

Catastrophe in Stock Market of Bangladesh: Impacts and Consequences

(A study on recent crash of Stock Market with a Reference to DSE)

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Abstract- A crucial part of an economy is Stock Market which acts as an intermediary for the movement of funds between surplus units and deficit units. A well-functioning capital market plays an important role in mobilizing savings and investments for organizing the production of goods and services, creating employment opportunities, and enhancing economic development. But any sort of disorder in the capital market may negatively affect the economy as a whole. The present study is an endeavor to explore the impacts and consequences based on a chronological analysis of stock market in Bangladesh and to provide some recommendations to overcome the present crises.

Keywords- Catastrophe, Stock Market, Regulatory bodies, Investors, Government.

1. Introduction

In a market economy, the capital market plays a vital role in the efficient allocation of scarce resources. Well-functioning and developed capital markets augment the process of economic development through different ways such as encourage savings, draw more savers and users into the investment process, draw more institution into the intermediation process, help mobilize non financial resources, attract external resources, bring disciplines in the sick organizations and invest for organizing production of goods and services and create employment opportunities (Chowdhury, T.A., 2005). There is a saying that the stock market is the pulse of the economy.

There is no doubt that a vibrant capital market is likely to support economy to be robust but two major catastrophes in the capital market of Bangladesh within one and half decades do not indicate the

existence of a vibrant market; rather these show a highly risky and unstable capital market. The recent surge in the capital market has shaken the whole country as millions of people became insolvent within a very short span of time. It was observed in 2010 that the DSE general index was the highest ever which made it Asia's top performer after China (Islam, 2011), while the reverse scenario was scaring investors in the 1st quarter of 2011 as the lowest ever in the index observed during that period.

2. Objectives of the Study

The main objective of the study is to analyze the impacts and consequences of the recent catastrophe in the stock market of Bangladesh. To achieve the main objective, the study sets the following specific objectives:

1. To depict the present scenario and the recent crash in the stock market of Bangladesh through a chronological analysis of stock market in Bangladesh.
2. To identify the impacts and consequences of the recent catastrophes in the stock market of Bangladesh.
3. To provide some recommendations to avoid such crisis in the stock market in future.

3. Methodology of the Study

The present study is done based on both secondary and primary data. Secondary data were taken from different relevant studies, national and international dailies, websites of SEC, Bangladesh Bank, DSE, and CSE.

Primary data were collected through a structured questionnaire survey.

Table No.1: Involvement with the stock market

Involvement as:	Investor	Financial Analyst	Regulator	Broker	Total
Frequency	255 (78.95%)	11 (3.41%)	6 (1.86%)	51 (15.80%)	323 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

350 questionnaires were administered among various stakeholders of the capital market and totaling of 323 respondents responded correctly out of which 255 (78.95%) are investors, 11 (3.41%) are

financial analysts, 6 (1.86%) are executives of regulatory bodies and 51 (15.80%) are employees of brokerage houses. The respondents were chosen randomly from Dhaka Metropolitan area.

Table No. 2: Demographic Characteristics of the Respondents. Age, Profession and Educational Status of Investors in capital market

Age	20-29	30-39	40-49	Above 50	Total
Frequency	136 (42.11%)	169 (52.32%)	18 (5.57%)	-	323 (100%)
Profession	Business	Service	Housewife	Other	Total
Frequency	15 (4.64%)	265 (82.04%)	9 (2.79%)	34 (10.53%)	323 (100%)
Education	Undergraduate	Graduate	Post Graduate	More	Total
Frequency	44 (13.62%)	17 (5.26%)	238 (73.68%)	24 (7.43%)	323 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

Based on age, the respondents were classified as: 136 (42.11%) respondents fall in 20-29 years, 169 (52.32%) respondents fall in 30-39 years and 18 (5.57%) respondents fall in 40-49 years. As per profession, 15 (4.64%) are businessmen, 265 (82.04%) are service holders, 9 (2.79%) housewives,

34 (10.53%) are others. According to the educational background, 44 (13.62%) respondents are undergraduate, 17 (5.26%) respondents are graduate, 238 (73.68%) respondents are post graduate, 24 (7.43%) more or others.

Table No. 3: Why have you invested in stock market/ Reason of involvement?

Opinion	To create self dependency	To upgrade social status	To earn higher return	Easy to invest	Others	Total
Frequency	66 (20.43%)	36 (11.15%)	119 (36.84%)	37 (11.46%)	65 (20.12%)	323 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

Based on the reason or objective of involvement or investment in stock market the respondents can be classified as: 66 (20.43%) to create self dependency, 36 (11.15%) to upgrade social status, 119 (36.84%) to earn higher return, 37 (11.46%) easy to invest and 65 (20.12%) other reasons. Finally according to the sources of capital the respondents can be divided into

few groups as: 161 (52.96%) investors invested only own money, 31 (10.20%) investors invested taking fund from husband or father or relatives, 41 (13.49%) investors invested taking bank loan, 24 (7.90%) investors invested taking margin loan from broker, 47 (15.46%) investors invested both own fund & taking loan.

Table No. 4: Duration of involvement with stock market

Duration in Years	Less than 2 years	2-3 years	3-4 year	More than 4 years	Total
Frequency	68 (21.05%)	85 (26.32%)	51 (15.80%)	119 (36.84%)	323 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

Based on the duration of involvement with the stock market, 68 (21.05%) respondents are involved for less than 2 years, 85 (26.32%) for 2-3 years, 51 (15.80%) for 3-4 years and 119 (36.84%) for more than 4 years.

To depict the present condition of the stock market two variables, that is, Capital market at present, and Surge and fall in capital market in 2010 were considered. To evaluate the impact of the recent catastrophe, four variables such as loss of own capital, loss of borrowed capital, interest expense, and loss of income were considered. Simple statistical techniques like frequency distribution, percentage of frequency were used to analyze the collected primary data.

4. Limitations of the Study

The present study is a self funded work which was done within a very short period of time and therefore it was not possible to collect opinion of all types of people relating to the stock market. It could be much more representative and comprehensive, if opinion could be collected from many more respondents.

5. Present Scenario of Stock Market and Recent Catastrophe

5.1. Capital Market at present

On July 24, 2011, the number of active listed companies in the two stock exchanges DSE and CSE were 270 (236 A-Category, 9 B-Category, 5 N-Category and 20 Z-Category) and 212 respectively while there are 54 companies in the Over-The-Counter (OTC) Market. Among them, the number of mutual funds traded is 32 in both the stock exchanges and that of bond traded in both DSE and CSE is 3. The market capitalization in the two stock exchanges is €29652.257 million and €24061.00 million respectively. The number of B/O Account holders at present is about 3.3 Million. Among them about 0.6 million are women. In the month of June, 2011 average daily turnover in DSE was €47.7523 million and in CSE it was €5.7303 million. Again the turnover has been showing an increasing trend as it stood at €186.998 million in DSE and €19.005 million in CSE as on July 24, 2011.

5.2. Surge and fall in Capital Market in 2010

In 2010 the market reached its peak and on 13th October, 2010 DSE regulators warned of a looming collapse in stock market as all flurry cooling measures

failed to end a record breaking bull run. While the DSE general index reached from 1318 in 2003-2004 to 3010 in 2008-2009 in five years, it hiked double in single fiscal year 2009-2010 to 6153. It had hit a new height in consecutive five months reaching 8602 in 30th November, 2010 followed by a 290 points drop to 8290 in one month followed by a series of drops before the massive market crash on 10th January, 2011 to 6499. With a rebound on 12th January, 2011 to 7690 the index again fell on 19th January, 2011 by a single day 587 points-fall leading to a second crash. The capital market had to suffer another crumple in ten days while on 20th January, 2011 trading was halted at a loss of 587 points or 8.5% plunge within five minutes of start of trading, although it crossed the circuit breaker threshold of 225 points by a huge margin. The SEC has introduced the new circuit breaker a day earlier although it did not work at all (Akkas, 2011).

From that slump to till now the stock market in Bangladesh is continuing its lame run having some small crack and bounce. DSE General Index has shown a peculiar trend since 29th November, 2010. It declined from 8599.411 as on 29th November 2010 to 5612.519 as on 12th May 2011 with many sharp ups and downs as shown in the following graph:

Table No. 5: DSE General Index from November 2010 to May 2011

Date	DSE General Index	Change in General Index	Date	DSE General Index	Change in General Index
29/11/10	8599.411	--	20/02/11	6389.625	+810.120
05/12/10	8918.514	+319.103	28/02/11	5203.085	-1186.540
19/12/10	7654.405	-1264.110	10/03/11	6639.181	+1436.096
02/01/11	8304.589	+650.184	27/03/11	6094.639	-544.542
05/01/11	7948.431	-356.158	10/04/11	6556.520	+461.881
10/01/11	6499.436	-1449.000	26/04/11	5806.309	-750.211
12/01/11	7690.690	+1191.254	03/05/11	5865.709	+59.400
20/01/11	6326.345	-1364.350	08/05/11	5611.471	-254.238
30/01/11	7572.610	+1246.265	11/05/11	5482.874	-128.597
07/02/11	6394.531	-1178.080	12/05/11	5612.519	+129.645

Source: www.bloomberg.com (Access Date: 12-05-2011)

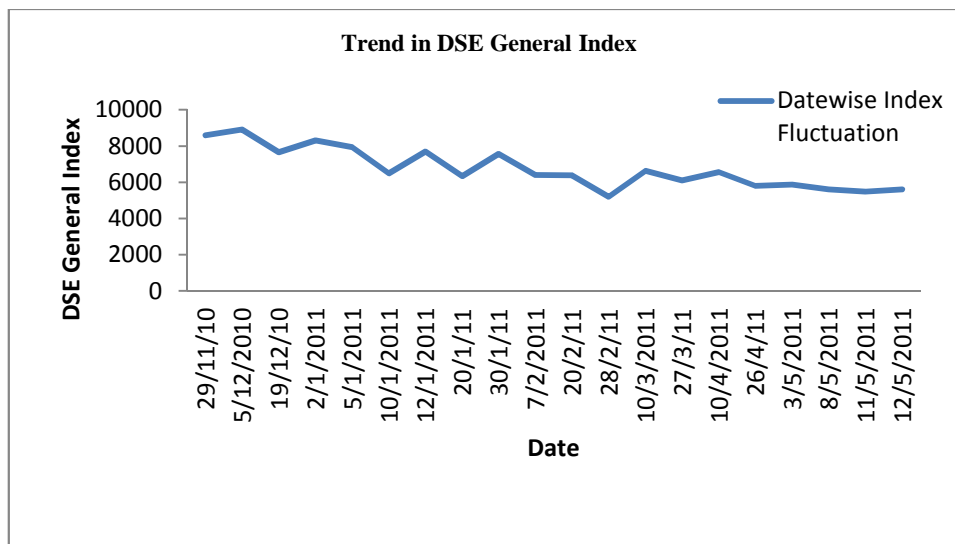


Figure No. 1: Showing the Movement of DSE General Index from November' 10 to May-'11

6. Reasons of Recent Catastrophe in Stock Market

From the study it is found that 17.34% of the respondents think cause of the recent catastrophe in the stock market is the lack of government

awareness/control over the stock market, 23% respondents believe for apathetic aspects by the SEC, 13.31% feel for lack of adequate supervision of the investments of the commercial banks by the central bank, 36.22% realize for the syndication or manipulation in the stock market and the rest 10.53% assume the Lack of proper knowledge/ skill of investors.

Table No. 6: Most serious cause of the recent catastrophe in the stock market

Opinion	Lack of Govt. awareness/control over the stock market	Role of SEC	Role of Bangladesh Bank in controlling the investment of commercial Banks	Syndicate in Stock Market	Lack of proper knowledge/ skill of investors	Total
Frequency	56 (17.34%)	74 (23%)	43 (13.31%)	117 (36.22%)	34 (10.53%)	323 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

7. Impact of the Recent Catastrophe

From the study it is found that the sources of capital of the investors are different.

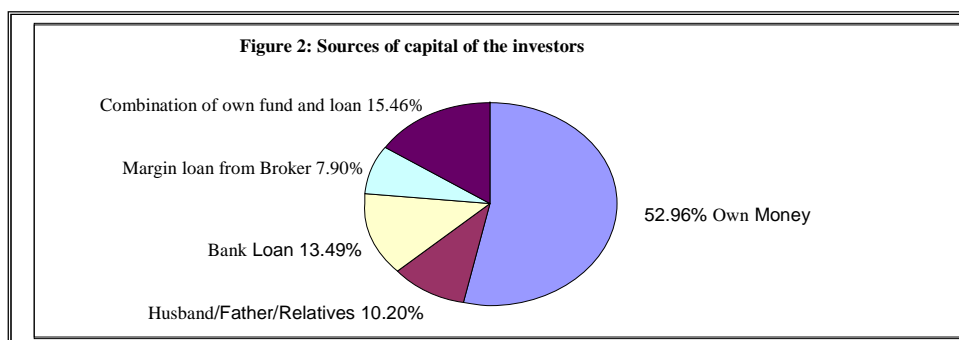
Table No. 7: Sources of capital of the investors in stock market

Sources of Capital	Own money	Husband or father	Bank loan	Margin Loan from broker	Combination of own & loan	Total
Frequency	161 (52.96%)	31 (10.20%)	41 (13.49%)	24 (7.90%)	47 (15.46%)	304 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

Out of 304 investors surveyed, 161 (52.96%) investors invested only own money, 31 (10.20%) investors invested taking fund from husband or father or relatives, 41 (13.49%) investors invested taking bank loan, 24

(7.90%) investors invested taking margin loan from broker, 47 (15.46%) investors invested both own fund & taking loan.



Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

7.1. Loss of own capital

The investment of 151 (49.67%) investors surveyed was in the range of €967.3 to €4836.6, the one of 8 (26.97%) investors surveyed was in the range of €4836.6

to €9673.1 and only 12 (3.95%) investors had investment of €14509.7 and above.

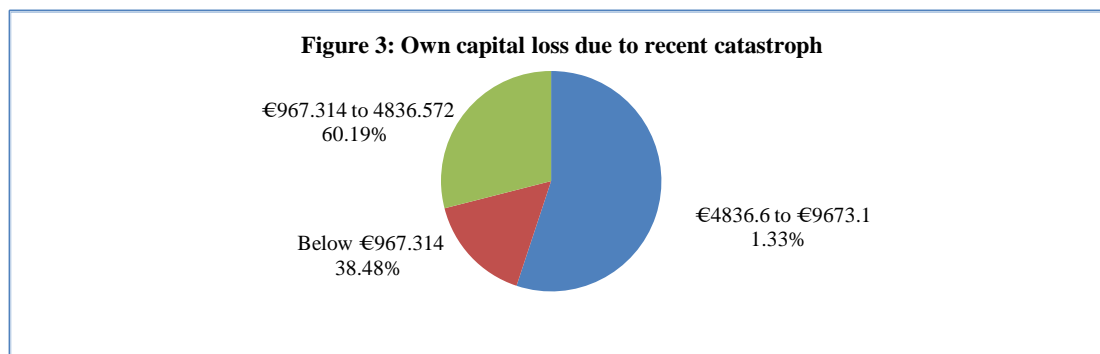
Table No. 8: Comparison of original investment and investment after catastrophe

Class of Investment	Below €967.314	€967.3 to €4836.6	€4836.6 to €9673.1	€9673.1 to €14509.7	Above €14509.7	Total
Before Slump	28 (9.21%)	151 (49.67%)	82 (26.97%)	31 (10.20%)	12 (3.95%)	304 (100%)
After Slump	46 (15.13%)	169 (55.59%)	62 (20.39%)	19 (6.25%)	8 (2.63%)	304 (100%)
Change	5.92%	5.92%	-6.58%	-3.95%	-1.32%	-

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

While 82 investors (26.97%) were in the investment range of €4836.6 to €9673.1 and 31 (10.20%) in the investment range of €9673.1 to €14509.7 before the catastrophe, it came down to 62 (20.39%) and 19 (6.25%) respectively showing a decline of 24% and 38% respectively after the slump. Again, the number of persons having investment above €14509.7 was 12 which is now 8 causing a decline of 50%. Among the investors surveyed 183 have

suffered a loss ranging €967.3 to €4836.6.



Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

More specifically, it can be observed from the above graph that 117 (38.48%) investors under survey lost below €967.314, 183 (60.19%) investors

under survey lost €967.3 to €4836.6 and 4 (1.33%) investors under survey lost €4836.6 to €9673.1.

Table No. 9: Own capital loss for the recent catastrophe in the stock market

Own capital loss	Below €967.314	€967.3 to €4836.6	€4836.6 to €9673.1	€9673.1 to €14509.7	Above €14509.7	Total
Frequency	117 (38.48%)	183 (60.19%)	4 (1.33%)	-	-	304 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

7.2. Loss of borrowed capital

The investors also invested taking loan from banks and brokerage houses.

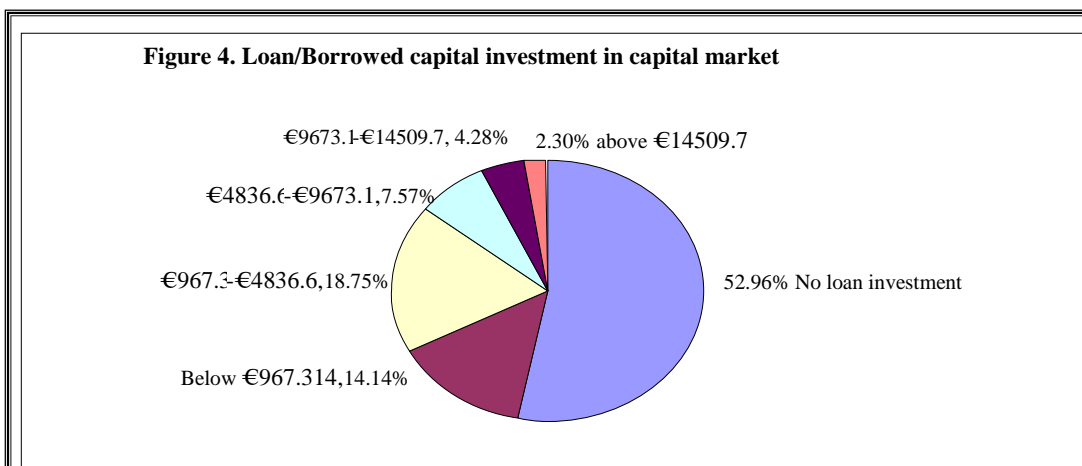
Table No. 10: Amount of investment taking loan from different sources

Class of loan	No loan	Below €967.314	€967.3 to €4836.6	€4836.6 to €9673.1	€9673.1 to €14509.7	Above €14509.7	Total
Frequency	161(52.96%)	43 (14.14%)	57 (18.75%)	23 (7.57%)	13 (4.28%)	7 (2.30%)	304 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

Among the investors under survey, 43 (14.14%) investors have taken loan of below €967.314, 57 (18.75%) investors took loan in the range of €967.3 to €4836.6, 23 (7.57%) investors took loan in the

range of €4836.6 to €9673.1, and 13 (4.28%) investors took loan in the range of €9673.1 to €14509.7, while only 7 investors (2.30%) took loan above €14509.7.



Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

It is revealed from the study that the impact of the catastrophe is severe, especially on those who have taken loan.

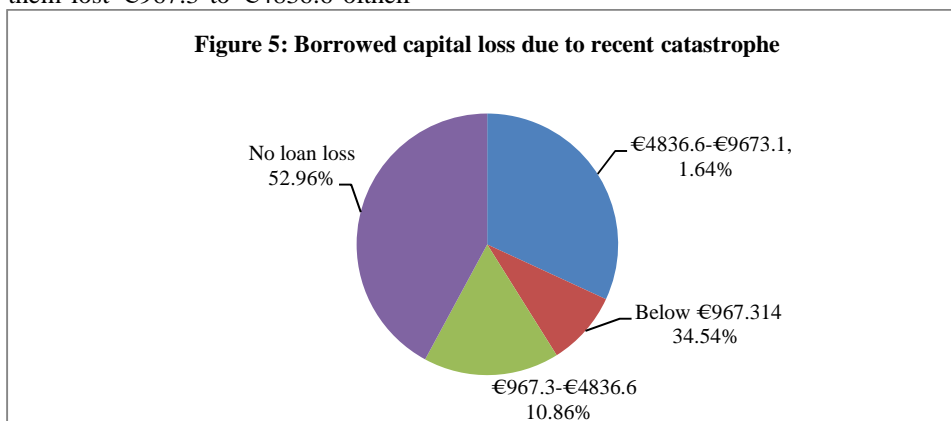
Table No. 11: Borrowed capital loss for the recent catastrophe in the stock market

Borrowed capital loss	No Loan lost	Below €967.314	€967.3 to €4836.6	€4836.6 to €9673.1	€9673.1 to €14509.7	Above €14509.7	Total
Frequency	161(52.96%)	105(34.54%)	33(10.86%)	5 (1.64%)	-	-	304(100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

Out of 143 investors who have invested taking loan from different sources, 105 of them lost below €967314 of their loan, 33 of them lost €967.3 to €4836.6 of their

loan, 5 of them lost €4836.6 to €9673.1 of their loan which are now to be paid from their personal assets.



Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

7.3. Interest Expense during the period of catastrophe

The investors who have taken loan suffered not only for the loss of loan but also for interest payment on their loan which made the condition even worse.

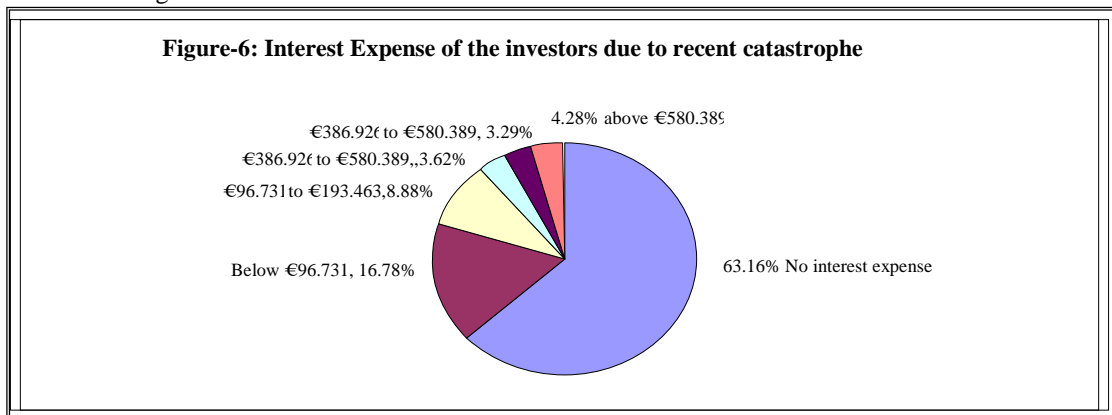
Table No. 12: Interest expense on the borrowings during this situation in the stock market

Interest Expense	No interest Expense	Below €96.731	€96.731 to €193.463	€193.463 to €386.926	€386.926 to €580.389	More than €580.389	Total
Frequency	192 (63.16%)	51 (16.78%)	27(8.88%)	11 (3.62%)	10 (3.29%)	13 (4.28%)	304(100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

The study shows that 192 (63.16%) investors have no interest expense because they have no loan or they invested taking loan from husband or father

or relatives. 23 (7.57%) of the investors require paying interest expense of €386.926 or above.



Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

7.4 Loss of income earned before catastrophe

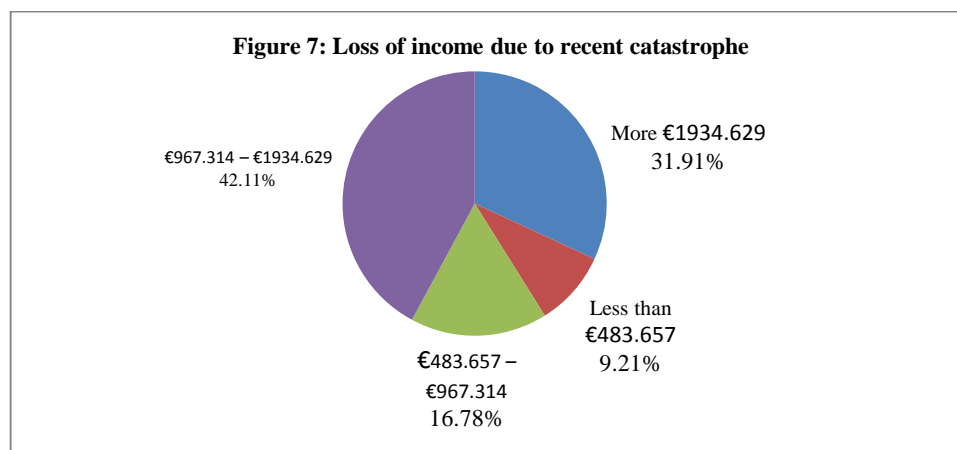
It is also found that 128 (42.11%) investors out of 304 have lost their earned money of €967.314 to €1934.629, and 97 (31.91%) have lost their earned

money of more than €1934.629, which they earned before the recent catastrophe. The 9.21% number of investors falls in the range of less than €483.657, which indicates a heavy loss of investors for the recent catastrophe.

Table No. 13: Loss of income for the recent catastrophe in the stock market

Loss of income	Less than €483.657	€483.657– €967.314	€967.314– €1934.629	> €1934.629	Total
Frequency	28 (9.21%)	51 (16.78%)	128 (42.11%)	97 (31.91%)	304 (100%)

Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.



Source: Own Survey on Investors, Brokers and Regulators in Dhaka during March-May, 2011.

Investors in the stock market not only lost their past earnings but also lost the current income. Many unemployed and retired persons also invested their last resorts in the capital market to earn something for living in a better way; but they are also suffering much due to this catastrophe in the stock market.

8. The uniqueness of the recent Crash

Compared to other stock market crashes, crash in the Bangladesh capital market is unique and unprecedented in two criteria; firstly, the reasons behind the crash mostly observed from the recent crash in Bangladesh stock market are rumor and investors' psychology & negative attitude, lack of knowledge about stock market, delusive speculations, and even smart manipulation which were not absolutely seen in the crash of other stock markets.

Secondly, the impacts and consequences of this crash are much deep rooted which may hinder overall capital formation. Although global economic crisis could not much affect the economy of Bangladesh but the recent crash in Bangladesh capital market shook most of the economic aspects of the country resulting huge loss of capital of investors, reduction of employment opportunities, develop crack in the confidence of the investors and so on.

9. Recommendations of the Study

It is crystal clear that for the sustainable development of stock market all the parties concerned must work in a harmony as failure of any of them may lead the market to a further long decline towards a deep dark tunnel. So, we would like to suggest a few recommendations for different stakeholders of capital market.

9.1. Recommendations for the Government

There is no doubt that the failure of the government in making various decisions regarding capital market played role behind the recent crash which was also admitted by the Planning and Finance Minister in his different speech. Thus, the govt. should ensure the followings:

- i. Government should ensure the supply of fundamentally strong shares in the market to meet the demand which will make the market efficient as investors would not go for buying junk shares. For ensuring the supplies of such shares, Government can offload the shares of different companies which it possesses now. It also can urge the private limited companies to go public by offering tax benefits through fiscal policy. Even it can offer shares to the public for infrastructural development work like constructing big bridges, highways and power stations.
- ii. Government must ensure the appointment of skilled and capable personnel in different

regulatory bodies and must give punishment to the persons responsible for any kinds of irregularities.

- iii. The responsible persons of the Government should refrain from delivering irrelevant, irresponsible and sensitive speeches which many of them did before.
- iv. Government should ensure more active merchant banks to participate in the smooth building of a sound stock market.
- v. Government must ensure that the chairman and members of the Investment Corporation of Bangladesh (ICB) are honest and skilled. Any sort of direct or indirect involvement of any of the ICB members and officials in the stock market must be stopped in any way.
- vi. Government should delegate all power to the SEC to take legal actions against the criminals. Even if necessary, new Act may be passed in the Parliament in this regard.
- vii. Flow of black money in the capital market must be restricted as it can never bring any good results in the long run other than creating bubble in the stock market the blast of which nothing but a disaster.

9.2. Recommendations for Securities and Exchange Commission (SEC)

SEC as the guardian of capital market should play significant role to make it march forward. It must ensure the followings:

- i. SEC must ensure that neither of its members nor any of its officials is involved either directly or indirectly with the transactions in the stock market.
- ii. The monitoring and surveillance should be strengthen so that none can get chance to gamble.
- iii. SEC must have its own certified Chartered Accountants to ensure the accuracy of the Financial Statements of the listed companies and they should give punishment if the books of accounts are not accurately audited.
- iv. SEC must rethink about the rule of disclosure of quarterly financial reports by the companies because many of the companies misused it as a vehicle of misleading the investors. In fact, it became a common practice of most of the listed companies to show high quarterly EPS in its un-audited quarterly report to bring down P/E ratio. In some cases, it is seen that a few companies' annual audited EPS for the year ended 2010 was lower than its accumulated EPS of three quarters.
- v. It must ensure speedy disposal of decision for market operation and all the decisions

should be taken considering the long term effect on the market.

- vi. To bring fundamentally strong private companies in the capital market, there is no alternative of Book Building Method of IPO. So, the postponed Book Building Method must be reintroduced with necessary correction to resist all sorts of manipulation.
- vii. It is high time for SEC to take a decision regarding the stocks in the OTC market because huge amount of money has been blocked due to inefficient OTC market. The companies in the OTC market should either be de-listed and their assets and liabilities should be settled or these companies may be brought in the main market through acquisition by the Government or by the interested entrepreneurs restarting production of those enterprises.

9.3. Recommendations for DSE and CSE

Both Dhaka and Chittagong Exchanges have important role to play as the monitoring authority of the Broker Houses. So, they need to play vital role by ensuring the followings:

- i. They must ensure proper monitoring of the brokerage houses for which more skilled manpower should be appointed in the Monitoring and Surveillance Team.
- ii. Any sort of irregularities in case of trading should be identified promptly and immediate action should be taken.
- iii. The operating software of both the stock exchanges should be updated as often these fail to take immediate sale or buy order especially that of CSE is very poor. Sometimes, it is seen that trade in DSE is on progress but due to technical problem CSE has postponed its operation which is really a big problem as it creates a gap between the prices of script in two stock exchanges. So, they must bring new software within the shortest possible time.
- iv. Now there is a common practice by DSE and CSE to ask for query for price hike of any script which is nothing but a routine work. To make such query fruitful, visible action should be taken if any involvement of sponsor/directors is identified.
- v. To aware investors having no or insufficient skills about the investment in stock market should be trained through different training programs, seminars and motivating fair.
- vi. Last but not the least that the stock exchanges need to be de-mutualized as it is the demand of time now to have a new corporate governance structure for more effective conflict management among market participants, and to make more quick decision with greater flexibility (Chowdhury, A.K.M., 2005).

9.4. Recommendations for Bangladesh Bank

Though Bangladesh Bank is the regulatory body of Money Market; but its decisions are also reflected in the capital market as the money market and capital market are interrelated. In this regard it has the following roles to play:

- i. It must ensure that the Banks and Other financial institutions' exposures do not exceed the limit from the very beginning. But in the recent slump it failed to do so as it could not monitor the involvement in the early periods while it put pressure on the banks to readjust their capital market exposures at the eleventh hour which accelerate a huge sale pressure from their side.
- ii. It must ensure the proper functioning of the Merchant Banks through arranging money from the parent company to mitigate liquidity crisis.
- iii. It should keenly monitor the loan of the commercial banks to industrial sector and take regular feedback so that no industrial loan may flow to the capital market. It is found that in case of recent catastrophe, it failed to do so as about €7.85169 million taken for industrial loan has directly been invested in capital market according to the report of newspapers published in most of the dailies as on 5th December, 2010. Moreover, Bangladesh Bank has identified a Readymade Garments Exporter to take loan of €3.9258 million and €80697.928 for his business purpose and to invest in the capital market while a Berth Operating Organization of Chittagong port did the same amounting to €545256.270 and €1090.513. According to a report published in the Daily Prothom-Alo on 5th November, a listed company has taken loan from a Government owned bank and invested in the stock market. There are many other such examples which urge for proper monitoring of Bangladesh Bank on time.

9.5. Recommendations for Institutional Buyers

Institutional Buyers (Mutual Funds, Merchant Banks etc.) ensure balance in capital market through reacting according to the interaction between demand and supply. But in recent past they completely did the opposite as when there was huge sales pressure in the market instead of buying, they also sold shares in a large scale resulting further decline. Their behavior in that case was not different from individual investors. Hence, they need to act in the way mentioned below:

- i. They must show mature behavior to ensure balance in the stock market by buying shares when there is sale pressure and vice-versa.

- ii. In providing margin loan, they must follow the rules as prescribed by SEC as well.
- iii. They should advise their client giving emphasis on the benefits of the clients instead of thinking their own benefits only.
- iv. At the time of huge decline they should not be involved in forced/trigger sale of clients' shares without giving them any chance to adjust their loan.
- v. All sorts of transactions through omnibus accounts should be restrained.

9.6. Recommendations for Individual Investors

No matter what is the reason of a crash, individual investors are the ultimate losers. Hence, it is their own responsibility to take care of their own money and they ought to consider the following things while taking investment decisions.

- i. Before investing in a particular script they must analyze the key factors of that company to justify whether the company is fundamentally strong. Such factors include EPS, P/E Ratio, dividend policy, future growth, industry average etc.
- ii. In analyzing financial strength of a company they must consider the audited annual reports instead of quarterly un-audited report as often these information is not accurate or do not reflect the real position of the company.
- iii. They must restrict themselves from buying junk shares and taking whimsical investment decision.
- iv. They must build their portfolio in a way which will involve at least three or four different types of fundamentally strong shares from different industries. It should also contain shares considering both long term and midterm benefits.
- v. Instead of being traders, the retail investors need to think of being investors.

- vi. They ought to keep some cash for emergency so that they might buy more shares (fundamentally strong) which they bought earlier when there is a big decline in price.
- vii. They should not buy on the basis of rumor or following advices of the persons who do not possess sufficient knowledge about capital market investment.
- viii. They ought to participate in different seminars and training programs relating to stock market to enhance their knowledge and skill in making stock market investment decisions.
- ix. They must know that both gain and loss are the indispensable parts of stock market. Instead of looking for gain, sometimes they must accept loss with patience so that they may recover the loss in future through higher gain.
- x. Above all, they must understand that perseverance and patience is the key to success in investing in capital market.

10. Conclusion

As an important part of the economy of the country, well-functioning of the capital market is a must for the industrialization process of an under-industrialized country like Bangladesh but instability in the same may negatively affect the total financial system. Therefore, all related stakeholders including Government, Regulatory bodies, Listed Companies, Brokerage houses, institutional investors, and retail investors should act rationally to maintain the stability in the capital market for the greater interest of the country. However, to resist any crisis in the capital market of Bangladesh the compliance of recommendations by all the stakeholders recommended can make a difference in the capital market of Bangladesh and the economy as well.

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