

## CHAPTER –5

### Conclusion and Recommendations

#### 5.1. CONCLUSION OF THE STUDY

- a) The research was conducted to analyze and the measure the program face by the Bangladesh capital market and intend to provide solution to those problem. This study select the thirty sample unit that exit in the Dhaka stock exchange investor.
- b) The research face difficult, as the time was limited and the resource for the research was limited as-well. Therefore, the study employ the interpretation and analysis the collected data through the measurement the scales which indent to interpreted and analysis the respondent's characteristics. The respondents characteristics are rated on the variable chosen by the study as the manner of the evaluating the capital markets investor opinion.
- c) On the bases of the research objective analysis of the collect the data and result are discussion, this study suggests that the capital market is a very powerful and effective agent for positive change. Bangladesh capital market is still very small; however, it has a plenty of possibilities. Government of Bangladesh must play a significant role to make it successful in our country.
- d) The great recession had effected the earth badly and some investor does confusion the recession of 2008 with depression of the 1930. Moreover, the economists around the global had predicted that this recession will greatly affect the economic growth, the contraction business and the affect the capital market as the core critical issues in this case. In situation, the developing countries will feel the heat of the situation and will hurry to device the policies to give them some safeguards, so there not suffer much from the situation and suggest that to cut costs in all possible manner and save the money which will help in collecting more resources for the recuing the badly effective sectors.

- e) Role of accountants is very significant; sometimes audit report does not replicate the real thing. There remain interventions of board of directors. Lessons from conservative approaches towards using financial products by the developing countries.
- f) Prudential guideline and close monitoring of the central bank have help us. In the present financial perspective risk management will have to be addressed adequately. In Bangladesh, among about 14000 businesses, only 310 businesses are listed. Enterprise governance is not maintained, managed earning is quite high here.
- g) This study suggests that the SEC should make long-term sustainable decisions after taking into account opinions of all the stakeholders to stabilize the market, as many investors have lost confidence due to frequent change of decisions by the regulator. This study suggests that the capital market in the nation can aid in the growth for over all economy, and play an important role between the intermediary savers and firms, who are looking for extra financing for business development. Vivacious capital is likely to maintenance a healthy economy in the nation.
- h) The market is run and control by the commercial banks who does provides the valuable support for the corporate development and also grows the stock market that is an important prerequisite for moving into more developed market. The Country's stock market is self-confident for quick expansion, which needs the CSE, SEC, DSE and all market players should work together with the support of the government.
- i) The nation government must emphasize on the improvement of the governance and create an advanced market product, for instance swaps and derivatives. In the recent time crisis of capital market lots of factor are involve such as insider trading, syndication, government rules and regulation, absence of SEC activities , unconscious investor, political instability, unethical behavior of member of SEC also brokerage house member etc.

## **5.2. IMPLEMENTATION OF THE PRESENT CRISIS SITUATION**

### **Several reason have been identifying for the present financial crisis.**

- Mutual trust is that the international financial disaster happened for the current financial crisis.
- Credit rating agencies report has not been reflected the real situation.

- Securities are one of the mechanisms to organize liquidity used in advanced countries. Mortgage-backed securities were termed the main reasons for financial meltdown.
- Part of organization the accounting is also significant. Trustworthiness of external auditing firms and financial management are also significant.
- Market analyst must provide clear thoughts to the investor about IPO.

### **5.3. RECOMMENDATIONS**

This study mainly assessed and analyzed the crisis of capital market and viable way to overcome the problem. It is recommended that future research should:

#### **5.4. Market Volatility**

The investor are concern about the instability in the market and often subject to be victim of the high price. The policy shall focus and support to take action against the controlling mechanism and volatility mechanisms. However, no action have taken or proper work had been done still today to reduce the effectively used of those mechanisms. However, as research was done on the currently usage of the mechanism and was warranted. Appropriateness of other instruments comprising of funds, securities transaction taxes merit proper, price stabilization and margin regulations care of the rule makers.

#### **5.5. Smooth Operation in the Primary Market**

In the recent time the IPOs manage to revive some positive feedback in the nation and the response is huge in the market. However, the investors still are not very comfortable in the primary market due to the following reasons; as the investor required to deposit the full amount with the application, there is some delay in holding the lottery, fewer bankers issuing the hassle in the method with the collecting refunds, payment of 20 to 25 percent of the full amount during the process of application and remaining amount with 10 days as the allotment will ease the pressure on the investors. Establishing the lottery should preferably be safeguarded inside three weeks and the entire procedure should be finished insides 4 weeks. Collective, the amount of bankers to the issuers, including locations of bank divisions and delivery of accepting online request will safeguard smooth contribution of all types of deposits.

#### **5.6. Multiple BO Accounts**

The multiple of BO accounts held by the unscrupulous investor shall not harass the genuine investor of the market. To avoid this the proper banking system needed to employ at the time of opening the bank account or maintaining the bank account. Careful inspections of compulsory

information in the BO accounts form shall exits such as the account holder name, the driver license, voter ID number, passport and the statement of the bank which will disable the investors to open fictitious multiple BO accounts. Significantly, numerous false BO books opened at the early stage of this provision should be noticed and shut instantly.

### **5.7. Expansion of the Issuer Base**

The stock market is facing the problems for the quality securities and dearth. To overwhelm the issues, the market need to issue quality share which can attracted the investors. This research suggest that Bangladesh stock market has the potential to do so. The companies with fair and clearer balance sheet, income statement needed to be register on the SEC, the companies can include the multination firms, large domestic growing companies and state-owned business. The favorable environment is needed to create in order to attracter large private firm issue their share, bond or equity. Elimination of extra charges for IPOs, decrease of time needed to complete the IPO process and reducing the high taxes in place are likely to help create such an environment.

### **5.8. Fair Value of Share**

The core function of full operation capital market is to provide fair valuation of the share. However, in the recent time the market fail to provide the fair valuation of the share in both the primary and secondary market of the equity in the nation. In the 2010, it's often seen the offer prices were less than average of the trading prices of the first three days by two to eight times. This suggest that the issuers are subject to not fair price for their share. As this was discovery in the price, the direct listing rules need to imply along with a book building system shall be introduce quickly. Similarly, the fair pricing shall be existing in the secondary market, foreign and local institutional as well for the individual investors required to be enticed.

### **5.9. Incentives for Issuers**

The equity market can improve in number of was such, the reduction in time need to create the compliance for the numerous formalities, improvement in cost of the equity that is offer to the public, the income generate for the income of PLC shall be tax-free, remove the problem of double taxation, give the tax vocation and grant to the CIP status for sponsoring the PLC. Also the monitoring agencies such as DSE, CDBL, SEC and CSE and credit rating firm required to play the integrated and proactive role in making the straightforward of bureaucratic details and eliminate the repetition of effort in diverse activities. Innovative rules required to be introduced to deliver incentives to the existing as well as prospective issuers.

### **5.10. Advertisement**

The SEC need to educated, create the awareness and promoted programmers in the market, which consist of potential investors and issuers. The promoting can also be achieve by introducing the training programs to potential investors and promote thought the print or electronic media that can target global and local market.

### **5.11. Foreign Portfolio Investments**

The stock market in Bangladesh has subject to the lack interest of the foreign, to invest in the market that result in very fewer foreign investor in the market. Stock market member needs ensure to create the favorable situation for the foreign investor to invest. This needs the number of thing, like the stability in the political, creating of the information infrastructure, selective of deregulations. Therefore, the image building policy needed to created and promote the market locally and internationally.

### **5.12. Securities and Exchange Commission**

In recent the SEC has changed it attitude and insisted to employs strict rules and guidelines, has created the circuit breakers and using the international surveillance system to ensure the fair play take place. It SEC duty to protect the investor's interest and emphasize on providing the fair environment for issuers. The list the firms on the stock market must issue their financial report and the report needed to be true and the SEC shall consider to Act like the US Sarbanes-Oxley Act of 2002. At the time of de-listing the companies the SEC should ensure the de-listing companies re pay investor's funds at least at the current market value.

### **5.13. Brokerage Houses**

The growing number in the brokerage houses and its divisions shall increase the services beyond metropolitan areas. The houses are needed to spend to conduct quality research on the stock market and provides or share their finding with other listed companies on the stock market. To improve the liquidity in the market, the fixed commission rate is required to be listed and negotiable rate trading shall be replaced. Allegations, such as selling shares at high price without investors' consent and later replacing them by buying the same number of shares at convenient times, need to be investigated.

### **5.14. Stock Exchange**

The time span needed to improves and the stock market is required to cut the time span, which will lead to improve the making listing of the decisions and will increase the capacity to deal with the rising trade volumes. Moreover, the SME platform is needed to be created within the

current structure of the stock exchange that separate the regulations, rules and registration, delisting and listing. Also the separate trading time is needed for the SME.

### **5.15. Government Initiatives**

An ideally government bond market is required to be formed which will facilitate the corporate bond market structure in the nation and will create the benchmark yield curve. That aid in creating the market based interest rate, which allow to create new financial product and aid in the quick payment and settlement method. Moreover, the positive or negative efforts are required to educate the prospective investors, issuers and core dealers. The model of a government securities yield curve foundation on supposed the risk-free interest rate is essential to efficiently price corporate bonds. The government can take some necessary action by issuing the treasury bonds with some bucket of maturities with the period not extending for 10 year period. This action by the government will aid in creating a strong investor and issuer base. Hence, this give government an institutional of the investors natural and supply with the desire fund in the debt market. The government must courage the investor to invest in the corporate bonds market with good ratings.

### **5.16. Innovative Financial Products**

The market is consideration to introduce the Islamic bond merit, fixed-coupon bonds and zero-coupon bonds. The other treasury inflation bonds as the deep discount bonds, TIPS and yield bonds can aid in laying the architecture for corporate bond market in the nation. The government can advantage by issuing their bond for raising the fund for their project development. Bonds like treasury inflation – protected securities (TIPS), SUKUK Bond, High – Yield Bonds (HYB) and Deep Discount Bonds may also help to lay out the corporate bond market architecture Corporations from numerous sectors may be cheered to step in future.

### **5.17. Market**

The market which consist of private and public placement is considered as the active market. The private placement place emphasize to courage the initial stage, so the issuers can issues their securities quickly and sell with low distribution cost and with less formalities. Moreover, the marketability of securities is measured as a disadvantage of private placements, this drawback needed to be improved. At the same time, the issuers should have the chance the to issue securities at the public placement maker. The issuers must to be courage to issues the debt securities in both the public and private placement market. This can achieved by the have the proper the regulatory outline and fiscal incentives. This study suggest that the Over the-Counter

market can be useful in this regards to be used for the corporate bond trading and shall have proper establishment for the secondary market.

### **5.18. Knowledge-Based Trading**

The PD licenses hold parties, which include the financial institutions and banks must be activated in at least on the government bond market at all the time. It is believed that the PD would play a main role in activating the secondary market government securities and treasury. This action by PD will create more liquidity in the market and does create depth of facilitating price discovery and turnover, also aid in developing the underwriting of the market, create the market making capabilities policy outline that required to be developed by SOEs to issuing the bond and diluting buy and- hold mentality.

### **5.19. Interest Rate and the cost of Bank Finance**

The interest rate of the mobilize fund is high and this rate is discussion by the banks and government. The high interest rate does increase the borrowing cost for the organization. This percentage of the interest rate can changed with good coordination and communication among the regulatory authorities, banks and government. Moreover, the banks can manage to lend the loan at low interest rate, on the hand, the organization issuers need to pay more interest rate to the bond investor. In this situation, the loan default atmosphere is created and the interest waiver provision must be rescinded.

### **5.20. Trustee**

Few insurance firms and ICB who work as trustees, has failed to do their assigned work properly. The few of the earlier issued bond or other issued failed, as the bond and issue fail to deliver the promised interest and principal was not replayed. This was due to poor perform by the trustee, who were not aware of the situation. Therefore, the trustee must be selected with proper process and select based on the capacity of firm or member and also must go through the complex documentation and aware of situation such as uncertain in the cash flow. Hence, the BB and SEC should act as the watchdogs to make sure that the issues and bond are indenture clearly and give proper right to the bond holders with not potential conflict of interest between the investors, issuers and the trustee. Lastly, trustee should act judiciously in initiating possible legal actions against the issuers for any wrong doings.

