UNITED INTERNATIONAL UNIVERSITY

Analyzing The Declines of The Dhaka Stock Exchange in The Year 2019

Project Report

Submitted to

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Acknowledgement

This project report is an accumulation of many people's endeavor. But at the beginning I would like to convey my sincere appreciation to Almighty for giving me the strength & the ability to finish the task within the planned time.

Now I would like to express my gratitude from the core of my heart to my mentor Dr. Md Mohan Uddin, Professor of School of Business & Economics at United International University, who provided me very helpful suggestions and guidelines to prepare my project report. His valuable suggestions & guidelines helped me a lot to prepare the report in a well-organized manner.

Finally, I like to say that I have tried my best to prepare this report accurately. However, there might be some errors and silly mistakes due to my aptitude and time constraint. In this regard, I seek your kind consideration and I'm in the process of learning

18th September, 2020

Dr. Md Mohan Uddin

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Subject**: Letter for claiming the originality of the report.**
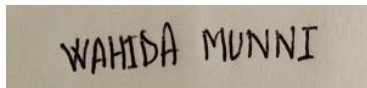
Dear Sir,

It's my pleasure to submit you my project report on "Analyzing The Declines of The Dhaka Stock Exchange in The Year 2019**".** I have prepared this project based on different newspaper reports and articles. I have tried to find out actual reasons and impact of the declines in the stock market as part of my study.

I hereby declare that this project report has not been submitted by me before, for any degree, diploma, title or recognition.

I have great hope that the report will meet your expectation and aid you in getting a clear idea about the subject. Please make a call me for any clarification regarding the report, if required.

Thanking you in anticipation.

Sincerely yours

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List of Table

Chapter Wise Table List

List of Figure

Chapter Wise Figure List

Abstract

This study aims to explore the declines of the Dhaka Stock Exchange in the year 2019. Lot of minor declines forecast a major decline. Results of the study disclose that, throughout the whole year the stock market was very volatile, that raises panic on all participants of the market. Reducing the level of confidence among the investors make them inactive that leads share manipulation which ultimately increases the number of junk stocks in the market. When this scenario repeats then investors do not make new investments and also sale off existing shares, therefore market fall increases and the situation get worst. Overall findings of this study explore that, lack of the proper reinforcement and governance of the market authority allows liquidity crisis that increase confidence crisis results on market declines.

Table of Contents

CHAPTER ONE: INTRODUCTION

1.1   Background of The Study

Stock market is one of the most important financial institutions of any economy as well as Bangladesh. It is said that stock market is an intermediary institutions to adjust a gap between surplus unit and deficit units of an economy. Here investor participates to buy ownership of a company in the public market. For an investor, stocks are more liquid than any other investments and it provides the ability to sell and buy ownership at anytime without any hassle.

The journey of Bangladesh stock market started on April 28, 1954 as East Pakistan Stock Exchange Association Ltd. At that time Bangladesh was ruled by Pakistan and the Name of the country was East Pakistan. But trading on this market started in 1956 and the exchanged was renamed on June 23, 1962 as Dhaka Stock Exchange (DSE) Limited. But for liberation war from 1971 to 1976 trading on Dhaka Stock Exchange was suspended. Then the trading was resumed at 1976 with 9 listed securities. In 1986, the number of listed companies in DSE increased up to 92.

1.1.1   The Importance of Capital Market in Bangladesh Economy

Developing countries like Bangladesh, capital market works as like as the engine for the future economic growth. The capital market is the market for long term loans and equity capital. And it plays an important role in economic development for Bangladesh. An efficient capital market may perform as an alternative to many other financing sources as being the least cost capital source. The capital market also helps to increase the savings and the investments, which are essential for economic development.

The security market provides the linkage between the savings and the investments. It offers alternative investments to the surplus savings units by mobilizing their savings. Whereas an equity market allows diversifications across a variety of asset that reduces the risk, which the

investors must bear thus reduces the cost of capital which increases investment and economic growth.

1.1.2   The Importance of The Dhaka Stock Exchange in Economy

The Dhaka Stock Exchange plays an important role in economic development of Bangladesh. DSE, which is a non-profit sharing company, was organized in 1954. Its trading activities had been suspended in 1971 because of government's economic policy. At present there are 750 companies listed with DSE.

Dhaka Stock Exchange turns into an attractive place for investors after the crash of 1996. DSE has been working for the development of capital market of Bangladesh for a long time. It has already implemented a lot of programs. It has formed investors Protection Fund to protect the interest of small investors.

1.1.3   Historical Big Falls in The Stock Market

Bangladesh stock market has experienced two big crushes during its six life decades- one in 1996 and another during 2010-2011.

Since the cruel crush of 1996 the market has been viewed with suspicion. But the market started growing after 2006, thanks to the listing of few profitable government entities and Multi National companies (MNCs), along with many initiatives from governments. Gradually market turned into a bubble on December 05, 2010, Dhaka Stock Exchange General index reached to the highest record of 8918.5, at the same times market capitalization and turnover increased by 11.1 times and 61.7 times respectively.

However on 19th December 2010, another historical incident happened when DSEs faced the biggest one day fall of 6.7 percent. Then after two months, the market fall by 40 percent and since then the market has no positive movement.

In 1996, the market was crashed because of speculative bubbles and it was an asset bubble in the year of 2011. The stock price was overvalued at this time. From June 1996 to November 1996 the index point of Dhaka Stock Exchange jumped to 800 points to 3600 points. After that the index began to fall. Many of the large investors left the markets along with huge profits and many small investors lose their capital.

1.2   Statement of The Problem

Stock Exchanges are unpredictable in all over the world. The Bangladeshi Stock Market is not exceptional one. If the stock market falls unpredictably then the general investor faces a lot of problems like, they lose their holdings and lose their investment in the market. For unpredictable fall in stock market make many investors become bankrupt. There are many reasons behind the fall. Those are very important for the investors to find out.

Why Identifying Those Reasons Are Important:- If the investors fail to find out the reasons behind the unpredictable fall of stock market then they cannot prevent the sudden fall in stock market in economy.

There is no doubt that shortage of quality stock is a problem. And there is a lack of quality stocks in economy. And the harsh reality is that, there is a serious dearth of investors. For junk stock investors lose their confidence on stock market, as a result the market continued to fall.

Investors have to find out those reasons to minimize the unpredictability of sudden fall in the stock market. Otherwise the will lose their investments and the market will lose its potential investors.

1.3   Objectives

Since the origination of the Dhaka Stock Exchange (DSE), it faced two big market crashes during 1996 to 2011. This crisis made the small investors almost empty. Our objectives are to find out the causes to the recent market fall in 2019 and address some suggestions to get it back on the track.

We will focus specially:-

- To analyze the current situation of Dhaka Stock Market.

- To identified the reason behind the unpredictable fall.

- Few guidelines to recover the recent crisis.

1.4   Significance

This report will explore the major reasons for the sudden declines of the Dhaka Stock Exchange in the last year 2019. We hope, by reading this paper investors, policy makers, researchers and other participants of the stock market will be more benefited than before

1.4.1   The Investors and Other Capital Market Participants

We will describe some major issues and reasons behind the unpredictable fall of stock market in the later section. So that the investors can know that, why the lack of confidence in the stock market arises and why small investors and participants leave the market. We hope that, this report will help a potential investor to be aware of and to avoid the upcoming threats. So that is why this report is very much important for the investors and other capital market participants.

1.4.2   The Policy Makers of The Economy

Among many other causes, increasing liquidity crisis in the market of economy is one of the most which we described in the later section. In which policy makers should concentrate more to fix it up. By studying this report they will be able to strengthen the required policy to restrict the future threats batter than before. So we hope, this report will significantly helpful for the policy makers to imply the required regulations and protect the investments of the potential investors and other participants of the stock market.

1.4.3   The Researchers

This report will enable the researcher's research to wide excess in the field of stock market research sectors. They will come to know that why the foreign investors are leaving from the market and financial companies are not investing. Moreover it is expected that, this report will help the researchers to find out many other reasons and will be able to make a clear judgment about the recent market falls.

CHAPTER TWO: LITERATURE REVIEW

To mitigate regulatory uncertainty economic freedom may impact strongly which may leads to reduce the likelihood of sudden crashes in the financial market. To experience lower probabilities of market crashes and more positive skewness in asset returns countries should provide with higher levels of economic freedom. The level of free trade and the strength of property-right protection are the components of economic freedom contribute most to the reduction in crash risk in the capital market. (M. Blau, 2017)

When stock market crashes basically two things happen one, those are stocks with higher betas and with larger capitalization are valued more on that crash day. Second one is, momentum effects including short-term and long-term. (Fauzi & Wahyudi, 2016)

During a market transitions a Strong correlations is generally seen among share prices. To predict crash event several measures have been performed, but all of them shows similar trend that peaks the transition itself. Correlation-based indices peak at the transition itself whereas information flow among share prices peaks before a transition. (Bossomaier et al., 2018)

Information about stock market crashes are very much important aspects for the macroeconomic depression. If there is high probability of depression there's high probability that stock market will crash as both are accompanied by each other. During depression people consume less so it affects the price of the shares and thus reduce the value of the companies and also creates path for stock market to crash.(J. Barro & F. Ursua, 2017)

Dividends per share, cash flow per share and book value per share are most common and effective financial indicators to judge whether the share prices are undervalued or overvalued. If the share price of stock market fluctuated excessively that indicates a major threats. (Kaizoji & Miyano, 2018)

CHAPTER THREE: METHODOLOGY OF THE STUDY

3.1   Overview

Within this chapter we will discuss briefly about our sample size, sampling technique, data collection procedure, timing, analytical tools, analyzing procedure. So that it will help researchers and other users of this report to reproduce this report easily.

3.2   Data Design

In this section we will discuss what are the data collection process & how many types of data have we selected for the purpose of this study.

3.2.1   Data collection process

To investigate the declines of the Dhaka Stock Exchange (DSE) in the year of 2019 in Bangladesh, this study proposes to use the methodologies adopted in earlier research work on this issue.

We have collected data for the purpose of this study mainly searching online/web. Basically, have browse DSE websites which is https://www.dsebd.org/ and two renowned local news paper websites. They are as follows:-

- The Daily Star (https://www.thedailystar.net/newspaper/)
- The Financial Express (https://today.thefinancialexpress.com.bd/)

3.2.2   Types of Data

All the collected data are in combination of qualitative and quantitative form. Qualitative data are the reasons why declines in each point selected and quantitative data are just numerical numbers or points selected. Most of the data are in amount, percentage form. This

paper is based on secondary data which were collected from the various websites, articles & journals.

3.3 Sample Design

Within this section we will discuss what the sampling techniques we are going to use & what is the size of our sample for the purpose of this study.

3.3.1 Sampling Techniques

Since our population size is too large to analyze within this short time period. To simplify the study we have conducted the analysis only the major falls on every months of the year 2019 on the Dhaka Stock Exchange (DSE) index.

3.3.2 Sample Size

For the purpose of this study we have selected 31 major declines of the Dhaka Stock Exchange (DSE) index in the year of 2019 as sample.

3.4 Analytical Tools

Since there were no extraordinary data that MS Excel couldn't perform that's why we have used the MS Excel 2016 as analytical tool to process all required data into information.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Overview

This chapter will enable the readers to find out the reasons behind the facts that influence the rapid declines in the Dhaka Stock Exchange in the year of 2019. Our analysis found that the stock market become more unpredictable and started falling trade from the month of February which continued till December.

4.2 Reports on Significant Falls

Throughout the year 2019 there were lots of declines in the stock market; among them we have selected most significant declines for the months. For this study purpose we have selected 29 declines.
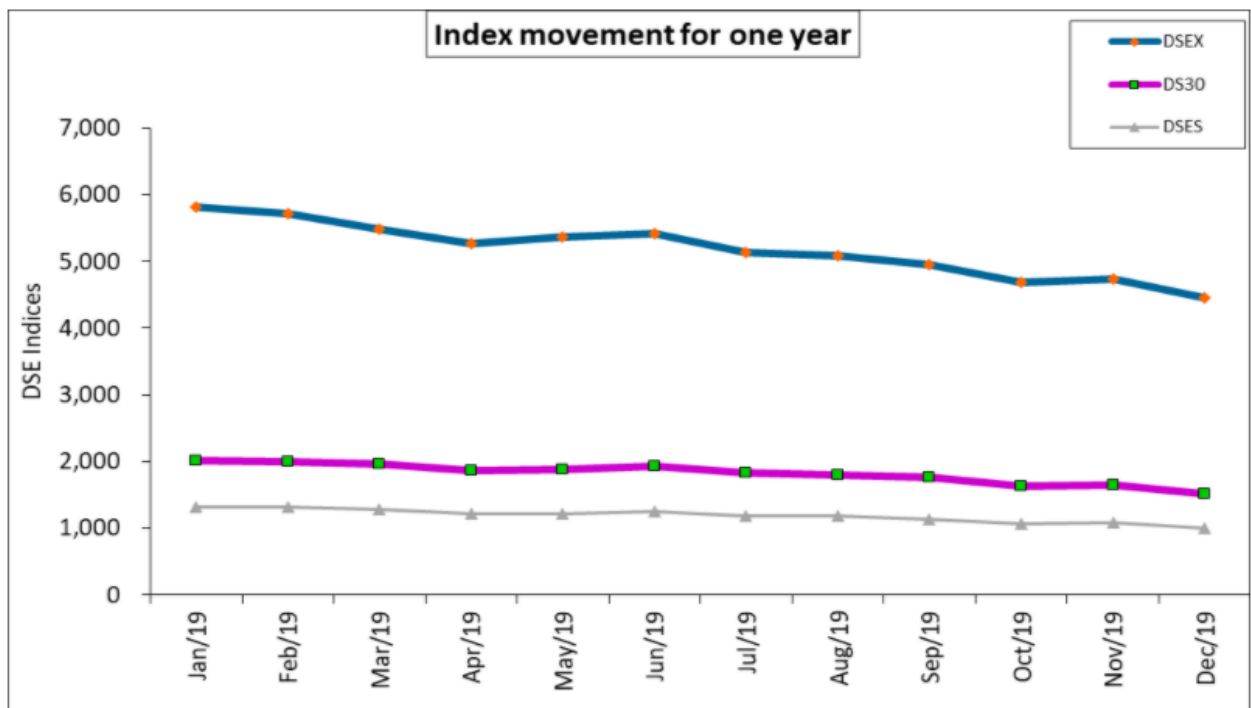
Figure 4.2.1: One year DSEX Index Graph from January 2019 to December 2019

Figure 4.2.1 is collected from the DSE website. It shows overall markets raises and declines in 2019. From this graph we can easily find out that the situation at the end of the year is quite different from the beginning of the year. Total index value moved within 5,000 million to 5,800 million. In most cases the graph was downturn except the month of June and November.

Table 4.2.1: DSE Index Declining Points and Rates in 2019

Date	DSE falling amount in points	DSE falling amount in percentage
11th February	29.82	0.51 %
24th February	31.56	0.54 %
6th of March	1.10	-
19th of March	51	0.90%
28th March	27.58	0.49 %
3rd April	69.97	-
9th April	-	-
17th April	60.55	1.14%
30th April	57.14	1.07%
8th July	47.70	0.88%
12th July	199	-
22th July	96.95	1.88%
31st July	88.01	-
12th September	75.78	-
19th September	533.61	9.84%
1st-10th October	32.05	0.65%
11th -25th October	127.61	_
28th October	19.35	0.40%
29th October	53.42	1.12%
1st November	0.30	-
15th November	26.80	0.56%
21st November	30.43	0.64%
25th November	18.23	0.38%
4th December	27.59	1.68%
6th December	31.64	-
10th December	62.25	-
16th December	15.95	0.35%
25th December	3.76	0.08%
28th December	38	0.85%

Table 4.2.1, shows all of our selected points and percentages based on those we have conducted our study. Throughout the whole year 30 significant declines have been seen those we'll describe briefly later in this section.

4.3   Falls on February

At the very beginning of 2019 the marker was stable and the trading rate was at moderate level. But from the month of February 2019, treading in the Dhaka Stock Exchange (DSE) falls more than 3 times, among them we have selected the most significant 2 falls as per our analysis. And the summaries supporting graphs are given below.

Figure 4.3.1: DSEX Index Graph for the month of February 2019

Figure 4.3.1 was collected from the DSE website. It shows that total index value moved within 5,700 million to 5,800 million. Within February within the whole month the major decline occurred on 11th and 24th February. The highest turnover of the DSEX index was BDT 9,842.12 Million taka on 3rd February and the lowest turnover of the index was BDT 5,807.01 million Taka on 24th February. This means that at the day of fall the turnover of the index were lowest.

Table: 4.3.1 DSE Index Declining Points and Rates on February 2019

Date	DSE falling amount in points	DSE falling amount in percentage
11th February	29.82	0.51 %
24th February	31.56	0.54 %

Before the 11th February 2019 treading rate was up wording, at that date trading rate falls down to 29.82 point, which lead the total declines of DSE index in 0.51%. After that date the rate was increasing to a certain date and then started to decrease again, but at 24th February the treading rate falls again to 31.56 which lead the total decline of DSE index in 0.54%.

Reasons behind the Declines on February

Our study found that, most of the market analysts believe potential investors were not interested to make fresh investment as junk stocks were available in the market, which may be the major cause of the sudden decline on February. Since new investments were not increasing and many investors were selling rashly their shares to the large capitalization companies it would be another reason. Continuously fall of stock market leads disappointing earnings which may leads investors to sell out their stocks earlier because of fear about further fall of stocks.

Non-bank financial institutions (NBFIs) and telecommunications issues mostly faced the attack of selling pressure. Because banking and non-banking financial institutions suffered a lot for non-performing loans, meanwhile investors were losing confident on them and rushed to selling stocks.

4.4   Falls on March

In the month of March there were 10 more declines in DSEX among them our study have found 3 declines are more significant then rest.
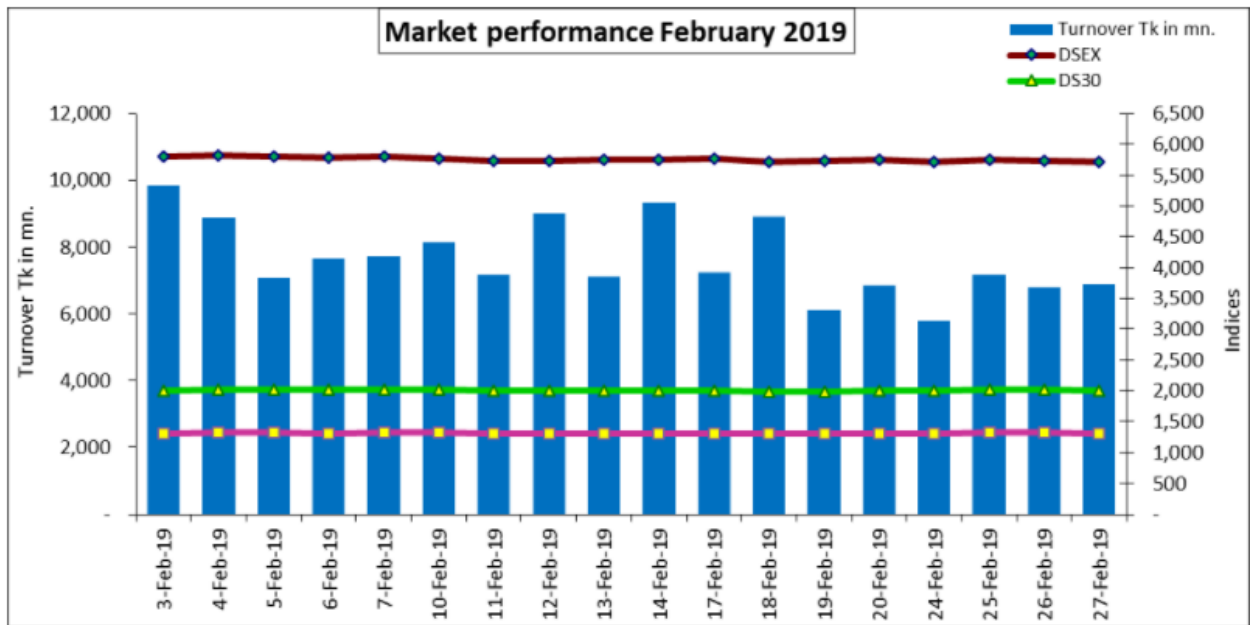
Figure 4.4.1: DSEX Index Graph for the month of March 2019

Figure 4.4.1 was collected from the DSE website. It shows that total index value moved within 5,491.91 million to 5,710.07 million. Based on the value of the index our study found that in March the major decline occurred on 28th March. The highest turnover of the DSEX index was BDT 7,081.27 Million taka on 13th March and the lowest turnover of the index was BDT 3,525.06 million Taka on 28th March. This means that at the day of fall the turnover of the index were lowest.

Table: 4.4.1 DSE Index Declining Points and Rates on March 2019

Date	DSE falling amount in points	DSE falling amount in percentage
6th of March	1.10	-
19th of March	51	0.90 %
28th March	27.58	0.49 %

Above table shows that at 6th of March 2019 treading rate was downturn, at that date trading rate falls down by 1.10 points point. After that date the rate was increasing to a certain time

and then started to decrease again, but at 19th of March the treading rate falls again by 51 points which lead the total decline of DSE index in 0.90%. Finally the market falls on 28th March. At that date the treading rate falls by 27.58 points that decreases on overall index value by 0.49%.

Reasons Behind The Declines on March

In most cases we found similar reasons for every month declines, behind march falls our market analysts suggests few effective reasons. They think that, small investors were not confident enough to invest new fund in stock market large capitalizations are increasing day by day. Most of the investors were becoming inactive because of internal problem of the market. Not only the small investors were moving from the market but also institutional investors were becoming hopeless to participate in making new investments in the stock market.

The fear of raising the interest rate increase liquidity pressure which would be another good reason for the rapid declines in this month. When Stock Market affects by the lower liquidity, usually then the market turnover falls. As a result Liquidity crisis and crunch become the strong weakness in the economy which allows Investors to leave the market.

4.5   Falls on April

In the month of April there were 12 more declines in DSEX among them our study have found 3 declines are more significant then rest.
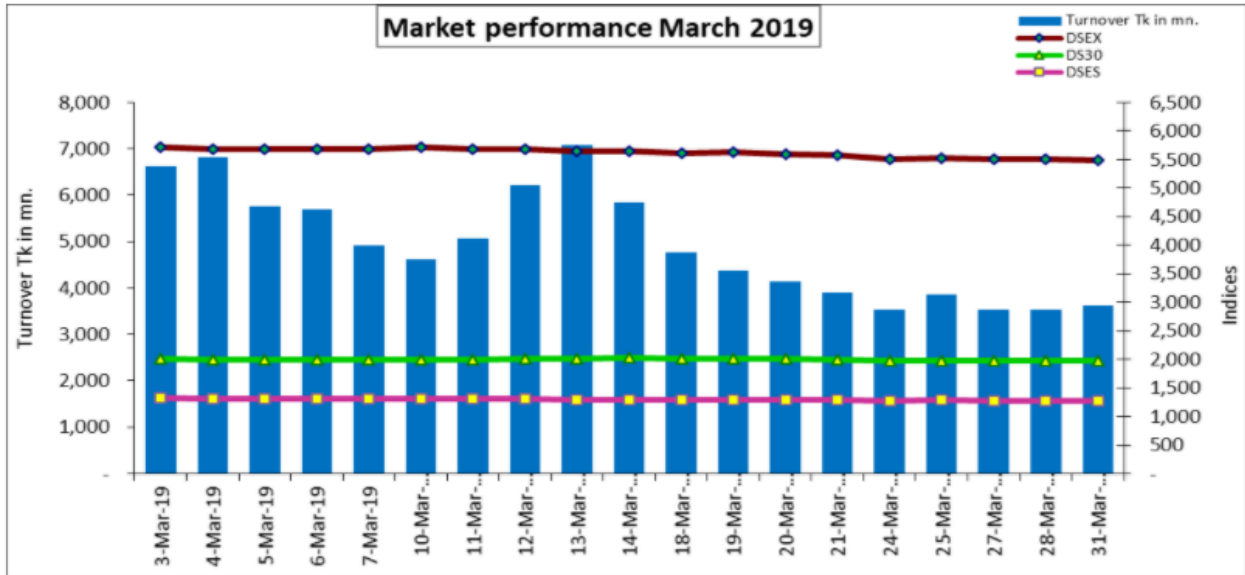
Figure 4.5.1: DSEX Index Graph for the month of April 2019

Figure 4.5.1 was collected from the DSE website. It shows that total index value moved within 5,175.47 million to 5,522.17 million. Based on the value of the index our study found that in April the major decline occurred on 30th April. The highest turnover of the DSEX index was BDT 4,513.66 Million taka on 3rd April and the lowest turnover of the index was BDT 2,699.14 million Taka on 16th April.

Table: 4.5.1 DSE Index Declining Points and Rates on April 2019

Date	DSE falling amount in points	DSE falling amount in percentage
3rd April	69.97	-
17th April	60.55	1.14%
30th April	57.14	1.07%

Above table shows that at 3rd April 2019 treading rate was falls down by 69.97 point. After that date the rate was increasing to a certain time and then started to decrease again, but at 17th April the treading rate falls again by 60.55 points which lead the total decline of DSE

index in 1.14%. And finally the market falls on 30th April falls by 27.58 points that decreases on overall index value by 1.07%.

Reasons Behind The Declines on April

Like what happened in February it also repeat in April. Investors are selling off their shares, banking and financial institutions sectors continued to suffer losses of bulging non-performing loans in the banking sector. Liquidity crisis and crunch in the financial sector and in the banking sector are major problem, so investors are selling their stocks. In conclusion, banking and non-banking sectors they faces liquidity pressure so that investor loses their confidents on them and they selling off their stocks.

Like March it also happened in April. Small investors are suffering from lack of confidence to put fresh fund in stocks market. There were many junk stocks and quality of stocks makes investor confidence slow down. There was lack of confidence among investors. So, their participation in the market fell. Lower participation of foreign investors also happened. Liquidity crisis and crunch in the financial sector and in the banking sector, among institutional investors, Institutional investors are facing a liquidity pressure, The shaky investors liquidated their stocks. Finally investors leave the markets. In a short way we can say that, like March the DSE falling reasons happened in April also. Investors have lack of confidents on stock markets for the lower quality of stocks, so their participation continuously falling down, for this lower participations raising the liquidity pressure. And because of liquidity crisis and pressure investors selling off their stocks and do not buy the fresh stocks and leave the markets.

4.6   Falls on July

In the month of July there were 12 more declines in DSEX among them our study have found 4 declines are more significant then re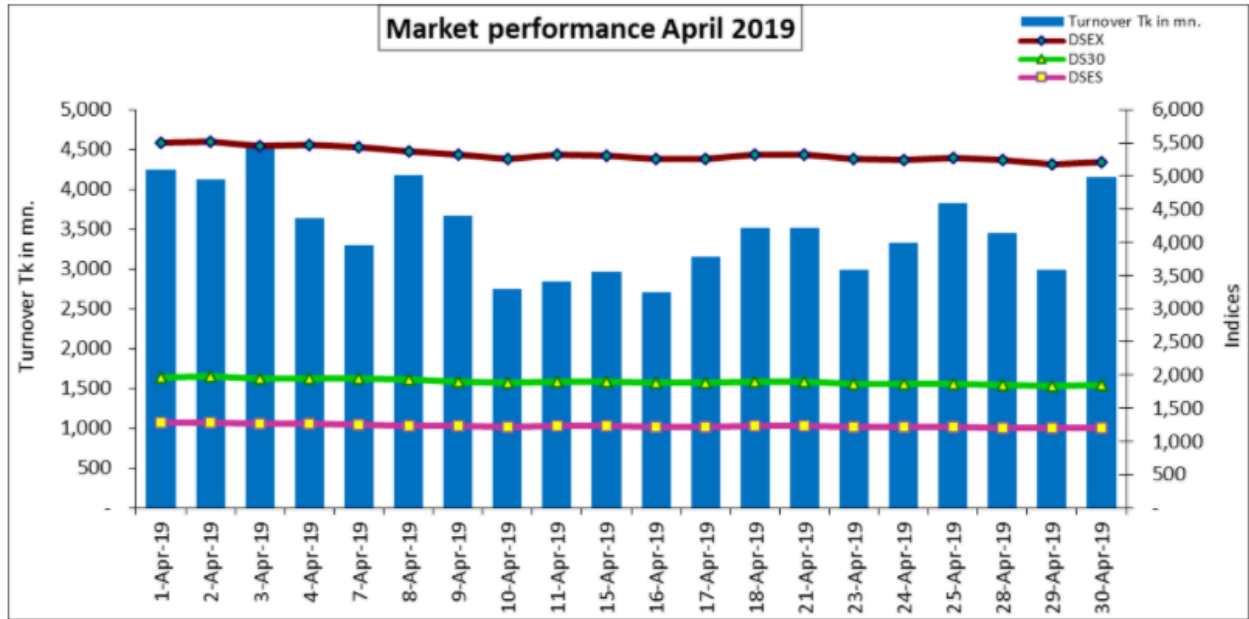st. Our study found that, in July total index value moved within 4,966.44 million to 5,384.93 million. Based on the value of the index our analysis found that in July the major decline occurred on 4 selected dates. The highest

turnover of the DSEX index was BDT 5,074.74 Million taka on 3rd July and the lowest turnover of the index was BDT. 2,717.62 Million Taka on 16th July.

Table: 4.6.1 DSE Index Declining Points and Rates on July 2019

Date	DSE falling amount in points	DSE falling amount in percentage
8th July	47.70	0.88%
12th July	199	-
22th July	96.95	1.88%
31st July	88.01	-

Above table shows the Dhaka Stock Exchange declining data on particular month of July 2019. At 8th July 2019 treading rate was downturn by 47.70 points that leads the total decline of the DSE index in 0.88%. After that date the rate was increasing to a certain time and then started to decrease again, but at 12th July the treading rate falls again by 199 points. Again in 22th July treading rate was decreased by 96.95 points as a result the DSE index lost its value by 1.88%. Finally the market falls on 31st July. At that date the treading rate falls by 88.01 points.

Reasons Behind The Declines on July

Investors are not investing money for the continuous fall of the market. Since new investment are not increasing market situation is getting worst. Raising the fear for further fall leads to sell off their stocks and liquid their money from the market. As a result liquidity pressure can happen in market. Following diagram will express the situation well
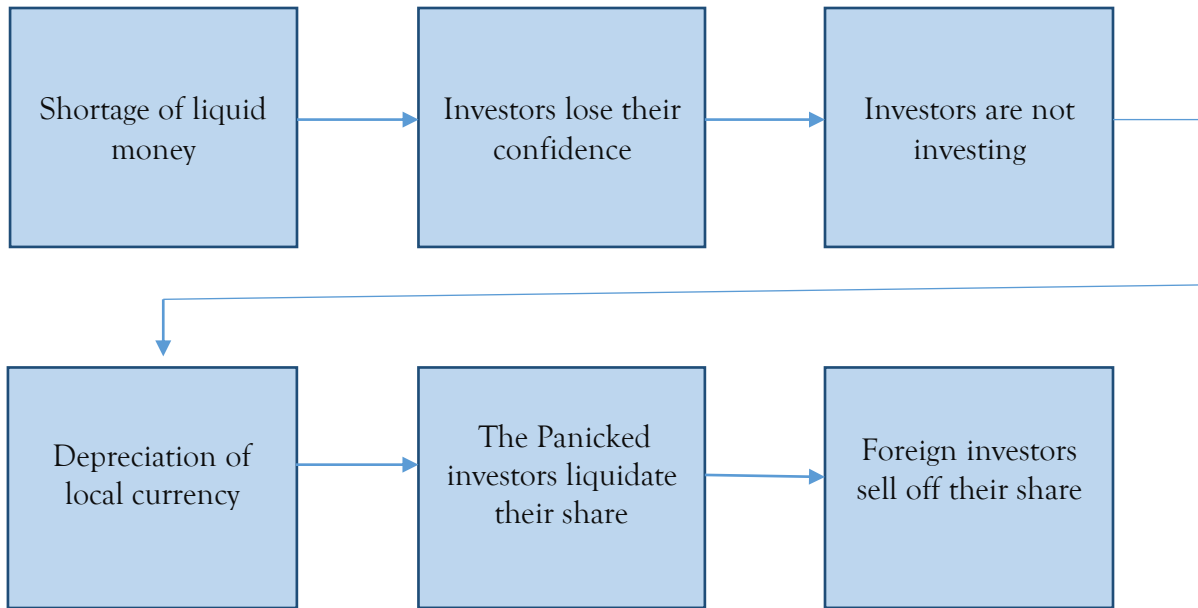
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┌──────────────────┐      ┌──────────────────┐      ┌──────────────────┐
│ Shortage of liquid│ ──→ │ Investors lose their│ ──→ │ Investors are not │
│      money        │      │    confidence     │      │     investing     │
└──────────────────┘      └──────────────────┘      └──────────────────┘

┌──────────────────┐      ┌──────────────────┐      ┌──────────────────┐
│  Depreciation of  │ ──→ │   The Panicked    │ ──→ │ Foreign investors │
│  local currency   │      │ investors liquidate│      │ sell off their share│
│                   │      │    their share    │      │                   │
└──────────────────┘      └──────────────────┘      └──────────────────┘
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Figure 4.6.1: Impact of liquidity pressure in the money market

From the above figure we can easily understood that if the shortage of liquid money arises once it may reduce the level of confidence of the investors. As a result the potential investors of the market may not be willing to make fresh investments. Therefore depreciation of the local currency will increase. It will panic the investors that may lead them to liquid their existing investments. Furthermore it will negatively impact on foreign investments.

4.7   Falls on September

In the month of September there were 12 more declines in DSEX among them our study have found 2 declines are more significant then rest.
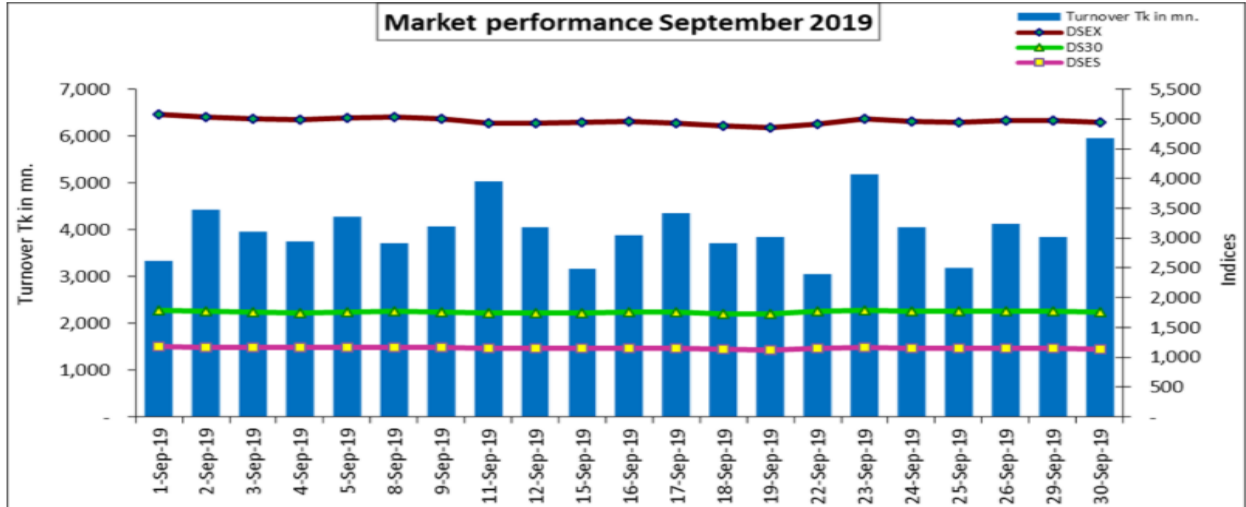
Figure 4.7.1: DSEX Index Graph for the month of September 2019

Figure 4.7.1 was collected from the DSE website. It shows that in September total index value moved within BDT. 4,855.99 Million To BDT. 5,522.17 Million. Based on the value of the index our analysis found that in September the major decline occurred on 2 selected dates. The highest turnover of the DSEX index was BDT 5,957.87 Million taka on 30th September and the lowest turnover of the index was BDT. 3,047.26 Million Taka on 22th September.

Table: 4.7.1 DSE Index Declining Points and Rates on September 2019

Date	DSE falling amount in points	DSE falling amount in percentage
12th September	75.78	-
19th September	533.61	9.84%

Above table shows the Dhaka Stock Exchange declining data on particular month of September 2019. In 12th September 2019 treading rate was downturn by 75.78 points. After that date the rate was increasing to a certain time and then started to decrease again, but at 19th September the treading rate falls again by 533.61 as a result the DSE index lost its value by 9.84% which is very significant.

Reasons Behind The Declines on September

In most of the cases market declining reasons are similar to the previous period. Our study found that most of the market analyst believes the reasons behind the declines on September are nothing new then the previous falls. Foreign investors were selling off their share because of the lake of the assurance or the probability of further fall. As a result lack of confidence increases the liquidity pressure in the money market. Since the depreciation of local currency against the US dollar was increasing, both foreign and local investors continued to pull out their fund amid lack of confidence.

As government provided tax-free dividend but still market has been falling because there is an existence of share manipulation, lack of quality stocks, deteriorating health of banks in the market, and fear of further fall.

4.8   Falls on October

In the month of October there were 15 more declines in DSEX among them our study have found 4 declines are more significant then rest.

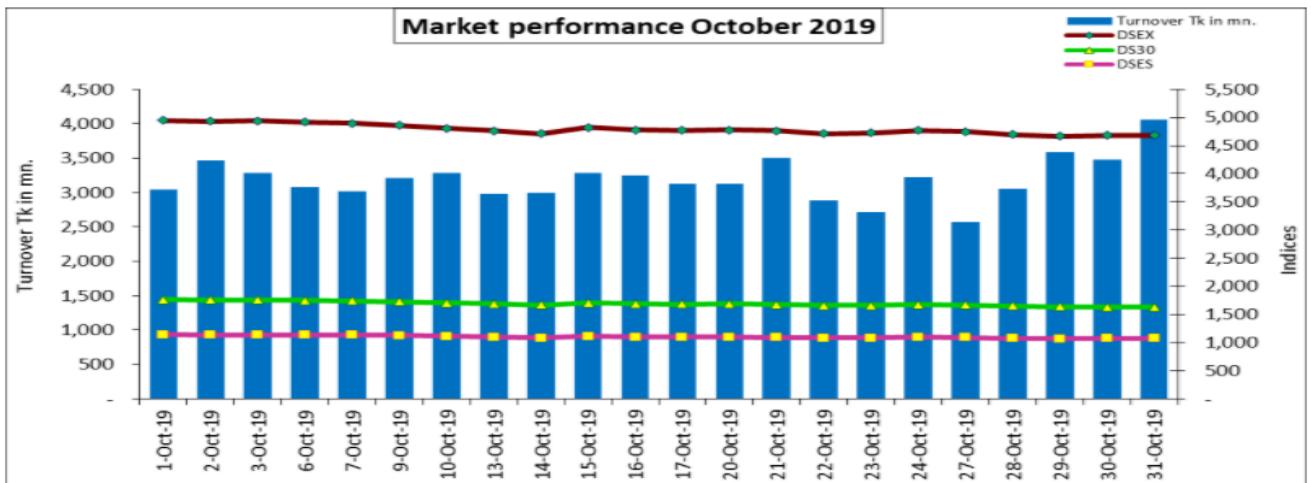Figure 4.8.1: DSEX Index Graph for the month of October 2019

Figure 4.8.1 was collected from the DSE website. It shows that in October total index value DSE moved within BDT. 4,670.75 Million To BDT. 4,949.40 Million. Based on the value of the index our analysis found that in September the major decline occurred on 4 selected dates, which we will describe later. The highest turnover of the DSEX index was BDT

4,054.32 Million Taka on 31th October and the lowest turnover of the index was BDT. 2,570.81 Million Taka on 27th October.

Table: 4.8.1 DSE Index Declining Points and Rates on October 2019

Date	DSE falling amount in points	DSE falling amount in percentage
10th October	32.05	0.65%
22th October	127.61	–
28th October	19.35	0.40%
29th October	53.42	1.12%

Above table shows the Dhaka Stock Exchange declining data on particular month of October 2019. At 10th October 2019 treading rate was downturn by 32.05 points that leads the total decreases of the DSE index by 0.65%. After that date the rate was increasing to a certain time and then started to decrease again, but at 22th October the treading rate falls again by 127.61 points. Again in 28th October treading rate was decreased by 19.35 points as a result the DSE index lost its value by 0.40%. Finally the market falls on 29th October. At that date the treading rate falls by 53.42 points and index value decreased by 1.12%.

Reasons Behind The Declines on October

Manipulation of some stocks and erosion of money have hit investors' confidence and portfolio badly. There are many confidence problems among the investors. Many of them were inactive for a long period they even didn't participates any of the activities for which manipulation happened in the market. In the meantime thin participation of institutional investors became a most significant reason. Lacking of ideal punishment against the manipulation leads the raises of Junk stocks. Bangladesh Bank approved a revolving fund for investing in stocks. It also announced loan facilities for banks to provide them with liquidity

support to invest in stocks. Despite that, the market is sliding, and that was only reason for investors' confidence crisis. The following figure describes well the situation'
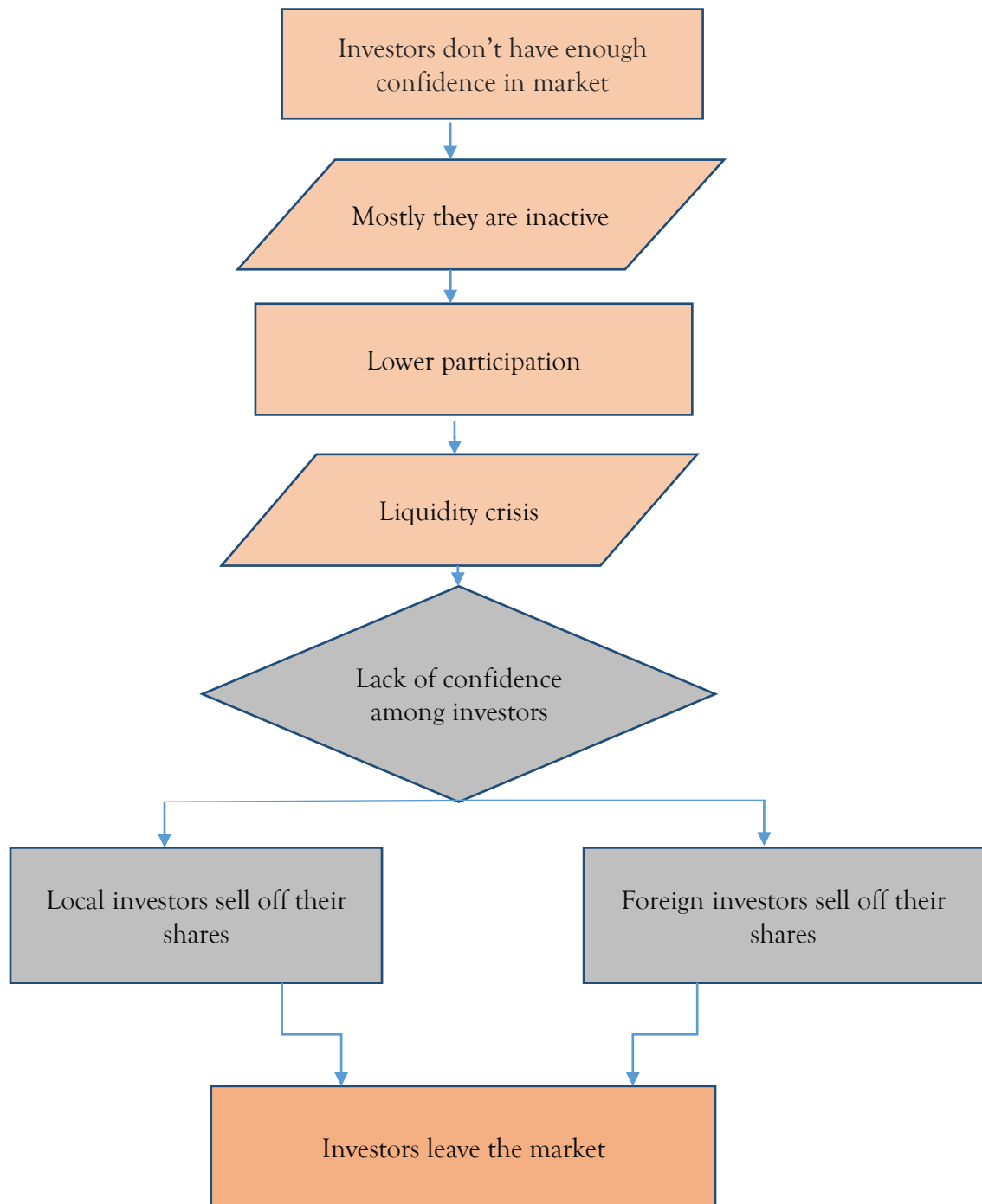
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┌─────────────────────────────┐
│  Investors don't have enough │
│      confidence in market    │
└─────────────────────────────┘
              │
              ▼
    ╱───────────────────╲
   ╱  Mostly they are    ╲
  ╱       inactive        ╲
  ╲─────────────────────╱
              │
              ▼
┌─────────────────────────────┐
│     Lower participation      │
└─────────────────────────────┘
              │
              ▼
    ╱───────────────────╲
   ╱   Liquidity crisis   ╲
  ╲─────────────────────╱
              │
              ▼
         ◆ Lack of ◆
      confidence among
          investors
```

Figure 4.8.2: Impact of investors' confidence crisis in the money market.

Figure 4.8.2 describes well the effect of investors' confidence crisis in the money market. When the level of confidence became low among the investors because of the lake of

predictability and market stability, then it raises the panic among both local and foreign investors which hits the total declines of the market.

4.9   Falls on November

In the month of November there were 6 more declines in DSEX among them our study have found 4 declines are more significant then rest.
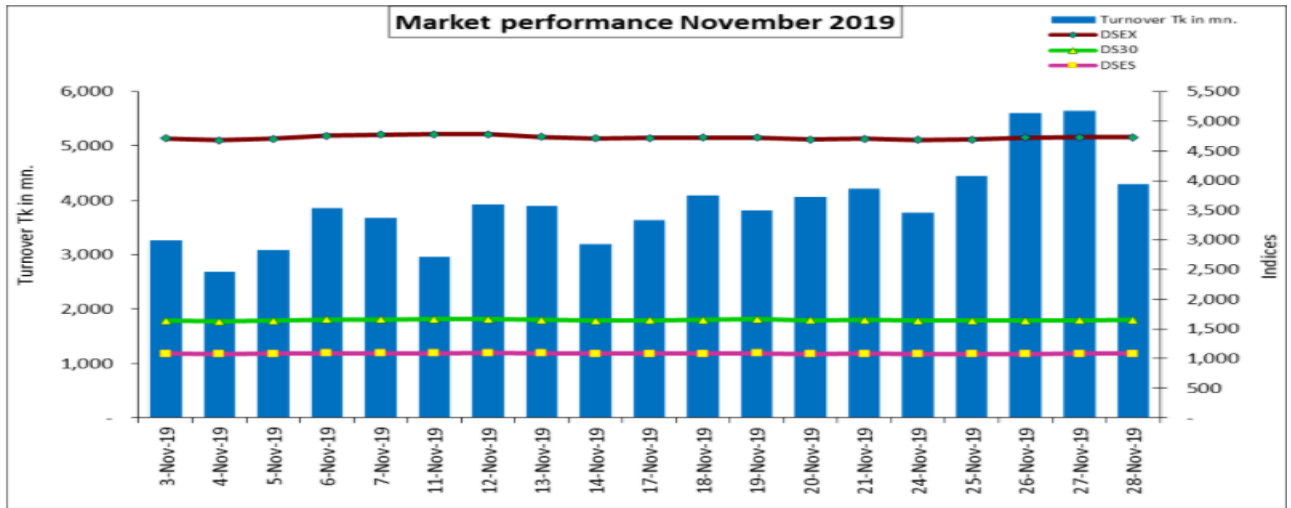

Figure 4.9.1: DSEX Index Graph for the month of November 2019

Figure 4.9.1 was collected from the DSE website. It shows that in November total value of DSE index moved within BDT. 4,678.36 Million To BDT. 4,781.48 Million. Based on the value of the index our analysis found that in November the major decline occurred on 4 selected dates, which we will describe later. The highest turnover of the DSEX index was BDT 5,642.22 Million Taka on 27[th] November and the lowest turnover of the index was BDT. 2,690.36 Million Taka on 4[th] November.

Table: 4.9.1 DSE Index Declining Points and Rates on November 2019

Date	DSE falling amount in points	DSE falling amount in percentage
1st November	0.30	-
15th November	26.80	0.56%
21st November	30.43	0.64%
25th November	18.23	0.38%

Above table shows the Dhaka Stock Exchange declining data on particular month of November 2019. At 1st November 2019 treading rate was downturn by 0.30 points. After that date the rate was increasing to a certain time and then started to decrease again, but at 15th November the treading rate falls again by 26.80 points that leads the total decreases of the DSE index by 0.56%. Again in 21st November treading rate was decreased by 30.43 points as a result the DSE index lost its value by 0.64%. Finally the market falls on 25th November. At that date the treading rate falls by 18.23 points and index value decreased by 0.38%.

Reasons Behind The Declines on November

The financial sector is not performing well and investors are suffering from confidence crisis due to non-performing loans. Most investors adopted a 'wait-and-see' policy amid depressed market outlook while some rebalanced their portfolios considering the earnings and dividend declarations. Some well-performing large companies disclosed lower-than-expected earnings in the last few days. As a result, their stocks fell pulling the key index down.

Investors are still suffering from a confidence crisis as the market remained volatile over the last ten months, and they sell off shares. Some foreign investors sold off shares at the end of the day for which the index fell slightly. Stock investors' confidence remained low due to the continuous fall of the index. The ICB is not giving support to the market and other institutional investors are running away from making investment.

4.10   Falls on December

In the month of December there were 12 more declines in DSEX among them our study have found 6 declines are more significant then rest.
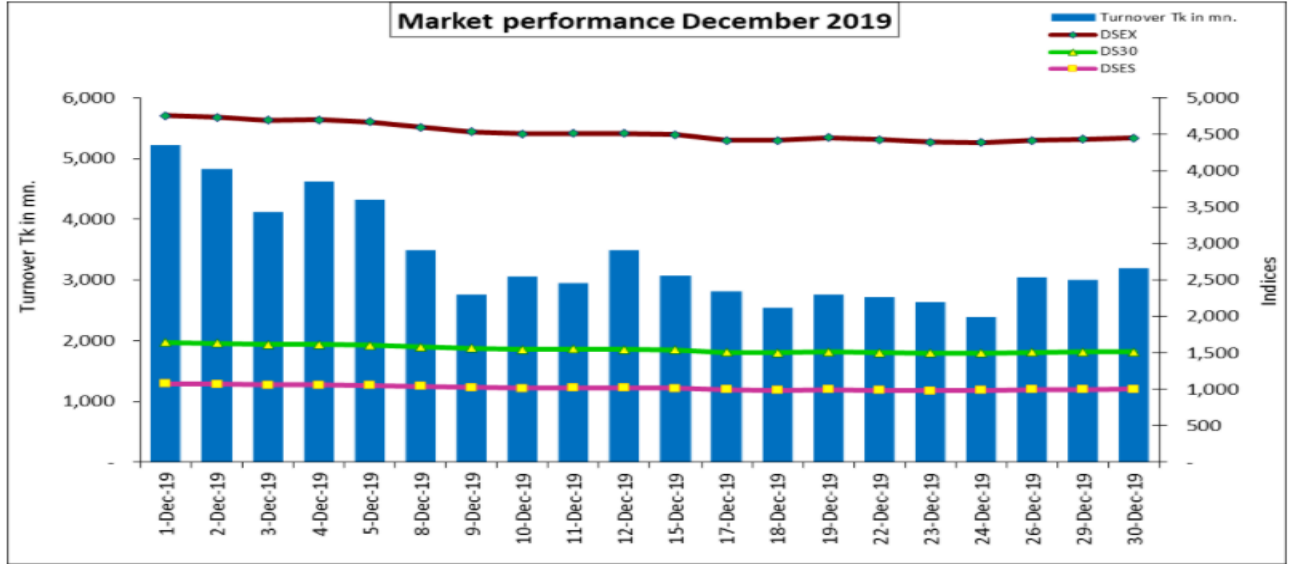

Figure 4.10.1: DSEX Index Graph for the month of December 2019

Figure 4.10.1 was collected from the DSE website. It shows that in December total value of DSE index moved within BDT. 4,394.44 Million To BDT. 4,758.81 Million. Based on the value of the index our analysis found that in December the major decline occurred on 6 selected dates, which we will describe later. The highest turnover of the DSEX index was BDT 5,216.49 Million Taka on 27th December and the lowest turnover of the index was BDT. 2,394.53 Million Taka on 4th December.

Table: 4.10.1 DSE Index Declining Points and Rates on December 2019

Date	DSE falling amount in points	DSE falling amount in percentage
4th December	27.59	1.68%
6th December	31.64	-
10th December	62.25	-
16th December	15.95	0.35%
25th December	3.76	0.08%
28th December	38	0.85%

Above table shows the Dhaka Stock Exchange declining data on particular month of December. On 4th December 2019 treading rate was downturn by 27.59 points that leads total decreased in DSE index value by 1.68%. At 6th December total index point was decreased by 31.64 points. Again at 10th December the treading rate was downturn by 62.25. After that date the rate was increasing to a certain time and then started to decrease again, but at 16th December the treading rate falls again by 15.95 points that leads the total decreases of the DSE index by 0.35%. Again in 25th December treading rate was decreased by 3.76 points as a result the DSE index lost its value by 0.08%. Finally the market falls on 28th December. At that date the treading rate falls by 38 points and index value decreased by 0.85%.

Reasons Behind The Declines on December

There are too many reasons against the December fall most of them are similar as previous months decline. A lack of confidence is the main problem in the market. Banks, Merchant

Banks, and other institutional investors were also not playing a supportive role for which the level of confidence of potential investors is not increasing. Investors are losing their trust on the company's financial statements as, the market regulatory authority failed to control the situation. The liquidity crunch was another good reason against the fall of confidence. Institutional investors have gone for a selling spree. Foreign investors are worried over chances of further depreciation of the local currency so, they are selling off their stocks and shaky investors are also. The news of falling private sector credit growth, soaring non-performing loan, declining export earnings and negative portfolio investment made investors frustrated therefore, new investments are not increasing and existing investments are deducing by the process of sales off the stocks.

4.11   Overall Summary of The Reasons Behind The Declines of DSE in 2019

After studying deeply all 29 selected declines we have identified few unique few common factors that affect the market throughout the whole year. The summary of factors that have affected the market over 2019 are provided in the following table-

Table 4.11.1: Summary of The Overall Declining Reasons of 2019

S/L No.	Reasons
1	Lack of confidence in stock market
2	Lack of confidence among investors
3	Lack of quality stocks
4	Liquidity crisis
5	Lower interest rate
6	Lower participation
7	Investors inactiveness
8	Insufficient fund to invest

S/L No.	Reasons
9	Depreciation of local currency
	Reasons
10	Poor tax revenue collection
11	Financial market remained volatile
12	Huge non-performing loans
13	Junk stocks
14	Fall of credit growth in Private sectors
15	Investors are not willing to make new invest
16	Local investors are selling off their shares
17	Foreign investors also selling off their shares
18	Investors are leaving from the market

CHAPTER FIVE: CONCLUSION & RECOMMENDATION

5.1   Conclusion

The major purpose of the study is to investigate the most influencing reasons that decline the Dhaka Stock Exchange (DSE) in the year of 2019. Among lots of factors our findings indicates that, liquidity pressure increases the lack of confidence in the stock market. As a result, investors become less confident on their investments. When the potential investors become hopeless about their investment they usually start selling off their share to large-cap companies. Therefore all potential investors including local, foreign and institutional investors become inactive. In presence of inactiveness of stock market participants, share manipulation opportunity arises that increases junk stocks. In addition, lower participation of investors leads to big fall in the stock market and also leads to depreciation of local currency. In presence of depreciation of local currency in the economy, banks and other financial institutions charges higher interest rate as a result investors suffers from insufficient fund to invest that is a significant reason to fall the market.

5.2   Recommendation

Since our study indicates that, the vulnerability of our stock market is too high. In absence of proper observation of market regulatory authority and proper reinforcement, the market volatility existed more than a year. If this situation continues, in future our economy will face recession very soon. Imposing proper reinforcement against manipulation may reduce declines. This study also found that without proper governance of The Bangladesh Securities and Exchange Commission (BSEC) it is quite impossible to prevent share manipulation. Investor's confidence will only grow if the market situation becomes stable.

Appendix- A

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