

Capital Market: Opportunities and Challenges

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Article History

Received: 19.10.2017

Accepted: 23.10.2017

Published: 30.10.2017

DOI:

10.36347/sjebm.2017.v04i10.010



Abstract: Investment Corporation of Bangladesh (ICB) is one of the renowned investment banks in Bangladesh. As an investment bank, ICB has been performing its merchandising and financial assistance operations since its inception. From directly participating in equity to superintending the issue of debentures, bonds, mutual funds, etc., all are within the activities of the ICB. That is why the principal objective of the study is to examine the role of ICB in the capital market development and to explore its opportunities and challenges. The researchers have used the documents of ICB and the capital market of Bangladesh to evaluate the role of ICB in capital market development. Both qualitative and quantitative interpretations were needed for the present study. The present study has exclusively used those methods by compiling the data of very critical and eventful ten years (2001-2011) of DSE, CSE, ICB and other related financial organizations. After collecting data, the researchers edited the data and used some statistical forms according to their suitability and necessity of the study. From the study findings, it is found that the paid up capital has been steadily rising. From around the year 2006, ICB has been performing much better as seen from its net profits exceeding the paid-up capital. The capital market in Bangladesh is still at a developing stage. The average size of companies in Bangladesh is minuscule compared to those of other countries. But, there was a steady progress in the capital market in the past due mainly to the government's continuous efforts of developing a sound securities market. As a result, there had been ongoing development of the capital market over the years. At the end of 2007, there were 350 securities listed on the Dhaka Stock Exchange (DSE) with a market capitalization of US\$ 10.82 billion. The study suggests that with the increase of income and net profit, market capitalization will increase because the estimation of total income and net profit are positive. If the performance of ICB improves continuously, it will help the growth of the Bangladeshi capital market to a great extent.

Keywords: ICB; Capital Market; SEC; DSE; CSE; Market Capitalization; Market Development.

INTRODUCTION

The Capital Market is a market of finance, where the long-term debt or equity assured securities are the product for buying and selling. In this market, money is provided for the time longer than a year[1]. A capital market is the source of financing for companies around the world, and it is the market for buying and selling equity and debt instruments. It is the engine of growth for an economy, and it tirelessly performs a very critical role as an intermediary between the savers and those companies which are seeking additional financing for their business expansion.

The capital market in Bangladesh is still at a developing stage. The average size of companies in

Bangladesh is minuscule compared to those of other countries. But, there was a steady progress in the capital market in the past due mainly to the government's continuous efforts of developing a sound securities market. As a result, there had been ongoing development of the capital market over the years. At the end of 2007, there were 350 securities listed on the Dhaka Stock Exchange (DSE) with a market capitalization of US\$ 10.82 billion. The companies had an average issued capital of only Taka 331 million in 2007. The average growth of market capitalization had been 34.8 percent per annum over the last ten years (2001-2011). The transaction volume also increased significantly with a mean growth rate of 28.5 percent during the same period.

The ICB, Investment Corporation of Bangladesh, exists for financial and other activities for capital market development and industrialization such as (i) direct participation in equity, (ii) purchase of shares, (iii) lease financing, (iv) venture capital financing, (v) advance against equity, and to act as trustee as well as custodian to the issue of debentures, bonds, mutual funds etc. ICB operates with an understanding that the capital market is to be a dependable source of capital for the growth of industries and businesses, and it cannot be cashed now for the players in just trading in shares. Imbalance in the supply of and demand for securities, difficulties in the harmonization of efforts in managing interest rates, inflation, exchange rate and money supply, and problems in the coordination of capital market with money market are some of the areas that need to be taken into consideration.

Objective

The principal objective of the study is to examine the role of Investment Corporation of Bangladesh (ICB) in the capital market development and to explore the opportunities and challenges. There are some specific objectives, which are:

- To analyze the initiatives of ICB for capital market development,
- To examine the opportunities of ICB in developing capital market,
- To trace the challenges of ICB in capital market development,
- To analyze and examine the growth trend of capital market in Bangladesh,
- To evaluate the development and measure the performance of ICB, and
- To help in taking measures for improving the performance of ICB.

METHODOLOGY

Methodology means the way of doing a research systematically. The methodology includes the procedure of selecting the study area, nature of the study, sample size, sampling techniques, methods of data collection, analytical framework, etc., which are used for a study. A method involves a process or technique in which various stages or steps of collecting data/information are explained, and the analytical techniques are defined[2]. The methodology is also defined as “a set of methods used in an area of particular activity.” The word “Method” comes from the Greek word ‘meta’ and ‘hoods’ meaning ‘a way.’ So, the methodology can be understood as the systematic and logical study of the principles guiding scientific investigations[3]. Thus the methodology implies to the methods used in a particular study. The researcher should also consider the logics behind the utilization of the ways in the context of a particular study and explain why he is using a particular method or technique.

Area of the Study

The study has mainly considered ICB and its three subsidiary companies, ICB Capital Management Limited, ICB Asset Management Company Limited, and ICB Securities Trading Company Limited. The study has also considered the DSE and CSE (Chittagong Stock Exchange) for a while. The data provided in the annual reports of the considered institutions related to the capital market of Bangladesh has been used primarily.

Selection of a Method

The methodology is the key guideline of any research. Hence the selection of a well-defined method is crucial for any scientific inquiry in any field of knowledge. Though methodology plays a significant role in any scientific or social research, the methods to be used somehow differ from one research to another. For this study, the content analysis method has been used. The researchers have analyzed the documents of ICB and the capital market of Bangladesh to evaluate the role of ICB in the capital market development. For this reason, content analysis method along with both the qualitative and quantitative interpretations was needed. The present study has exclusively used these techniques by compiling the data from 2001 to 2011 (10 years) of DSE, CSE, ICB and other related financial organizations. The used ten years of data include the recent significant changes in the capital market, recent major political instability, and the recent major changes in the government, the recent major global financial crisis, and the recent major crash in the capital market of Bangladesh. These recent major events will be very helpful and critical when evaluating the role of a major governmental institution like ICB.

Types and Sources of Data

The secondary data, information, and findings have been used predominantly in this study and those covers the period from 2001 to 2011. Materials, which have been incorporated in the study, were duly acknowledged. However, some primary data and information were collected from the officials of ICB, DSE, SEC (Securities and Exchange Commission), and CSE. The secondary sources are the data published in statistical reports, different annual reports of ICB, DSE, SEC, and CSE, documents, ordinances, books and various periodicals published at home and abroad.

ANALYSIS OF DATA

The researchers have analyzed collected data and information, and the computer was used in mandatory fields. The IBM, International Business Machines Corporation, SPSS software were also used. To make the data more meaningful, data have been analyzed in tabular forms, percentages, ratios, mean, median, standard deviation, and time series, and in

some other statistical forms according to their suitability and necessity of the study.

Variables and Indicators

Various variables and indicators have been used to evaluate the role of ICB in the capital market development and to assess the effectiveness of the initiatives of ICB. Growth, growth rate, share market index, capital size, turnover, total capital, the number of listed companies, the number of securities, the size of market capitalization, daily trade, dividend yield,

liquidity, etc., have been considered as variables in the study.

RESULTS

Growth Trend of Profit of ICB

Since its inception, ICB is playing a vital role in developing the capital market of Bangladesh. While performing its duty, ICB is gaining profit from its various products. In this section, the growth trend of profit was analyzed through some tables and charts.

Table-1: Growth Trend of Profit of ICB (Tk. in crore)

Year	Net profit	Absolute growth	Growth in yearly (%)
2000-1	8.16	-	-
2001-2	10.43	2.27	21.76
2002-3	10.68	0.25	2.34
2003-4	18.14	7.46	41.12
2004-5	21.93	3.79	17.28
2005-6	23.19	1.26	5.43
2006-7	30.23	7.04	23.29
2007-8	101.19	70.96	70.13
2008-9	111.63	10.44	9.35
2009-10	313.04	201.41	64.34
2010-11	385.52	72.48	18.80

Source: Annual Reports of ICB.

From the Table 1, it is seen that growth trend of profit of ICB is dominating in recent years. At the last two years, it was increased rapidly. At the beginning year, the percentage of the trend of profit of ICB is slightly increasing. In the fiscal year (FY) 2007-08, the percentage of profit of ICB is in the most upper stage, and it is more than 70%. But in absolute term, the highest growth was attained in 2009-2010.

Growth Trend of Earning per Share of ICB

From the following Table 2, it is seen that the Growth Trend of Earning per Share of ICB is dominating in mid-year of last eight years. From the sixth year, earning per share is decreasing rapidly. However, from the 2010-2011 FY, it again increases.

Table-2: Growth Trend of Earning per Share of ICB (in Tk.)

Year	Earnings per share	Absolute growth	Growth in yearly %
2003-4	38.84	-	-
2004-5	43.87	5.03	11.46
2005-6	46.38	2.51	5.41
2006-7	60.47	14.09	23.30
2007-8	202.39	141.92	70.12
2008-9	111.63	-90.76	-81.30
2009-10	106.52	-5.11	-4.79
2010-11	114.16	7.64	6.69

Source: Annual reports of ICB.

Growth Trend of Paid-up Capital of ICB

From the following Table 3, it is seen that the Paid-up Capital Growth Trend of ICB is increasing.

Table-3: Paid Up Capital Growth Trend of ICB (in crore taka)

Year	Paid up capital	Absolute Growth	Growth in percentage
2000-1	46.6	-	-
2001-2	46.6	0	0
2002-3	46.6	0	0
2003-4	50	3.4	7.30
2004-5	50	0	0
2005-6	50	0	0
2006-7	50	0	0
2007-8	50	0	0
2008-9	100	50	100
2009-10	200	100	100
2010-11	250	50	25

Source: Annual reports of ICB.

The paid up capital at the beginning years were stable. But in the last three years, it has increased rapidly. It is expected that it will further increase shortly.

Book Value per Share Growth Trend

Growth Trend of Book Value per Share of ICB was growing during the last eight economic years. At the sixth, it has decreased. Then again, it began to grow.

Table-4: Book Value per Share Growth Trend

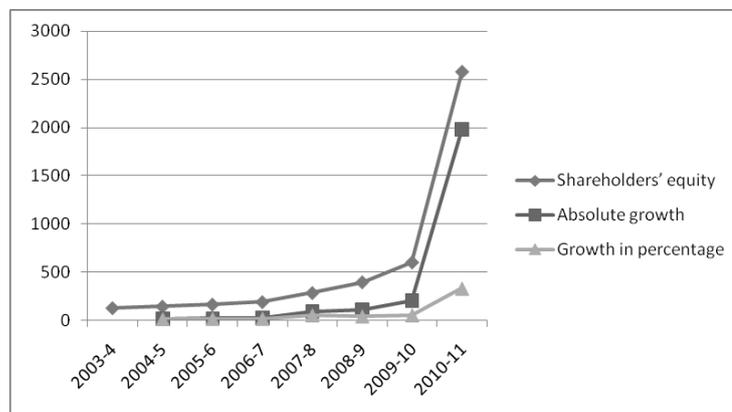
Year	Book value per share	Absolute growth	Growth in percentage
2003-4	270.33	-	-
2004-5	281.63	11.3	4.18
2005-6	325.92	44.29	15.73
2006-7	378.64	52.72	16.18
2007-8	569.12	190.48	50.31
2008-9	396.12	-173	-30.40
2009-10	939.4	543.28	137.15
2010-11	1035.23	95.83	10.20

Source: Annual Reports of ICB.

From the Table 4, it is seen that in the FY 2007-8, the percentage of book value per share of ICB increases, and it is about more than 50%. In FY 2008-9, the percentage of book value per share of ICB decreases, and it is about 30%. In the FY 2009-10, the percentage of book value per share of ICB again, increases and it is about 137%. So it can be expected that the earning per share of ICB will increase day by day.

Shareholders' Equity Growth Trend

The Shareholder's Equity Growth Trend is an increasing trend, and the trend looks like an exponential graph. In the year 2007-8, the percentage of shareholder's equity of ICB increases, and it is about 50%.



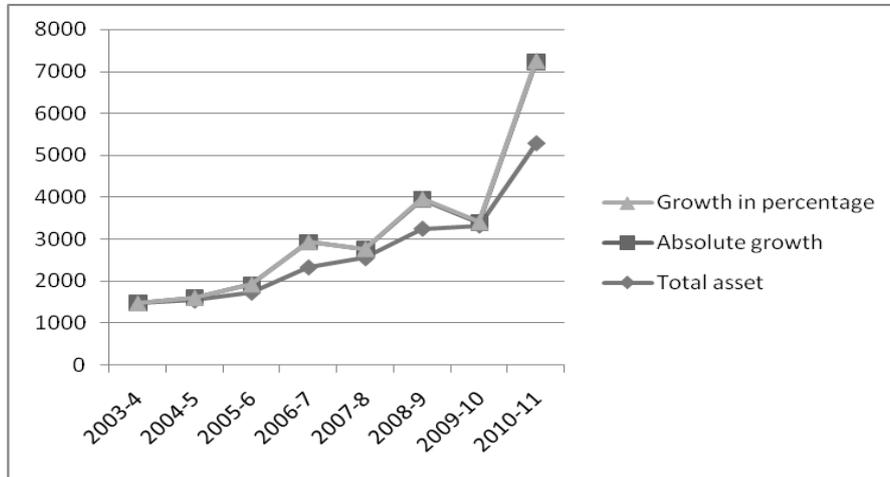
Source: Annual Reports of ICB.

Fig-1: Shareholders' Equity Growth Trend

From the Figure 1, it is seen that in the year 2008-9, the percentage of shareholder's equity of ICB increases, and it is about 40%. And in the FY 2009-10, the percentage of shareholder's equity of ICB increases, and it is about more than 52%. But In the FY 2010-11, the percentage of shareholder's equity of ICB increases by more than the last years, and it is more than 330%.

Total Asset Growth Trend

From the Figure 2, it is seen that the total asset growth trend is an increasing trend and the trend looks like an exponential graph.



Source: Annual Reports of ICB.

Fig-2: Total Asset Growth Trend

In the FY 2010-11, the percentage of Total asset growth trend of ICB increases, and it is about more than 24%. In the FY 2008-9, the percentage of Total asset growth trend of ICB increases, and it is about 15%. And in the FY 2009-10, the percentage of Total asset growth trend of ICB increases, and it is about more than 15%. So, the proportion of total asset growth trend of ICB is growing day by day.

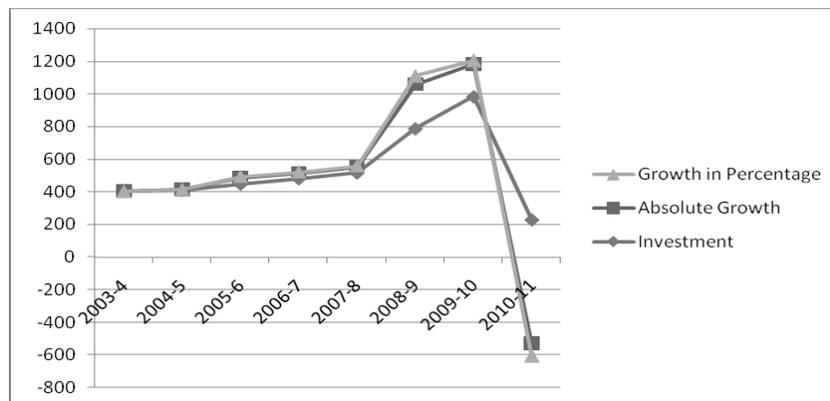
seen that in the year 2003-04, the percentage of dividend payout growth of ICB increases, and it is about 25%. In the FY 2009-10, the percentage of dividend payout growth of ICB decreases, and it is about more than -61%. But in the FY 2010-11, the percentage of dividend payout growth of ICB increases again, and it is 25 percent.

Dividend Payout Growth Trend

The Dividend Payout Growth Trend increases. In the FY 2007-08, the percentage of dividend Payout growth of ICB is the highest, and it is about more than 685%. It is

Investment Growth Trend

In the FY 2008-09, the percentage of investment growth of ICB is the highest, and it is about more than 52%.



Source: Annual Reports of ICB.

Fig-3: Investment Growth Trend

In the FY 2005-06, the percentage of investment growth of ICB increases, and it is about 9.4%. And in the FY 2009-10, the percentage of investment growth of ICB is increased, and it is about more than 25%. But in the FY 2010-11, the percentage of investment growth of ICB decreased, and it is about more than -76%. We hope for a better future of ICB.

Dividend Yield Growth Trend

The Dividend Yield Growth Trend unstable. It goes ups and downs very frequently. In the FY 2008-09, the percentage of dividend yield growth of ICB attained the highest of 789%. From the Figure 5, it is seen that in the FY 2005-06, the percentage of dividend yield growth of ICB increased, and it is about 69%. And in the FY 2006-07, the percentage of dividend yield growth of ICB decreased, and it is about more than -64%. In the FY 2009-10, the percentage of dividend yield growth of ICB is decreased, and it is about more than -96%. But in the FY 2010-11, the percentage of dividend yield growth of ICB increases again, and it is 300 percent. So, it may further increase.

Price Earnings Ratio Trend

In the FY 2007-08, the percentage of Price Earnings Ratio of ICB is the highest, and it is about more than 613%. In the FY 2005-06, the percentage of Price Earnings Ratio of ICB decreased, and it is about -46%. And in the FY

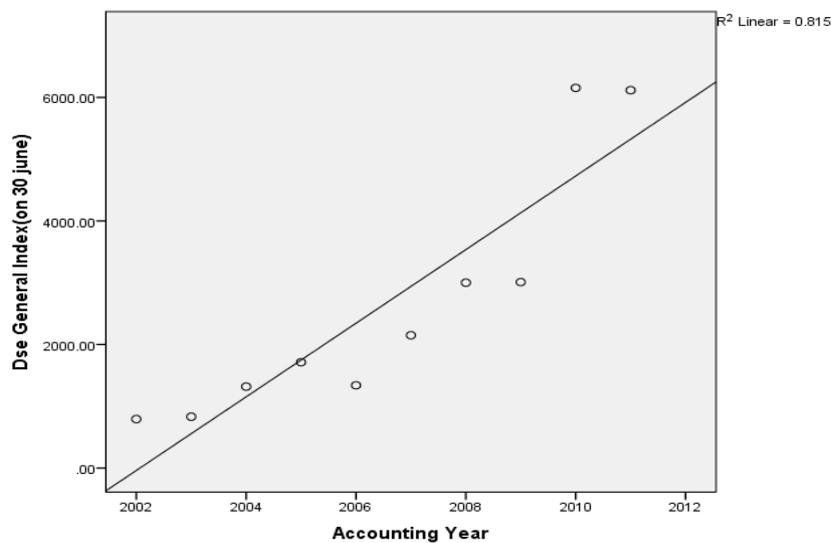
2006-07, the percentage of Price Earnings Ratio of ICB increased, and it is about more than 168%. In the FY 2009-10, the percentage of Price Earnings Ratio of ICB increased, and it is about more than 150%. But in the FY 2010-11, the percentage of Price Earnings Ratio of ICB decreased again, and it is about -49 percent.

Number of Shareholder Growth Trend

It is seen that the Number of Shareholder Growth Trend is increasing with minor ups and downs. In the FY 2010-11, the percentage of shareholders growth of ICB is the highest, and it is about more than 49%. In the FY 2003-04, the percentage of shareholders growth of ICB increased, and it is about 32%. And in the FY 2009-10, the percentage of shareholders growth of ICB decreased, and it is near -8%. In the FY 2004-05, the percentage of shareholders growth of ICB dropped, and it is about more than -9%. But in the FY 2010-11, the percentage of shareholders growth of ICB has increased again.

Growth Trend of the Capital Market in Bangladesh

The general index can easily measure the Growth Trend of the Capital Market. As it can be seen from the scatter plot with a superimposed trend line, the general index (DSE) has been progressively increasing as a positive linear trend.

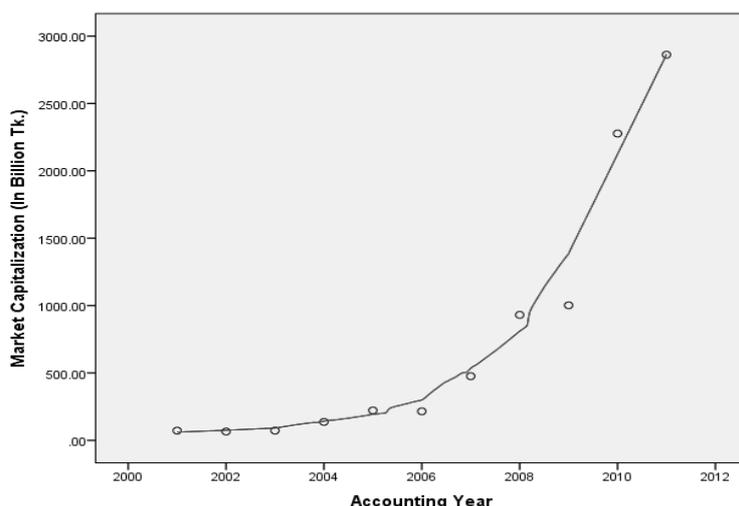


Source: Annual Reports of DSE.

Fig-4: DSE General Index

DSE was chosen here as it seems to contribute much to the general index. Market Capitalization is a key indicator in analyzing the growth trend in the

capital markets. The scatterplot shows the change in market capitalization over time.



Source: Annual Reports of DSE.

Fig-5: Market Capitalization

As can be seen from the figure 9, the growth is a curve best described by a logistic model. While the two methods of analyzing growth in capital markets are all suitable, they give different distributions. Consequently, we have to select a model that best predicts the growth of capital markets.

Factor analysis allows us to test for this. In essence, factor analysis helps us to decide how

variables best suit (loads on) a hypothetical variable. The suitability of these variables is measured from 0–1, the variable whose coefficient is near one is the best suited for the analysis. Table 5 shows factor analysis for Market Capitalization and DSE general index with a component selected with “Eigenvalue” of above 1. As can be seen from the table below, Market Capitalization loads on a hypothetical variable than the DSE general index.

Table-5: Key Statistics of Capital Market in Bangladesh (Tk. in crore)

Year	Number of Listed Securities	Market Capitalization (Tk. in crore)	Transaction (Tk. in crore)	Transaction/Market Cap (%)	Price Index
2000	241	6200.92	4000.27	6400.00	64200.68
2001	249	6300.77	3900.87	6200.52	81700.79
2002	260	7100.26	3400.98	4900.09	82200.34
2003	267	9700.59	1900.15	1900.63	96700.88
2004	256	22400.92	5300.18	2300.64	197100.31
2005	286	23300.08	6400.84	2700.82	127500.05
2006	310	32300.37	6500.08	2000.13	132100.39
2007	350	74200.20	33200.87	4400.85	253500.96
2008	412	104400.80	66700.96	4000.64	230900.35
2009	415	190300	147500.90	8200.33	374700.53
2010	445	350800.00	400900.91	8400.31	687700.66
2011	459	261600	-	-2500.40	525700.6

Note: Securities include stocks, bonds, debentures and mutual funds.

Source: DSE, CSE and SEC Annual Reports.

DISCUSSION

Evolution of Capital Markets in general and some problems

Every country experiences a hierarchy regarding capital market development – first commercial banks, then security markets (stocks and bonds), and then the non-monetary intermediaries (i.e. insurance companies, pension funds, mutual funds, investment trusts, leasing, venture capital firms, etc.). Unfortunately, development of the

security market is incredibly complex and suffers from numerous problems. These problems start with the supply of securities. Reasons for limited supply start with a distorted government interest rate and credit allocation policy, where financial assets’ prices are distorted due to the loans which are readily available and are cheaper than equity capital. Other factors often mentioned are:

- Presence of family owned companies and of state-

- owned government enterprises;
- High share issue costs due to government involvement in the pricing, with long and miserable issuing procedures;
- Reluctance to disclose information to the public, competitors and tax authorities; and
- Lack of fiscal and other incentives and absence of government pressures for companies to go public.

Finally, government's role in security markets must be changed from one of direct involvement to a more catalytic and supervisory one.

Capital Market Related Challenges

The current two of the most significant problems of the capital market of Bangladesh are the lack of confidence of the investors and lack of liquidity of the capital market. After the crash of the capital market in 2011, a continuous fall in overall turnover was seen, revealing the crisis of liquidity in the capital market since the collapse. In FY 2011-12, the turnover sunk to Tk. 117,145.07 crore from Tk. 325,879.77 crore in FY 2010-11, a reduction of Tk. 208,734.7 crore, meaning a fall of 64 percentages. The regnant contractionary monetary policy through a high rate of interest along with the Bangladesh government's greater than before dependency on loans from the banking sector for financing the public deficit have also weakened the supply of liquidity into the capital market. In January 2013 total market capitalization of DSE was Tk. 184,545.2 crore, a less of 4.5 percent than that of the previous fiscal year of 2011-12. In FY 2010-11, the market capitalization was Tk. 232,701.6 crore. In FY 2009-10, the turning year, saw the market capitalization increased by 127.31 percent from the previous year and reached from Tk. 100,143.3 crore in FY 2008-09 to Tk. 227,640.8 crore in FY 2009-10. The increasing trend of market capitalization till FY 2011-12 states that the volume of value of the capital stock has followed a positive trend, but after the crash, the market capitalization starts to fall. Moreover, there is no significant correlation between GDP (Gross Domestic Product) and market capitalization. That means the size of market capitalization has not started to show any influence on GDP yet. In FY 2012-13, the market capitalization and investment ratio witnessed a downward trend, reaching at 83.01 percent. This indicates the descent in the ratio between capitalization and investments, revealing a continuous fall in the capital market. The sector-wise performance of the market capitalization process has a clear implication of the growth process of the capital market over the time. During FY 1995-96 the sectors which have the directly influential role of real sector contributed the major market capitalization, but in FY 2000-01 the scenario has turned to changed and financial sectors have started to contribute the major market capitalization, and finally, in

FY 2010-11 the major sector-wise contribution of market capitalization was banking sector. In this year, the banks, insurance including mutual funds jointly contributed 53 percent of the market capitalization whereas pharmaceuticals and chemicals, textile industries, food and allied products and engineering contributed 21 percent jointly of the total market capitalization.

After the FY 2010-11 crash of the capital market, the financial sector components decline very significantly. The sector wise contribution of financial institutions fell from 12 percent to 8 percent from FY 2010-11 to January 2013. Moreover, continuous decline in the input of the banking sector is observable. From this time horizon, the falling rate of contribution of the banking sector in market capitalization came down from 29 percent to 27 percent from FY 2010-11 to January 2013.

By analyzing different indicators of the capital market, it is clear that a single game planner played this game and in which there is the less significant contribution of financial sectors in the process of market capitalization.

Capital Market Volatility

The volatility is the measurement of the price movement degree of stock. It shows how current usually a stock price is over a particular period. In general, the volatility of the stock can be determined by observing the fluctuations in the stock index. The change in the stock index depends on the demand and supply of the securities traded on a stock exchange. So, the market estimate of volatility can be used as the barometer of the vulnerability of the capital market. Stock return volatility represents the variability of day-to-day stock price changes over a period, which is taken as a measure of risk by the relevant agents. High volatility, unaccompanied by any change in the real situation, may lead to a general erosion of the confidence of investors in the market and redirect the flow of capital away from the stock exchange. The excessive level of volatility also reduces the usefulness of stock price as a reflector of the real worth of the firm.

Challenges Related to ICB Mutual Fund

Bangladesh is not a developed country. Its economy depends on agriculture for more than 60%. Now it can be understood that its industrialization is in the infant stage. So, for the better growth of industrialization, the capital market is paramount for the country. Mutual Funds are managed and run by a professional management team, the success and growth of the mutual funds depend on future profitability and investors' investment confidence and also on the performance of the management.

From the depositors' point of view:

- The service providers are not providing their

service as fast as it should be. More time is needed to get the service from the related personals.

- Some sluggish process is also costing time at the date of order execution.
- The withdrawal process of any security fund is very lengthy, complicated, and inefficiently managed.

From portfolio investments' point of view:

- ICB hasn't done any proper and systematic analysis for measuring their activities and progress.
- ICB hasn't done anything yet for identifying any key variables to examine all its extended performance.

From the capital market's point of view:

- Even though dividend is one of the principal sources of earning for the mutual funds, most of the companies do not declare the adequate amount of dividend.
- Even though there is a huge demand for fundamentally strong securities, the supply is very low.
- Whenever there is a political instability or any situation like that, investors get hurt with insecurity, and this leads to a flat stock market.
- Since a considerable proportion of the investors borrow their capital for their investment in securities and the cost of borrowing is high, their income from securities gets severely affected with the upper expenditure for maintaining funds.

CONCLUSION

The capital market is the financial market for the buying and selling any equity-backed security or long-term debt. This market redirects the wealth of the savers to those who need funds for long-term productive use, such as companies or government for their long-term investments. To ensure the sound economic development, a healthy capital market is one of the first requirements. The present scenario of the capital market is very horrific and unstable. As a state-owned investment company of Bangladesh, ICB can play a vital role to make a sound capital market. In this regard an evaluation of the performance of ICB was necessary. The present study has evaluated the performance of ICB in Capital market development. Moreover, it has opened a new branch of knowledge and approach to upgrade the performance of ICB. As it is known, the primary objective of ICB was to encourage and broaden the base investment, develop capital market, and mobilize savings from the surplus unit. It is observed that the performance of ICB was satisfactory. In almost all the areas, ICB's performance was improving in comparison to the past few years. Dividend payment, net operating income, operating profit,

the amount of its investment in the main operational areas has also been increased. Regarding lease financing, project commitments, etc., the amount of allocation is also increasing. By playing a significant role in the above field, ICB has transpired as the major role player in the capital market of Bangladesh.

In spite of having some activities, the financial position of Investment Corporation of Bangladesh in respect of its financial assistance operations has not improved significantly due to various kinds of challenges. Although the authorities have taken some extraordinary measures, the performance of the said operations could not be improved to the expected level yet. So, it is necessary to take initiatives for the development of the activities of ICB. Based on the study findings the researchers have made the following recommendations for the development of the performance of ICB.

RECOMMENDATIONS

- The Investment Corporation of Bangladesh (ICB) has long enjoyed immunity from the regulators. ICB functions as a DFI (Development Finance Institution), as a commercial bank in some ways, as a merchant bank involved in underwriting and managing mutual funds, and as an investment advisor in operating investor accounts. As a result of all these complex functions, ICB has escaped the eyes of the regulators, especially the Bangladesh Bank. Today, ICB is in a liquidity crisis owing to all its functions- poor loan recovery, poor underwriting, mismanagement of investor accounts, its unconventional (and wrong) tactics in share market trading, and finally its poor accounting practices in the past. ICB does not help the marketplace by operating a sort of a parallel stock exchange on its own premises. ICB needs to do so.
- It is needed to bring institutional changes or reform that includes establishing clear guidelines for underwriting and capital issues for new public offerings, bonus shares, and rights issues
- The security market system in Bangladesh needs professionally trained government officials (in security market areas), financial accountants, legal specialists specializing in credit analysis, market operators, fund managers, investment educators, journalists who understand security markets and other related security markets professional.
- There is further need for investor education also. The easiest means is an educational video produced combined by the ICB, DSE, and Ministry of Finance, which will explain what shares and bonds are, what is a mutual fund, what is a stock exchange, what is an investor account, how can one buy and sell easily, and how the government will protect the investors against malpractice of the market operators.

- Improve economic environment, where monetary policy and interest rate structure is such that a risky capital market cap exists, and the fiscal policy is attractive to the company seeking funds and to the investor providing funds, in the form of tax benefits.
- Build a physical market structure; reorganize the management, operations, membership structure and the self- regulation of the DSE. A complete reorganization of Investment Corporation of Bangladesh should include the working of investor accounts, margin calls, underwriting practices, a stable dividend payout, and more liberalized capital gains policy in the unit funds and mutual funds, and of course, like any other DFI, a rehabilitation of its loan portfolio.
- It has to improve firm guidelines for improvements in institutional market structure, including capital issue process (new issues or bonus issues or rights issues) and clear guidelines for underwriting and the role that underwriters have to play. At the same time, it is needed to improve market trading practices. The process of clearing/transfer/settlement should be simplified and a securities' Finance House to be set up to provide funds for margin trading, by holding shares as collateral.

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