

INTERNSHIP REPORT ON LANKABANGLA SECURITIES

By

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An Internship Report submitted to the Department of BRAC Business School

Bachelor of Business Administration

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BRAC University
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Declaration

It is hereby declared that

1. The thesis submitted is my/our own original work while completing degree at Brac University.
2. The thesis 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 thesis 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:

Mahir Mohamamd Muhibullah

18104021

Approval

The thesis/project titled “INTERNSHIP REPORT ON LANKABANGLA SECURITIES” submitted by: Mahir Mohammad Muhibullah (18104021) of Spring, 2018 has been accepted as satisfactory in partial fulfillment of the requirement for the degree of Bachelor of Business Administration on 29th May 2022.

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Chapter 1: Overview of Internship

1.1 Student Information:

Name: Mahir Mohammad Muhibullah

ID: 18104021

Department: BRAC University

Major: Finance and Banking, Minor: Marketing

1.2. Internship information

1.2.1 **Period:** 3 months, (February 1st - April 30th) 2022

Company name: LankaBangla Securities

Department: Business Development. Banani Branch.

Address: Assurance Nazir Tower, 65/B Kemal Ataturk Avenue, Dhaka 1213

1.2.2 **Supervisor's Information:** Zobayed Al-Mamun Hasan, Branch In-charge

1.2.3 **Job Scope:** My department is "Business development" which mainly involves all handling the clients and trade-related activities. The responsibilities and duties include- Acquiring new customers and their funds. Once the Beneficiary owners account is open, we have to assist in all the related the necessary duties like- making sure all their documents are there, making sure enough trade is generated which is ordered by the company, executing their buy and sell orders, and keeping investors up to date about the market.

1.3. Internship Outcomes:

1.3.1 **Student's contribution of the company:** As an intern, we are not allowed to handle clients or get involved directly in the trading of stocks. Although we do observe and have long conversations with all the employees about handling portfolios, clients, and investment

strategies they use to handle the BO account's portfolios. Therefore, at the moment the core functions are just being observed by me and applying that knowledge and procedures in dummy portfolios to understand and read the market movements. as an intern, only thing I contributed alongside the other 4 interns prepared several group presentations on All the major rules and regulations of the Bangladesh capital market. Our branch manager assigned us the task as it will create a very strong base for our career in the capital market and a good reminder and refreshment of knowledge about laws for the employees in the office as well. We also did a Macroeconomic report which covered the various industries and their conditions, future prospects for our nation and forecasted the economic and geopolitical impacts on our economy and applied them to understand how it will affect the stock market. We also did presentations on valuations of various companies and pitched them to investors on whether it will be a good investment for them in the long term. This way we became a part of the research team of LankaBangla and held many informative sessions that were very important in the decision-making process of the branch.

1.3.2 Benefits to the student: This internship is a golden opportunity for anyone as it teaches us so much about finance, capital market, economy, geopolitics, investor mentality, money market, Bank performance that it will always be helpful if we want to make a career in the financial industry. We also met some of the most experienced personalities in this sector and had a lot of enlightening conversations This internship was a perfect start for the journey ahead in my career.

1.3.3 Recommendations: One thing I really wished for was acquiring and handling customers directly and doing trade executions. Although this area is case sensitive, we were only allowed to watch other than that this internship had no flaws and was a wonderful experience.

Chapter 2: Organization part

2.1 Overview of the company

LankaBangla Securities Limited started in 1997, as a joint venture financial intuition in multinational collaboration with a license from Bangladesh Bank under Financial Institution Act-1993. The Parent company LankaBangla is the country's leading integrated financial services, retail financial services, SME Financial Services, Liability Management, stockbroking, corporate advisory and wealth Management Services. For superior service experience capacity, Lanka Bangla has implemented several business processes. The company operates through a centralized administrative framework through a cutting-edge technological environment. They are also fueling a wide operational periphery covering major business

Lanka Bangla securities is the market leader in capital market services. The company has been giving an all-out effort to develop an efficient, vibrant and transparent capital market in Bangladesh by giving top-notch brokerage services. In terms of customer service, they are providing the most modern trading platform and top-rated research information. LankaBangla is the recipient of the National Award for best Published accounts and reports for the past few years announced by the Institute of Chartered Accountants of Bangladesh (ICAB). LankaBangla's longstanding sustainability efforts are creating environmental and social value while they move forward. By embracing high ethical standards, governance, and transparency LankaBangla dreams to go further and grow bigger. Its ethos is simple, its growth and success depend on becoming a great partner for its enterprising clients.

2.2 Management Practices:

2.2.1 Leadership: Lanka Bangla securities management's leaderships style is mostly participative and slightly Laissez-faire. This type of leadership style is common in capital market brokerage services As the relationship managers have to acquire and maintain clients

by themselves therefore all of the responsibility is on the relationship manager or portfolio manager to decide how they will approach and handle their clients, although there are daily/weekly briefings about the economy and the capital market and everyone is given some general directions from the more experienced and knowledgeable branch manager and the research team, also the relationship managers join it as a discussion. Therefore, with the knowledge and experience of higher-ups and the research team combined with the relationship manager's day-to-day market reading of trends experience they can take proper measures to stay ahead in giving capital market services than other brokerage houses.

2.2.2 Recruitment: the company entertains a discrimination-free hiring policy. All recruitment policies are within the statutory employment laws of Bangladesh and in accordance with the approval of the company's board of directors.

In terms of hiring executive members, their education has to match the specific job that a candidate is hired for, behavioral attributes required for the execution of the job/tasks, experience and skills required for the specific job, health and fitness, candidates with a record of a convicted felon will not be considered for hire. For executive and above applications from prospective candidates are received by the HR department and shortlisted based on the selection criteria and called for a selection test and/or interview. The interview is arranged by the HR department and requisitioning department head. Lastly, for Assistant general manager to Sr. Deputy Manager, a recommendation of the HR committee is to be sent to the board of directors.

There are two types of employment one is Regular which does not specify and time limit although they must serve an initial period of probation as specified by the policy. once the probationary period is over, they are eligible for benefits as specified in the HR manual. The company's involvement in direct contractual employment is not recommended considering the

implications of the Bangladesh Labor Code, 2006 with its amendments in 2013. Such can be managed through 3rd party as an outsourcing option.

2.2.3 The compensation system: the core function of Lanka Bangla securities employees is acquiring more customers means getting more people to invest in the capital market, generating as much trade as possible for the company. There is an amount that is fixed for all relationship managers and on top of that the variable compensation depends on the amount of funds acquired and the amount of trade generated for a certain period. They earn BDT 40 paisa for every 100 takas of trade.

2.2.4 Training: When selected the first step in training is the orientation program where a session is held to introduce the capital market industry and the company. There are various in-house training to teach all the necessary skills needed on a daily basis this training is mostly given by seniors or their supervisors. There are other important trainings that are funded by the company are anti-money laundering, technical analysis, leadership training, marketing and DSE training for authorization certificate. Every fund manager must have authorization from DSE to do trading and handle portfolios. All the funds for DSE training are also provided by the company. There is another training that is special to the company is they give training on their own integrated software on weekends for the employees.

2.2.5 Performance appraisal: The annual appraisal of an employee should never be a surprise for them as it is vital that the employee is periodically informed of how they are performing, there must be continuous communication to provide them feedback on good and bad performance. There should be documentation about highlighted good or bad performances that will be used for evaluating an individual at the appraisal time. There is also increment based on performance.

The categories based on performance are Superior(S), Proficient (P) Marginal(M) and Unsatisfactory(U) who will not receive any increments. Performance rating distribution will be something like this- Outstanding= Maximum 10% of the employees, Improvement required and poor Maximum of 20% of the employees. Successful and Average remaining 70%. Promotions and lateral growth depend on employees' performance as well as the needs of the company if there is any vacancy or any new positions created.

The review year is from 1 January to December 31 performance is appraised half-yearly. By the 31st of May and 30th of November HR department will send out a Memorandum informing all the departments to start the appraisal process, enclosing the performance assessment form.

2.3 Marketing Practices:

Just like other brokerage houses LankaBangla securities does not market their services that much in public. Although there is a reason for not marketing its products in broad market. It's because capital market is a different industry and investment destination than Banks, NSC or Bond instruments. Investing in stock market are much more complicated than other instruments or institutions. When an investor wants to invest in the capital market he needs to know a lot of things about the company, industry, economy and market trends. Simply having funds is not enough for this market as providing portfolio guidance to mass customers is not possible they are only there to recommend sometimes and do the trade execution on their behalf. Bringing in more new investors may cause problems in the market like increase of price manipulation and its victims which will cause the stock market to fall. Therefore, the approach LankaBangla takes is acquiring new clients through connections and networking. In this way, most of the clients that will come that were already interested about the stock market and know the mechanism of the stock market up to some degree. Besides that they are also open to the public through their really nice decorated financial portal (LanmkaBD.com) we can also call it a one

stop portal which has everything that a investors needs in daily basis. To acquire customers they have to methods one is walk-in client that arrives in one of the branches interested to Capital market and open a BO account. For larger clients, they arrange meetings and One-One Discussions with fund managers. All of their announcements and news are sent through the financial portal and exclusive contents and news are sent to existing customers through emails and newsletters.

2.4 Financial Performance and accounting practices:

2.4.1 Cross-Ratio Analysis

We will be taking UCB brokerage firm for our cross-ratio analysis as it's the 2nd largest in the industry and its size is closest to LankaBangla Securities in the industry.

Liquidity (Current Ratio)

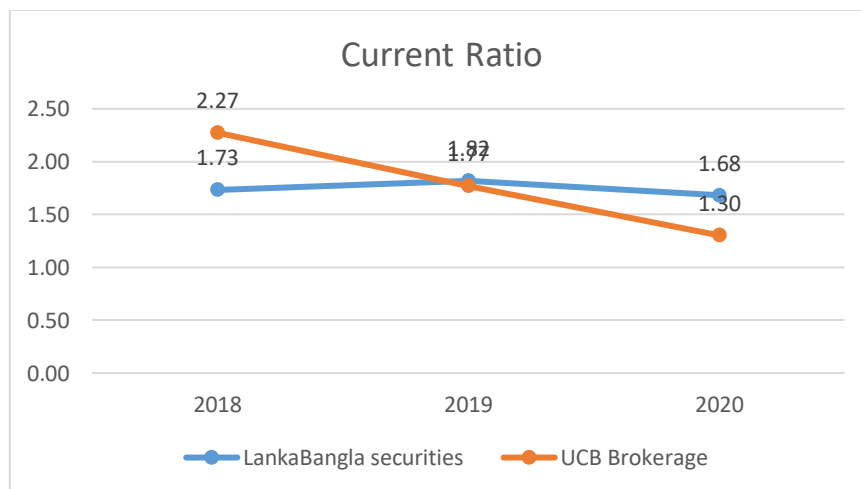


Figure 1: Cross Current Ratio analysis

Both Lanka Bangla And UCB has decent current ratios. LankaBangla's liquidity condition has been stable over the last 3 year. On the other hand UCB's Liquidity seems to decrease every year although it is in a decent level.

Solvency: (Debt to equity ratio)

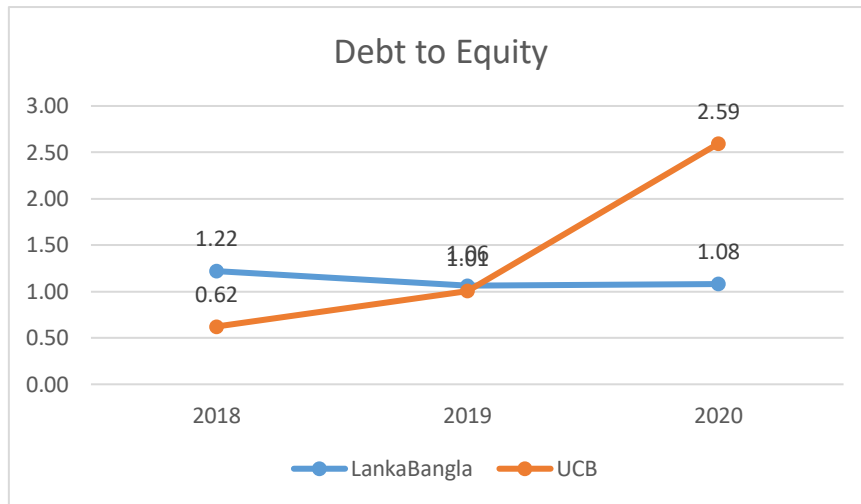


Figure 2: Cross Debt to Equity analysis

LankaBangla's ratio has been very decent and stable in all the years. UCB's ratio fluctuated a lot as it went from a very low debt to a very high amount of debt against its equity in only 2 years.

Debt to assets

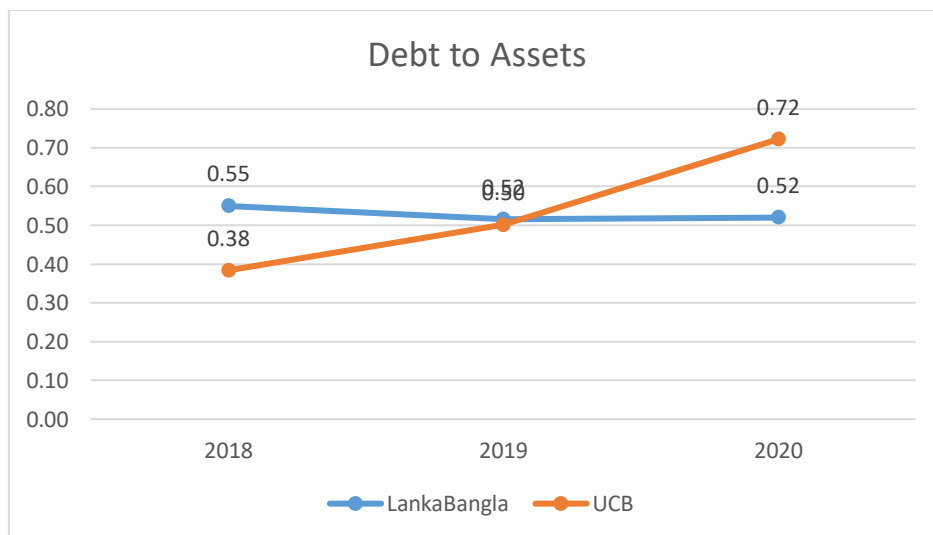


Figure 3: Cross Debt to Assets analysis

Lanka Bangla looks strong in terms of its ratios. Although, for the sudden increase in debt UCB's debt to asset ratio has also gone out of the decent zone.

Efficiency Ratio:

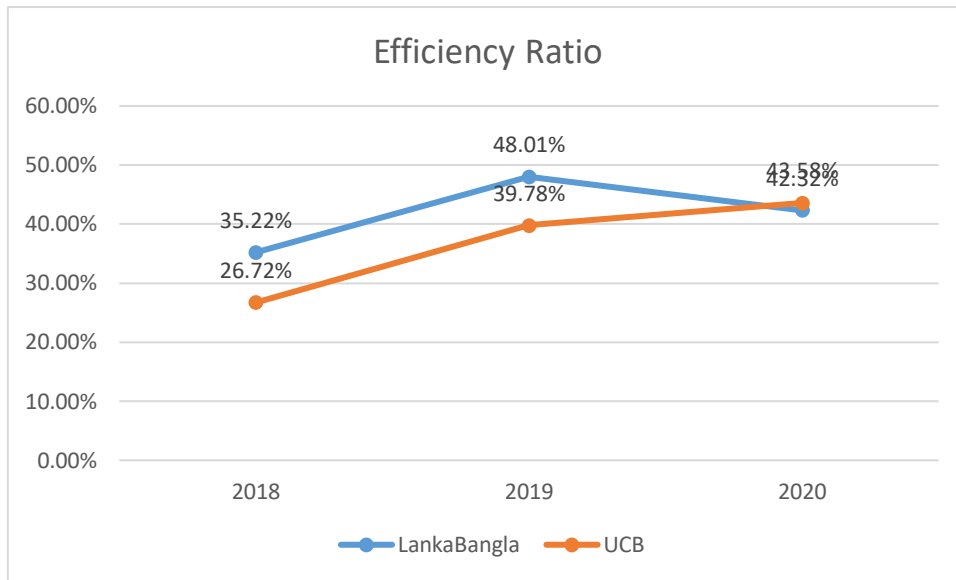


Figure 4: Cross Efficiency Ratio

Back in 2018 both the firms were more efficient. LankaBangla made an improvement from 2019 but UCB's efficiency seems to be decreasing every year. **Net Profit Margin**

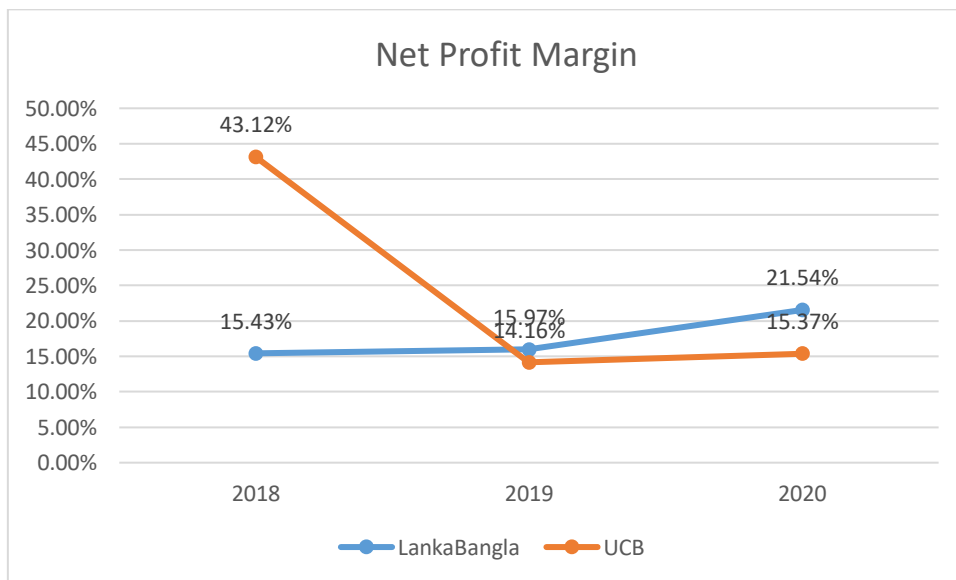


Figure 5: Cross net Profit margin Analysis

In terms of Net profit Margin, we also see LankaBangla improving over the years. UCB had a very excellent net profit margin back in 2018 but it has been declining since then.

Return on Assets:

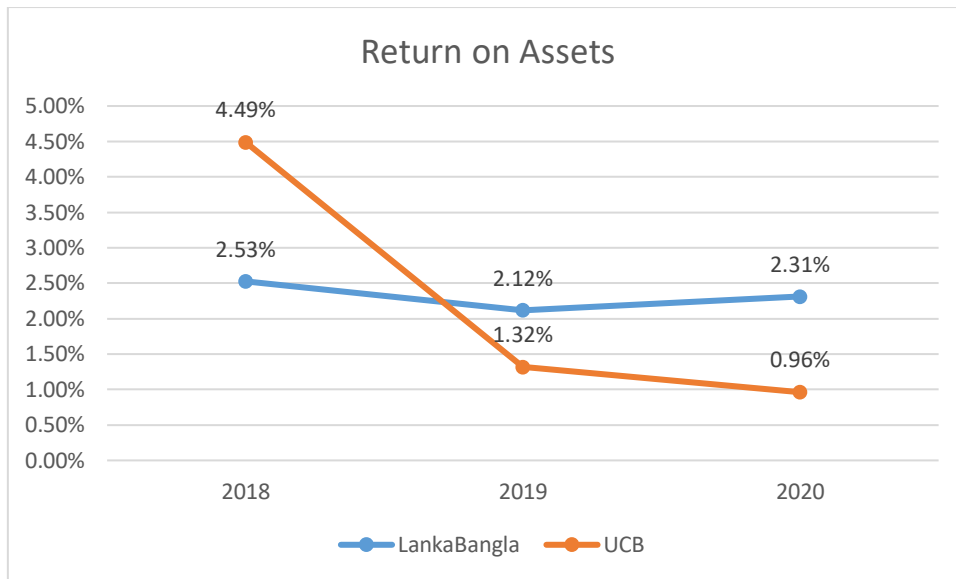


Figure 6: Cross Return on Assets analysis

Although LankaBangla is leading in its industry it's ROA can be improved more as 5% ROA is considered decent in most of the industries. UCB's ROA is lower than LankaBangla and decreasing every year even though they had a very good year in 2018. **Return on equity**

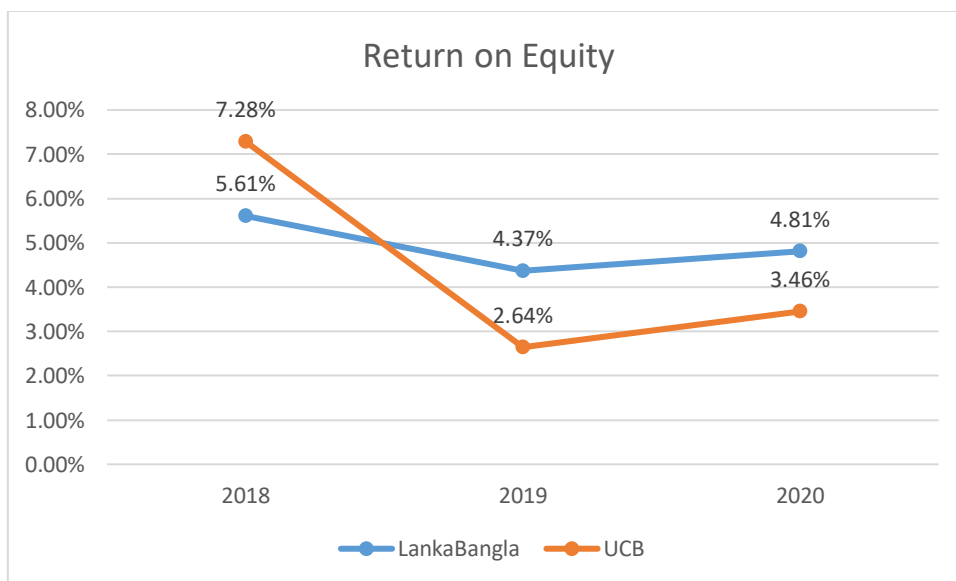


Figure 7: Cross return on equity analysis

Like all other Ratio LankaBangla's performance has been stable and consistent. UCB had very good ROE in 2018 but due to lower profits their ROE dropped compared to LankaBangla.

2.4.2 Accounting Practices:

LankaBangla conducts their audit in accordance with International Standards on Auditing (ISAs). Their objectives are to obtain reasonable assurance by making sure the statements are free from misstatement and no fraud or error.

Method of accounting: LankaBangla uses Accrual Basis accounting as it's main source of income is commissions. The commissions are generally recorded when they are earned and the company actually receives them in cash after end of each quarter.

Depreciation Method: The company uses the Straight-line Depreciation method to write off estimated useful lives of fixed assets. The rates are given below:

Building	2.5%
Office equipment	20%
Furniture and fixtures	10%
Office renovation	20%
Motor Vehicle	20%
Data Center & Dr.	30%
Software	33.33%
Lease Assets	20%

2.5 Operations management and information system practices:

The main medium for collecting, storing, processing and sharing the information with the stakeholders and clients is the website (Lankabd.com). As we discussed earlier it's a one-stop complete financial portal for investors. It is one of the most information-rich websites that is

backed up and monitored by a big and talented team to keep the clients up to date about the stock market. It has all the necessary tools to read and forecast the market supply and demand, notifies whenever there is an AGM or dividend announcement, all kinds of technical analysis tools one can ask for. Another important software is TradeExpress which is the first-ever online trading mobile app in our country clients can easily put buy-sell orders from their phone and it will be executed automatically. There is also daily, weekly, monthly, quarterly and yearly publications free for everyone. Moreover, for the clients, there are some premium newsletters and email services for any important information and clients are also provided with special research reports.

If anyone wants to make a BO account they do that through ibroker where clients can open a BO account from anywhere without any hassle. That BO account information will be stored in their database.

There is another office named back office which does the settlement part. Settlement is all about transferring all the information about all the trades that took place on a specific trading day and transferring that information to CDBL and CDBL proceeds to make the change in ownership by sending the stocks in a clearing house which makes the equities ready for trading in the market from hands of a new owner. There is a content team for the constant update of the portal. The IT team develops and manages all of the information systems and software that they have. The resource allocation scheduling all are done by the HR department from the Head office. The branch operations of the day start with ensuring all the necessary elements are ready for trade or not. If the portfolio statements are accurate after the trades are complete. Checking client's purchase power and the balance of Margin accounts.

For effective operation, LankaBangla maintains an office management software named ERP (Enterprise Resource Planning software) which contains functions like Applying for leave,

tracking of attendance, see their own job descriptions and evaluation records, payslip, applying for a loan, tax certificate, what trainings they have done etc.

Their BOE (Back-office Enhancement) software allows employees to see how much fund they have acquired for the company, and how much trade they have generated. They can track if they have achieved the company's given target. This is the quantitative factor for employee's evaluation.

2.6. Industry and Competitive Analysis:

2.6.1 Porter's Five forces Analysis of LankaBangla securities:

Rivalry Among Competitors: Bangladesh Capital market is still not a matured industry and is not as lucrative yet as Bank Industry. As LankaBangla has been the leading brokerage services by a big margin they have the advantage of a big client base and other Brokerage houses are not yet a threat to LankaBangla. Although most of the commercial banks and big groups are starting their own brokerage firms and soon may compete head-to-head. I will rate Rivalry **2 out of 5**.

Power of buyers: Power of buyers is medium to low as LankaBangla has the most amount of expertise branches, Top-notch trading software, talented research team than any other houses taking service from LankaBangla definitely has value and as a large scale LankaBangla can offer lower commission charges which other firms cannot do. I will rate the power of buyers **2.5 out of 5**.

Power of Suppliers: There is no definitive supplier as it is a service-based company. Although they develop their software by hiring 3rd parties and there is a vast amount of IT services available for the company, therefore, they can't bargain for prices that much. In conclusion, the power of suppliers is very low. I rate it **1 out of 5**.

Threat of Substitutes: There are other investment options like bank deposits, mutual funds, National Savings Certificate, and non-bank financial institutions are the substitute investment areas for the investors. Bangladesh's Capital market is still in its earlier stage and the majority of the population do not know much about the capital market. Many incidents like the 2010 market crash and the inefficiency of the market in past has created a bad reputation for the capital market and for that reason we still see a very low amount of fund coming to the capital market. For that reason, it is not a big vibrant industry like the banking industry. Therefore, the threat of Substitutes is very high meaning **5 out of 5**.

Threat of new entrants: The threat of new entrants is high as there are a lot of players coming in to capture the growth the capital market is experiencing recently. Although LankaBangla holds a leadership position by a big margin the requirements to enter the industry are quite easy especially for Banks and large conglomerates to make their own brokerage firms. There is also a chance that in future finTech industry might take over capital market trading through their integrated app services. Therefore, I rate it **2.5 out of 5**.

Adding up all the forces: $2+2.5+1+5+2.5= 14.5/25= 58\%$ **Degree of Competition.**

We can also call it market concentration ratio, as the concentration ratio is moderate, they won't face any major challenges to sustain in the long run. Although it is very hard to say something about a stock brokerage firm as the stock market itself is very volatile it can become profitable or make big losses suddenly without any forecast. after 10 years the situation will change a lot when the industry will be more mature with lot of participants.

2.6.2 SWOT Analysis of LankaBangla Securities:

Strengths

1. Market leadership with a good reputation
2. Has a large client base with good networking among investors.
3. Best in the industry in terms of Integrated software and tools

Weaknesses:

1. No actual mass marketing to attract investors.
2. No different product offerings for different classes of investors.
3. Not having a certain and mature industry to operate on.

Opportunities:

1. Can attract customers from broad markets to increase client base.
2. Offering value-added services to larger clients for a bigger sum of investments.

Threat:

1. Lot of upcoming Brokerage houses may enter the market with more value-added services.
2. Fintech brokerage houses may turn the service obsolete.

2.7 Summary and Conclusions:

LankaBangla is one of the largest brokerage firms through their very successful implementation of strong corporate governance, good technology and information systems. Their leadership style is participative, they do not practice marketing their services in the mass market as the segment is still small moreover, they cannot just acquire clients that does not know anything about the stock market. We compared their financial ratios side by side with UCB brokerage and it showed LankaBangla sustained a very consistent performance over the

year compared to UCB. LankaBangla conducts its audit in accordance with International Standards on Auditing (ISAs) and they use the Straight-line method for depreciation. They have different departments managing complex transactions of the capital market and other management software to effectively manage their human resources. From Porters five forces analysis we learn that their industry concentration ratio is moderate and not that challenging in next 10 years.

Chapter 3-Project part: Understanding capital market investor behavior in terms of investing and trading decisions in the Bangladesh stock market

3.1 Introduction: The topic I have chosen is directly related to the organization where I am doing my internship currently also the industry is relevant to my day-to-day work. The reason for choosing the topic “*Understanding capital market investor behavior in terms of investing and trading decisions in the Bangladesh stock market*” is to get a complete basic and fundamental idea about the Bangladeshi capital market investor behavior. In my Bachelor of Business Administration course, I did come across the “Securities Analysis and Portfolio Management” course also known as “FIN423”. Although this course had many insights and theoretical knowledge about equities and stock market structure, various technical analysis, portfolio management but we never got to learn or observe how actually these dealings are done and how real life is not only based on analysis. In my first month of the internship, I am already a lot familiarized with the trading of the stock market and its far away from what we learned in the course although the analysis part and the portfolio management come in handy and useful. This will be a wonderful way to start gathering knowledge and reading the industry if I want to start a career in the capital market.

The theme of the research question will be like the following:

1. Occupation, source of funds.
2. Amount of fund invested, required rate of return in terms of numbers and time frame.
3. Where did he first hear about it, first impression.
4. how actively participating in it?
5. how they analyze, speculate, and other strategies.
6. What are the sources of information you get information from?

7. what do you think about other country's exchanges and which element would you like to bring in DSE & CSE?

3.1.1 Literature review:

“90.23 percent. Investors make most of their decisions of share investment by considering industry Attractiveness, Share Price, Financial Indicators, Historical Data, Expected Dividends, Financial Statements, Firms Rank in the industry. Secondly, portfolio diversification, loss minimization and price risk-these three items can be named as Hedging Factor which consists of 7.19% of total variance. And finally, the rest 2.58 of the total variance is named as the Economic Factors which consist of availability of non-stock option, chances of capital gain and stock index status.” (Khan, Et al, 2015). “Macroeconomic factors, financial literacy, consumer price index, use of the internet, political stability, language and transaction cost heavily impacts Investor behavior.” (Sarbabidya and Saha, 2018). “Majority of the respondents like to purchase and invest when the market is bearish and Most of the investors were small size in terms of the invested fund. Most of the investors were continuous in trading, and they did not like to stay away from investment. They had collected information from multiple sources.” (Akhter and Ahmed, 2013). “Bubbles are formed because of investor's moneymaking psychologies of domestic investors specifically greed, speculation, envy, and overconfidence, while four losses minimizing and capital-protecting psychologies such as panic, lack of self-confidence, frustration and distrust caused the bubble to burst. The bankers, brokers and manipulators were the biggest gainers, whereas the most unaware and greedy small investors encountered heavy loss.” (Rahman et al, 2021). “The primary literacy level is not so satisfactory. An individual with less financial knowledge has a more negative opinion about finances and makes a more incorrect financial decision.” (Das, 2019). The most important factor that impacts investors choose their stock is the market factor which contains industry attractiveness, share price, financial indicators, historical data, expected dividends and for

hedging decisions factors like portfolio diversification, loss minimization come into play. Some small portions invest for the attraction, index number. (Khan, et al., 2015). 55.26% consider capital market investment as alternative source of earning, 52.63% prefer the stock market for its higher profit margin. 57.89% Investors prefer a particular brokerage house because their friends are clients of that house. 92% of the Investor prefer stock market over IPO and Mutual Fund. 58.1% of the respondents are service holders and 41.9% are business owners. (Farzana, 2012). 60 percent of the investors are very small having investment in the size of less than BDT 1 million or less. 72 percent investors have less than 40000-taka income and 38 percent has more than 40000 taka. Almost 75 percent investors are of the age less than 40 and they tend to be less risk-averse than those over 40. Only 7 percent of very large investors were able to earn over 100 percent, 20 percent earned over 50% and 67 percent of large investors performed poorly as earning only 10 percent or less. Businessmen are more common on the stock market as they have lot of cash available on hand, on the other hand, service holders a new educated class saw the stock market as a good scope of a higher return on their funds. (Barua, 2009)

3.1.2 Significance: As I work in a brokerage house “Lanka-Bangla Securities” their core product is customer service through assisting them on investing and trading. Therefore, to run the business we need to constantly acquire clients and funds that will generate commission for me and my company. But as a Finance Major, I do have very less experience in sales and how to convince clients in the capital market. Through this project, I am hoping to get more personal insights about individual and institutional investors to know what their needs are, what sort of service or promises will make them give their funds to me and know about their investment strategies and future expectations from the market.

Moreover, as our economy grows there is also significant proof that our capital market will also grow a lot more. The security exchange commission has taken lot of measures that helped the industry grow a lot in the last 10 years and as a result the number of investors in the capital

market is increasing fast which also have a great impact on our economy. Doing this project will be very beneficial for me early on my career as it brings a lot of focus on the core function of the industry. It will be beneficial for others looking to learn about our capital market.

3.2 Methodology:

Both the primary and secondary research was done to learn about the behavior of investors and their strategies in the stock market. As I work in a stock brokerage firm I come across many investors and their relationship managers. I will forward questionnaires to various clients or sometimes ask them questions depending on the types of clients. The questionnaire contained closed and open-ended questions. I targeted at least 50 samples but in reality, that was not possible and ended up collecting 10 samples. The complications that arose are- that most of the investors stay quite busy looking at the market movement and don't really prefer to answer questions. Moreover, the investors that come to the office are mostly day traders who trade daily therefore only surveying them will form a bias in the result. Therefore, I did a survey based on some quotas. Means I gathered available general information about the demography and other characteristics and took samples accordingly. The quota was divided into 3 categories, for example, the big investors who have BDT 50 million+ funds and they are approximately 20 % of the market therefore I took only 2 large investors in my 10 size sample collection and so on. The analysis is mostly a qualitative analysis where we take results by analyzing the responses.

In this project, I was able to collect 10 samples to learn about investment behaviors. Although, the samples were not random they were picked proportionally based on some fixed quotas that would represent the actual market scenario as reaching a lot of investors in such a short period was not possible. Most of them were taken on the site of the brokerage firm and had to take some of the samples from Fund managers depending on the type of investors. The questions

that were asked contained mostly about their funds, their required rate of return, investing strategies, and opinions about the stock market in general.

3.3 Findings and analysis:

3.3.1 Source of funds:

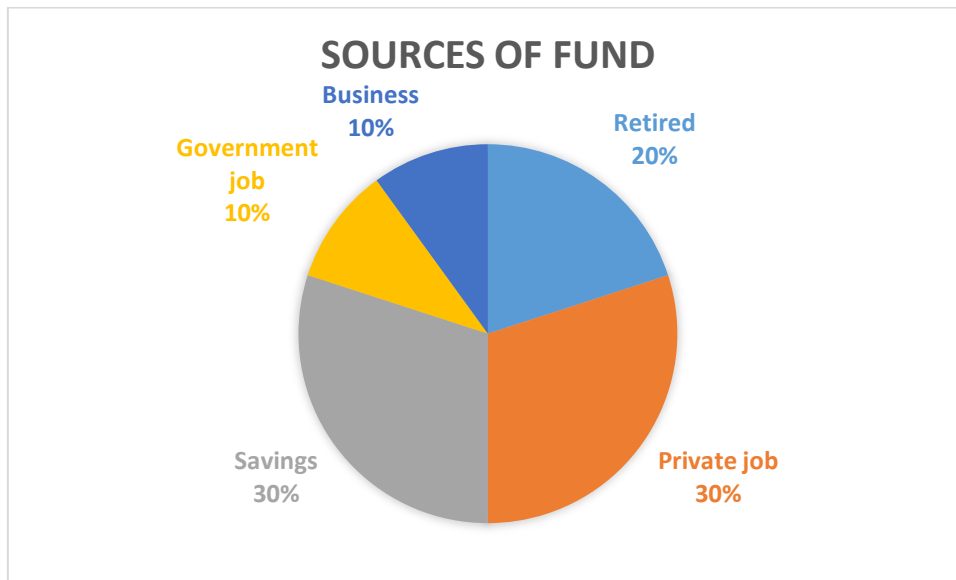


Figure 8: Source of Fund

Out of our 10 proportionally fixed samples, we see the largest group's source of funds is from private Jobs and Savings. Although Savings mostly means funds from family members. Another sizable portion comes from Retired individuals (20%) and their funds are a form of savings acquired from Their family member's Businesses or Jobs. Lastly, 10% comes from each government job and Business.

3.3.2 Motive Behind investing:

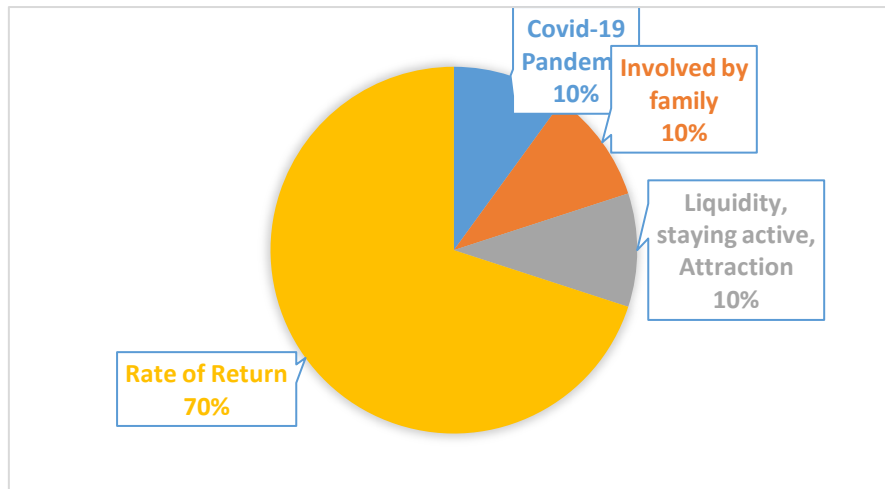


Figure 9: Proportion of Motive behind investing

Talking with most of the investors it was obvious that they invest in the market for returns as bank rates plummet and lower returns on NSC will naturally attract more investors in capital markets. A 10% of investors have come to the capital market because of the record-breaking return and turnover the market had in 2021(which was caused by excess liquidity on market due to closure of businesses hence people invested a lot in Stock market and resulted in high turnover and returns). Some high net worth (10%) individuals also invest their funds to spend an active time and earn from the stock market, high amount of liquidity alongside higher return makes capital market attractive to them. We also see 10% involved by family as their family has been in the stock market for a very long time.

3.3.3 The rate of Activity of the Investors

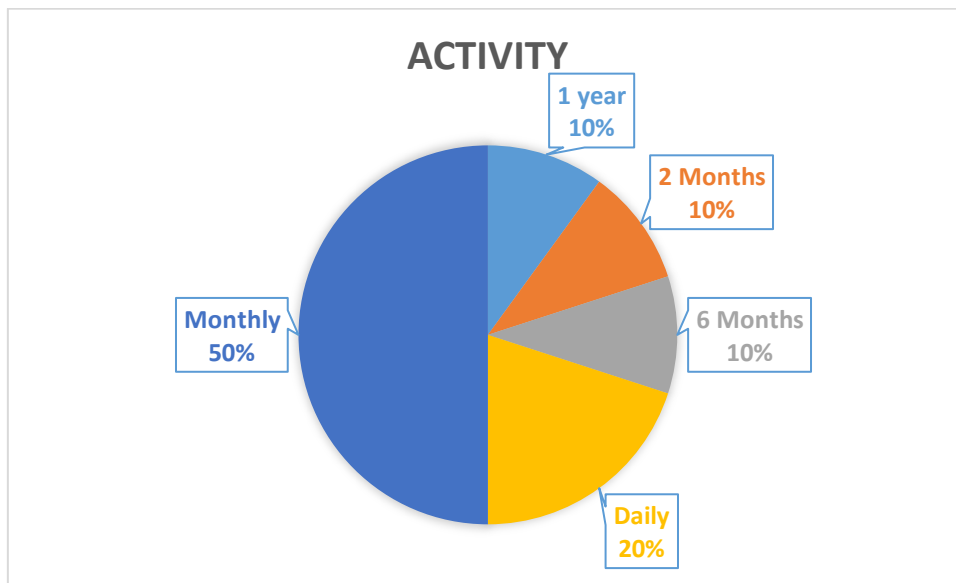


Figure 10: Proportion of the rate of activity of the investors

Most of the investors trade/Buy & Sell in the capital market on a monthly basis, 20% trade daily also known as day traders they are the ones that keep the market most liquid and generate turnover. There are some who trade once in a 6-month or 1-year period, they can also be classified as value investors as their objective is to gain in the long run from capital growth and dividend.

3.3.4 Classification by fund size

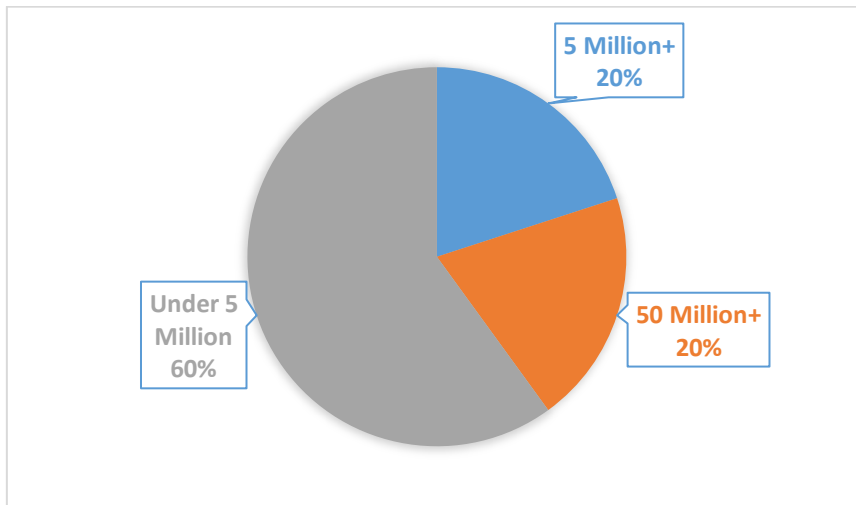


Figure 11: Proportion of different fund sizes

The majority of the BO accounts made in the capital market are from small investors. Talking with a Fund manager he told me 70% of the accounts in the stock market are small investors but they account for only 30% of the total trade and fund. There are 20% of investors over BDT 5 million and 20% have more than BDT 50 million invested. These big investors contribute overall 70% of all the funds and trade.

3.3.5 Required Return:

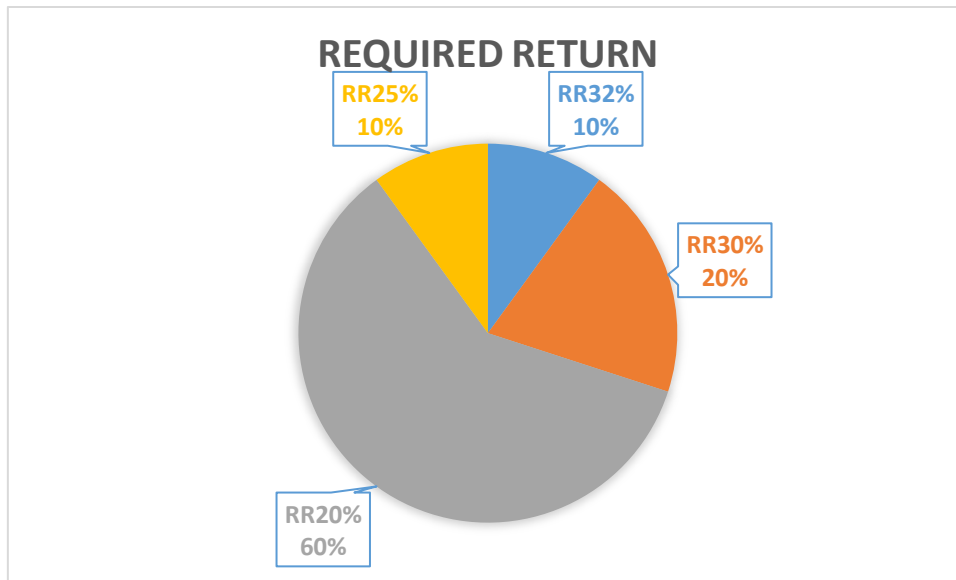


Figure 12: Proportion of various Required Rate of Returns

On average Majority of the individual investors want a 20% return from their portfolio as we can see 60% of the investors want a 20% return. Although we have seen that investors with higher funds invested want a higher return than small investors. The 25%, 30%, and 32% RR are more common among big investors. The weighted average of Required Return in this sample is 23.70% which we can consider as an average rate of required return investors want from their investment in the Capital market of Bangladesh. People who came in stock market for higher returns they want a return of 20% but the other enthusiasts' class like high net worth and family history with stock market has higher required return. Source of fund wise there are no clear distinctions.

3.3.6 Analyzing strategies of Investors:

The securities that are most desirable to investors are well-reputed companies that are industry leaders and has a good financial condition with high EPS and dividend. The condition of the economy and that industry also matters in choosing a good stock. There are some concerns as

the market is easily manipulated by rumors as there are certain aspects of Price sensitive information being spread illegally.

I also Observed that bigger investors are more inclined towards Fundamental analysis that considers company financial health, valuation, management, Prospects/growth and News. The majority of the investors use technical Analysis, News and market movement to speculate on Prices.

3.3.7 Things investors want to change in DSE and CSE:

In this part, I saw all of the investors agree on a similar point and there are some common problems that can be fixed to make our capital market more vibrant. There is a significantly low number of choices in terms of investing in equities and end of the day the choices come done to only 5-7 good equities which generates good turnover and return. These are mostly MNCs and Big local Corporations also the debt security market is yet to start in large numbers there is also no commodity market securities. If these securities are not improved and increased the market will not grow in terms of width and depth.

The investors were also not impressed with the interference of regulatory bodies that occurs quite often. There is also a continuous clash between BB and BSEC about regulatory issues which raises concern among investors. Recently when the stock market index dropped the BB imposed a 2% cap on stocks when decreasing. Some might argue that it is a good initiative as it will protect investors' portfolio value. But it caused more problems because the investors always buy stocks when it's at their lowest price point on the primary trend in an oversold condition. But when the 2% cap was imposed the prices could not fall naturally confusing the investors about how much will the securities decrease. The confusion and changing the natural cycle of trading caused a very low number of trades and lower volume or turnover means there is less chance of earning from the market.

Fund managers also pointed out there is still illiteracy about investing at large. People easily react to market trends and rumors without evaluating the actual situations. There are still instances of manipulating equities which caused a major collapse back in 2010.

3.4 Final Findings and explanation from the collected data:

There were many errors made in the sources of fund and moreover there were no connections of behavior depending on the sources of fund. If we talk about fund sizes, we were able to connect some traits from our data. Under 5 million fund size also representing the 60% of the BO accounts in the Stock market. We have seen almost most of them hoping to get 20% of Required return from their investments. On activity frequency they mostly like to trade 1 month or 2-month basis. They are also not the most educated investor and do more trades based on their relationship manager's advice.

Next, we have the 5 million+ represents 20% of all BO accounts in the market, whose trade frequency is on a daily basis and has a preference of required rate 25-30%. These investors choose investing and trading as their first job as they even spend most of their time in the brokerage firm constantly watching market trends consulting with their managers and other peer investors. Sometimes these accounts consist of a group where a group of investors pool large sum of money to gain more income from the daily trades. Their investing strategies are heavily relied on technical analysis and market trends.

Lastly, we have the 50 million+ fund group consisting 20% of all BO accounts and providing the 70% of the funds in the market. Their frequency is mostly from 6 to 12 months and their required rate of return is 30-32%. They are one of the most educated class of investors regardless of their occupation and status. They mostly rely on fundamental analysis to evaluate stocks in an intrinsic way or finds its true growth potential.

Therefore, we can see a pattern of three types of investors in Capital market. Here it shows higher amount of fund size has higher required return. Although trading frequency does not have any correlations among the variables.

Amount of Fund	Required return	Trading Frequency	Trading decision/Analysis
<5 million	20%	1-2 months	Broker's Advice
>5 million	25-30%	1 day	Technical Analysis
>50 million	30-32%	6-12 months	Fundamental Analysis

Table 1: 3 types of investor behavioral patterns

3.5 Conclusions:

A healthy stock market is vital for an economy to support its businesses. Bangladesh stock market is still in its initial stages with good prospects. 2021 was a big year for the stock market as it broke all the records of return and turnover, but it occurred due to covid-19. As most of the businesses were closed there was a significant increase in liquidity and with no other choices, there was a large influx of that excess liquidity made into the capital market. Although this relationship will not always work as the stock market requires the economy to thrive to generate more trade, this was a one-time thing, and we cannot hope for disasters every time so that our stock market becomes prosperous. 2022 also showed prospects to be a momentous year but the uncertainty caused by Russia-Ukraine and globally rising inflation has slowed down the capital market from the last week of February. Our stock market consists of mostly small individuals while a smaller substantial portion contributes to the majority of the trades. The investors enter the market for a rate of return that is higher than other investments. Both the market and its investors are still new to the system and there is a lot more room for growth. There will be equities and more investors as the country make progress in economic growth. Most investors rely on technical analysis and also market trends. Bigger educated investors like

to evaluate equities based on varieties of methods like fundamental and other common valuation methods. BB and BSEC have conflicts on some issues, on top of that interference from BB made the market move very slow in the month of March and April.

3.6 Recommendations:

BSEC must take more initiatives to educate capital market participants to make the market more efficient. There is a lack of investors and funds in our capital market is still concerning as it makes it inefficient. If more funds are given to the market, it would act much more effectively with fewer events of manipulation, proper supply and demand relationship, and high liquidity. They could start by encouraging investors more directly and even encourage the young population to take part in the capital market online. The market should be allowed to move freely even if it receives a shock from recession as capping the prices takes out the real essence of the stock market. Regulatory interference should be used only for extreme and unlawful situations like rumors, manipulation, and non-compliance instances.

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