered the collapse. Economic recession all over the world caused the share market collapse in America and Europe. But Bangladesh protected itself from this scenario due to very little foreign investment in this country.

After 1996 collapse in the share market, a neutral Inspection Committee was formed with a view to investigating the reasons behind the market collapse. Munir Uddin, an FCA, was the chief of that committee. He opined that the collapse of 1996 was the result of the activities of a group of people. Main accused at that collapse were outsiders to Bangladesh. Some of the leading businessmen along with the foreigners committed the crime. They were sued at that time but lack of evidence closed the files of the alleged persons. According to that Investigation Committee, more than 500 crore was transferred outside the country. But for that failure, the government and the SEC were accused. The controlling and the monitoring activities were weak. As a whole, it can be said that paper based share certificate, lack of knowledge of the retail investors, manipulation, inside trading and greed are some of the main reasons of the collapse (**MOF, 2011**). The main catalysts for that collapse were the shrewd manipulators from both home and abroad (**Mohiuddin, 2010**).

After 14 years, SEC and the two share markets again experienced the taste of collapse. But this time the reasons were different. The paper based share certificates are no more in existence. As per the report of Ibrahim Khaled, various reasons led towards this disaster. Institutional investors played a major role in that case. For instance, each merchant bank has the right to invest in the market 10% of the deposit money collected from the clients. But they didn't comply with these rules.

They invested more than ascribed amount that violated the rules. Another reason was that ICB has

more than thirty thousand omnibus account. With this accounts many company speculated and manipulated the total market. The free entrance of the black money caused collapse of the share market. More than 30 lakh B/O accounts are now in Bangladesh. But there is no legal restriction about opening the B/O account. It has been revealed in the report that a single person has more than 20 accounts to conduct share transaction. Lack of surveillance activities led toward this collapse (MOF, 2011). It was said by the expert an economist that more than 30 thousand core taka was taken away by the share market gamblers. These gamblers speculated the shares and increased the price, which attracted the retail investors. They entered in the market without having sufficient knowledge about share market. Lack of knowledge on the part of the small investors is also indicated as the reason of market collapse. Since the collapse of the share market, a number of measures were initiated by the government, of which the most important one was forming a competent probe committee to investigate the activities in the market during the run up to the boom and bust, identify malpractices and manipulations and come up with policy suggestions to address the attendant problems. The report published by Bangladesh Finance Ministry specifying the reasons for share market collapse helped to get an overview regarding the reasons of market collapse. Before describing the reasons behind share market collapse, a citation of the Waran Buffet may be considered which is important for the small investors-the market like the

Lord, helps those who help themselves. But unlike the Lord, the market doesn't help those who do not know what they do and what they shouldn't do. It has been said in the report that recently market has experienced a sheer increase of investors and the volume of trade in the share market is one of the keys of economic development. The indomitable increasing market was to experience a collapse (opined by many market experts before the market crash). It has been opined by a giant investor that 3 million new B/O accounts have been opened newly in the last four years. The demand supply factor played a vital role in this collapse. Huge amount of money entered into the secondary market. The demand for the shares was created by opening many branches of brokerage houses. But the supply of the shares didn't increase. Such kind of pressure on the limited shares increased the price of the shares, and thereby, led towards the crash. Every merchant bank invests a huge amount of money in the share market and makes huge profit out of it. But in December, 2010, the Bangladesh Bank gave order to the merchant banks to limit their investment in the share market and also increased the cash reserve ratio (CRR). As a result, all the merchant banks had to withdraw the excess amount of money from the share market for withdrawal from the extra investment as well

as maintaining high CRR fixed by the Bangladesh Bank. Such kind of situation caused the decrease of liquidity in the share market which also was one of the reasons for market crash. Market manipulators controlled the market by spreading various rumors regarding the shares through media, newspaper, broker houses etc. Such kind of misleading information attracted the small investors to invest and thereby the market became overvalued. Lack of IPOs in the share market and the wrong placement of IPOs created the situation. Most of the IPOs went in the hand of big companies' owners. As a result, people got a few shares to buy. It became easy to manipulate the market by those big persons. Commercial banks are to invest 10% of their total amount collected from the clients as deposits (Banking Act 26(2)). But it was found that they invested a huge amount of money that overvalued the market. Broad money and foreign remittance entered into the share market that created such situation. Not only these but also the loans taken by the people for business purpose, housing loan and industrial loan received were invested in the share market. Such situation overvalued the market. The source of the investment was not justified or scrutinized. Therefore, the black money entered easily into the market and the market was overvalued. Strict supervision and excessive intervention by the government created the crash. It was to be iteratively stated by the media that the current higher index could lead the situation like 1996 crash. It is assumed that such news warned the gambler and induced them to withdraw huge amount of money from the market. If the supervision and intervention had been more flexible, the nation would not have confronted the situation like this. The Managing Director of BDBL opined that the excess entrance of liquidity, the split of shares of Tk. 100 into 10 shares of Tk. 10 each, illogical right and preference shares issue, increase of IPOs' price by applying wrong book building method and the misstatement of net asset value of the company were also responsible for the collapse of the share market. The CEO of IIDFC Capital limited opined that merchant bank should act as professional investment advisor to the small and other institutional investors. But Bangladesh Bank restrained the merchant banks from this investment advisory by formulating relevant laws. It is one of the reasons for market collapse. Other reasons like the insider trading by the dishonest broker, dealer and the related parties, wrong procedure in determining the face value of the shares, wrong information spread by the media, poor surveillance activities of SEC, DSE & CSE etc. led towards this disastrous situation in the Bangladesh share market. (Source: ASA University Review, Vol. 7 No. 1, January-June, 2013)

There have been some researches reports about stock market bubble not crash. Islamand Khaled (2005) analyzed on the predictability of the share price in DSE prior to the boom in 1996 and found

evidence in favor of short-term predictability of share prices. Mobarek and Mollah (2005) suggested that there are some factors (beta, size, the ratio of price-to-book value, volume of shares traded, earnings yield, cash flow yield, dividend yield and leverage) that influence share returns on the DSE. Akhter et al. (2005) identified a number of problems being encouraged by the market. They recommended that the SEC, as a watchdog of the market, should play prominent role in reactivating markets, which is essential for accelerating the speed of country's industrialization. Capital market is recognized as a vehicle for rapid economic development through mobilization of available resources in a country (Ahmed S, 2005). The capital market in Bangladesh received significant boost in last year. All share price indexes, turn over as well as market capitalization, improved substantially. However, the market lacks reflection of company fundamentals and the possibility of price manipulation in the market through insider trading cannot be ruled out. Some most important issues regarding crash-

- The nature of stock market bubble
- Formation of bubble
- Possible reasons behind the crash

Previous findings have reported mostly results that are based on purely the details of stock market bubble and its impact. Given the circumstances, the present study takes the initiative to conduct an historical investigation based on a new approach that evaluates the reasons of crashes of Bangladesh stock market respectively in 1996 and 2011. The findings from this study are valuable in guiding professionals and policy-makers to further formulate effective compliance of Bangladesh stock market.

Due to political unrest of Bangladesh state of emergency was declared and military took power of the country in 2007. During military-backed regime investment in real sectors as well as FDI decreased but the inflow of foreign remittance increased. Investors tried to find alternative investment sector to invest their savings and found stock market as an attractive alternative. According to CPD (2011), the total number of BO Account holders on 20th December, 2010 reached to 3.21 million though the number was 1.25 million in December 2009. Most of these new investors don't have enough knowledge about the stock market but invest their most or all savings in the market. 238 brokerage houses opened 590 branches at 32 districts. As CPD (2011) found, internet-based trading operation, opening branches of brokerage houses across the country, easy access to the market information, arranging a countrywide 'share mela (fair)' are the factors for increasing investors. But supplies of new securities through IPOs were not enough to chase huge capital of too many investors in the market. Banks &

other financial institutions of Bangladesh had a lot of excess liquidity due to less business opportunities in the recession period of 2009-10. To minimize the cost of bearing excess liquidity and as a great opportunity, these financial institutions & its officials as well as other people took loan and invest in the share market. This made a huge influx of liquidity in the share market. It was seen that the daily transaction in the share market was on an average from Taka 20,000 to 30,000 million in 2010 and the figure was double comparing to 2009. (Raisa, 2011). To grow Bangladesh's economy by 7-8% per year Bangladesh Bank adopted accommodative monetary policy during the high inflation periods to support investment. Bangladesh Bank has pegged Taka against dollar to support exports. As Taka has been undervalued it has made excess growth in money supply. Last couple of years broad money made excess liquidity and the main motive behind it was Bangladesh Bank's ex-change rate policy. A big portion of this excess liquidity had gone to the stock market but there were very few shares in the market. The policy that was adopted by BB to grow economy by increased exports & investment eventually misguided and ended up blowing the mother of all bubbles. Then government again fuelled the bubble after per-mitting whitening of black money through tax breaks and schemes (Rahman, 2011). Moreover Security & Exchange Commissions was not capable to monitor the market conditions properly. Due to the poor monitoring & market surveillance share prices of Z Category Companies and small companies increased dramatically. Moreover, some initiatives taken by SEC were not effective and changed directives frequently such as; it changed directives of margin loan ratio 19 times. (Raisa, 2011)

c) Market Condition before and after the Crash

Dhaka Stock Exchange General Index (DGEN) soared to its highest levels from October, 2010 to December 2010, with the peak on Dec. 5, 2010 at 8,918 points. DGEN'S index on Jan. 3, 2010 was at 4568.40 and went up at a staggering 4,350 points or 95.23% increase! But on Jan 10, 2011, trading on the Dhaka Stock Exchange was halted after it fell by 660 points, or 9.25%, in less than an hour, the biggest one-day fall in its 55-year history. As a result the trading suffered a loss of about 6.7 %. Chittagong Stock Market also met a similar fate. The capital market was shut; small investors turned vandalistic; and the business city of Motijheel was transformed into a battlefield between protesters and law enforcers.

Market capitalization dropped by 5.5 percent to Tk 3, 26,087 corers from Tk 3, 44,958 Cr, as all securities suffered a combined loss of Tk 18,871 Cr in value. This fall in market capitalization occurs because of the massive fall in share prices. Fall in share prices was even greater than the market crash in 1996 when

the stocks plunged by 6 percent on a single-day. As of today (29.07.2012) Market capitalization stood at 2,38,485 Cr in Dhaka Stock Exchange.

d) *Causes and Effect of the Crash*

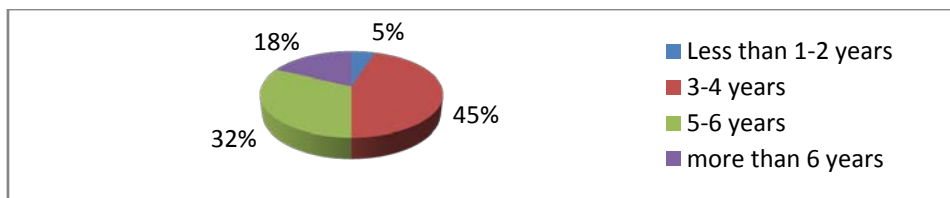
Market insiders blamed the recent fall on the central bank's measures to control the liquidity flow in the banking system. In an effort to contain inflation, the central bank had to increase the Cash Reserve Ratio (CRR) by 50 basis points to 6 %. It was also aimed at stopping credit-flow to non-productive sectors such as giving loans to buy apartments, cars, luxurious items etc. Bank and non-banking financial institution's investment on the stock market depends on the paid up capital. The central bank also issued another directive asking financial institutions to adjust their stock investment exposure by December 2010. From January 2011, no institution will be allowed to invest more than 10 percent of its total liabilities in the stock market, and the exposure will be calculated based on market price, not cost price. Moreover government proposed gain tax on capital gain though this decision was postponed but it affected the investors. Introducing OTC market made

the junk share of around 25 companies to be traded there resulting in increase in demand of the remaining share. Companies' asset revaluation opportunities are given. Companies raised their asset value thus in turn increasing the NAV per share of the company. It made the investor to invest in those share. Change of face value of the share and it was a great impact on booming market. As a consequence of changing the face value it ultimately increases that share price. The International Monetary Fund's prescription to Bangladesh Bank for addressing the overexposure of commercial banks to the stock market also propelled the unprecedented fall. The SEC increased the share credit ratio to 1:2 from 1:1.5. It means an investor will get a loan of Tk 2 against shares worth Tk 1. This induced the investors to take loan at the time when the market was good, thus after the crash it takes away all the belongings of the investors. Beside this poor monitoring on big investors or speculators by DSE and SEC and also lack of coordination between stock exchange and SEC is responsible for this crash.

IV. ANALYSIS AND FINDINGS BASED ON PRIMARY DATA

a) *Data Collection and Analysis of Individual Items or Questions*

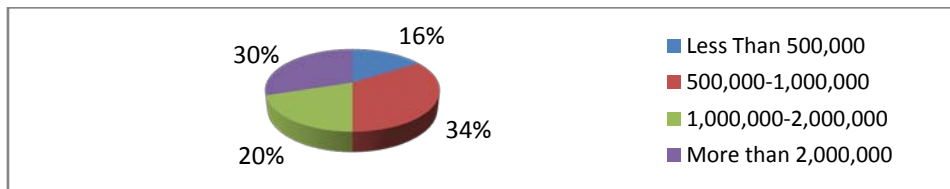
01. How long have you been investing in the stock market?



Interpretation: Among the respondents 18% of them have their investment in the stock market for more than 6 years while 32% have made their investment between 5-6 years and 45% of the investors have mentioned they

are in the market for last 3-4 years. Only 5% investors entered into the market during the crisis period (less than 1-2 years.)

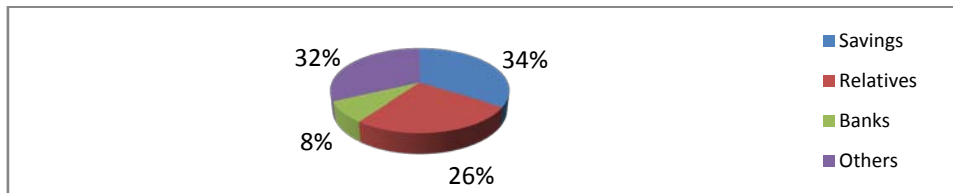
02. How much is your total exposure to the stock market?



Interpretation: It is observed that 30% of the investors have their investment more than 2,000,000. Only 16% of them have investment less than 500,000, meanwhile 34% of the respondents have investment between

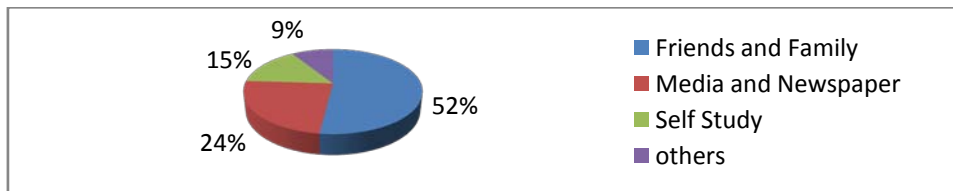
1000000-2000000 and 20% of investors ranges between 500,000-1000,000. It is evident that all the investors have more than 5lac worth of investment in the market.

03. What is the source of your investment fund?



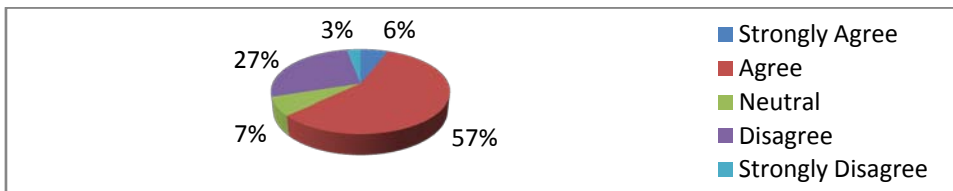
Interpretation: Investors have accumulated their investment from different sources. 34% of the respondents made their investments from own savings, 26% of the respondents collected from their relatives, 8% of the investors borrowed from banks and 32% of them accumulated from other sources.

04. How do you know about the stock market?



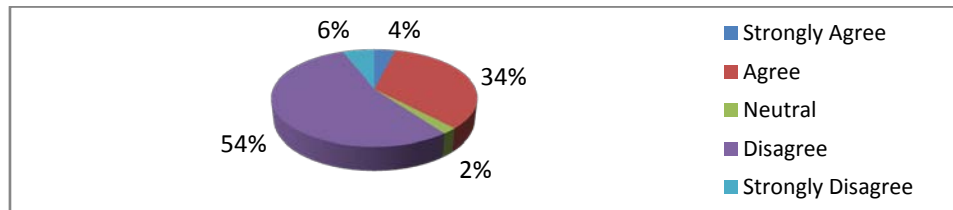
Interpretation: 52% of the investors told us they first learnt about the stock market from their friends and family, 24% of them mentioned Media and Newspapers as their source of information on stock market. 15% investors learnt from their self-studies and 9% mentioned other reasoning.

05. I know the fundamentals of the stock I intend to invest.



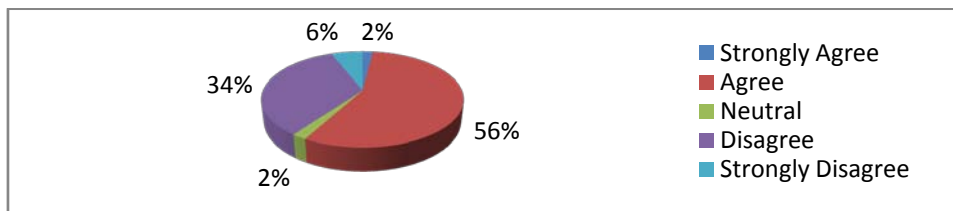
Interpretation: 57% of the respondents agreed that they know the fundamentals P/E ratio, EPS, NAV etc.) of the stock before making any investment decision on any particular stock. 27% of the investors do not know the fundamentals of the stock they intend to invest. 6% of them strongly agreed and 7% respondents remained neutral on the fundamental aspects of the stock they intend to invest. 3% respondents strongly disagree on this issue.

06. I know the technical analysis of stock price?



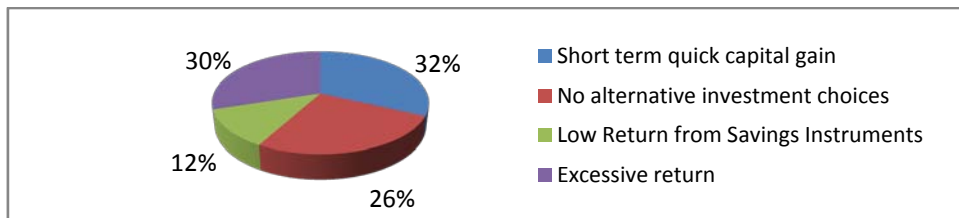
Interpretation: (A technical analysis of securities/stocks is a study of past price and volume trends to Judge the direction of future price movements of stocks.) 54% of the respondents are not acquainted with the technical analysis of stock price. 34% of the respondents invest based on the technical analysis of the stock price. 4% of investors strongly agreed on their expertise on technical analysis of stock prices.

07. Technical and fundamental analyses do not affect the market?



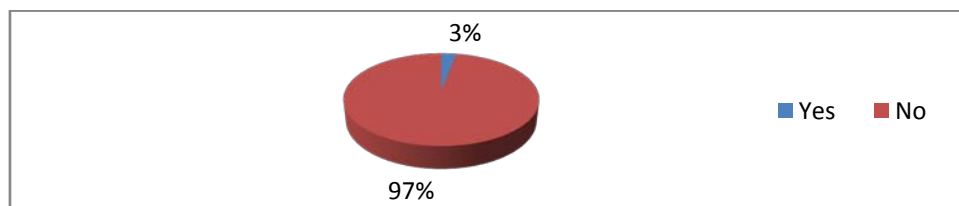
Interpretation: 56% of the respondents agreed with the statement that technical and fundamental analysis do not affect the stock market. 34% of the respondents disagreed with the issue.

08. What has attracted /prompted you to make investment decision in stock market?



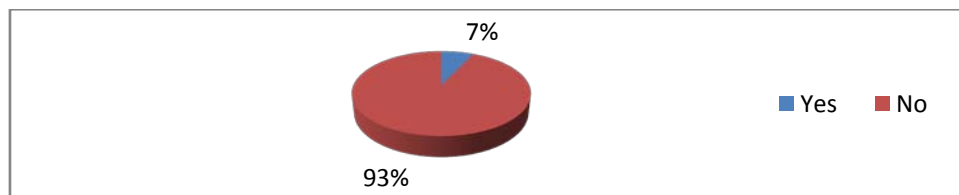
Interpretation: Among the respondents, 32% of the investors made their investment for short term quick capital gain, 26% were attracted towards market because they believe there were no alternative investment choices. 30% of them came into the market for making excessive return. 12% of the investors were driven by low return from savings instruments.

09. I invest in the stock market for dividend only?



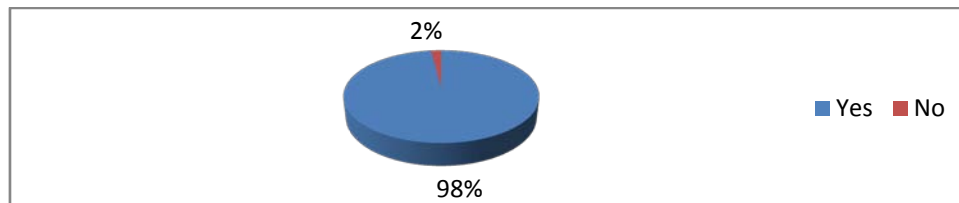
Interpretation: 97% of the investors invest in the stock market not for dividend only but for other financial benefits too.

10. I invest in the stock market for capital gain only?



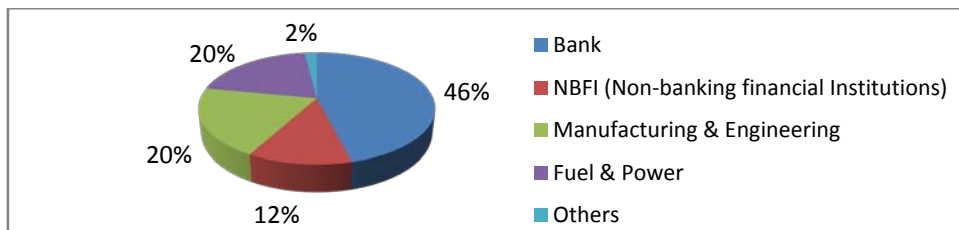
Interpretation: 7% of the respondents invest in the stock market for capital gain only.

11. I invest in the stock market for both dividend and capital gain?



Interpretation: 98% of the respondents invest in the stock market for both dividend and capital gain.

12. Which sector you prefer for investment the most?

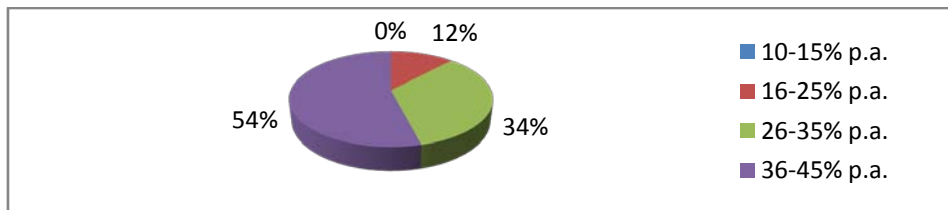


Interpretation: 46% of the investor's ranked banking sector at the top of the preference list for their investment decision as this sector is considered safer and fundamentally strong. NBFI has got the investors preference with 12%. Manufacturing & engineering and fuel & power have similar preference with 20%. 2% of the investors are also interested in other sectors which include pharmacy, telecommunication, miscellaneous.

These conclude that investors are keener to invest in banking sector than any other sectors. So, any mishap

in this sector will have an adverse effect on the investors and thereby affecting the overall market.

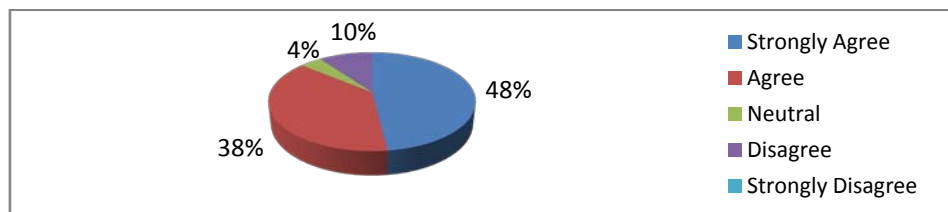
13. What kind of returns expectations do you expect from your investment portfolio account?



Interpretation: After the market crash investors are compelled to revise their market returns expectation which is not as extreme before when investors wanted to earn more than 100% return from the market. 54% of the investors are quite happy to have return between 36%-

45% per annum, 34% of them eager to have a minimum return of 26% to a maximum of 35% per annum. None of the investors are happy with a maximum with a maximum of 15%. It is evident that investors expectation has minimized by many fold after the crash.

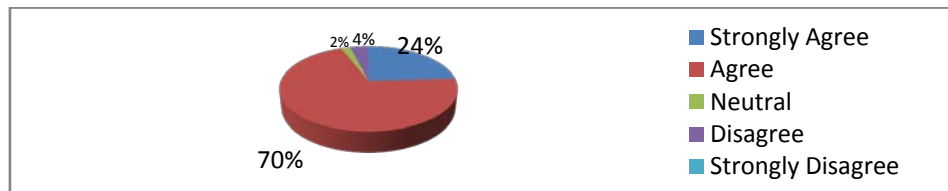
14. Do you think market manipulation had a significant impact on the stock market crisis?



Interpretation: 86% of the respondents believe (48% strongly agree & 38% agree) that market manipulation

had a significant impact on the recent market crisis. 10% of the investors disagree with statement.

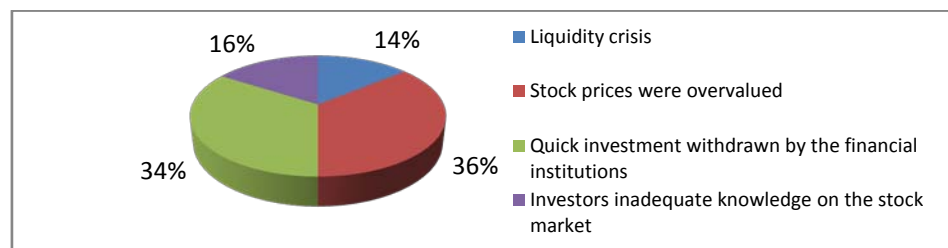
15. Do you think spreading of rumor also exaggerated the stock market?



Interpretation: 70% of the investors agreed that spreading of rumor has also exaggerated the stock

market. 24% of the respondents enforced strong reaction on this statement.

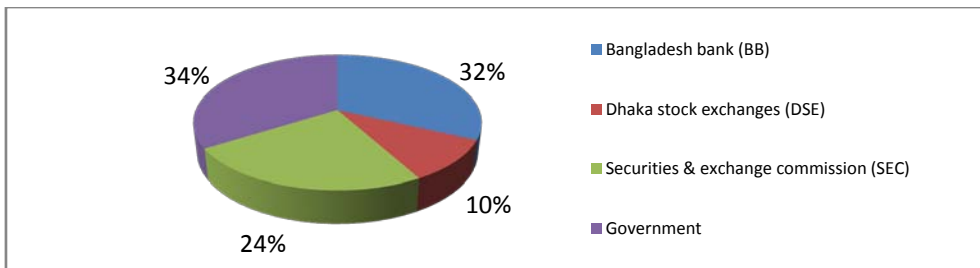
16. What is responsible for the recent stock market crisis?



Interpretation: 36% of the investors believe that stock prices were overvalued and 34% of the investors blamed the financial institutions for their quick investment withdrawn which led the market in a severe down fall. 14% of the investors indicated on the liquidity crisis in

the market. Meanwhile, 16% of the investors believe that it is lack of knowledge of the investors on the part of their investment decision which can also be considered as a strong reason for the recent market crisis.

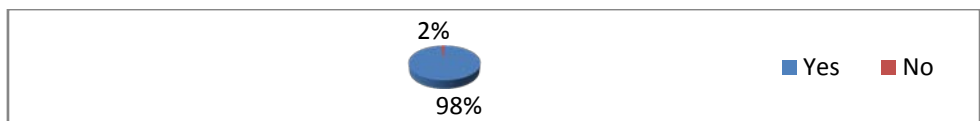
17. Which regulatory body do you think is mostly responsible for stock market crisis?



Interpretation: 10% of the investors firmly believe that DSE is responsible for the market crisis. 24% of the investors mentioned that SEC has failed to regulate the market properly. 32% of the investors put their allegation

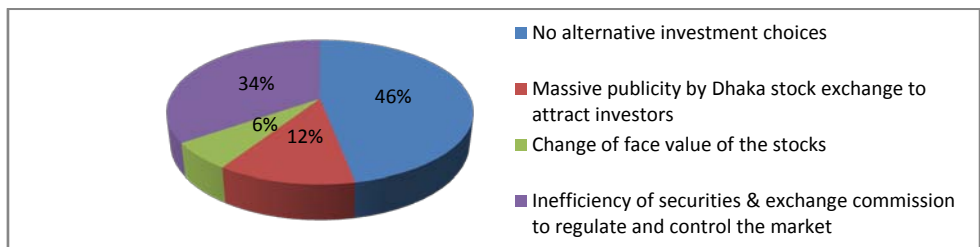
against BB for allowing the banks to invest in the capital market beyond their stipulated limit (bank can only invest 10% of their total liability). 34% of the investors blamed the government for market crisis.

18. Do you think the market was overvalued?



Interpretation: 98% of the investors firmly believe that the market was overvalued.

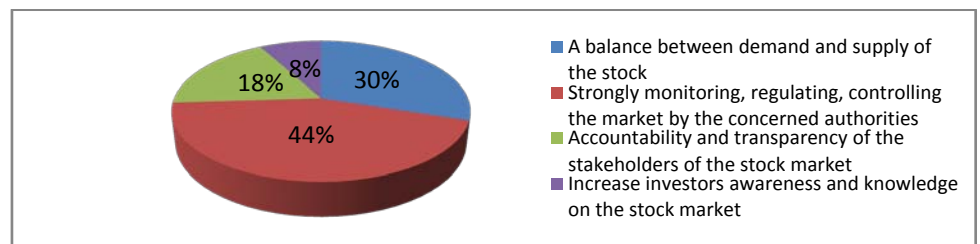
19. Market was overvalued for following reasons:



Interpretation: 6% of the investors mentioned that change of face value of the stock made the market overvalued, 2% of the respondents believe that there were no other investment opportunities to invest elsewhere which ultimately drag large number of investors to the market. 12% of the respondents believe

it is because of the extensive and aggressive publicity by DSE which pulled lot of investors into the stock market. 34% of them said about the inefficiency of SEC to regulate and control the market. 46% of the investors could not stick to a particular reason and hence agreed with all the issue.

20. What measures can be taken to stabilize the market?



Interpretation: 18% of the investors suggested that all the participants of the capital market must have accountability and transparency. 8% of the respondents believe that investors should acquire proper knowledge and increase their awareness regarding different aspects and matter of stock market and 30% respondents believe there should be a balance between demand and supply of stocks in the market. 44% of the investors also suggested that the concerned authorities of the capital market need to act accordingly.

Summary of Findings Based on Primary and Secondary Data

- ❖ Investors have minimum of 5 lac TK investment.
- ❖ They mostly prefer banking sector as safe investment.
- ❖ They are more interested to have capital gain rather than dividend.
- ❖ Investors tried to find alternative investment sector to invest their savings and found stock market as an attractive alternative source of investment.

- ❖ Change of face value and it was a great impact on booming market.
 - ❖ Poor monitoring by DSE and SEC on the market manipulation is the cause of spreading of rumor.
 - ❖ Quick investments withdrawn by financial institutions from the market.
 - ❖ Lack of coordination between stock exchanges (DSE and CSE) and BSEC.
 - ❖ The stock market crisis has restricted the new entrant in the capital market thus hampering the demand and supply of stocks.
 - ❖ Banking sector is the most preferred among the investors, so implementation of CRR and SLR affected much in the capital market.
 - ❖ BSEC increases the margin loan facilities from 1.5 % to 2%. As a result, a sizeable number of investors used maximum credit facilities to magnify their profit from the market.
 - ❖ Introducing OTC market made the junk share of around 25 companies to be traded there resulting in increase in demand of the remaining share in the main stock exchange.
 - ❖ Investors didn't have idea about financial report of listed securities thus unfair audit report are published.
 - ❖ Over exposure of banks and financial institutions in terms of investment in the stock market.
 - ❖ Majority of general investors in Bangladesh stock market don't have enough knowledge about the stock market. So, they fail to make good investment decision. That's why they buy shares depending on rumor and artificial financial report of companies.
 - ❖ It was found that some illiterate investors even don't know about the company and its business operation when they buy share of the listed companies.
- Initiatives taken Stock Market, BSEC and Bangladesh Government against Stock Market Crisis:*
- ❖ DSE has taken initiatives to launch new product Exchange Traded Funds (ETF) by the middle of 2016, Treasury Bonds have been tradable by the middle of 2016; web and mobile based client application for tracking and trading have been launched by the end of year 2015.
 - ❖ DSE is playing vital role in formation of "Clearing & Settlement Company" which is expected to facilitate the settlement and clearing process of transactions arising from buying and selling of Derivatives and other financial instruments. DSE is relentlessly working to enlist companies with highest growth in their profit, market shares and EPS.
 - ❖ Dhaka Stock Exchange Ltd. (DSE), the premier and oldest bourse of Bangladesh, was established as East Pakistan Stock Exchange Association Limited on April 28, 1954. The name of the Exchange changed to Dhaka Stock Exchange Ltd. on May 13, 1964. Its trading started in 1956.
 - ❖ DSE transformed into a Demutualized Exchange on November 21, 2013 with the vision "To be the leading exchange in the region and a key driver of economic growth with state-of-art technology and world class service to ensure highest level of confidence among stakeholders". The Authorized Capital and Paid up Capital of DSE are \$320.512 (in million) and \$231.253 (in million) respectively.
 - ❖ At present, DSE has three indices, namely, DSE Broad Index (DSEX), DSE 30 Index (DS30) and DSEX Shariah Index (DSES). All the indices are designed and developed by the world leading provider S&P Dow Jones Indices (SPDJ). DSE Broad Index is the benchmark index which reflects around 97% of the total equity market capitalization. DSEX Shariah Index (DSES) provides broad market coverage of Shariah-compliant stocks.
 - ❖ DSE introduced new surveillance software "Instant Watch" on February 11, 2014, which acquired from Trapets
 - ❖ AB, a Swedish Company. On December 11, 2014, it introduced new automated trading system with the world fastest Matching Engine "X-Stream INET", which acquired from NASDAQ and Order Management System (OMS)
 - ❖ "DSE-FlexTP" from an award winning company, FlexTrade Systems Pte. Ltd.
 - ❖ NASDAQ is the technology partner of DSE which facilitates in the capability of trading of any exchange traded products; OMS centralized to ensure a minimum standard of trading capability of all brokers; Trading platform separated for Equity and Debt. Separate fee for equity and debt; No more odd-lots, clean circuit breakers etc.
 - ❖ At present, 556 securities are listed with DSE comprised of 284 companies, 221 Government Treasury Bonds, 41 mutual funds, 8 Debenture and 2 corporate bonds. Out of 556 securities, 284 companies, 41 mutual funds and 2 corporate bonds are tradable. Among 284 companies, 13 are multinational companies, 08 are joint venture companies and the rest 263 companies are local companies.
 - ❖ In its 61 years journey the stock exchange has made significant contribution to the Economy of Bangladesh. The market capitalization of listed securities was USD 43,129.83 million on September 30, 2015, which is 22.17percent of the country's GDP. DSE has 250 TREC Holders with trading volume in the financial year 2014-2015 was USD 14,441.12 million. The statistics of market capitalization, percentage to country's GDP, total value, total volume and total number of trades of DSE is given below:

Sl. No.	Particulars	Country Total	DSE's share in percentage
01	Market Capitalization ¹ in USD millions as on September 30, 2015	43,129.83	100.00%
02	Market Capitalization ¹ as percentage of GDP as on September 30, 2015	22.17	100.00%
03	Total Transaction Value in USD millions (Jan-September, 2015)	10,995.32	92.12%
04	Total Volume of Securities Outstanding in millions (Jan- September, 2015)	21,622.14	90.67%
05	Total Number of Trades in millions (Jan- September, 2015)	22.44	86.56%

DSE Steps (2013 to 2016) at a glance:

Starting DSE Broad Index (DSEX) & DSE 30 Index DS30 (by S&P):	28th January 2013
Bangla Website Introduced:	18th February 2013
The Exchanges Demutualization Act 2013 passed by the Parliament:	29th April 2013
Effective date of the Exchanges Demutualization Act 2013:	02nd May 2013
Signed an agreement with S&P Dow Jones Indices to launch Shariah Index:	25th September 2013
Transformed into a Demutualized Exchange:	21st November 2013
Starting DSEX Shariah Index (DSES):	20th January 2014
Go-live Ceremony for Instant Watch Market Surveillance Software :	11th February 2014
Signed an agreement with NASDAQ OMX and Flex Trade Systems to provide the world leading trading system :	21st March 2014
Next Generation Automated Trading System Inaugurated :	11th December 2014
World Federation of Exchanges Correspondent membership upgraded to affiliated :	3rd March 2015
Inauguration of Upgraded Version of DSE Official website:	12 April 2015
Standardization of Circuit Breaker in Trade:	30 April 2015
Discussion on launching Exchange Traded Fund:	12 August 2015
Symposium on "Recent Developments in DSE and Regulatory Reforms for Capital Market" :	15 September 2015
Bangladesh Capital Market Conference:	21 September 2015
Launch of Mobile App "DSE INFO":	25 November 2015
Inauguration of "DSE-Mobile":	09 March 2016
Inauguration of "New Book Building Software":	26 May 2016

V. RECOMMENDATIONS AND CONCLUSION

a) Recommendations

From above discussions and basic understandings about the crisis the following recommendations can be formulated for the crisis:

- It is not the duty of the regulator to control the index, their responsibility is to check irregularities or manipulative transactions furthermore the coordination between stock exchange should increase.
- BSEC and DSE should cooperate with each other and closely monitor if any stock rises unexpectedly. Stock Exchanges and BSEC should have co-ordination their jobs to improve market surveillance. Changing directives frequently by BSEC has a bad effect in the market. So, BSEC should not do it.
- Without acquiring proper knowledge, information and experience regarding different aspects and

matters of capital market, one should not invest in the market.

- Investors have to remember all the time, the gain or loss whichever comes from the investment, it belongs to them only.
- Investors should not pay any heed to rumors at the time of trading shares.
- SEC should constantly monitor, regulate and control different aspects and matters of capital market effectively.
- Investors must make investment decisions based on company fundamentals, technical analysis, price level and disclosed information.
- BSEC should increase consciousness for the newcomer in the capital market "invest from your own savings not from borrowings"

- To save general investors; DSE, CSE, and BSEC should provide courses and training programs to enrich their knowledge about the stock market.
- Regulators should adopt new technologies like surveillance software to monitor trading activities.
- BSEC should appoint more qualified officials for market research and in other necessary areas.
- BSEC officials should perform their job honestly according to law. They should not work for market manipulators and their decision should serve interest of general investor and other stakeholders of the market.
- To keep a balance between demand and supply of shares in the market, the government can offload shares of government organizations.
- A new beginning for DSE Demutualization has been a new issue in the capital market in Bangladesh. As in the case of many other stock exchanges all around the world, steps have been taken to turn the traditional mutual stock exchanges into demutualized ones. Normally demutualization means turning a nonprofit organization into a profit oriented organization, and also turning a mutual organization owned by members into a company that is owned by shareholders. The company could be either a listed or unlisted entity that may be closely held or publicly held. Demutualization divides a member's rights into two segments—ownership rights and trading rights. In addition to the trading rights, a member acquires the ownership rights, which have a market value. So, demutualization converts a mutually owned organization into a company, which is owned by shareholders. The main differences between a mutually owned organization and a demutualized company are the functions of ownership, management and trading. In a mutual exchange these functions are handled by a single group, but in a demutualized exchange these three functions are separated and managed by different bodies. Demutualization transforms the legal structure of a mutual exchange into a business entity.

b) Conclusion

The study was carried out to find out the major reasons for the recent stock market crisis of Bangladesh up to 2016 and its impact on the investors. The market faces crisis broadly because of the speculative attack and extensive investment by banking sectors. Bangladesh Bank forces the banks to go for massive selling of their shares that they are holding thus making an increase in excess supply of shares in the market resulting in a fall in the price of share. A number of reasons for the stock market crisis have been identified in this study. Though many causes were identified, few factors emerged stronger in the recent stock market crisis as those are pointed by majority of respondents.

The causes includes over exposure of banks and financial institutions, poor monitoring of regulators, margin loan, insider trading, lack of general investor's knowledge, imbalance of share and intervention of Bangladesh Bank. The crisis made changes in the investor's perception now they reduce their investment in risky securities and also to have less expected return on their investment. The regulators and government have developed role and functions to minimize crisis. But they need to develop more and introduce new tools, strategies, directives, rules and regulations for market development and to prevent this kind of stock market crisis in future. Providing education on the stock market to the general investors and taking strict actions against manipulators can improve the situation and prevent this kind of crisis in the future.

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