INVESTIGATING THE PRESENT CAPITAL MARKET CRISIS AND RECOVERY STRATEGIES IN BANGLADESH

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ABSTRACT

Capital market crisis has become a burning issue for Bangladesh after the crash of 2010. Considering this importance the study analyzed the crisis of present capital crisis and its recovery strategy through a quantitative research method. For analysis, 100 structured questionnaires were analyzed who were selected from Lanka Bangla Securities Limited in Chittagong. A convenience sampling technique was used for the study. The result indicates that prime reasons of crisis in the capital market of Bangladesh are frequent changes in regulatory policies, liquidity crisis, unwillingness of institutional investors to invest, lack of confidence and patience among investors. Stability in the financial sector, strong policy formulation, ensuring transparency and inclusiveness, revising rules and regulations of SEC are the important strategies, according to respondents, to overcome capital market crisis. This finding implies that developing and ensuring stability in capital may contribute to the overall economic development of the country as a whole. Therefore, the outcomes of the study bring out implications for the government, regulators, and policy makers to uplift the capital over crisis.

Keywords*:* Capital, Market Crices, Recovery

INTRODUCTION

Stock market is one of the most important financial institutions of an economy like Bangladesh. It opens door for companies to raise huge amount of capital from a lot of individual investors inside & outside the country. Investors participate willingly to buy ownership of a company in the public market. It is said that stock market is an intermediary institution to adjust a gap between surplus units and deficit units of an economy. In these days, for millions of middle class educated people in Bangladesh investing in stocks has become more popular than investing in any other investment sectors. For an investor, stocks are more liquid than any other investment sources as it gives ability to sell and buy ownership anytime without facing any barrier.

Over the last few years, the capital market of Bangladesh has witnessed haughty growth, which has not been in line with development in the real economic sector. Although, the Securities and Exchange Commission (SEC) of Bangladesh has tried to correct the irregular behaviors observed in the market, very often it is argued that lack of proper decisions from the regulator's side has contributed to make the market more unstable. But the important thing is 'How to stand again after a complete slump?' Stock markets are great financial institutions for economic growth provided they are managed properly. Some well funded theories have been established by scholars after studying the operation of stock market in the developed world.

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OBJECTIVES OF THE STUDY

The main objective of the study is to analyze the present capital market crisis and its recovery strategies. In order to attain the main objective, following specific objectives have been identified:

1. To uncover the causes and effects of the current capital market plight;
2. To suggest some recovery strategies for the capital market crisis;
3. To identify the expectations of the investors regarding the role of regulators and
4. To give some recommendations for future prospects of the capital market in Bangladesh.

LIMITATIONS OF THE STUDY

For the sake of confidentiality, many respondents were reluctant to convey their opinion which, if were conveyed, would have made the study exact and more factual. The respondents were chosen randomly from Chittagong Metropolitan area for the convenience of the study. So, the opinions presented in this study might seem as the prejudiced one. The study could not afford a number of potential respondents' opinion as they were in rush during the trading hours or severely depressed for the market fall.

BACKGROUND OF THE STUDY

The Stock Market of Bangladesh has got its origin from Pakistan through inheritance. Eight promoters have established East Pakistan Stock Market in between 1954-56. It was renamed as Dhaka Stock Exchange in 1964. The revolution of stock market has been initiated in 1976. A remarkable trade trend has been observed since 1986. The new General Index of Dhaka Stock Exchange has been established in 1993 by following the formula of International Finance Corporation (IFC) of World Bank. In the same year Security and Exchange Commission has been established as the regulatory body of Stock Market by the Parliament. From the year 1993 to 1994 market capital increased from Tk.178 crore to Tk.408 crore. In 1995, another stock exchange named Chittagong Stock Exchange was established. In 1996 the capital market of Bangladesh has observed a big plunge in December after a bang having the market capital of Tk. 2100 crore. Before the sag in December 1996, DSE General Index raised up to 3600 points through the "Pump and Dump Manipulation Scheme" of some dishonest stock brokers. After that the Index has declined by about 83.44% in three years from 1996 to 1999 (Litreature Review of stock market, 2010). In 1999-2000, Government allowed black money to enter into the capital market. In 2000-2001, companies paying dividend 25% and above have been declared to get 10% tax rebate while tax deducted at source on bonus shares has been withdrawn by the Government. Permissions to the bank to open Merchant Bank wings and enhancement of minimum taxable income were other motivating effort during that period. But such efforts could not bring expected results as no mentionable progresses were found. The slow and steady progress has been observed from 2002 to 2006. The period of 2007 to 2009 was the best period of Bangladesh Stock Market so far. In the 1st three quarters of 2010 investors have found a completely mysterious and unusual growth in capital market the ultimate consequences of which is the historical crush of 2010-2011. Other factors like economic situation, reduction of investment in other sectors, unemployment situation of the country and finally the encouragement of regulators for investment in stock market also played important role for unusual growth of stock market (Ullah and Kabir, 2012). Chairman of probe committee Mr. Ibrahim Khaled (2011) 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.

Recovery was initiated with Institutional buyer for instance merchant banks, state owned banks & non-financial institutions. (Chowdhury2011). The factors that contributed to the crash are mostly those commonly blamed by different market analysts, economists and stakeholders (BBC, 10.1.2011). As Hossain (2011) criticized "this time liable factors are – omnibus account, placement share, book building method, rumors and so on. Misuse of those factors causes the capital market debacle". According to the Investigation report (2011) of the probe committee, reasons for the stock market crash are role of market regulators and their employees, investment of bank in the capital market. Liquidity tightening was in the extreme phase in 2011 to tame the stubborn inflation. Raging inflation rate, slower export growth at the end of the year, rising import cost propelled by the higher fuel demand, declining remittance, BDT depreciation against

USD, plummeting foreign aid and loan created current account deficit keeping the BOP sweating (Wikipedia, 2011). Squabbling relationship with donors and inept project implementation extended the queue of external borrowing pipeline (Bahar, 2009). From the beginning of 2012 the investors kept close eyes to target level, whether there is a sign of melting monetary policy and liquidity easing resulting from lower policy interest rates and framework changes in stock market. Now after two year in October 2013 investors remain puzzled despite some unfolding positive signs like inflation rate came down to single digit, low difference between government's actual and targeted borrowing, and regulator showed its utmost commitment to implement the proposed incentives to revitalize the market . It can be summed up as there are no such certain indicators measuring which it can be foretold that capital market will recover from the catastrophe. But analyzing the concurrent trends of the world capital market it can be figured out that no such crisis is durable for so long term. Bangladesh capital market is presumed to follow such trend and hopefully there still has some probability of the market bouncing. "Market-friendly" monetary policy and some positive initiatives by the concerned bodies are composing the way of placing the market in a composure state. Nothing but time will determine the castaway of the capital market (Wikipedia, 2011).

METHODOLOGY

Source of Data

The study is empirical in nature. Data has been collected from both the primary and secondary sources. Secondary data were taken from different relevant studies, Recent Directives regarding the development of capital market of SEC of Bangladesh, Quarterly Review of the SEC, Monthly Review of the Dhaka Stock Exchange (DSE) and the CSE, Publications of Bangladesh Bank & Credit Rating Agencies, Bangladesh Economic Review, Statistical Year Book of Bangladesh, National & International Dailies, Market Pulse (Monthly Market Review) of LBSL, Websites of DSE, CSE, SEC& LBSL of Bangladesh.

Primary data were collected through open-ended and closed-ended questionnaire survey from 100 respondents who were the investors of Chittagong Stock Exchange (CSE) and Dhaka Stock Exchange (DSE) and employees of Lanka Bangla Securities Limited. The convenience sampling technique was used for the study. The statistics of the survey is population size on number of B/O account: 2,384,364 (As on 20th November, 2013) confidence level: 95%.

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Background Variables

From the analysis of data, it is found that 94% are male investors while 6% of them are female investors which mean more female investors are engaging in capital market & their enthusiasm is also substantial in this sector. Most of the respondents are aged between 30-39 years (49%). About 29% investors are aged below 29. Most middle-aged people are relying solely on capital market income to maintain their livelihood. In educational level, high percentage of post-graduate investors is 71 percent & graduate investor is 25 percent. According to marital status of investors 63 percent investors are married while the rest 37 percent are single. As per profession, businessman 37.37 percent, service holders 58.59 percent, student 1.01 percent and others 3.03 percent. Based on monthly income of investors, highest percentage of investors is 39 percent whose monthly income are ranged between 20001-50000, 50001-100000 (16 percent), 5000-10000 (5 percent), 10001-20000 (29 percent) and above 100000 (11 percent).

REASONS OF THE CAPITAL MARKET CRISIS

Liquidity Crisis

Liquidity crisis is the main reason for the fall in share prices. The stock market has been fund-hungry since its collapse in December 2010. Liquidity crisis is the reason for rising call money rate. This liquidity crisis is also an evident from the recent scramble for luring depositors by some banks by hiking interest rates on deposit. Most of the money is now invested in government bonds. If Bangladesh Bank wants to overcome the liquidity crisis it will have to go for an expansionary monetary policy.

Aggressive Profit Taking in Selective Stock

Most banks that had made hefty profits from the stock market between 2007 and 2010 do not have enough funds to invest in stocks. The market would have got a real boost had all the banks injected fresh funds worth Tk. 3.0 billion to Tk. 4.0 billion each. But under the given circumstances, a good number of banks would find it hard to do that. Moreover, since a major turnaround of the market could take several years many banks right at the moment cannot afford investment in stocks.

Financial Institutes' Alluring FDR Rate

Bangladesh stock market is still not broad and deep enough. Current and prospective issuers do not use the full potential of the market for raising equity capital by issuing shares and borrowing funds by issuing corporate bonds. Moreover, people with savings feel uncomfortable in investing in Bangladesh capital market instruments. Rather they feel more comfortable in maintaining their savings with banks as FDRs and Savings Certificates. For example, Lanka Bangla Finance Limited is offering 14% FDR rate at present. The deposit rate of bank has risen to 8.17 percent in April, 2012. Due to the high volatility and erosion of investors' confidence most investors especially the pension holders and retired people are feeling it as the most safe policy to invest their money in banks as Fixed Deposit Receipts (FDR) to reap the advantage of such attractive rate which is ultimately resulting in a flow away of capital from the share market.

Frequent Changes in Policy and Directives

The 'fruitless' measures taken in the name of market stabilization have ultimately created price distortion in the market without containing the flagging trend. The SEC also created price distortion in the market by issuing the directive of individually holding minimum two

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per cent shares by sponsor-directors of the listed companies. The securities regulator did not think of the aftermath of the directive. The SEC thought that a demand will be created in the market following mandatory purchase of shares by sponsor-directors. The market was regularly affected due to hearing of the writ petitions, filed challenging the SEC's directive. The market never got back its power of natural movement due to disturbances, created by different stakeholders or the securities regulator itself. The condition limiting bank's exposure to the capital market and reduction of margin loan ratio may have also affected the investors' sentiment.

Merchant Banks' Action

Merchant banks offer margin loan to the clients. Some offer 1:1 loan of the equity of a client. If an individual has Tk. 1 lac he will get another Tk. 1 lac and in total he will be able to invest Tk. 2 lac. For margin loan he is supposed to pay interest to that bank. Merchant banks have to monitor the margin ratio of their clients time to time. Every bank has its own margin ration benchmark and its own policy to call margin from the clients. When market was falling and falling, clients' margin ratio reduced and reduced. So, at one time banks forced their clients to sell their shares to avoid loss of banks capital. As a reason there was more selling pressure and that influenced the market to go downtrend more. Under the new guideline, when effective, an investor will get a loan of Tk. 50 against his investment of Tk. 100 in securities. The securities regulator wanted to fix the margin loan ratio by accommodating the merchant banks' proposals and the ADB condition.

Lack of Knowledge & Confidence among Small Investor

The intern places highest importance on this issue as a cause of market plight. Most of the investors of our capital market are small investors. And it has been seen that, many of them have lack of proper knowledge about the market. They just bought a share to get profit after 3 days when the shares got matured. But how and why they were supposed to get a profit they didn't know well. So when market went decline the investors were supposed to wait and not to sell in loss. But they got panicked and sold off their share in loss even. So this attitude prolonged the market to go in bearish situation. Investors' prevailing lack of confidence, risk-aversion and encashment attitude, and reluctance to make fresh exposure have caused the market to fall. Following poor half-yearly earnings by a number of financial institutions have shaken their confidence further. Though the liquidity situation remains favorable, due to valuation concerns the investors are a bit worried to step up their investments.

Institutional Investors' Inactiveness

Institutional Buyers (Mutual Funds, Merchant Banks etc.) ensure balance in capital market through reacting according to the interaction between demand and supply. But in recent past they completely did the opposite as when there was huge sales pressure in the market instead of buying, they also sold shares in a large scale resulting further decline. Mutual funds are not playing their due role in the capital market, which if they played would boost the growth of capital market.

Rumors, Speculation and Manipulation

A market rumor is an unreliable report that has the potential of affecting the stock market. Bad rumors can lead to a loss of confidence in our markets. Such loss of confidence can lead to panic selling which may be further exacerbated by "naked" short selling. As a result, the prices of securities may artificially and unnecessarily decline well below the price level that

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would have resulted from the normal price discovery process. Media, broker houses, the corrupted members of SEC and various gamblers spreads these rumors for their immoral purpose. There was wrongly made speculation and manipulation too. Let's assume, Eastern Housing Co. (EHL) had a price of Tk. 600 in the last month. After one month it is now Tk.1000 and there was strong speculation that it would go to Tk.2000 easily. So the investors who bought at 600-700 taka level didn't sell EHL. They believed that speculation. But ultimately that didn't happen. There was example of manipulation too. A share had a price of Tk. 40 only. In a year this price rose upto Tk. 2000 which means that individual share gave maximum 4900% gain in a single year. It has been observed that the share values of some profitable companies have been increased fictitiously some times in such a way that hampers the market stability (Chowdhury, 29.5.2013)

Improper Financial Statement

Many listed companies of DSE do not focus real position of the company as some audit firms involve in corruption while preparing financial statements. As a result the shareholders as well as investors do not have any idea about the position of the company. Some companies do not hold Annual General Meeting and eventually declare dividends that do not reflect the real or actual financial positions of the company and ultimately shareholders become confused.

Weak Corporate Governance

Corporate governance of international standard is still lacking. Multinational corporations and institutions operating in Bangladesh often adhere to a very high international standard compliance regime. Parent companies of most of these corporations and institutions have their scraps listed in developed markets. Unless the local market adheres to, and effectively enforces, a standard corporate governance system, there will not be a level-playing ground for international business houses vis-à-vis local operators. There is very poor corporate governance in the Stock Indices that is an important reason of recent debacle.

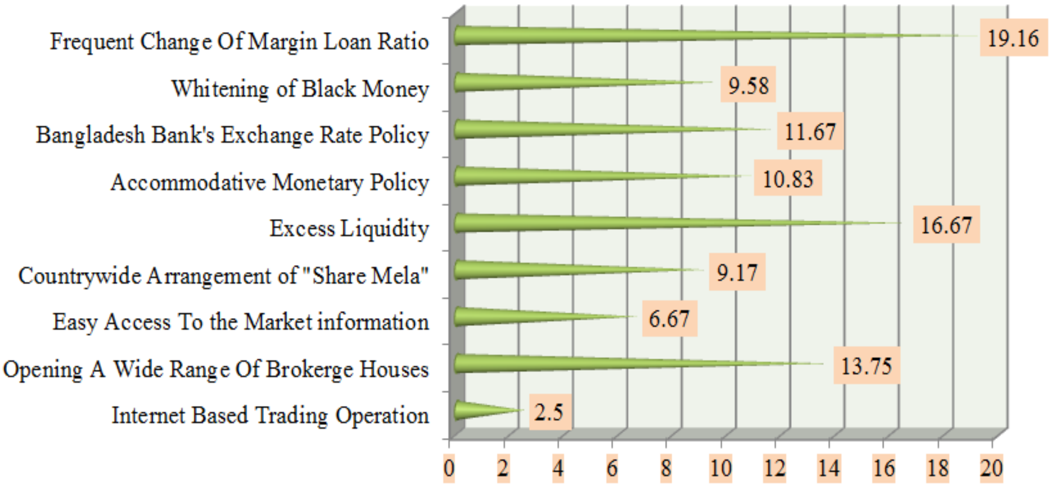
Lack of Coordination among Different Financial Markets

Lack of coordination among different financial markets including debt market, equity market and bond market is considered as a major weakness for sustainable growth of the capital market. Various decisions (or indecisions) of different market regulatory bodies have often contributed towards significant fluctuation in the market. Overall, lack of proper coordination between two leading regulatory bodies of the financial sector, namely the Bangladesh Bank and SEC is considered to have contributed to the irregular behavior of the capital market.

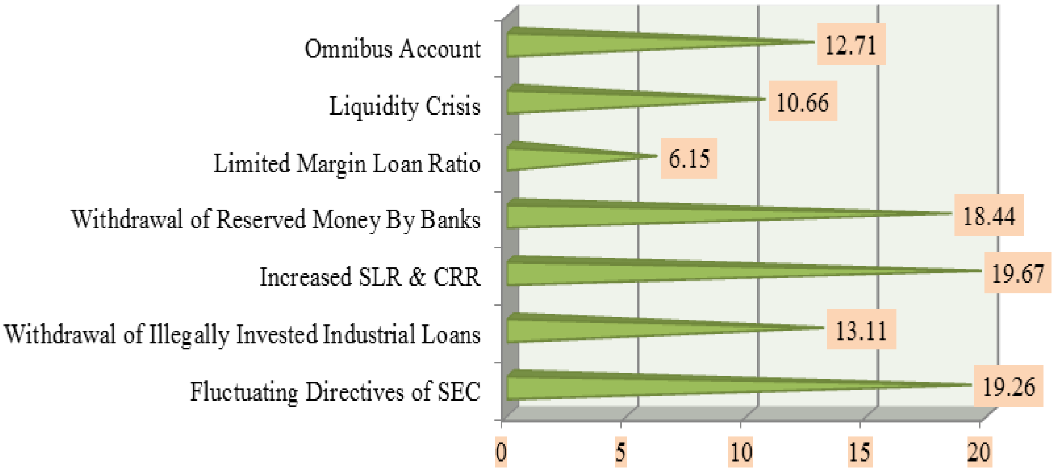
ANALYSIS OF INSTABILITY IN CAPITAL MARKET

Injecting Factors of 2010 Capital Market Bubble by percentage

This analysis would let us help to figure out investor's perception regarding the 2010 capital market bubble. All the investors were common in the response that the bubble has occurred due to the frequent changes of margin loan ratio and excess liquidity. Frequent changes in the margin loan ratio, among other factors, led to the recent stock market bubble before the crash. Maximum investors added that many banks invested up to 30 percent of their deposits in the stock market violating the law at that time. Thus a huge flow of banks' money had fuelled the market. Many of them also blamed Government, Bangladesh Bank and SEC policy in this regard.



Factors Responsible for the Crash in Capital Market after 2010 by percentage



Majority of the investors commented that increased SLR (Statutory Liquidity Ratio) & CRR (Credit Reserve Ratio) and fluctuating directives of SEC were the most responsible factors for the sudden crash after 2010 market bubble as BB raised the Cash Reserve Ratio and Statutory Liquidity Reserve Requirement by 0.5 percentage points at that time. The market crash happened at the end of November and December.

Analysis of Reasons for Capital Market Crisis by percentage

Majority of the investors have blamed frequent changes in regulatory policies by the concerned authorities. Mainly they opined about lack of proper decision making by the Govt., lack of supervision & monitoring tools by the SEC, lack of honesty of the concerned companies and lack of investors' proper knowledge regarding capital market, lack of patience, confidence & their greed prone attitude as the liable reasons for recent capital market scam. Some investors prioritized about the following issues:

i. Imbalance of demand and supply of shares in DSE & CSE.

ii. Unfair audit report by the companies and price manipulation.

iii. Buying shares based on rumor & without studying company fundamentals and prospectus.

iv. Taking chance of investors' ignorance by the concerned brokerage houses.

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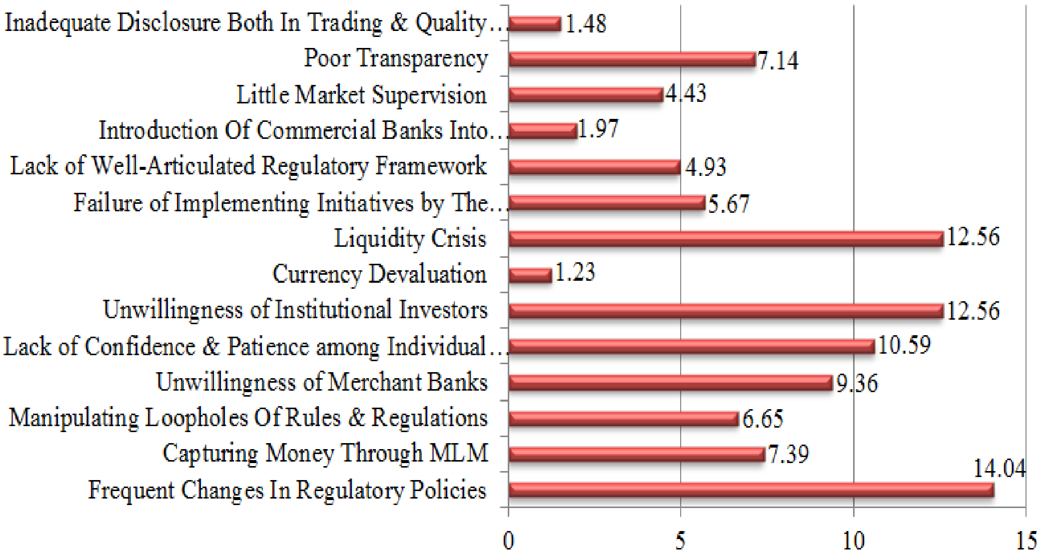
v. Intervention of Bangladesh Bank (Central Bank).

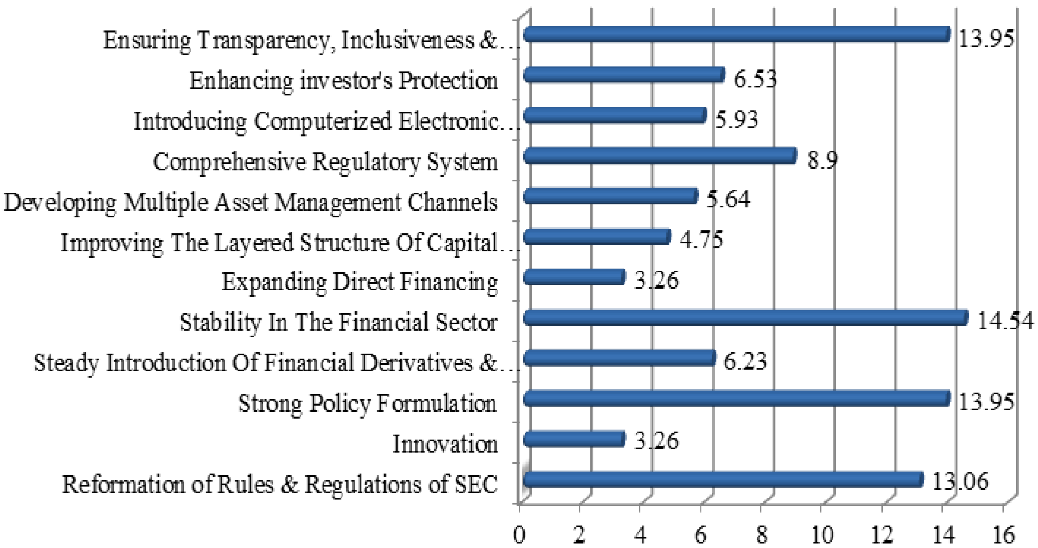
vi. Large portion of cash get stuck in the money market.

vii. Liquidity crisis.

viii. The recent Padma Bridge riddle.



Analysis of Strategies for Capital Market Recovery by Percentage



Most of the investors were able to provide mature insights on the asked points. They also gave additional suggestions. Majority go for stability in the financial sector. Most think that reformation of rules & regulations of SEC are required & transparency, inclusiveness & regulatory independence must be ensured. The regulatory authorities should strengthen their surveillance and monitoring system. From the majority of the investors' part it is the enhancement of coordination and willingness among various regulatory bodies that can be a vigorous factor to pull the market from the abyss. All are waiting for a stable market so that investors get confidence to put their valued money in this market.

SUMMARY OF FINDINGS TO RECOVERY STRATEGIES

1. Investors should be discouraged to trade with margin loan. The securities regulator is likely to revise the guideline on disbursement of margin loan setting the ratio at 1:0.5 in line with a condition of the Asian Development Bank (ADB). The brokerage houses should prescribe their clients to avoid margin loans and encourage them to invest with the help of their own fund, not by borrowing.
2. Investors in common shares should analyze economic factors in such a way that affect the company earnings and they affect interest rate and overall stock market liquidity.
3. Investors should remain confident about the prospects of the stock they trade with, bearing the long-term goals in mind in accordance with their willingness and capability.
4. Main brokerage houses can be induced to advice their retail investors for not going on a panic selling, as when one investor sells all of his portfolios, other neighboring investors usually do the same, thereby aggravating the situation further. They should provide investment advisory services and equity research publications for the most efficient information dissemination to investors.
5. The decisions taken by the regulatory authority should be made as much as predictable with providing adequate explanation for the investors.
6. Bangladesh Bank can increase the exposure limit of banks to the capital market or allow the banks to calculate their capital market exposure at lower market value or cost value.
7. Institutional investors must be induced to increase their participation in the capital market, as they exercise larger influence over the movement of stock prices.
8. Government can also take pro-active role in building a stable market through tapping the growing interest of general people in the market and restoring the investors' confidence by increasing supply of shares.
9. Spreading of capital market educational program up to root level needs to be strengthened, as to protect the interest of new investors minimum level of knowledge on capital market is very important.
10. All SEC, DSE, CSE rules and regulations must be maintained strictly to ensure the flawless operation of the stock market. All the concerned bodies need to be very careful on compliance issues.
11. More marketing effort needs to be on internet trading.
12. Effective coordination among SEC, BB, government, investors and others concerned should be enhanced to undertake any decisions regarding the capital market.

RECOMMENDATIONS

Issuing New Shares

A mechanism has been introduced to restrain the fixing of the price of new shares by market forces. Deepening reform to develop a new share issuance system has expanded market capacity and effectively raised the proportion of direct financing. Increasing support for small and medium-sized enterprises by increasing financing available to them is an urgent necessity. We have to continue to improve the way that new shares are issued by focusing on

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the subscription, book-building and share allotment procedures and make efforts to develop market mechanisms and enhance market restraints.

Financial Derivatives and Commodity Features

Steady introduction of financial derivatives and commodity features should be introduced in the capital market of Bangladesh which will help to improve the operation mechanism of the market. This type of introduction will provide the market with additional risk management tools as well.

Stability in the Financial Sector

Stock market should diligently implement the macroeconomic regulatory policies of the central government and make good use of the function of capital markets in optimizing resource allocation to ensure sound development of the financial sector and the economy as a whole. Stock market in Bangladesh learnt a very expensive lesson. To overcome this uncertain situation, policy makers, regulatory bodies and authorities should come forward and prescribe proper and prudent configurations to restore macroeconomic stability, and they should also link up with government by strengthening financial sectors like mutual fund, merchant banks, and insurance companies other than banks.

Need to Develop Multiple Channels for Financial Asset Management

With the establishment and gradual improvement of basic old-age insurance, enterprise annuities, social security funds and other forms of welfare, a more diverse range of asset management channels is needed from the capital market to ensure the effective management of public wealth and the sound development of social security.

Comprehensive Regulatory System

Strengthening the regulation of information disclosure, oversight to ensure compliance and regulation by category and accelerate steps to improve the credit database and regulatory system for credit are essential to develop a comprehensive regulatory system. It is also needed to develop a sound system to prevent insider trading and strengthen cooperation between different regulatory departments in order to truly ensure good market order and protect the interests of investors. The government and stakeholders should strengthen efforts to develop the enforcement system, improve the monitoring and early-warning system for systematic risks and actively work to develop effective ways to integrate macro prudential supervision with micro prudential supervision in order to safeguard the security of the capital market and the country's economy and finance.

Transparency

The regulations governing a particular market should be fully apparent to participants in the market and to potential market entrants. The mechanism through which regulations evolve should be open permitting dialogue between the international industry, officials and legislators.

Inclusiveness

The entire financial system should be regulated. Gaps in the international regulatory structure may present opportunities to financial firms or their clients to transact business at lower cost to themselves but at greater risk to the financial system as a whole.

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Raising Individual Investors' Awareness

It is the investors' own duty to take care of their own money and they ought to consider the following things while taking investment decisions. Before investing in a particular script they must analyze the key factors of that company to justify whether the company is fundamentally strong. Such factors include EPS, P/E Ratio, NAV, future growth, industry average etc. They must build their portfolio in a way which will involve at least three or four different types of fundamentally strong shares from different industries. They ought to keep some cash for emergency so that they might buy more shares (fundamentally strong) which they bought earlier when there is a big decline in price. They ought to participate in different seminars and training programs relating to stock market to enhance their knowledge and skill in making stock market investment decisions. They must understand that perseverance and patience is the key to success in investing in capital market.

Demutualization of the Stock Exchange

This refers to the segregation of ownership and management from trading rights of the stock exchange members to establish discipline in the market. Afterwards, both the bourses will form their respective new boards of directors and departments of management. A demutualised Stock Exchange operates in a more customer-oriented manner and is capable of reaching more easily and swiftly to meet business challenges. Exchanges all over the world have been demutualizing due to increasing international competition and technological challenges to traditional modes of securities trading. Government has already taken initiative to demutualize the exchange.

Omnibus Accounts Should Give Away To Separate BO Accounts

An omnibus account is a specific kind of stock holding account in which the transactions of multiple individual account holders are combined for easier management. The use of such accounts is common practice among merchant banks the world over due to quicker distribution of dividends and information regarding the stock. Following the stock market crash of early last year many vested parties recommended closure of the omnibus accounts. The merchant banks should keep their clients' shares in separate BO accounts in compliance with the related securities rules for the sake of transparency and accountability.

Investment Diversification

Not putting all eggs in one basket makes intuitive sense to many investors. Burton Malkiel, Princeton Professor, economist, and author, summed it up succinctly, "Diversity reduces adversity." Diversification acts like shock absorbers on a car – it smoothens out the ride on a bumpy financial road. Buffett says, "Diversification is protection against ignorance." Putting more eggs in a basket may actually crack portfolio, not protect it. (Zweig, J., n.d.) Zweig says**:** "If you want to pick stocks directly, put 90% to 95% of your money in a total stock-market index fund. Put the rest in three to five stocks, at most, that you can follow closely and hold patiently. Beyond a handful, more companies may well leave you less diversified. "This theme may prove quite effective way for the investors to tackle the scam in Bangladesh capital market.

CONCLUSION

The study aims to analyze the present capital market crisis and it's recovery in Bangladesh. To accomplish the objective, a questionnaire survey was conducted using a convenience sampling technique. The sample of the study includes 100 investors and employees of Lanka Bangla Finance Limited. The results of the study indicates that frequent change in margin loan ratio, excess liquidity, opening a wide range of brokerage house are the main factors responsible for the instability in capital market of Bangladesh. As regards crash of capital market in 2010, the main reasons are increased SLR and CRR, fluctuating directives of SEC, and withdrawal of reserved money by banks, according to respondents. Lack of qualified and professional financial analyst in the capital market, knowledgeable manpower, administrative and other supportive activities, good scripts, better monitoring, investor awareness program are some other major reasons causing the crisis. All the efforts failed to maintain stability in the stock market because of lack of coordination among different regulatory bodies, contradictory remarks and actions made and taken by the government high-ups and liquidity shortage of institutional investors were the main reasons for the market volatility, which eventually could make the scenario worse. The cancellation of credit for the *Padma* Bridge further deteriorated the market sentiment. Pessimism crept into the mind of the investors due to the paradoxical comments of the Higher Authorities of the then government of Bangladesh. Stability in the financial sector, ensuring transparency and inclusiveness, strong policy formulation, reformation of rules and regulations of SEC are the main strategies, mentioned by respondents, to recover the capital market over crisis.

If more investor-friendly policy measures were to be formulated and implemented, the capital market would undoubtedly play a critical role in leading Bangladesh towards being the next Asian tiger with growth comparable to other countries in Asia like India, Vietnam and Taiwan. Institutional investors should continue to be active in the market as it will enhance the confidence of small investors. The government should take stock market-friendly actions to increase the flow of money. Institutional investments would stabilize the ailing market and bring back investors' confidence. They would find comfort in investing as the money market has eased further and call money rate and inflation rate has come down to single digit. The Central Bank's "market-friendly" monetary policy would boost the investors' confidence. The performance and healthy return of the banking sector worked as a crucial component to bring in institutions and foreign investors. Above all, it is a good sign that the intervention by the Government has injected a hope into the stock market in Bangladesh.

Future research may be conducted by including the respondents from security houses of DSE to find out whether findings are similar or not. Due to time and budget constraints the study was limited within the security houses of Chittagong Stock Exchange of 100 respondents. For future studies, researchers might expand the scope of the survey and larger sample size.

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