A Project Report

on

Why Bangladesh Stock-Market has not Fully Recovered

After

2010 Stock-Market Crash

Transmittal Letter:

January 11, 2021

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Subject: Submission of Project report.

Respected Sir,

With the grace of Almighty Allah and your instruction, I am very glad to inform you that I have completed my project report which is a prerequisite to completion of BBA program at UIU.

I have given my best in the preparation of this project report. However, I request for your kind consideration on my report and grant it for evaluation.

Sincerely Yours,

Esrat Jahan Arin

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Acknowledgement:

Preparation of project/ internship report is compulsory requirement of BBA program at United International University. I am very happy and fortunate that, I have worked on Bangladesh stock-market development process and why market has not fully recovered till now after 2010th stock-market crash in this project report. As a Finance student I am quite interested about stock-market but my supervisor has helped me a lot to find out an appropriate topic for my project report by which I can learn about Bangladesh stock-market far better.

I am conveying my cordial gratitude towards my supervisor **Dr. Muhammad Musa**, Professor of United International University for guiding me properly in the process of completion of this project report.

Abbreviations:

SEC- Security and Exchange Commission

BB- Bangladesh Bank

DSE- Dhaka Stock Exchange

CSE- Chittagong Stock Exchange

BSEC- Bangladesh Security and Exchange Commission

CMDMP- Capital Market Development Master Plan

IPO- Initial Public Offering

BO- Beneficiary Owner

US- United State

MBS- Mortgage backed Securities

BEA- Bureau of Economic Analysis

CRR- Cash Reserve Ratio

SLR- Statutory Liquidity Ratio

Executive Summary

As a finance background student, I am curious about stock-market and its working process. I have chosen this topic for my report because I want to know about Bangladesh stock-market more and also want a well performing strong-efficient stock-market in Bangladesh. But due to some unwanted drawbacks we don't have so. Bangladesh stock-market have gone through two critical periods in 1996s and 2010. After 2010th stock-market crash Bangladesh stock-market hasn't fully recovered yet. So I wanted to find the drawbacks in case of stock-market development in Bangladesh.

I have organized my report in three chapter. In first chapter I have given a small introduction about my study, why I choose this topic, the scope of my study, the limitations about this study, data sources and data collection method and how I have prepared this report. In second Chapter I have given an overview of recent condition of Bangladesh stock-market. I have compared Bangladesh stock-market with U.S. stock market to find out the differences between their policies. I have also compared Bangladesh stock-market with Japanese, Chinese and Malaysian stock-market because those countries also had suffered from stock-market crash. In chapter three I have expressed my own opinion about development of Bangladesh stock-market and conclusion. References are also attached in chapter three.

Keywords: Capital-Market Development, General Index, Federal Reserve, Stock-Market Crisis, Market Stability

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Chapter 01

1.1 Introduction

In this report I have compared Bangladeshi capital-market with some other countries capital-market. I have tried to give and present overview of Bangladesh stock-market. We all know that Bangladesh stock- market had gone through two major market crash. 10 years have passed since 2010th stock-market crash but Bangladesh stock-market has failed to redeem its position till now. I have compared Bangladesh stock-market to some others market who had faced crisis but recovered so that, we can understand our barriers. If we can find the weakness of our policies, we will be able to redesign the policies for betterment.

I have found so many differences among actions & policies taken by the different country's government in market development process. I have explained those briefly, so we can understand which will be better for our market development. I have seen that other countries had taken many effective measures. Like Japanese government lower their interest rate near 0%, Chinese government provided cash to individual investors to invest backed by central bank, Malaysian government designed their recovery procedure by forming some special groups to look after the related issues. Though instant activities were conducted by government to save market from severe fall, those measures were not able to stop the crisis effectively. Security and Exchange Commission of Bangladesh also took 70 initiatives for stock-market development mostly related with tightening the regulations but those are not practiced yet appropriately. But compared to other countries with Bangladesh their actions seem more workable in this field. I have given my point of view by which Bangladesh stock-market may be benefited in recommendation.

1.2 Objective of the study

The report has two main objectives:

a) Implicit Objective: The implicit objective of the project/ Internship report is pre requisite to the completion of BBA program for every student at United International University. The whole project/ Internship program equals to 3 credit and it is mandatory for students because, it helps students to be more professional and knowledgeable about the corporate environment of today's world.

b) Explicit Objective: The explicit objective behind this report is to find out the lacking of stock-market development process in Bangladesh after 2010th stock-market crash and why the market is not strong efficient till now.

1.3 Scope of the study

This report is mainly focused on drawbacks of Bangladesh stock-market development process. It was aimed to find the reasons behind slower development of Bangladeshi stock-market. I have tried to show the causes and gave my opinion based on my study. Bangladesh stock-market has started in 1952s and till now it has gone through many ups and downs. So we have many different issues related with stock-market to work on.

1.4 Limitations of the study

While preparing this report I have faced some limitations. Due to the Covid-19 pandemic the whole country had gone through lockdown from March 26 to May 30, 2020. For this pandemic environment Bangladesh stock-market had gone for shutdown at March 25 by government announcement. The other thing is I have to shorten my report as I was unable to go DSE's corporate office to collect some data related this report, which might give various different aspects in this study. In this pandemic I had to stop my project work for a few months so there is time limitation as I have to complete the project/ internship report before deadline as per university rules.

1.5 Data

The data I have used in preparation of this report is secondary data. As it is a theoretical study I have read more than 100 articles including research papers, newspaper articles, and journals with the help of internet. Due to the Covid-19 pandemic I was not able to go DSE to collect any primary data or meet any personnel at DSE to collect any data for my study. I have read many articles about Bangladesh Stock market since it has started its journey. I have read articles about stock-market crash of 1996s also. In addition, I have read other countries stock-market crash and development related articles to understand the Bangladesh stock-market position better with other countries stock-market. First, I have shown the recent scenario of Bangladesh stock-market. Then I have shown the issue related with development and tried to find out the lacking in the development process. To do this, I have shown the measures and process taken by different countries, who had suffered a crash.

1.6 Methodology

This project report has been written based on secondary data completely. It is a comparative study among Bangladesh and other countries stock market. I have collected all data from publicly available information on internet like various websites, business magazine article, newspaper article etc.

Here, I have discussed about some influential countries stock-market like U.S. and China. I have also explained Japanese asset bubble crash and Malaysian stock market crisis. I have compared activities they performed to develop their stock-market after crash and how they have recovered from those crises. I have compared the actions taken by their government and central bank to redeem their stock-market.

Chapter 02

2.1 Current Scenario of Bangladesh Stock-Market:

Since the beginning of this year the DSE general index has increased 409 points or 9.18%. The Bangladesh Financial exchange has seen many good and bad times all through its excursion since 1952s. But the 2011's market clash was the big shock in recent time that was the biggest drop once establishing the best peak on DSEX at 8770 points. Till then the price has never gone to retest its price high.

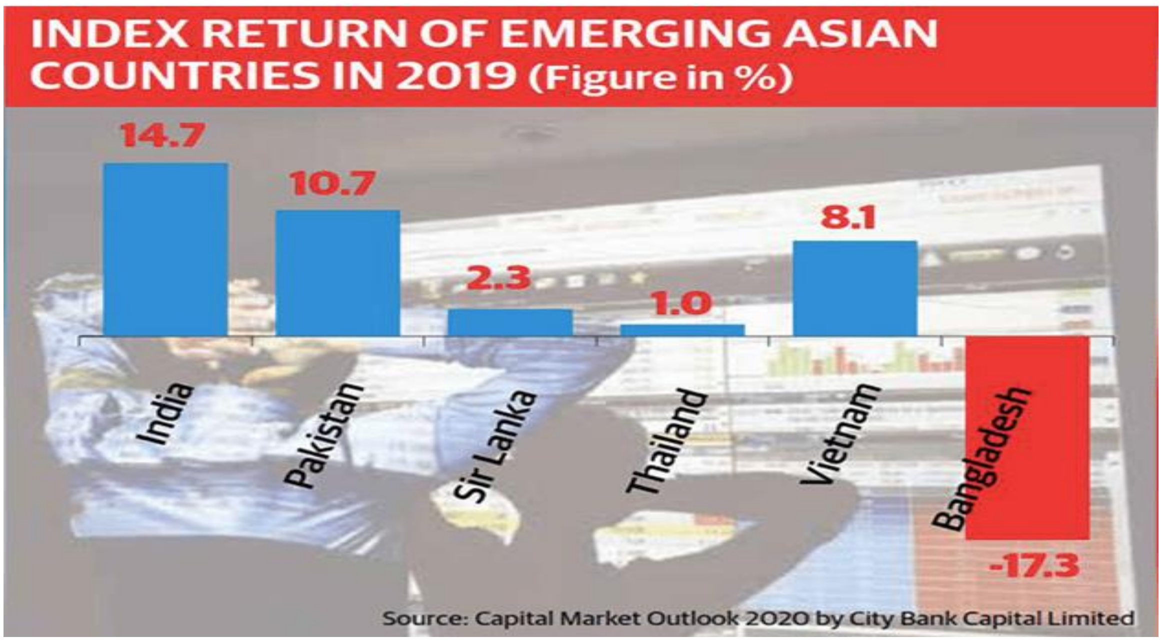

Figure 1: Index Return

In 2019, DSE reported the lowest Price to Earnings Ratio which was 12.4 by the end of the year. A negative index return has also been reported compared to other Asian Stock Exchanges. Despite having regulatory bodies to control such disasters, the Bangladesh Stock-Market has failed to continue its growth. Due to this, investor confidence is fading away and the results of stock-market become a worse nightmare to them. The world is going through a pandemic since January-2020 because of a virus named Covid-19. Before the pandemic Bangladesh economy was going through banking crisis. Though various reports show a steady growth in annual GDP over the last 10 years, our banking sector performance doesn't match this information and the weaken economy was beginning to show the growing systematic weakness within the banking sector. And if the banking industry is weakening a rustic, then their securities market is going to be weaker. Dhaka Stock Exchange has visage a really crucial time in retrieving a property bull run. From May 2, 2016 to January 3, 2018 DSE General Index rises from 4,171 to 6,318 or by 51.47%. But on January 3, 2018 after the reelection of the current government DSE General Index fell from 6,318 to 4,768 on February 17, 2020. Various explanation was given to relate the GDP growth with the lackluster performance of Stock Market like placement shares, terrible policies regarding mutual funds, cumbersome listing procedures for good companies etc.

Adding Covid-19 along with those matters the DSE General Index fell from 4,768-4008 on February 17, 2020 to March 25, 2020. And therefore the stock market close up unfortunately. In this Covid-19 pandemic situation Bangladesh Securities and Exchange Commission and Bangladesh Government took two important decisions. A floor price was set on March 19, 2020 for all the stocks within the stock market to prohibit the fall of stock price which was very natural in this pandemic situation. According to this rule, listed company's stocks won't be traded lower than that floor price.

The Sudden implementation of this rule raised a huge confusion among the investors, but by the time the investors figure out that confusion Bangladesh entered lockdown on March 26, 2020. Keeping stock exchanges closed for an indefinite time period might be more harmful than good. In this pandemic environment central banks of all countries including ours have taken some important steps to enable money market liquidity.

We all know that stock market investment ought to be for the semi-permanent but in this prolonged pandemic situation some investors may need to trade their stocks in need of cash for their living. Another downside is several investors need to pay interest on loans which they have taken for purchasing stocks. This is so unfair because they have to pay interest on their holdings which they couldn't trade as the market is closed. Merchant banks and capital market intermediaries are also performing poorly because of this pandemic situation. Most of those are acting poorly for previous couple of years due to this stock market performance. Some brokerage firms are not paying employee salaries due to zero revenue now-a-days. Market confidence has badly damaged because of current situation. Already our stock market has a negative push in investing, this scenario will add more to that for sure. Foreign investors are also losing interest in investing our market for liquidity crisis. An international institutional investor, the Director of

Abedeen Standard Investments criticized the DSE and also the BSEC for their long-time closure of mercantilism on stocks.

2.2 A comparison between U.S. & Bangladesh stock market development:

2.2.1 Reason behind the market crash

There are many issues behind Bangladesh stock market crash like lack of regulations, demutualization of exchanges, banking sectors investment in capital market, manipulation in IPO process, omnibus accounts, artificial trading, rumor etc. Some employee name was mentioned in investigation report who were directly or indirectly accountable for market and information manipulation. Some reasons are categorizing below-

I. **Overvaluation of stock:** One of the foremost vital reason behind the burst of stock market bubble in Bangladesh was overvaluation of stocks of listed corporations. The Standard P/E ratio of many well established corporations was around 10-15 where as it increased to 30 prior to 2010 market crash in Bangladesh. Expert found a relationship between mass capital accumulation and market overvaluation. The price of Z category shares had increased highly before the market crash.

II. **Economic issue:** Consistent decline in GDP growth of Bangladesh from 2006 to 2010 was virtually disconnected with the increasing price of stock in reality. In 2007, throughout military-backed regime both FDI & real sectors investment had weakened but the foreign remittance had increased. So investors were looking for alternative investment opportunity and found stock-market an attractive form of investment opportunity. Because of less business open door in the downturn time of 2009-10 there was a lot of cash in financial institutions of Bangladesh. The officials of those financial institutions and additionally others hauled the occasion to take credit and put resources into financial exchange to diminish the liquidity bearing expense. These expanding financial specialists made the everyday transaction in the financial exchange on a normal from BDT 20,000-30,000 million out of 2010 which was the twofold contrasting with earlier year.

III. **Contribution of Financial Institutions:** Study shows that in emerging market financial institutions took an excessive amount of risk than that of top level income nations. Before the 2010 market crash the same situations happened in Bangladesh. Private commercial banks were surpassing the stock market risk exposure limit and put to a great extent in financial market. Before market slump banks and monetary organizations put huge measure of cash in capital market from their deposit. However, when the circumstance was revealed during the stock-market turmoil, Bangladesh Bank increased the Cash Reserve Ratio and Statutory Liquidity Ratio for banks and imposed a timeframe to reduce the percentage of investment from deposit. It created liquidity crisis in market and the sale pressure of stock had increased, which is also an important fact for market decline. (Rahman, Hossain, & Habibullah, 2017) According to Center for Policy Dialogue (CPD) report 238 brokerage houses were opened at 32 districts with 590 branches. Their activities like interest-based trading operation, easy access to the market information opening branches across the country attracted investor to invest in stock-market.

IV. **Irregularities:** Manipulation in pre-IPO and IPO process had created artificial market price of stocks illegally which leads the share price high, is another reason behind stock market fall. Study shows that thousands of Beneficiary Owner accounts, who made a lot of illegal transactions under the omnibus accounts and those accounts are not under SEC surveillance. When there was so many unaware investors in market, there were insufficient supplies of new stocks through Initial public offering in the market to satisfy financial investors demand. Which strategy was planned by National Bank of Bangladesh to develop economy by expanding fares and venture was misguided and wound up creating the stock-market bubble. In addition, at the point when the public authority allowed whitening the black money through tax cuts and plans this bubble expanded. Prices of small and Z category companies had increased dramatically because of poor monitoring & market reconnaissance. Changing directives frequently was responsible for poor market surveillance as SEC had changed its mandates of edge credit proportion multiple times.

V. **Influence of powerful individuals:** Some influential individuals create fake environment by artificial trading to make the share price high. According to Probe committee, Vice Chairman of Beximco group Salman F Rahman and ex former director of DSE Rakibur Rahman were also named as suspect on 1996s stock manipulation. There have been charges that they affected the SEC and campaigned for the Ziaul Haque Khandaker as SEC director arrangement and reappointment of Mansur Alam as an individual member of SEC. According to a news published on the Daily Star Salman F Rahman campaigned the Bangladesh Bank lead representative to mellow the central bank's position on BD-Thai Aluminum which had been engaged with financial crime like tax evasion. In addition, overpricing of stocks and asset overvaluation of GMG Airlines and Unique Hotel had link with him. The report stated, Salman F Rahman and Rakibur Rahman applied unjustifiable effect on SEC and discolored the government picture all the while. According to probe committee report they had found presence of fraudulence in omnibus accounts. They followed presence of a few lakh shadow accounts which had been utilized as trickery tools for information manipulation. Those shadow accounts didn’t have withdrawals and deposits properly with merchant banks. Some of those omnibus accounts had belonged to Mosaddeq Ali Falu former BNP lawmaker, HBM Iqbal former Awami League lawmaker, Yakub Ali Khandaker, Muniruddin Ahmad, Uniq Hotel and Resorts Ltd, Golam Mostafa, Ahsan Imam, Shoma Alam Rahman, New England Equity Ltd. Md Lutfar Rahman and Roksana Amjad. The majority of the dubious trading had been directed from those omnibus Roxana accounts. Some individuals accounts including Golam Mostafa, Yakub Ali Khandaker, Syed Sirajuddola, Md Shahidullah, Abu Sadat Md Sayem, Arifur Rahman and Shoma Alam Rahman showed high level of transaction during the bullish run of stock-market. The then SEC individual Mansur Alam had an active role in legitimizing the anomalies. Study shows that, as the consent of chairman is necessary for commission’s approval, so the chairman is additionally answerable for this kind of wrongdoing. For supporting the SEC chairman and members, executive directors Anwarul Kabir Bhuiyan and Tariquzzaman were also in fault. The probe report said, many officials of SEC took unjustifiable advantages under the shed of these high ranking representatives. Contractual appointment of Mansur Alam was dropped by government for his association in inconsistencies. According to probe committee report, Roksana Akter, wife of Anwarul Kabir Bhuiyan had traded stocks worth a huge amount from her four accounts which is breach of SEC rules. (Byron & Rahman, 2011)

VI. **Psychological factors & unawareness of investors:** Some psychological factor like envy, greed, speculation and overconfidence among investors was also a reason of stock market bubble. According to report, on December 20, 2010 the total number of Beneficiary Owner account was 3.21 million whereas this number was 1.25 million in December 2009. The vast majority of the investors didn't know about Securities exchange yet they put a large portion of their investment funds in securities market.

On the other hand, 2008 US stock market crash was resulted by defaults of consolidated mortgage-backed securities. Sub-prime housing loans mostly consisted of Market Based Securities. Creditworthiness has little importance in case of housing loans. There were lack of regulations and little or no document needed to get subprime mortgage loans. Monetary foundations turned out to be exceptionally leveraged and went for risker venture preceding the crisis. Incorrect pricing of risk was another reason of US stock market fall. There is proof that most hazardous and non/worst performing subprime loans were supported by shadow banking framework. Some commodities price went very high with the housing bubble that time. Numerous mortgage holders defaulted on their credits with the lodging market fall. These defaults were spread all over the financial industry which were mostly invested in Mortgage Backed Securities. Thus, organizations were contrarily affected who were doing business with these banks and this affected their stocks consequently. Because of that banking crisis U.S. stock market faced lack of confidence and 2008 stock market crash was a side effect of this.

2.2.2 The size of market crash

On 3rd January, 2010 the general index of DSE was at 456.40 which went up by 4,350 points- a 95.23% on 5th December, 2010. It was the last marvelous day of 2010 for the investors of

Bangladesh. DSE General Index acquired 8,918 point on that day and all old records of DSE turnover was broke by reaching at BDT 32.50 billion TK. On December 6, 2010 SEC presented a mandate that purchase requests will be done out after encashment of investors' cheque. The other directive was applied on next day named "netting facilities" which taught that, no speculator will have the option to buy protections against the deal procedures of some other protections during the settlement and clearance period. But both two orders were dropped on eighth December however the explanation of dropping was critical fall of share prices. SEC changed their directive of margin credit ratio by expanding it from 1:0.5 to 1:1 on 13th December and it was moved to 1:1.5 to 1:2 again due to free fall of share prices. At the point when Bangladesh Bank got the news that commercial banks are putting resources into stock-market illicitly, on 1st December BB sent 50 teams in various banks of Dhaka & Chittagong to inspect and detect so. BB initiated few actions for example withdrawal of illegal investment, increasing Statutory Liquidity Ratio and Cash Reserve Ratio by 0.5 %. Since the banks began offering stocks to pull out cash from the market, speculators got distressed. Bangladesh Bank set the cutoff time for submitting and adjusting credits to deal with the speculators alarm. The cutoff time was January 15, 2011 for vendor banks and February 15 for commercial bank. As the Monetary Institutions & banks selling their venture from December starting, the turnover of DSE was the most elevated ever in its set of experiences on December 5, 2010.

December 19, 2010 was a significant day of 2010-11 financial year for Bangladesh. Because DSE met its most noteworthy one-day fall in 55 years' experience until the date with losing 551.76 points or by 6.71%. This losing index was higher than 284.78 points or 3.32% on December 12, 2010. Prices began to fall in an hour after the exchanging began and around 200 points were removed. It had recovered a little but at the middle of the trading session and ended up at 7654 points. To meet new SLR & CRR by cutoff time made liquidity emergency in financial sector and call money rate created a new history of 180% by December 20, 2010. Share prices increased from 20-30th December and record remained at 8290 points toward the finish of monetary year 2010-11 since government Investment Corporation of Bangladesh (ICB), State possessed Commercial Banks (SCBs), controllers had acquired some sort of security market after 19th December huge fall. On January 3, 2011 stock prices had started to fall again. From January 2-10 the downward sloping index is visible. Mr. Ibrahim Khaled, Chairman of probe committee mentioned, “Due to trigger sale of shares from 2nd to 5th January, market experienced its biggest decline in share prices and market crash from 6th to 10th January.” (ISLAM, 2014)

DSE’s General Index declined by 600 points on January 9, 2011 and all indices declined almost 7.75%. On January 10, 2011 DSE & CSE’s General Index lost by 660 points/ 9% and 914 points/ 6.8% respectively within 50 minutes of trading. On Then again, CSE all stock value File remained at 19212.34 losing by 1396.21 point or 6.77%. Particular categories index of CSE lost 914 points or 6.7% and CSE-30 index likewise lost 1490.3 or 6.28% which had removed all the past records. After those episode SEC assembled a crisis conference with Bangladesh Bank and quit exchanging at both DSE & CSE. Investors had begun parade against free fall of stock-index in the two bourses and suspension of exchanging. Investors brought out procession from various places of the country and conflicted with police at certain spots. The public authority, Bangladesh Bank, SEC made quick moves to bring market certainty and consistent quality after the sequential fall of stock prices on following two days. Prior to taking a 4% dive on October 11, 2011 the market fell by 5% on June 12, 2011. Small investors had gone on quick unto-demise on October 16, 2011 in the wake of shaping the Bangladesh Capital Market Investors’ Council. From 8900 index point at October 2010, the market stood at index points of 5,500 in October 2011.

In 2008 U.S. securities market crash happened on 29th September. The Dow Modern normal had fallen 777.68 points in intraday exchanging which was the most elevated point drop in history until the 2020th stock-market crash. In spite of the fact that the market declined due to Congress dismissed the bank bailout yet the pressing factor which prompted market slump had been forming for long time. At 2007, the Dow opened at 12,474.52. Notwithstanding of developing concern about the subprime mortgage crisis it had risen. Though the U.S. Commerce Department warned about 28% lower home permit than previous year, the economists didn’t show much concern on this issue. They didn’t think the economy could be affected by housing slowdown. They were diminished that the exaggerated land market appeared to be getting back to typical undoubtedly. declining home prices had set of on subprime mortgages defaults. On October 9, 2007the Dow Jones had hit its pre-downturn high which was 14,164.53 and closed. At August 2007, the Central bank saw that banks have liquidity deficiency and started adding liquidity by purchasing bank’s subprime mortgages. During the end of the year The Bureau of Economic

Analysis modified its development gauge higher. The Dow ended at 13,264.82 in October that year. Toward the finish of January, 2008 the Bureau of Economic Analysis revised and discovered its last quarter 2007 GDP estimate lower. The Dow overlook the news of 17,000 job loss and float somewhere in the range of 12,000 and 13,000 till March. On 17 March, 2008 the Federal Central bank mediate Bear Stearns to save the faltering venture bank. The Dow seemed to be recover after that and people thought bear market would be avoided due to the Bear Stearns rescue, when the Dow rose above 13,000 on May, 2008. In July 2008, government supported organizations Fannie Mae and Freddie Macintosh. were undermined by this emergency and they required government bailout. The Treasury Department bought Fannie's and Freddie's stock share and assured $25 billion of their loans. On July 15, the Dow tumbled to 10,962.54 and left over 11,000 for the remainder of the mid-year.

On September 15, 2008 Lehman Brothers bowed out of all financial obligations and the Dow had fallen in excess of 200 points. The following day, the Fed declared that, it was rescuing out insurance giant American International Group Inc. By taking the proprietorship adequately, it had made a $85 billion advance as a trade-off for 79.9% value. American International Group had run out of cash and was scrambling to take care of credit default trades it had given against now-bombing mortgage-backed securities. With the Lehman Brothers breakdown before long, money market funds had lost $196 billion. Companies freaked out and started to switch on safer Treasury notes due to high libor rate. Banks set their rates higher on the grounds that they were reluctant to loan one another. The Dow fell 449.36 points on September 17, 2008. The next day, market bounced back with in excess of 400 focuses and another bank bailout bundle were acquainted with investors. On September 19, 2008 The Dow ended the week at 11.388.44. The Fed set up the Asset- Backed Commercial Paper Money Market Mutual Fund Liquidity Facility by which it had loaned cash to banks to purchase business paper from currency market reserves. It was confirmed by Fed's declaration that, credit markets were somewhat halted and in a frenzy mode. On September 20, 2008 the administrator of Central bank Ben Bernsnke and Secretary Henry Paulson sent the bank bailout to Congress. Until September 29, the Dow hold tight around 11,000 when senate casted a ballot against the bailout bill. The Dow fell 777.68 points on an intraday and the worldwide market likewise had frozen for instance the London FTSE dropped 5.3%, Oil dropped to $95 a barre, Brazil's lbovespa stock exchange was ended in the wake of dropping 10%, Gold took off to over $900 an ounce and so forth. The Fed multiplied its currency swaps with foreign countries national banks in Britain, Japan and Europe to $620 billion to regain financial stability. The other public authority of the world had to guarantee all the fluidity for frozen credit markets. In spite of passed bailout bill by Congress toward the beginning of October, the misfortune was enormous at that point. The Labor Department filled that, the economy had lost 159,000 jobs in the previous month. On October 6, 2008 the Dow dropped 800 points and shut under 10,000 unexpectedly since 2004. Banks were propped up by Fed loaning $540 billion to currency market reserves. Cash was required for the funds to meet a continuing a proceeding with torrent of recoveries. JPMorgan pursue dealt with the Federal Reserve's Money Market Investor Funding Facility (MMIFF) by purchasing $600 billion of certificates of deposit, banknotes and commercial paper and the other $60 billion came from the currency markets themselves. The Fed brought the funds rate down to 1% promptly yet the Libor bank increment its loaning rate to 3.46%. A worldwide national bank bailout was also coordinated by Fed. The Dow dropped by 15% consistently and before the finish of October, 2008 the BEA informed that the economy had contracted 0.3% in the second from last quarter. Furthermore, the economy came to a downturn.

At November, 2008 The Labor Department warned that the economic sector had lost 240,000 employments in October and the AIG bailout had increased to $150 billion. The government administration reported that, they were purchasing preferred stocks in the nation’s banks by using part of the $700 billion bailouts. On November 20, 2008 the Dow had dropped to 7,552.29 a new-bottom. The Fed bring down its subsidizes rate to 0% and the Dow finished the year at 8,776.39. On January 2, 2009 when the Dow rose to 9,034.69, speculators believed that new Obama organization could deal with the downturn however on March 5, 2009 the Dow plunged to its least of 6,594.44. With the Obamas administration’s economic stimulus plan the market confidence were regained and on 24 July, 2009 the Dow summited at 9,093.24. The emotional scar from the crash were in investors mind for next four years. On June 1, 2012 they froze over a poor May employments report and the Eurozone crisis and the Dow plummeted 275 points. The benchmark Depository rate dropped to 1.47 which was the most reduced rate in over 200 years. (AHMED, 2019)

2.2.3 Measures taken after market crash

After the stock market crash in 2010, a request board of trustees was framed to explore the issue on January 24, 2011. The four-man powerful panel's head Ibrahim Khaled was the former Deputy Governor of Bangladesh Bank. After three months, on 7th April, 2011 the committee had submitted their findings which mentioned that the recent market crash was the result of dishonest performance by some (around 60) influential individuals. After interviewing all members from both DSE & CSE, and consulting journalists & analysts, various irregularities were found which allowed market players to make excessive profit. Some important personnel from 60 identified individuals were the mastermind of 1996 market crash and vice chairman of Beximco group Salman F Rahman, one of the former directors of DSE Rakibur Rahman, SEC chairman Ziaul Haque Khandaker, SEC member Mansur Alam and BNP politician Mosaddeek Ali Falu. The report recommended to change the SEC extremely and requested the government to spell the names of the incredible players and to remain mindful in countering their persuasions. After publishing this report SEC chairman Ziaul Haque Khandaker and other SEC members who were accused, were discharged from their position but ex Finance Minister AMA Muhit said that the country would neither expose the accused names authoritatively nor take any correctional strides without further query.

Later in October, 2011 Bangladesh Association of Banks (BAB) developed The Market Stabilization Fund to increase market liquidity and share prices. The government had created pressure on Bangladesh Bank and SEC to reclaim economic situation**.** So the recuperation was started by Institutional purchaser for example shipper banks, State possessed banks& non-monetary organizations. Despite of liquidity crisis banks kept buying shares and not selling any of them. Market improved 15.6% of General Index by the end of the session and made a record in Bangladesh capital-market gain history on January.

Until mid-2013 U.S. stock market was not fully recovered. The market has highly recovered when home prices started rising. Regulators established different laws and restrictions on banks for market recovery.

2.2.4 Initiatives taken for market development

Bangladesh government took several steps to develop stock market after 2010 crash. The government had realized the need to boost macroeconomic management, increase enabling policy and regulatory reform and enhance the incentive structure to encourage non-public investment. Its framework targeted financial market improvement by following booms & busts history as well as continuing capital market growth through reducing restrictions on investment decision, erasing contortion and promoting more supervision and governance of the market. Reformation of policy were envisioned under long time (5-6 years) plan to strengthen incentives by government of Bangladesh. These incentives consisted providing long-term financing options through capital market development. The major capital market development reformation includes improving market surveillance by BSEC, upgrade regulations according to accounting rules, governance structure, transparency issues, increasing criteria for determining insider trading, sanctions for rules violations, boosted equity issuance through strengthening of IPO and higher coordination between Central Bank and BSEC on stock market policies. Security and Exchange Commission of Bangladesh took major steps to develop Bangladesh stock market after crash which was published in a report at October 2012, known as Bangladesh Capital Market Development Master plan. The plan consisted of 70 principal initiatives arranged in seven major criteria which are Implementation arrangement, Legal & Regulatory Initiatives, Bond Market Initiatives, Financial Market Infrastructure Initiatives, Institutional Investor Initiatives, Derivatives and Securitization Initiatives and Taxation Initiatives. The execution of these initiatives' plans was including increase flexibility, adequate resource allocation, monitoring and review the framework with follow-up plan, "Trans-partisan" which means assurance from highest government level and stakeholders to hold government accountable, sufficient technical assistance.

Fifty-Seven percent of the initiatives were related to legal & regulatory system in Capital Market Development Master Plan. The weakness of Security Exchange Commission was a barrier in supervising the market properly and time-required court system frustrated the SEC in case of imposing the enforcement properly. So, Security Exchange Commission rebuilt its capability of supervision and promised to find a solution to the lengthy legal process. Initiatives no. 9-12 were related to confirm SEC's operational and financial independence. The understaffed, underpaid and untrained SEC needed highly trained, well qualified personnel to regulate the capital market efficiently so they have to offer more compensation package to its employee though it wasn't easy to rise compensation. To increase coordination between Bangladesh Bank & SEC rectify the problem of few lawyers in its staff was in initiative no 23. It is important for SEC to act in its capacity to market participant's authorization and their practices. This challenge was mentioned in initiatives 18 through 24-27 that, customers must be able to depend on SEC's affirmation and approval. Providing a guidance and mechanism to customer community on SEC's requirement in case of security issuance was initiative no 28 which also increased transparency.

Demutualization of Exchange was the initiative no 26 aimed at solving the governance issue of stock exchange which was expected to offer better investor friendly framework and ensure more confidence among investing community. Monitoring & Investigations were conducted to ensure that laws and regulations were following properly. Initiative 29 were intended to actualize an electronic information get-together and recovery framework by which SEC can get normal updates from vendors. A new surveillance system was undertaken by SEC for this issue. Initiative 18 was designed to monitor the SEC's departments' responsibilities. Initiative no. 30, 31 along with 25 were about increasing SEC's ability to oversee the stock exchange. Initiatives 37-39 were focused on basic customer protection issue. An initiative was designed to present an exhaustive, efficient, very much organized and first rate public data and education framework. An initiative also aimed at reducing the complication rises from organizational structure.

A well performing bond market is important for efficient sustainable growth, so SEC also took some initiatives to develop efficient bond market for both government and corporate bond. At that time financial market infrastructure was not so good to provide a suitable platform for further market development. So, Security and Exchange Commission found out their 5 weak points of financial market infrastructure and took necessary initiatives for these issues. They promised to reform the legal regime for asset backed securities and to remove the legal complications related to the "bankruptcy remoteness". They also committed to undertake awareness-rising program mutually between the SEC and the private sector. They promised to reduce or even elimination of multiple taxation in corporate income so that financial institution doesn't hide information about profit.

On February 2009, newly elected President Barak Obama had signed a $787 billion stimulus package into law to develop the stock market. At the meantime, a financial rescue plan was revealed by Treasury Secretary Timothy Geithner which comprises of supposed stress testing for large banks. One of its focus was likewise utilizing Central bank loaning advantages to let loose credit for public and independent company and construct a public-private partnership to take tricky resources off the of organizations accounting reports. On April 3, 2009 leaders from G20, stand for the world's driving economy met in London and guarantee to significantly increase subsidizing for the International Monetary Fund and strengthen trade financing. They also introduce strategy to increase financial regulations. On May 2009, 1st banking stress test results were published by U.S. regulators guided by Central bank to evaluate the financial state of nation's biggest monetary institutions. Among nineteen companies ten expected to raise extra capital, an aggregate of $75 billion past the framework. Letter this system was formalized prompting yearly tests for U.S. monetary foundations with a fixed degree of asset by Dodd-Frank financial service.

On July 2010, President Barack Obama signs a monetary reform bill by delivering the federal government rights to control Wall Street to forestall further financial catastrophe. It took many years to be executed which consists of the establishment of Consumer Financial Protection Bureau and a Financial Service Oversight Council to regulate market strength. The right was earned by the Federal Deposited Insurance Corporation to seize and deconstruct grieved monetary corporations rated “too big to fail” and proprietary trading is banned if banks contribute for their own benefit. On December 2013, regulators fixed the purported Volcker Rule, proposed by previous Fed Chairman Paul Volcker which was permitted by Dodd-Frank regulations. Main aim of this rule was to lessen systemic risk in U.S. monetary framework by prohibiting business banks from proprietary exchanging or contributing their clients deposit to make unsafe investments in the market though this standard was too complicated and costly to follow. On December 2014, the Treasury vends its unsold stocks in Ally Financial, prior the financing individual of General Motors to offload its last significant venture from the problematic asset alleviation program. The President Obama government declare that the plan came about in a revenue of $15 billion, with the government recovering $441 billion on the $426 billion dispensed. Critics proceed with that the bailouts made an enduring good danger for banks and added to the polarization of American legislative issues.

On June 8, 2017 Financial Choice Act was passed by Republicans in the U.S. House of Representatives which would highly deconstruct the Dodd-Frank reforms. The Act included free up several banks from stress test, withdrawal of Volcker rule, sack of the CFPB (Consumer Financial Protection Bureau) of most of its power and loosing numerous different guidelines on monetary foundations. But, the bill in this structure failed to proceed to the Senate. On November 2017, Mick Mulvaney, the top of the Office of Management and Budget get appointed as acting director of the CFPB by President Donald J. Trump. On August 2018, top student-loan officials of the agency resign as a sign of protest. On May 24, 2018 Donald Trump signs the Economic Growth, Regulatory Relief, and Consumer Protection Act which was the prime major monetary enactment since Dodd-Frank. With bipartisan support in Congress the bill passed which keeps the Dodd-Frank yet cut out numerous more modest banks from the administrative investigation constrained after the emergency. As per new Act monetary organizations more than $250 billion in resource just will be liable to expanded government oversight however the bill allows the Fed to option to incorporate more modest banks if necessary.

There were no major bank CEO, criminally charged for U.S financial market crash but in Bangladesh we can see quite opposite scenario for stock market collapse. Though Federal prosecutors observe arguments against some prominent staff incorporating Angelo Mozilo but finally didn't chase them. Actually, no strong evidence was found to pursue them. Though some small banks executives had been indicted by the workplace of the Special Inspector General for the Troubled Asset Relief Program but prosecuting executives from top firms was really hard. Banking industry needed to follow through on a powerful cost for the crisis also according to rules for example Bank of America paid $17 billion to solve allegations against it.

2.3 Comparison of Bangladesh Stock-Market with other countries Stock-Market who suffered a crash:

2.3.1 Chinese stock-market crash in 2015

The turmoil of Chinese stock market started with the eruption of the capital market bubble on June 12, 2015 which finished in February, 2016. Inside one month the Shanghai Stock Exchange lost one-third of its A-shares value. Major consequences happened around 27th July and 24th August known as “Black Monday”. In July 2015, over three weeks Shanghai Stock Market had lose 30 % and greater part listed corporations petitioned for quit exchanging to forestall further misfortunes.

The Chinese government implemented many measures to lessen the consequences of crash. Short selling of shares was limited by regulators under threat of arrest. Pension funds & large mutual funds gave assurance that they will buy Core stocks and government closed the IPOs. Brokers were provided cash from Chinese government to acquire stocks which were backed supported by national bank and Chinese citizens were convinced to buy more shares to develop the market. China Securities Regulatory Commission (CSRC) restricted stockholder owning more than 5% of an organization's stock from and selling those stocks for a half year. In addition, 45% of the listed organization suspended the trading of shares beginning on 8th July. As of August 30, 197 people, including a journalist of Caijing magazine named Wang Xiaolu and capital market officials were arrested by the Chinese government for spreading rumors. After this turbulence on January 2017 the Shanghai Composite Index has been stable by 3000 points which was 50% below than before the bubble burst.

2.3.2 Japanese asset price bubble in 1986

From 1986 to 1991 Japanese land and securities exchange prices were profoundly swelled in view of the Japanese resource price bubble. Japan’s economy had fallen when the bubble busted in early 1992s. In August 1990, the Nikkei stock index had dropped to a large portion of its top by the time of 5th monetary tightening by Bank of Japan and asset value started to fall by late 1991s. This economy’s declined proceeded for over 10 years. Japanese economy has gone through a sharp decrease in GDP development for a very long time after the bubble crisis. In 1993 Japanese government articulated a significant expansion in government spending to reform the market though this decision was not as effective as predicted. Because of increasing in government spending and diminished in tax income due to recession, the budget deficit increased.

The national bank of Japan forced zero loan fee strategy to get the economy out of the present circumstance in late 1990s. The nominal interest rate was diminished to 0.5%, 0.32% and 0.05% from 2% in 1995, 1998 and 1999 individually, which is called zero interest rate strategy as national bank decrease the loan fee as near 0% as could reasonably be expected. To encourage and help the companies in investment was the main objective of zero interest rate. In 2000 GDP growth rate recovered back to 3% after 1996 and government perceived it as the sign of market development and stopped zero interest policy by making interest rate 1%. But the GDP growth rate again tumble to 0.5% in 2001 and national bank decreased the loan fee to 0.35% again in 2001. As lowering the interest rate decision was not so helpful to reform the economy, government expanded the most extreme measure of deposit in national bank and brought down the call rate between banks which was close to 0. By following this policy, the economy redeemed slowly and after 2006 this quantitative easing policy was stopped. The market had confronted a compound crack instead of a plain break because of the long plunge. In an article published in December 29, 2019 by Nikkei senior staff writer Masayuki Tamura mentioned that, as indicated by Shingo Ide of NLI Research Institute, "The principle cause of the slow recovery was that it took a long time to correct share prices that had been so very high". In this article chairman of the Japan Securities Dealers Association, Shigeharu Suzuki also said that, it is now a normal capital market, in that stock prices simply reflect changes in earnings". Now investors can earn more dividends and expect increase in stock price though investing in stocks was not so profitable in 1990s because the market was under the correction process. Tax incentives, Nippon Individual Saving Account and defined-contribution pension plans are some illustration of assisting the market with recovering its appeal to individual investors. According to data provided by Japan's Finance Ministry, from 2000 to 2018 Japanese companies net profit rose 630% from fiscal. Though the time period is so long but it can be said that the capital market is stronger now from then.

2.3.3 Malaysian stock-market crisis after Asian Financial crisis

The Malaysian stock-market crisis began when the Malaysian Currency Ringgit was developed in July, 1997. The estimation of Malaysian ringgit fluctuates antagonistically because of the accelerate withdrawal of cash from Malaysia. After passing three months of the exigency the value goes from 2.52 to 3.2 to the US dollar by September, 1997 and by January, 1998 it had reached its new low which was 4.5 Ringgit to the US dollar. Malaysian capital market which was already had been on a falling trend, this issue badly exacerbated the declining market. Because foreign investors were panicked by depreciation of Ringgit. Kuala Lumpur Composite Index fall from 1271 points to 897.25 points from February to August, 1997 following the emergency and arrived at the notable low of 262 points on September, 1998. This tremendous drop of Ringgit and capital market shockingly affected growing enterprises, especially those organizations who took credits from abroad. This sharp decline in share market highly affected the Malaysian economy.

Without using the IMF like other affected nations Malaysian government shaped a National Economic Action Council (NAC) a high powered group conducted by the Prime Minister and a professional team to the Cabinet to help develop the economic system. NEAC took several actions including attempts to reduce the pressure on Ringgit, implementation of particular capital controls and fixing of the Ringgit to 3.8 to US dollar on 1st September, 1998. NEAC also tried to stabilize the banking sectors and the enterprises who were affected by establishing two institutions, Danahrta (the National Asset Management Company) and Danamodal (a National Capital Fund). Letter a Corporate Restructuring Committee (CDRC) was established to help out the corporation also. Capital controls highly helped to reform the economy because it devoted the outflow of capital and was not discouraging for foreign investor as they are selectively imposed. They enabled the government to reduce domestic interest rates and to go after expanding microeconomic policies which contributed the economic recovery in 1999. A fixed exchange rate stopped premature exchange rate appreciation which contributed to export recovery. Multinational Companies also played important role for the recovery as manufacturing sector occupies a large segment of the Malaysian economy and multinationals are source of the export of manufactures. With a growth of 6.2% the Malaysian economy rebounded sharply in 1999.

2.4 Differences between countries strategy and development of the market:

From the above discussion about Bangladesh an U.S. stock market development we can differentiate the process adopted by countries. Though Bangladesh has taken 70 initiatives known as BCMDMP in reality we can't see appreciable progress. From last few years banking sector of Bangladesh are performing poorly and we can't say that our stock market is fully recovered or strong-efficient market. But after the U.S. market crash their government and Federal Reserve took effective projects by which they also made billion Dollar profit and their market has recovered now. U.S. government followed their steps and regulated the market according to the rules to ensure recovery. Though initiatives taken by SEC seems workable but proper imposition of these initiatives are impossible in our country. Retail investors fear to invest in market because lack of assurance. Chinese government provided cash to individual investors to regain their position where small investors even didn't get any compensation in Bangladesh. Japanese government lower the interest rate close to zero to increase investment what contributed positively for the stock market development and GDP growth rate though it was a long time process. Rather than using IMF Malaysian government formed few group to take care of that issue which was the effective one. In Bangladesh government only tightened the regulations rather than making investment easier, compensating the investors or taking others necessary steps the others countries did.

Chapter 03

3.1 Recommendation:

As we have seen from the above discussion that, only paper writing initiatives never can be enough to develop the stock-market of our country. If the regulations are not maintained properly our market won't be redeemed. So the initiatives mentioned in Capital Market Development Master Plan should be followed strictly and the persons who are responsible for that scam should be punished according to law. In addition, Bangladesh government can take some step to boost the stock market and increase investment in the market like lower the interest rate, establish derivative market, encourage individuals by attractive investment opportunity. Clarity of information must be needed to make the market efficient.

3.2 Conclusion:

After all the discussion above, it is pretty clear that our stock-market is not a strong efficient market and we have so many drawbacks in case of market-development. Though we have so many rules and regulations related with this but imposition of those strictly is not in practice. From the comparison among countries, we can see that rather than tightening the rules only government had also taken other steps like cash providence, lower interest rate to regain market position. But in our country government only talked about rules and regulations though they didn't punish or exposed the responsible individuals name for 2010^{th} stock-market crash. Other countries immediate actions about that issue is highly admirable in case of development but in Bangladesh we can't see any effective actions to develop the market. Small investors have lost their market confidence and dare to invest where in other countries government took few steps to gain their trust and influence them to invest in stock-market after crash.

Chapter 04

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