

Report On
'Investment Perspective of Investors on Capital Market Fluctuation'

By

Sanjeda Sultana
15304032

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School
BRAC University
September 12 ,2019

© 2019, Brac University
All rights reserved.

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Sanjeda Sultana
15304032

Supervisor's Full Name & Signature:

Saif Hossain
Assistant Professor, BRAC Business School
BRAC University

Letter of Transmittal

Saif Hossain

Assistant Professor

BBS

BRAC University

66 Mohakhali , Dhaka-1212

Subject: Submission of Internship Report for the completion of BBA program

Dear Sir / Madam,

This is my pleasure to display my entry level position provide details regarding ‘Investment perspective of investors on Capital market fluctuation’. I am glad to submit the internship project on ‘Investment perspective of investors on Capital market fluctuation’ which was chosen by me for making the report for the course requirement of BUS400.

I have tried my best to complete the report in a significant compact and comprehensive manner as much as possible. I have given my best effort to prepare this report and I am also thankful for your continuous guidance throughout this internship program. Consequently if any issue comes up or I have to make any corrections I will be glad to do so as much as I can.

Sincerely yours,

Sanjeda Sultana

15304032

BRAC Business School

BRAC University

Date: September 12, 2019

Non-Disclosure Agreement

This agreement entered into by and between IDLC Investments Limited and the undergraduate student Sanjeda Sultana for the purpose of preventing any unauthorized disclosure of the confidential information of the company. Both the parties agree to keep information confidential and non-disclosed during the study of the topic. As a financial institution IDLC Investments Limited have some rules to not share information to general public in that case this agreement is made to make sure all the information and answers will be confidential for the further research. During the course of the work parties agrees to the agreement to keep information safe with respect.

Sanjeda Sultana

BRAC University

Mohammad Nayem Uddin

Manager

DPM (Discretionary Portfolio Management)

Acknowledgement

I would like to start off by saying all praises be to Allah, who has given me the strength, health, a sound mind and a good family to able to do work and prepare this report.

I am also ever grateful to my Internship Advisor Saif Hossain who has taught me a lot during his classes at BRAC University which has helped me understand about the managerial accounting and helped to understand excel skills to an extant which otherwise I would not be able to achieve. Without his communicative skills and understanding this would not have been possible.

Last but not the least I would like to thank my supervisor Mohammad Nayem Uddin manager of DPM (Discretionary Portfolio Management) and my colleagues there who have taught me a lot and given me knowledge and skill sets that I shall carry on and try to nurture the rest of my life. It was absolutely delighting working as a project manager there for the two months I was at the company.

Executive Summary

This internship includes knowledge and the work experience. Capital market uncertainty and sudden market fall made investors change their behavioral approaches towards investment. Past reviews and sudden fall in 2017 also created a massive perspective change which made to write up this research paper from the investor's side. While working as an intern at IDLC Investments Limited, I primarily gathered knowledge about portfolio management and how they are managing accounts of the clients who are investing through this brokerage house. Capital market investment has slowly taken a massive shift towards closing several reaction to customers because of the fluctuation in the market rates which I had observed during my working time with different client portfolios. This report focuses on a number of clients who are closing their accounts also concern about the market fall. Here, I have taken few opinions through questionnaires about the behavioral pattern from the customers which are affecting their decision. The purpose of this study is to understand the current trends and changing investment patterns of the investors in the capital market, what is their reaction to the fluctuation scenarios as time passes by. This study also includes the output from the views of investors which I have analyzed later on. However, this output giving a scenario that most of the investors come to capital market for their own interest without knowing proper information and risks. At last some recommendation are given to improve perspective of investors for any financial investment.

Table of Contents

Declaration	1
Letter of Transmittal	2
Non-Disclosure Agreement	3
Acknowledgement	4
Executive Summary	5
Table of Contents	6
List of Figures	7
List of Acronyms	8
Chapter 1: Introduction	9
1.1 Company Overview	10
1.2 Research objective.....	11
1.3 Literature Review	12
1.4 Methodology	13
Chapter 2: Limitations	14
Chapter 3 Empirical Analysis	15-21
Chapter 4	
4.1 Recommendations	22
Conclusion	23
References	24
Appendix A	25-27

List of Figures

<i>Fig 1.0: occupation.....</i>	<i>16</i>
<i>Fig 2.0: kind of investment prefer most.....</i>	<i>16</i>
<i>Fig 3.0: preferred factors.....</i>	<i>17</i>
<i>Fig 4.0: investors place.....</i>	<i>17</i>
<i>Fig 5.0: investment objective.....</i>	<i>18</i>
<i>Fig 6.0: investment period.....</i>	<i>18</i>
<i>Fig 7.0: risk preference.....</i>	<i>19</i>
<i>Fig 8.0: risk taking capacity.....</i>	<i>19</i>
<i>Fig 9.0: minimum risk taken by investor.....</i>	<i>20</i>
<i>Fig 10.0: reaction on devaluation of stocks.....</i>	<i>20</i>

List of Acronyms

DSE	Dhaka Stock Exchange
CSE	Chittagong stock exchange
CPD	Centre for Policy Dialogue
FDR	Fixed Deposit Receipt
BO	Beneficiary Owners

Introduction:

The Capital market is the most prominent sources for companies to raise fund & money for their source of fund. This market allows a business to sell their shares to be publicly traded or to raise additional fund. The liquidity system from the stock market allows investors the ability to sell securities easily and in a quick process. It is a very crucial financial system to increase funds for the company to run projects in the betterment for the economy. In the perspective of Bangladesh stock market DSE & CSE two stock exchange serving people in this market. There are some reasons affecting investors to invest on the capital market. Stocks are more liquid than any other financial investment to an investor because of the easy buy and selling process. Since 2007 share prices of Bangladesh stock market have been increasing steadily over past few years. The financial year 2008-09 is known for the global financial and economic crisis. Many developed and developing countries fall into recession at that time. However Bangladesh economy had not affect that greatly so the market did not see that change or fall. Additionally, CPD (2011) reported, financial year 2008-2009 was the volatile year for the capital market fluctuation but during this year Bangladesh economy benefited from the low import price and able to survive the negative pressure on the export goods and services. The continuous outstanding performance of Bangladesh stock market in past few years before 2017-18 economy again break down, made losses of the investors to the market who invest their savings because of political instability. Stock market having the easiest route to all the investors for easy way of money making before market down for past few years. Even that time some BO account holders served as intermediaries of friend's relative to invest their money earlier.

Although stock market could develop economy and financial instability we should not overlook the risks associated with it. In 2010-2011 was the crash period in stock market when the recession period was going on for some of the factors. Most of the investors had lost all their money because of the crash and lack of knowledge in investment. These incidents of crashing market then again rise of the stock prices affecting the decision of the investors which motivates me to work on their behavioral pattern.

1.1 Company Overview:

There are some brokerage house in Bangladesh who is serving as an intermediaries for the investors to help them to grow their capital. As I have got the opportunity to do internship under one of biggest financial institution named IDLC Investments Limited which is a subsidiary of IDLC Finance Limited. They assist clients to the best throughout the IPO process, along with the sustained market support. They also provide fast portfolio management service to the investors to ease them in capital market. But past 2 years of market fall has created uncertainty to the clients and also lack of understanding of the capital market process have made investors to take the decision of closing their accounts. My study relates to that part of the behavioral aspects of the investors of the capital market to take such decision when the market fluctuates. As market invest requires sharp observation and speculations how and where to invest. Investors' needs to build trust on the portfolio manager and also how to minimize the risks on their investments. Understanding different behavioral changes of individual investors for any financial investment or planning are most important before investing to the stock market. Last two years of incidents happening in the stock market has motivated me to study on the investors what things made their decision change and how they react to fluctuations on market return. However I also wanted to understand who come to capital market and what brings them to invest on stock market.

Job Activities:

Working as an intern at IDLC Investments Limited under the department of DPM (Discretionary Portfolio Management) has given me many learning opportunities regarding knowledge about portfolios, how portfolio manager works for the clients choosing right choice of shares and how margin loan team helps their clients to manage own account along with other department such as investment banking activities ,how they maintain transparency while managing clients portfolios and give suggestions to them according to market fluctuation or devaluation of any shares.

1.2 Research objective:

Primary objective:

The primary and focused objective is to develop the framework about behavioral pattern and perspective of the investors on capital market fluctuation of Bangladesh. Therefore this study will contribute in a major significant output towards knowing and understanding of investor's behavior in our country which will help policymaker and other portfolio managers to give proper appropriate suggestions on financial planning or advising. This study indicates the present scenario of capital market and what factors affecting the financial investment.

Secondary objective:

- ✓ Analyzing how the investment choices on stock market changes when the FDR (Fixed Deposit Receipt) fluctuates through the regulatory decision of Bangladesh Bank.

- ✓ Additionally, this study aims to know the areas and different individual's investment decision where they are emphasizing to make higher gain and secure the investment.
- ✓ Moreover, study helps to identify the risk pattern taken by investors and their individual preferences how much they are willing to take minimum risk to invest on the capital market

1.3 Literature Review:

As there was less study on individual personal traits and risk taking capacity which actually affecting on the decision making process of any investment. Behavioral pattern changes depending on customer preferences how they will react to any fluctuation on Capital market scenarios. Investment perspective changes when the market rate changes, share prices fall down and investors feel the uncertain risk of losing their money. Behavioral changes affecting decision of financial planning and investment pattern on fluctuation of capital market. Some of the writer has discusses about the behavioral aspects, personal traits on their paper by studying on the individuals.

- ❖ H. Kent Baker, Victor Ricciardi, (2015) have said about the behavioral investment decision for financial planning and investment on their paper named 'Understanding Behavioral Aspects of Financial Planning and Investing'.
- ❖ Fisher (2014) also offers different strategies in his paper that advisors should understand investors risk taking capacity and past experiences regarding capital market investment.
- ❖ Olga Pak, Monowar Mahmood,(2015) have talked about an individual personal traits and risk taking capacity have relation towards decision making for any investment. They conducted survey to find out the reasons which influences the investment decision in any situation.

Portfolio manager have this responsibility to discuss with the clients about the risk and gaining opportunities in the market but the uncertainty also there followed in the event of turbulent markets. There are several factors affecting investment and other regulatory factors also showing behavioral change in the perspective of others. Financial planning should be more specific and timelier to have more gain in future, it needs a major observation too.

1.4 Methodology

Both descriptive and explanatory research designs have been applied to do this study. Here quantitative research methods were adopted to collect primary data to from some investors through questionnaires. For conducting the survey to know which areas and factors of their preferences influences them to invest on capital market some structured questionnaires provided to investors. Dichotomous and multiple choice along with some open ended questions were used in this questionnaire.

Respondents and Sampling procedure:

- Population: Here, for this research when it came to the consideration of whom to choose, all the investors who invested on the DSE Stock market.
- Sample: As we couldn't reach to CSE Stock market our sample collection will be from some brokerage house and BO holder.
- Sample size: The greater he samples size, the more legitimate will be the measurements. For an authentic result I have calculated sample size from the sample calculator. Where population is 1500000, margin of error 10% and Confidence interval 90 given me 70 respondents of sample size who will be regarded as unknown population.

Also, secondary data from Bangladesh bank website to know the FDR rate for comparing the pattern of investing when the rate fluctuates. Convenience sampling was done to collect information from the investors. For making the sample size representative for the survey efforts were made to include a variety of investors (in terms of gender, age, stock market knowledge, occupation, amount of investment, investment experience) besides discussions and key informant interviews were conducted with some of the senior portfolio manager of IDLC Investments Limited brokerage house. For this paper study area was limited to DSE (Dhaka Stock Exchange) market output.

Chapter 2

Limitations:

This study helps to know about the aspects of some behavioral pattern about the investors but some other factors limits the study output. While analyzing of the investor's view somewhat sample focus mostly on the IDLC Investments Limited customers. Additionally, because of the time constraints, this study could not incorporate random sampling process for the data collection to other brokerage houses. As I have conducted primary research with the hard copies of questionnaires some individual customers from other company cannot give proper information within short time. Altogether, I have done the research to know about the investor's preferences and risk taking capacity according their characteristics too but this shows similar personality traits which may reflects on the output too.

Chapter 3

Impact of the FDR on capital market investment:

Capital market investment has been much easier opportunity for raising money and liquidate the shares at any time. Also stock market is uncertain in terms of gain on particular shares in the short term but people came here for their own interest having the intension of gaining profit than a fixed rate. Whereas bank rate is the fixed rate provides investors a higher rate at times until the given maturity date. This FDR rate is decided by the central bank according to the economic factors. When FD rate decrease people invest more in the capital market with the hope for gaining more profit on their investment. Moreover when there is increase in the rates of banks middle income investors switch to deposit their money in the bank. This is how changing bank rates affects the inflow and outflow of the investment in the capital market.

Empirical Analysis:

This area of the study includes the results of the survey on the employers and investors who gave their opinion through questionnaires. I have taken 70 respondents most of them from IDLC investors as I couldn't take random sampling from other investors personally. This analysis showing overall pattern how and what reasons made them to take investment decision.

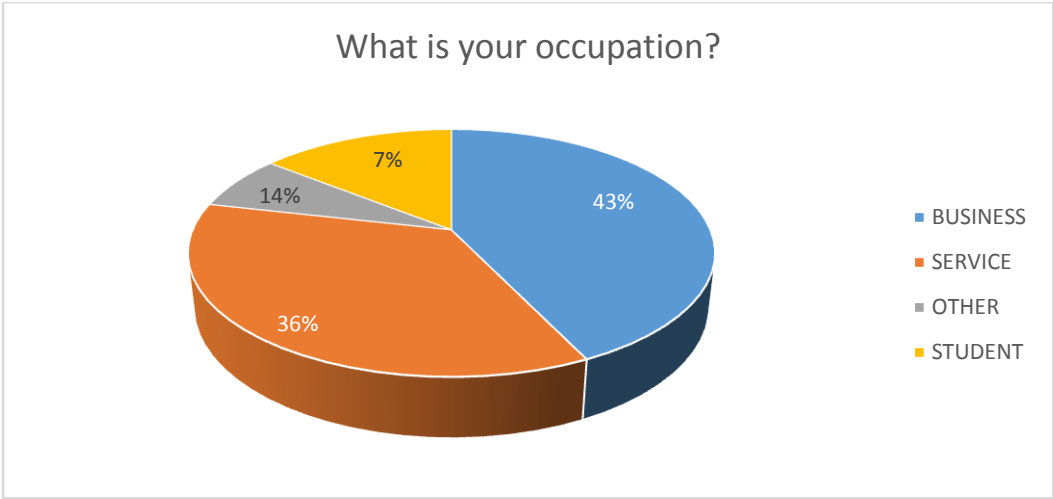


Fig 1.0: occupation

In this study most of the investors are from business profession and 36% are service holder and their income level allows to invest money on the capital market. Also very less around 5 people from other profession are investing in capital market where as students also doing the same because of their own interest.

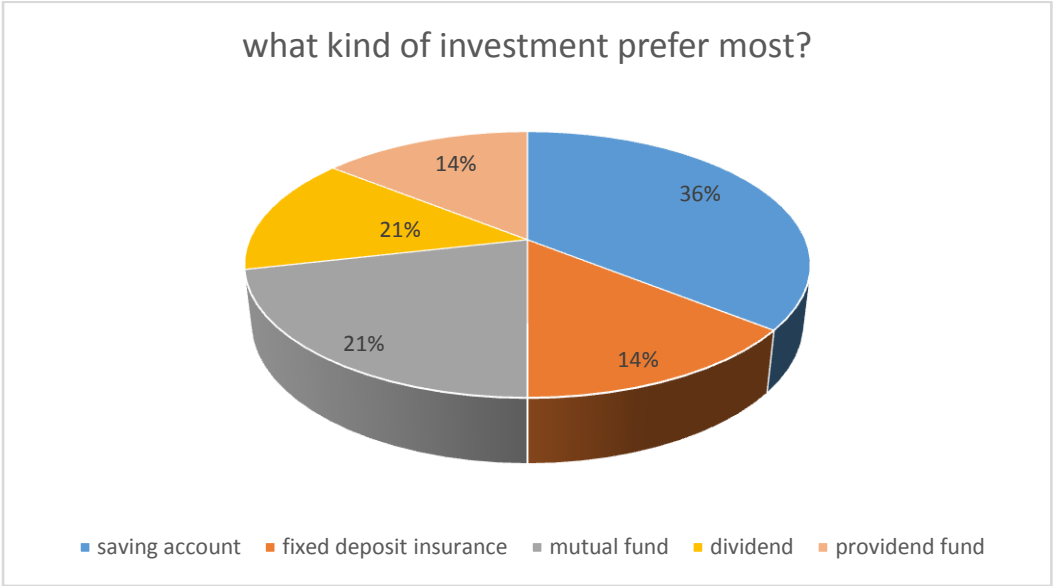


Fig 2.0: kind of investment prefer most

Here, most of the investor preferred saving account than providend fund, mutual fund and dividend. But after saving account some investor more into fixed deposit insurance because of future security.

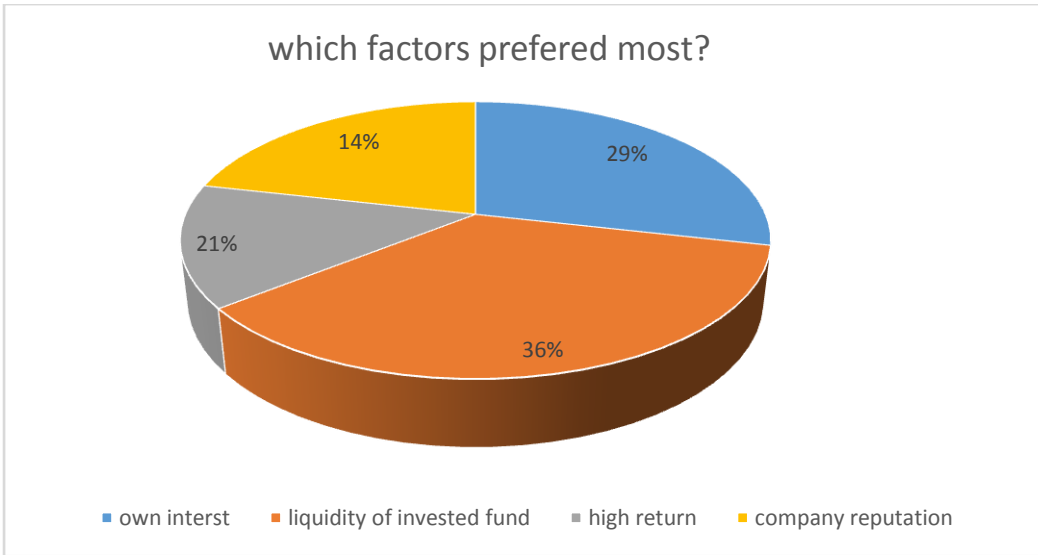


Fig 3.0: preferred factors

Here from the analysis, liquidity of investment have the most preferable factor coming from the investor’s perspective. Investors own interest is another major factor for investing on capital market. This also reflects that liquidity factor also have the impact on investors mind to be in this market as they can easily take out their money whereas less number prefer for the company reputation.

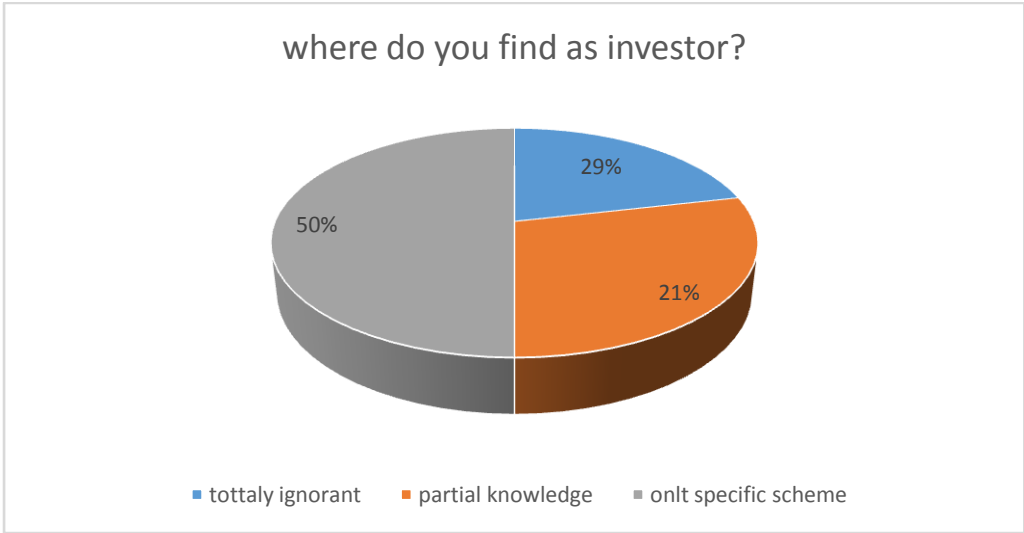


Fig 4.0: investors place

Majority of the investors find themselves to know about the schemes they are investing as they do not have much spare time and interest to know the other schemes available in the

market .29% of people having partial knowledge of the stock market and other varieties whereas 21% totally ignorant of where they are investing their money.

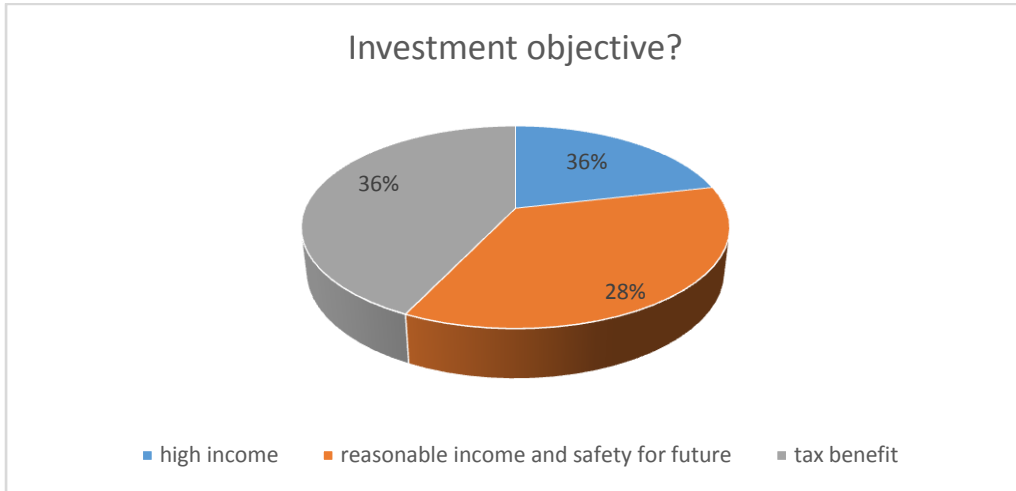


Fig 5.0: investment objective

It is clear that majority of the population come in the market on their self-interest to have the tax benefit and other people came for a reasonable income and safety for future timeline. Less percentage of population has intention to earn high income.

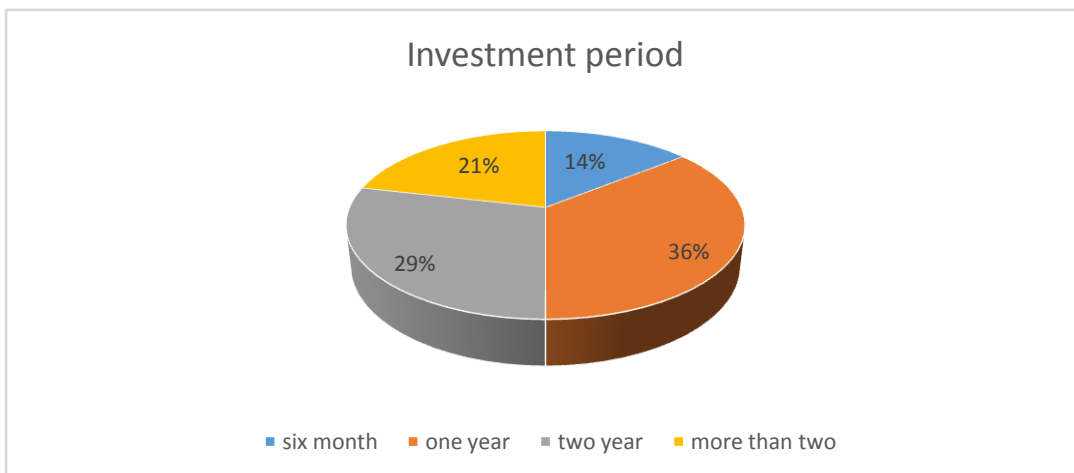


Fig 6.0: investment period

From the above data chart it is clear that people investing in the stock market have the significant years of experience. From the respondent 36% of the population have at least one year of experience. Here 29% of the respondents prefer 2 year of investment period. Also

more than 2 years of preferable investment period and very less 14% came for a short time of six months in this business line.

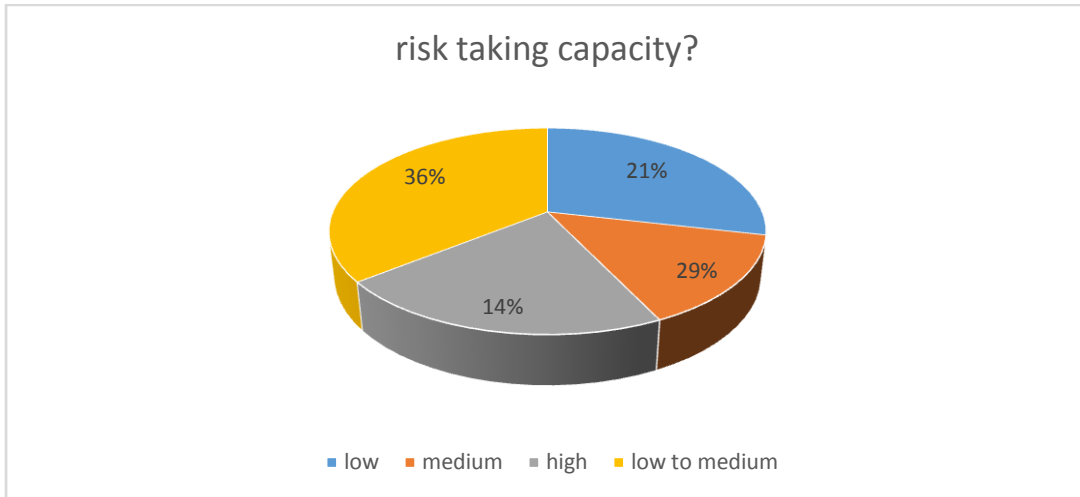


Fig 7.0: risk taking capacity

Here this chart has given the idea that majority of people as 36% prefer mixture of low to medium risk capacity taken by the investors. Also 29% of the people prefer medium risk and 21% like to take low risk by investing in the market. However, 14% people prefer high risk as they are expecting high return from their investment.

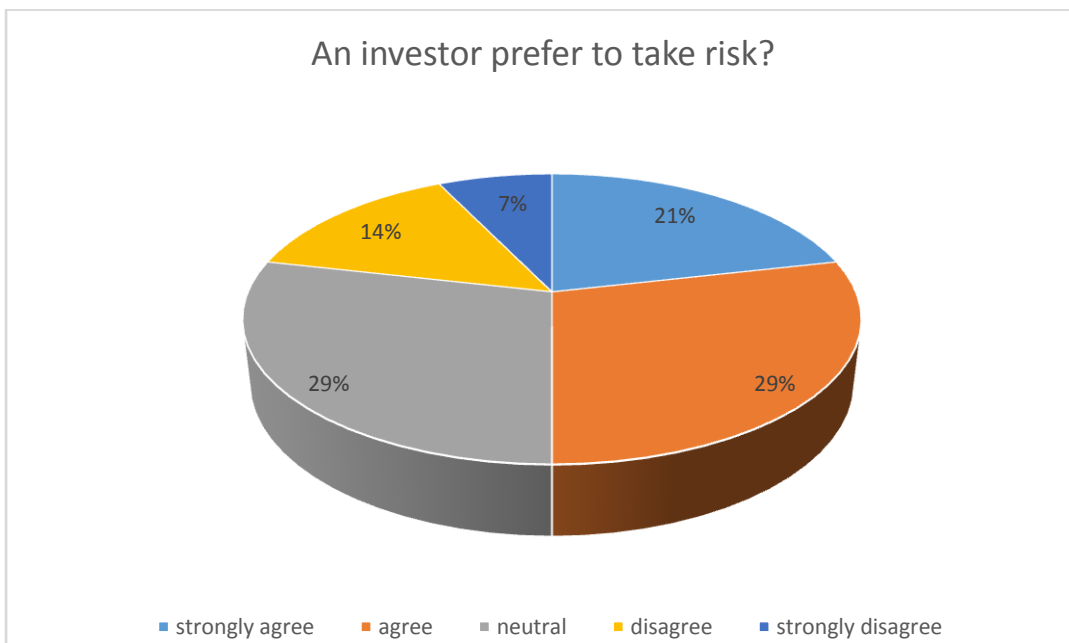


Fig 8.0: risk preference

Throughout the study of this data chart has given the output that almost same number of people strongly agree and disagree to take the risk from their own personal opinion.21%

people were neutral about whether they like to take risk or not as some they are ignorant in terms of the investing pattern. Very few agree to take risk in this market which is less than the number of disagree people because they want to earn easy profit within very short time.

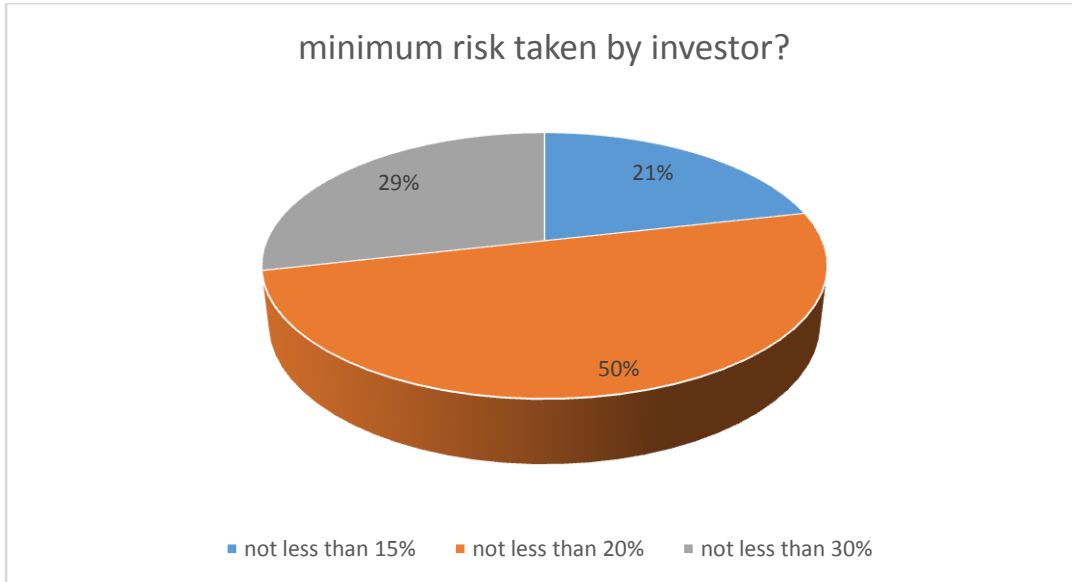


Fig 9.0: minimum risk taken by investor

Here this chart represents almost half of the investors prefer minimum risk should be not less than 20%, Whereas 29% people prefer not less than 30% of risk and 21% people will at least take 15% of the risk from their invested money.

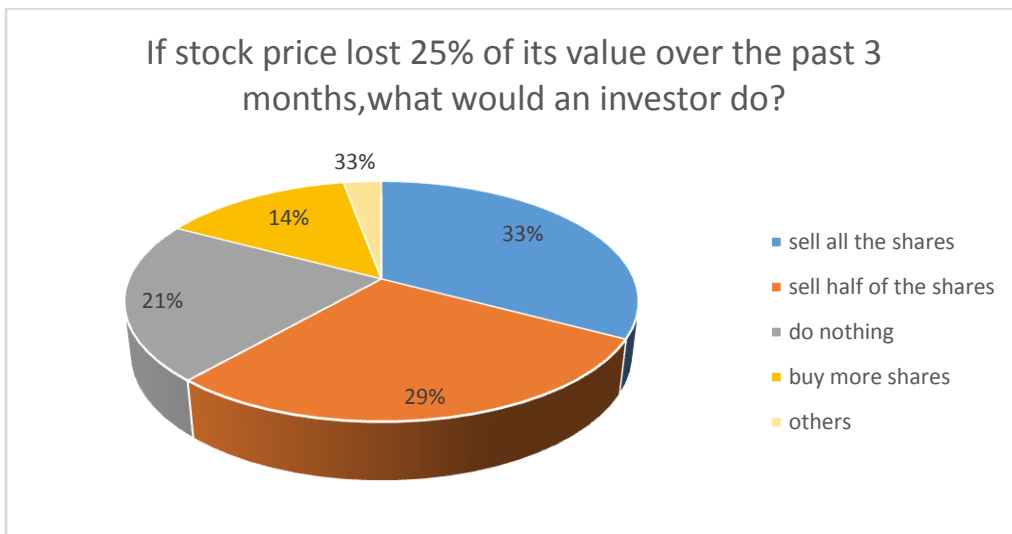


Fig 10.0: reaction on devaluation of stocks

Stock prices of the shares can be fluctuated for different reason in different time period. In this based on a scenario it identifies that while 25% of its share price lost, majority of the investors will sell all of their shares and 29% people will sell half of the shares to save some money from more loss. However, some will choose to buy more share with a less price and expect to be rise in upcoming time. Also, less number of investor will do nothing and chose other option to not to stay in this market furthermore.

This analysis defines about the different pattern of investment factors of the people who have invested their money. These questions were made to know the reactions and other decision factors about their investment. Most of the people came for self-interest to earn money for short period which is quite not favorable for them. Whenever market fall people who are investing short time they try to take out money from the market which actually creates less supply of money.

Investment pattern helps to define which shares to buy for which type of characteristics. Here this study shows people in middle age or even much older having higher income level not willing to take high risk for the return, value stock would be a very good option for them as this stocks are on the matured stage.

Additionally, young working people who love to take risk and investing for high profit within short time they prefer growth stock where stocks from growing company is better for investment. Behavioral pattern and their risk taking capacity defines what stocks should offer to whom. To make a proper investment process customer analysis is needed for making better market opportunities.

Chapter 4

4.1 Recommendations:

As market now again rising after a breakdown of last two years (2017-18), behavioral aspects of investors on capital market fluctuation has also changing. But the way confidence level hit up themselves some voluntary steps needs to be taken to make profit from investment. There are some suggestions how stock market can again boost up consumers' confidence and along with investment.

- Investors need knowledge about stock market. They also need to know how and when should invest in the stock market. Less knowledge and craving for easy profit cannot give a good return within short period. DSE and other agencies arranges the awareness program but participants are less in number unfortunately.
- Other thing, multimedia platform is playing a vital role for sharing any news or views of our stock market information .This media has a significant impact on the investors mind and the economy in general. It can play a recovery role for any broken market through transparency of the government work and regulations. Staring from creating any panic in selling or sharing any good news a bit, we can analyze the market situation visually and figure out the value distribution.
- Moreover, investor should trust the portfolio managers if they are investing through any of the intermediaries. Without knowing proper process no one should invest their money on this market.
- Lastly, this capital market has risk associated with the shares, so investors must show patience to earn some profit at least from long term investment. No company give profit/gain or bonus to their shareholders within very short time.
- The results of the study imply that investment advisor s should consider personal characteristics and risk tolerance for better investment process.

Conclusion:

In this study confidence level is 90% and the error rate is 10% so the analysis of the survey can be in error for some reasons .Also Random sampling was not done here for the time constraints so the output of some investors will be same based on IDLC Customers. Present stock market scenario is not that good to make profit of the shares .Past 2 years have seen abnormal ups and down to share prices which raised a strong fear among some of the investors. Because of the country's general economic condition and instability of the market.

Because of these reasons investor's confidence hit the lowest. The general index of Dhaka Stock Exchange lost a massive points or percent , as panic stricken investors went for heave selling and most cases offloading their entire stocks. Regulatory agencies are not properly maintaining the stock market fluctuations so they should implement the appropriate rules and regulations for the stock market. At present market capital is going satisfactory a bit but still it needs to be in proper monitoring for the sake of investors hard earned money.

References

1. Retrieved from <https://www.calculator.net/sample-size-calculator.html>
2. Rahnuma Akhter, Sultan Ahmed(2015),*Behavioral Aspects of Individual Investors for Investment in Bangladesh Stock Market*,*International Journal of Ethics in Social Sciences*,Vol. 1 No. 1,ISSN (P): 2308-5096
3. Baker, H. Kent and Ricciardi, Victor, *Understanding Behavioral Aspects of Financial Planning and Investing* (March 1, 2015). *Journal of Financial Planning*, Volume 28, Issue 3, pp. 22-26. Available at SSRN: <https://ssrn.com/abstract=2596202>
4. Figure 2f from: Irimia R, Gottschling M (2016) *Taxonomic revision of Rochefortia Sw. (Ehretiaceae, Boraginales)*. *Biodiversity Data Journal* 4: e7720. <https://doi.org/10.3897/BDJ.4.e7720>. doi: 10.3897/bdj.4.e7720.figure2
5. Pak, O. and Mahmood, M. (2015), "Impact of personality on risk tolerance and investment decisions", *International Journal of Commerce and Management*, Vol. 25 No. 4, pp. 370-384. <https://doi.org/10.1108/IJCoMA-01-2013-0002>

Appendix A

Survey Questionnaires

[Please fill up this form of the survey questions related to Capital Market. Be assured we respect your privacy and the given answers are completely anonymous and confidential. The research outcome and report will not include reference to any individual. Thank you for the time and your kind cooperation]

1. What is your occupation?

- A. service
- B. business
- C. student
- D. other

2. What is your annual income bracket?

- A. 300000-500000
- B. 550000-1000000
- C. above 1000000

3. Your educational qualification?

.....

4. What is your marital status?

- A. single
- B. married
- C. other

5. How many dependents you have? Mention numbers

.....

6. What kind of investments you prefer most?

- A. saving Account
- B. fixed deposit insurance
- C. mutual fund
- D. shares/Debentures
- E. provident fund

7. While investing which factor you preferred most? Any one

- A. liquidity of invested fund

- B. low risk
- C. high return
- D. company reputation

8. Where do you find yourself as an investor?

- A. totally ignorant
- B. partial knowledge of mutual funds
- C. aware only of any specific scheme in which you invested

9. Are you insured?

- A. yes
- B. no

10. If yes, what is the coverage amount of your policy?

.....

11 Your investments objectives? You can answer multiple...

- A. high income
- B. reasonable income and safety for future welfare
- C. tax benefit

12. What is your expected investor period?

- A. 6 month
- B. 1 year
- C. 2 year
- D. more than 2 year

13. Your risk taking capacity?

- A. low
- B. medium
- C. high
- D. mix of any two

14. Current investment amount:

.....

15. I prefer to take risk

- A. strongly agree
- B. agree
- C. neutral

- D. disagree
- E. strongly disagree

16. Minimum risk I can able to take?

- A. not less than 15%
- B. not less than 20%
- C. not less than 30%

17. Imagine that over the past 3 months, one of your particular stock lost 25% of its value, what would you do? You can answer multiple.

- A. sell all the shares
- B. sell half of the shares
- C. do nothing
- D. buy more shares
- E. others

18. Minimum rate of return you want from investment?

- A. 15%
- B. 20%
- C. 30%
- D. above 30%

19. Will you suggest to invest in capital market?

- A. yes
- B. no