

Report on

**Potential of the Stock Trade of Bangladesh: An Overview of BRAC
EPL Stock Brokerage**

By

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18304125

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

Brac Business School

Brac University

June 2022

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Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at Brac University.
2. The internship 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 internship 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 have acknowledged all main sources of help.

Student's Full Name & Signature:

Jannat Binte Zahid
18304125

Academic Supervisor's Full Name & Signature:

Mr. Md. Kausar Alam, PhD
Assistant Professor
Brac Business School
Brac University

Letter of Transmittal

June 27, 2022

Mr. Md. Kausar Alam, PhD

Assistant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka - 1212

Subject: Submission of Internship Report

Dear Sir,

With due respect, it is an honor to inform that I, Jannat Binte Zahid, ID: 18304125 have completed my report titled, “Potential of the Stock Trade of Bangladesh: An Overview of BRAC EPL Stock Brokerage”. All the guidelines and feedbacks have been taken into account in the preparation of making this report. I have tried my best to incorporate my experience as a research intern at BRAC EPL Stock Brokerage and also the theoretical knowledge that I have acquired during my four years as an undergraduate student.

I would be grateful if you accept my report. It will help me to fulfill the requirements of completing my BUS 400 course offered by Brac Business School, BRAC University. Thank you so much for the guidance that you have given me in completing the report.

Sincerely Yours,

Jannat Binte Zahid

Student ID: 18304125

BRAC Business School

BRAC University

Acknowledgement

First and foremost, I would like to convey my gratitude to Almighty Allah for allowing me to complete my internship report.

I would like to convey my heartfelt gratitude to my honorable supervisor, Dr. Md. Kausar Alam, Assistant Professor, Brac Business School, Brac University for guiding me in completing the report.

I would also like to thank my on-site supervisor Mr. Salim Afzal Shawon, CFA, Assistant Director & Head of Research, BRAC EPL Stock Brokerage Ltd for being supportive and considerate towards me. He helped me tremendously and taught me a number of things. Also, to all the members of the Research Team, truly grateful for making these 12 weeks an amazing and fulfilling experience for me.

Lastly but certainly not the least, my family and friends for their immense support and love in helping me to finish the report.

Executive Summary

This report outlines in detail about my internship experience at BRAC EPL Stock Brokerage Limited. BRAC EPL Stock Brokerage Limited is one of the leading and renowned brokerage houses in the country. I worked there as a Research Intern for 12 weeks. Based upon my 12 weeks' of experience, I came up with this paper titled as "Potential of the Stock Trade in Bangladesh: An overview of BRAC EPL Stock Brokerage Limited. The paper is divided into 3 chapters.

Chapter 1 gives an overview of my Internship Experience. It consists of my on-site supervisor details, the job responsibility, the tasks performed, the difficulties faced and recommendations to the company on future internship.

Chapter 2 provides an in depth analysis about the organization. It has several parts to it consisting of an overview of the company, its mission, vision, values and achievements, its management, marketing and accounting practices, financial performance and the industry and competitive analysis of the company.

Chapter 3 concentrates on the project. It contains a brief introduction about the topic, literature review, objectives and significance about the topic. Interviews were taken to understand more about the reasons why the university students and young professionals are not motivated to invest in the stock and the probable solutions brokerage houses can take to combat the problem.

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List of Acronyms

BESL	BRAC EPL Stock Brokerage Limited
BBS	Brac Business School
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
KSE	Karachi Stock Exchange
S&P 500	Standard and Poor's 500
FTSE 100	Financial Times-Stock Exchange 100
BSE Sensex 30 Index	S&P Bombay Stock Exchange Sensitive
AGM	Annual General Meeting
EPS	Earning Per Share
NAV	Net Asset Value
NOCFS	Net Operating Cash Flows Per Share
IPO	Initial Public Offering
BB	Bangladesh Bank
BSEC Commission	Bangladesh Securities and Exchange
B0	Beneficiary Owners Account

CHAPTER 01:

OVERVIEW OF INTERNSHIP
AT
BRAC EPL Stock Brokerage

1.1 Student Information:

Student Name: Jannat Binte Zahid

Student ID: 18304125

Program: Bachelor of Business Administration (BBA)

Department /School: Brac Business School

Major/ Specialization: Finance & Accounting

1.2 Internship Information

1.2.1 Company Information:

Period: 12 weeks (Feb 06 – May 05)

Company Name: BRAC EPL Stock Brokerage

Department: Research

Address: Symphony (3rd Floor) SE (F) -9, Road No. -142, Gulshan Avenue, Dhaka

1.2.2 Internship Supervisor Information:

Name: Salim Afzal Shawon, CFA

Position: Assistant Director & Head of Research

Email: salim@bracepl.com

Phone: 01708805221

1.2.3 Job Scope

Job Duties/Responsibilities:

- Preparing Daily News snippet and weekly market reports
- Creating and Maintaining databases
- Assisting Research Analysts and Associates in preparing equity notes, macro updates and other relevant tasks
- Creating IPO notes and one pagers of companies.
- Work in other projects when required.

1.3 Internship Outcomes

1.3.1 Student's contribution to the company:

Prior to joining BRAC EPL Stock Brokerage, I had very limited knowledge about the Stock Market and its trade. During my 12 weeks, I was blessed to learn a number of things. Some of them are outlined below:

- **Creating Database:** This was my very first task as a research intern. I prepared the database of all the companies under the pharmaceuticals & chemicals sector in the Dhaka Stock Exchange (DSE). All the 32 companies were included and 9 years' worth of data from its income statement, balance sheet and cash flow statements were collected. This took about 20 days to complete. Also, I got to experience the earnings season, where all the listed companies shared its year-end Financial Data like dividend declaration, Q1 financials, Q3 financials and Annual General Meeting (AGM) dates in the DSE news. By sorting all of them out, we had to maintain a database where all the important dates such as Record Dates, Annual General Meeting (AGM), Earning Per Share (EPS), Net Asset Value (NAV) and Net Operating Cash Flows Per Share (NOCFS) were recorded and stored. Almost about 70 to 80 entries were made during the busy session.
- **Daily News Preparation:** The daily news preparation was a crucial part. This is because it is the first thing prepared in the morning regularly except for government holidays to send it to its clients. Here by scanning and skimming through various newspaper like The Daily Star, The Financial Express, Dhaka Tribune and so on, we had to sort out the news that impacted the economy or a listed company or business and accumulate them in a file and make necessary modifications. Later, we had to also input the previous day's DSEX, KSE, CSE, BSE Sensex 30, S&P 500, FTSE 100 indices and also update the exchange rates of Dollars, Euros and Rupees against Taka.
- **Weekly Market Update:** This report is prepared at the last day of the week i.e. on every Thursday. Here data from the Daily Market Report and Daily Business News from the week are used in the preparation of the report. Here a detailed summary is provided about how the market and economy performed during the week.
- **IPO notes and one-pager:** During my internship tenure, I prepare 2 IPO notes and 1 one-pager. The 2 IPO notes were of Al-Madina Pharmaceuticals Limited and Meghna Insurance Company Limited and the one-pager was of Reckitt Benckiser. Here in this reports we had to write about the background of the company, the industry and also calculate the important ratios to assess its overall financial performance.
- **Weekly Mutual Fund Update:** This report is only prepared on Sundays. It is a very different report from the other ones as it only takes into account about the closed end mutual funds that are traded in the stock exchange. To prepare this report three excel files were required. One was the NAV file, the previous week's mutual fund report and Thursday's daily market file. This report is prepared on a complex formulated excel file where by

inputting data, the daily movements and trends would be generated and analyzed automatically.

1.3.2 Benefits to the Student:

My internship journey was quite a memorable one. Not only I had growth in terms of knowledge but also learned more about corporate etiquettes and culture.

- Firstly, my technical skills have become enhanced. This is because almost all the tasks required quite the technical skills like Microsoft excel, word, and publisher. I also got to learn a lot about the DSE website, where information and other important data can be found.
- These 3 months have taught me how to make most of my time. In other words, helped me to properly manage my time and be much more efficient. Over time I have noticed positive changes in me. All thanks to those amazing 3 months.
- This internship helped me to improve my analytical skills too. While preparing the reports and necessary documents we needed to be aware of what caused the numbers to fluctuate or even the reasons behind the falling or even rising of the numerical numbers and the market.

1.3.3 Difficulties faced during the Internship Period:

Although my internship was a memorable and joyous one. There were two things that stood as an issue to me.

- The commute was hectic for me. As I live in Uttara, travelling daily was a real hassle. Especially, there were times where it was really difficult to find any transport.
- Lastly, the Daily Morning News. As I lived far from the office. I had to wake up extra early those days when it was my turn to prepare the news so that I can make it before going to the office.

1.3.4 Recommendations:

There are a few suggestions I would like to provide to further improve the certain issues that the future interns might face:

- To automate the Daily News report as it is really difficult to prepare it early in the morning even in weekends. Automating it will help to alleviate this issue.
- To provide transport facilities or allowance for transportation. This will be a blessing for those who resides far from the office.

CHAPTER 02:
Organization Part

2.1 Introduction

BRAC EPL Stock Brokerage is the subsidiary of BRAC Bank Limited. The company is one of the dominant brokerage houses in the country. The brokerage house serves not only the local clients and institutions but also international institutions and non-residential citizens of Bangladesh (NRBs). It is also the leader in foreign portfolio investments and possesses one of the best Equity Research Team in Bangladesh.

The company's research team has received multiple International awards. The Research team consists of some of the most promising and passionate analysts with CFA Charter holders. The company is honored the Best Brokerage House and Best Research House in 2019 by International Finance, a prestigious business and finance magazine publisher of the UK. To provide market expectations, industry specific analysis, equity notes of other companies and stock recommendations are the few tasks that are performed by the research team in an unbiased way for its local and international clients.

In this chapter, we will look into the Organizational Aspect of BRAC EPL Brokerage Limited. We will look starting with the overview of the company followed by its Management and Marketing Practices, its financial health over the past 5 years and its industry competitiveness.

2.2 Overview of the Company

2.2.1 History

BRAC EPL Stock Brokerage Limited commenced its journey in the year of 2000. Initially it was called Equity Partners Securities Limited (EPSL). On 31st July 2009, 51% of the company's shares was purchased by BRAC Bank Limited and later in 2011, it acquired another 39% shares. BRAC EPL Stock Brokerage carries 60% of the market share in terms of the foreign portfolio investment segment.

BRAC EPL Stock Brokerage Limited is the member of both the exchanges of Bangladesh i.e. the Dhaka Stock Exchange and the Chittagong Stock Exchange. Today it has over 7 branches in 5 cities with over 21,000 Domestic Clients and 60 Foreign Investors.

2.2.2 Mission

The mission statement is taken from the website of BRAC EPL Stock Brokerage and is as follows:

“We strive to develop a sustainable growth model that will guide us to market leadership through advanced technology and superior client service. We aim to create a highly visible brand by developing a diverse talent pool and synergy within the group.”

2.2.3 Vision

The vision statement is taken from the website of BRAC EPL Stock Brokerage and is as follows:

“To be trusted broker of choice for all investors by offering unrivalled level of investment expertise and customer service.”

2.2.4 Values

The values are taken from the website of BRAC EPL Stock Brokerage and are as follows:

- Customer Focus
- Innovation
- Integrity
- Team Work

2.2.5 Achievements

The achievements are taken from the website of BRAC EPL Stock Brokerage and are as follows:

- Arranged roadshows in the United Kingdom titled ‘NRB Investment Summit 2015’ in collaboration with BRAC Sajaan. The summit was held for three days at London, Birmingham and Manchester.
- No.1 in Corporate Access in Bangladesh – highest number of roadshows and reverse roadshows arranged in the country.
- Frequent recipient of Soft Dollar payments for quality and unbiased research reports.
- Pioneer and leader in facilitating foreign portfolio investment in DSE.
- One of the leading stockbrokers of the country with an overall rank of 3 amongst 250 brokers in 2018
- Awarded as Best Brokerage House & Best Research House Bangladesh 2019 by International Finance Publication.
- Arranged 40+ reverse roadshows in the last 5 years.
- BESL arranged the country’s first ever roadshow in USA, Singapore and Hong Kong.

2.3 Management

2.3.1 Leadership Style:

As per my observation, BRAC EPL follows a democratic style of leadership. Democratic Leadership Style is also known as “Participative leadership” and “Shared Leadership”. Here, the team members can share their opinions and thoughts regarding an issue for an effective and efficient way of solving it, completing a task or even making a decision.

In BRAC EPL Stock Brokerage, all the teams would share their insights, thoughts and opinions regarding the matter in hand and tackle the problem or make an important decision. In this way, all the team members would feel empowered, valued and also heard. This would also help them to stay motivated and ensure that the task was completed in the most efficient and effective way possible. In this manner, the company achieves its goals and objectives and at the same time keep its employees content.

2.3.2 Human Resource Practices:

To ensure a smooth operation of the company, the human resources plays an important role. Planning, organizing, controlling and leading are the four basic and the most crucial role performed by them. The human resource department too plays an important role in BESL. Although the

department consists of a few members, they ensure smooth running of the organization and if there is any problem or hindrance in the running of the company, they are the ones to take care of the situation by taking necessary steps. Furthermore, they are also responsible for the hiring and selecting competent employees. Overall, they help to maintain the synergy between all the departments of the company.

2.3.3 Recruitment & Selection:

At BRAC EPL Stock Brokerage Limited, different departments have its unique way of recruiting and selecting eligible candidates. However, the research department, the department I was assigned followed three basic steps:

- **Initial Screening:** After the vacancy post has been shared in all the platforms. The received C. Vs are collected and analyzed and the right candidates are selected for the next round.
- **Written assessment:** After the initial screening, the selected candidates are called in for a written assessment where they are assessed based on the basic skills and knowledge required for that particular post. Afterwards, the papers are evaluated by the team to further screen the right candidate.
- **Final Interview:** The ones that made through the written assessment stage are only called in for the final interview. Here, the entire team including the CEO is present to find the one who is the best suited for the position.

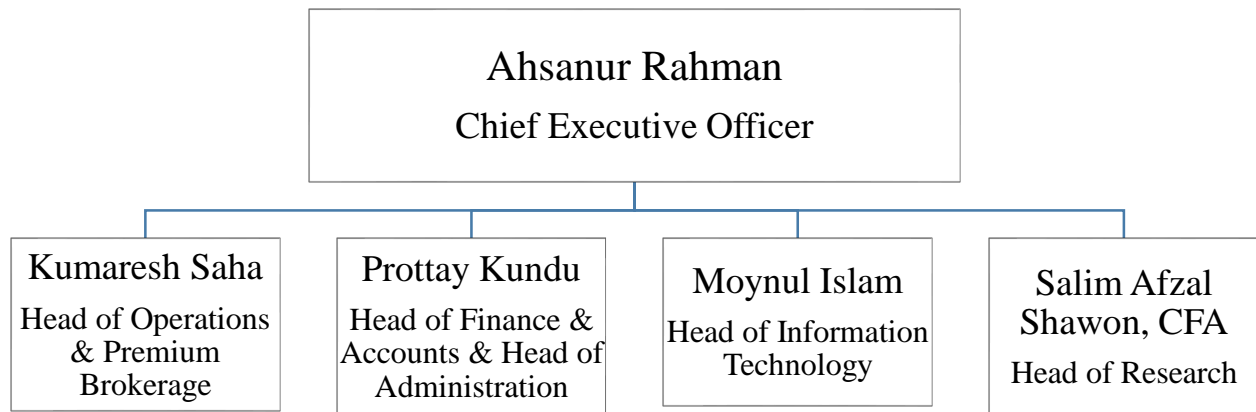
2.3.4 Compensation System:

BRAC EPL Stock Brokerage Limited believes that its employees are important and valuable resources to the organization. The company compensates as per the industry standard. However, the salary package for the entry to mid-level positions are low. That's the reason BESL finds it difficult at times to hire or retain promising employees. Besides, the basic salary they are eligible to other perks like:

- Provident Fund
- Gratuity
- Insurance
- & Others

2.3.5 Management team of BRAC EPL Stock Brokerage Limited:

The Management team of BRAC EPL Stock Brokerage is illustrated by the chart below:



*Figure 1: The Management Team of BRAC EPL Stock Brokerage Limited
Source: Data taken from the website of the company*

2.4 Marketing Practices

Marketing department helps a company to promote its goods and services and communicate its mission and vision to its audience. They help the establishment to sell its goods and services. In other words, helps the company to generate revenue. BRAC EPL Stock Brokerage Limited has a small marketing department which focuses on interacting with the company's existing and potential customers. The organization promotes mostly via social media. The team also promotes through newspaper, and ceremonies. They post daily contents on its social media platforms like Facebook and LinkedIn. They post contents like weekly digest, daily market updates, important corporate meeting dates and other recurring and pressing issues that is impacting the business world. The team also posts other various engaging contents like stock related games and so on. BRAC EPL marketing team also post contents on occasions like Women's Day, Mother's Day, New Year's Day, Eid and other festivals.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance:

Financial Ratio assesses the overall financial performance of a company. In other words, financial ratios measure the general financial well-being of the company. By calculating the profitability, liquidity, solvency and other ratios we can know how effective and efficient the company's operational and liquidity state is. We can also compare the numerical values of previous years to

see if the company has improved its performance or needs immediate corrective measures. By analyzing these ratios stakeholders can make crucial decisions. The Financial ratios of BRAC EPL Stock Brokerage are as follows:

Gross Profit Margin

Gross Profit Margin tells us how much fund is left after selling its goods or services to its customers. It is shown by dividing gross profit as a percentage to its sales. The Gross Profit margin of BRAC EPL Stock Brokerage is illustrated below:



*Figure 2: Gross Profit Margin over the past 5 years
Source: Data has been collected from the Annual Reports of the Company*

After assessing the figure, it can be said that the Gross Profit Margin of BRAC EPL had some fluctuations over the years. In 2018, the margin fell by 4%. Again, it rose by 1% for the next two years consecutively. Lastly, in 2021, the Gross Profit Margin was 77%. This can indicate the business was going through some operational changes or the fluctuation might have resulted due to some poor management practices.

Operating Profit Margin

Just like Gross Profit Margin Ratio, Operating Profit Margin too is a profitability ratio. It is calculated by dividing operating profit as a percentage of sales. It tells us how much profit is generated after paying all the operational expenses and before financial expenses and tax are deducted. The Operating Profit Margin of BRAC EPL is illustrated below:



Figure 3: Operating Profit Margin over the past 5 years
 Source: Data has been collected from the Annual Reports of the Company

From the above figure, it can be deduced that from 2017 to 2019 there was a downward trend in the Operating Profit Margin. However, there was an upward trend from 2019 to 2020 which means the company was effectively and efficiently handling its operational activities. In 2021, the Operating Profit Margin was 53%.

Net Profit Margin

Net Profit Margin is a crucial indicator to assess the overall financial health of a company. It is calculated by dividing net profit as a percentage of sales. It tells us how much profit a company generated after taking care of all its expenses. The Net Profit Margin of Brac epl Stock Brokerage Limited is shown below:

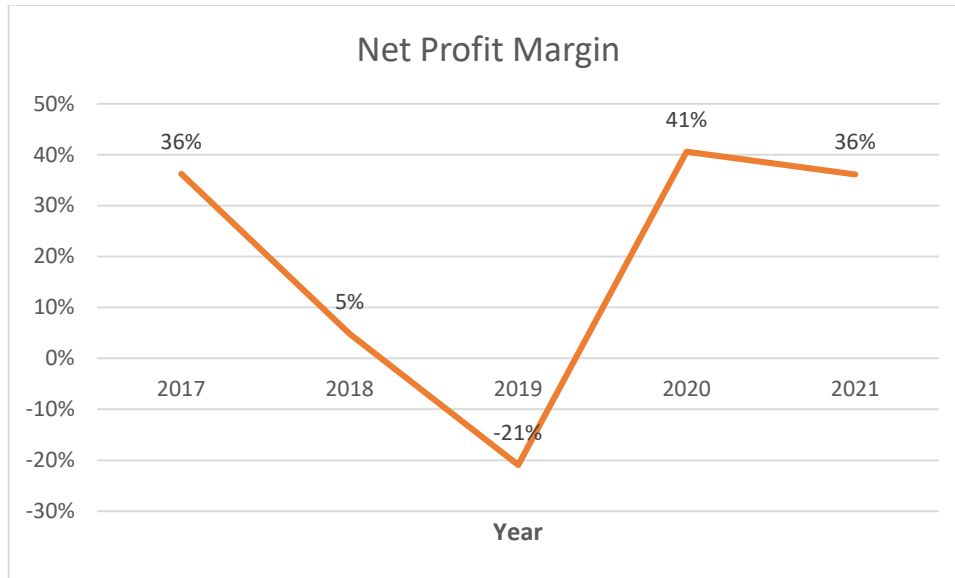


Figure 4: Net Profit Margin over the past 5 years
 Source: Data has been collected from the Annual Reports of the Company

By analyzing the graph, it can be said that the Net Profit Margin fell sharply from 2017 to 2019 i.e. from 36% in 2017 to -21% in 2019. The company was facing difficulties in managing its revenue and expenses. However, there was an upward trend from 2019 to 2020. The Net Profit Margin improved drastically. In 2021, the Net Profit Margin fell by 4%.

Current Ratio

This ratio is used to measure the liquidity position of a company. It is calculated by dividing current assets with current liabilities. This measures whether the company has enough liquid assets to pay its short-term payables and loan obligations. The current ratio of BRAC EPL is as follows:

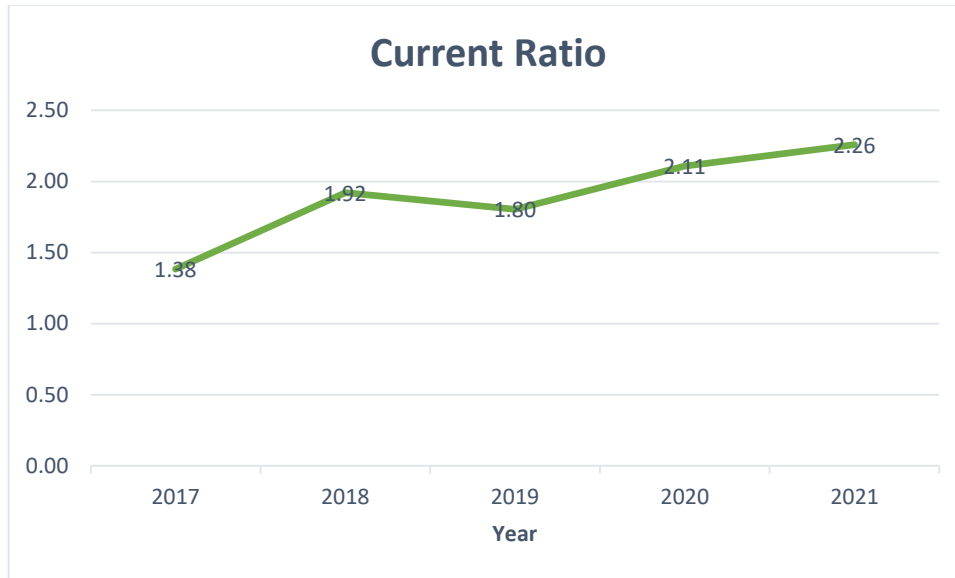
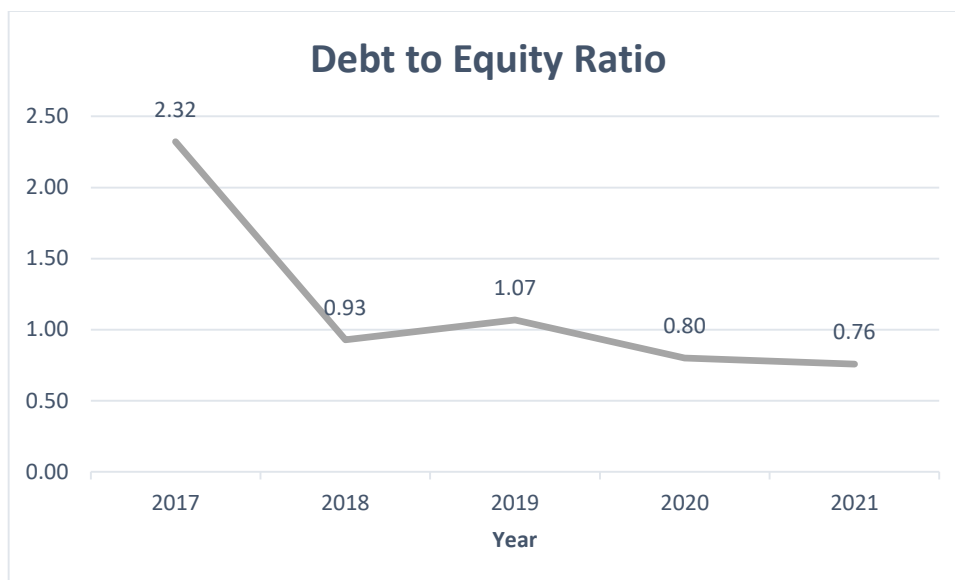


Figure 5: Current Ratio over the past 5 years
Source: Data has been collected from the Annual Reports of the Company

From the above chart, it can be seen that from 2017 to 2018, there was an upward trend. But in 2019, the current ratio fell to 1.80. From 2020 onwards, the current ratio rose and in 2021, the ratio was 2.26. This indicates that the company has enough liquid assets to pay off its short term debts.

Debt to Equity Ratio

This ratio indicates the solvency of a company. It is calculated by dividing the total liabilities with the total equities of the company. This measures the degree of financial leverage the company is using. The Debt to Equity ratio of BRAC EPL Stock Brokerage Limited is illustrated below:



*Figure 6: Debt to Equity Ratio over the past 5 years
Source: Data has been collected from the Annual Reports of the Company*

As per the above graph, it can be seen that the Debt to Equity Ratio has fallen sharply from 2017 to 2018. However, between 2018 and 2019, the number increased to 1.07. Again, the numbers have fallen from 2019 onwards, and in 2021, the debt to equity ratio was 0.76. This indicates that the company does not have to rely heavily on its shareholder's equities.

Return on Assets

Return on Assets is a profitability ratio. It is calculated by dividing net profit as a percentage of the company's average assets. This measures how profitable a company is in terms of its total assets. In other terms, how efficiently accompany is utilizing its assets. The Return on Assets of BRAC EPL Stock Brokerage Limited is given below:



Figure 7: Return on Assets over the past 5 years
Source: Data has been collected from the Annual Report of the Company

From assessing the above figure, it can be said that from 2017 to 2018, the return on assets for BRAC EPL fell significantly from 8% to -4%. However, the ratio improved impressively from 2020 onwards. The Return on Assets for the company in 2021 was 12%. This signals that the company has been efficiently using its assets.

Return on Equity

Just like Return on Assets, Return on Equity, too is a profitability ratio. It is calculated by dividing net profit with the average of shareholder's equity. This ratio indicates how efficiently a company is using its investment from its shareholders to generate profit. The Return on Equity of BRAC EPL Stock Brokerage Limited is illustrated by the graph below:



Figure 8: Return on Equity over the past 5 years
Source: Data has been collected from the Annual Reports of the Company

By the above figure, it can be seen that from 2017 to 2019 there was a sharp fall in the company's Return on Equity. The numbers dropped from 25% to -8%. But, from 2020 onwards the ratio improved significantly for the company. The Return on Assets of BRAC EPL in 2020 and 2021 was 15% and 21% respectively. This suggests that the company was successful in efficiently using its shareholder's fund in generating profit for the company.

2.5.2 Accounting Practices:

The Financial Statements of BRAC EPL Stock Brokerage Limited is prepared on an accrual basis using the going concern concept. The financial report consists of Statement of Financial Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flow. The Statement is prepared in Bangladeshi Taka (BDT). The Financial Statement of the company gives a true and fair representation of its statements and is prepared in accordance with the International Financial Reporting Standards (IFRSs), the Company Act 1994, and the Securities and Exchange Rules 2020 with full disclosure regarding all its accounting principles and policies.

2.6 Operations Management and Information System

BRAC EPL Stock Brokerage has over 7 branches in 5 cities. These individual branches operates its daily business functions and trading independently. Individual branches have its own accounts where the deposits and payments of the clients are taken care. International Trade and Foreign Trade are handled exclusively by the corporate branch. Majority of the branches have its own back offices where finance, settlement, IT and other business activities are executed.

IT plays the most crucial role in all of the branches. Without the aid of IT, the most important activity i.e. trading cannot be possible. As almost everything is done automatically through software. They make sure all the software and other important aspects are operating without any glitch. Each department has its own platform of storing data. For instance, the department in which I was assigned stored all the data in the drive.

2.7 Industry and Competitive Analysis

2.7.1 SWOT Analysis:

SWOT takes into account the strengths, weaknesses, opportunities and threats of a company. This tool considers both the internal and external factors that is affecting the business and based on it formulate strategies and decisions that will aid the company in achieving its strategic goals and objectives. The SWOT analyses of BRAC EPL Stock Brokerage Limited is as follows:

Strengths

- BRAC EPL Stock Brokerage Limited has some of the most experienced and hardworking employees supporting the overall management of the company.
- BRAC EPL is the subsidiary of BRAC Bank Limited which means it shares the brand value and reputation with its parent company.
- By observing the company's financial statement, it can be said that it has good capital and also it has the support of its many investors and parent company.
- They are constantly adopting with the latest innovation and technology. The company uses complex software to efficiently carry out its tasks.
- BRAC EPL has one of the best Research house in the country. It also got recognition in 2019 by prestigious finance magazine of the UK.

Weakness

- BRAC EPL should focus more on its marketing aspect as it is crucial these days to have media presence and also this will help to create awareness about its services.
- The company should be providing greater financial incentives to its entry level and mid-level employees. This will be beneficial to the company in the long run as it will create employee loyalty and solve the issue of inadequate manpower from time to time.
- Although the capital market is emerging, not many people are aware about the trade of stock and similar financial assets.

- There are insufficient number of branches of the brokerage and in many areas of Bangladesh, the company does have any reach.

Opportunities

- BRAC EPL should be opening more branches in different corners of Bangladesh. This will increase its popularity and reach to its audience.
- The company should be organizing seminars and other workshops in various universities to literate the young adults about the capital market and its operations and services. This will help them to increase its clients by expanding its target audience and ultimately increasing its revenue.
- The company should spend more on marketing. They can take the aid of digital marketing like Search Engine Optimization (SEO), image and content optimization and so on. This will create recognition and it is very important to have a prominent online presence these days.
- The company should be raising its pay-scale for its new employees as it will reduce not only employee retention issue but also reduce hiring costs in the long run.

Threats

- One of the biggest threats for BRAC EPL is the abrupt social and economic unrest. For instance, the recent war outbreak between Russia and Ukraine has caused several issues like increasing oil prices and also was the reason for the market index to be negative for a while.
- The sudden changes in the rules and policies from the regulatory bodies like Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC). They might issue new policies that might adversely impact the company.
- The threat of new entrants in the industry is something that should not be ignored as many brokerage houses or similar institutions are entering the market since the barriers of entry is fairly simple. The incumbent firms and the new firms might integrate new and exciting features or additions to its operations and services that might cause BRAC EPL to lose clients.

2.7.2 Porter's Five Forces Analysis:

Porter's Five Forces measures the overall attractiveness and competitiveness of a particular industry. This is a tool to assess the current competitive situation of a company and based on it

formulate the future strategies. The Porter's Five Forces Analysis of BRAC EPL Stock Brokerage are as follows:

- **Power of Buyers (4/5):** The customer bargaining power is high in this industry. This is because there is little to no switching costs and there are many brokerage houses who are offering similar and identical services.
- **Power of Suppliers (2/5):** In contrast, the power of suppliers is limited as there are other places who are offering similar services in this financial industry.
- **Threat of Substitutes (4.5/5):** The threat of substitutes in the industry is really high. The consumers have plenty of options like investing in mutual funds, banks, insurance companies and so on.
- **Threat of new Entrants (3.5/5):** The threat of new entrants is relatively high as well. This is because a number of new stock brokerage houses are being introduced in the country. And the barriers to entry is fairly easy.
- **Competitive Rivalry (4/5):** The threat of Competitive Rivals is significant in this consumer financial industry. This is because there are already my renowned and emerging houses in the market like UCB Stock Brokerage Limited, EBL Securities Limited, LankaBangla Securities, IDLC Securities Limited etc.

The overall market concentration for BRAC EPL is 72%. This indicates that the industry is intensively competitive and the company needs to formula strategies to stay relevant in the industry to sustain or even increase its market share and profitability.

2.8 Summary and Conclusions

To sum up, it is safe to say BRAC EPL Stock Brokerage Limited is in a good place and has a promising future. The company is moving ahead in order to fulfill its vision i.e. to become one of the most trustworthy investors in the country by providing top-class services.

The company is also blessed with some of the most hard-working and talented employees in the industry. And also the recognition and brand value it shares with its parent company, BRAC Bank Limited is something to admire. Furthermore, after assessing the financial performance of 5 years it can be deduced that the company is truly thriving towards achieving its goals and objectives. In addition, BRAC EPL is constantly updating its operations with the latest technology and innovations. Overall, the company has huge potentials and can surely conquer a remarkable position in the market.

2.9 Recommendations

The company should take into account a few suggestions to further help them to achieve its objectives and goals. The recommendations are as follows:

- The company should organize training programs to the newly joined employees.
- The company should also spend more attention to its marketing department and advertise about its services and create awareness.
- The company should also increase the salaries of new entrants and mid-level employees to motivate them. This will improve the employee retention issue.
- They should also open new branches across different areas to acquire in more customers.
- The company should also cut down on its working hours and organize recreational trips or facilities to help motivate its employees.

CHAPTER 03:
Project Part

3.1 Introduction

Capital Market is defined as a market where financial assets are traded in the secondary market after they have been initially offered in the primary market to the public (Hilarispublisher, 2019). Stocks, bonds and currencies are some of the examples of financial assets. It is vital for a contemporary economy to have a well performing capital market in order to have an efficient flow of fund to those who are in need of fund and are successful to offer it with a higher capitalization (Andrieş, 2009). In other words, the capital market influences the investment decisions and its quality. Intermediaries such as stock brokers, too plays a crucial part in the transaction of shares and other financial assets in the stock exchange.

The main aim of the paper is to identify the potential of the stock market. In other words, identify the reasons why the young generation is not so keen on investing in the capital market and what might be some of the actions that can be taken by brokerage houses to overcome the issue. This will allow the brokerage houses to expand its target consumer and will allow them to generate greater revenue which ultimately increase its profitability in the longer period of time. For our findings and analysis, qualitative data has been collected via interviews.

The motivation behind my research is that there is a gap. In other words, there are past research works conducted to know more about the stock market and its volatility, macroeconomic variables and efficiency. However, there is not any study addressing the potential that is the reasons behind not making any investments in the financial market by the young audience and also the necessary steps that can be undertaken to address the problem.

3.1.1 Background/ Literature Review

An eleven-year-old invested USD 114 in 1941 for the first time in a stock market and today he is one of the richest in the world with a net worth of USD108 billion. The kid is none other than the billionaire tycoon, Warren Buffet. Although he is not the only person who has become a billionaire just by investing in the stock market but also there are others who have invested and made a fortune out of it, this is the potential of a stock market (Faruk, 2021).

The stock market in Bangladesh is not as rich as the other stock market around the world such as the New York stock market. However according to certain statement of HSBC Choudhury, 2021 argues that the stock of Bangladesh is a hidden gem that is yet to be discovered. In addition to the statement, the market possesses high potential if the opportunities are used correctly (Joshi, 2021).

According to Joshi, 2021, the Bangladeshi economy is larger than that of the Vietnam. However, due lack of proper and smart investment, the capital market has not yet been flourished and did not see enough growth.

To add a little background, in 1954 for the first time in Bangladesh then east Pakistan, a stock exchange was established. It was known as the East Pakistan Stock Exchange Association (EPSE). Later, after the liberation it became the Dhaka Stock Exchange with a total paid up capital of 4 billion rupees. Today, Dhaka Stock Exchange has grown much bigger than how it was initiated. (Chowdhury 1994).

Investing in stock market is risky and several factors influence it. From an investor point of view, a good performance of any firm and the proper price in a highly efficient market attracts them the most (Adebisi and Lawal, 2015). The stock market is not only the forte of big investors but also it works as an intermediary in between a group of people who saves money and also spends it, and that is a big source of how the market becomes a pool of funds, where all the investor shares their end of risk for a better return (Almumani, 2014). In a classic finance theory, it is being practiced and believed that the price of stocks is very much equal to the current value of the expected cash flow, which is another reason that makes the people more interested in investing in the stock market (Chowdhury, Sharmin & Rahman, 2014).

In a study of perception, it is seen that, people's perception plays a very vital role in the stock market as they get a feeling of being wealthier when the market flourish and sense of being poor when the market crashes or sees a downfall (Ruggiero, 2001).

Stock market always helps business and this statement is highly argued among scholars, such as a well-developed and organized share market can affect a business by reducing their productivity and as well as liquidity, according to Levine (1991). On the contrary some researcher believes that the development of share market ensures the best use of resources for business and makes them efficient, eventually enhancing the economic growth (Amaral and Quintin, 2007) (Aysan, 2006). Furthermore, the development of a share market is very crucial and can boost the economic growth of any country with great significance (Shahbaz et al., 2008).

There are certain factors that will increase the economic growth rapidly if properly aligned with the stock market, such as creative innovation, competitive changes, research and development etc. Developing these factors simultaneously will also help the stock market to grow (Ahmad, Khan & Tariq, 2012). The factors that influence the share market can be seasonal too, a study by Aggarwal & Rivoli (1989), explored share market of 4 countries and measured the patterns of both seasonal and regular, and they have concluded their study with the result that seasonal patterns are very evident in stock markets.

In addition to the previous factors, the closest to micro-empirical research shows that there are some more influential factors which has great effects in stock prices and volatility, which mostly includes the political instability, entry barriers, insider trading, leakage of information etc. (Abadie and Gardeazabal, 2003; Guidolin and La Ferrara, 2007; Peress, 2014; Wolfers, J., Zitzewitz, 2009; and Zussman and Zussman, 2006).

While discussing about the growth of the share market of the world, the Bangladeshi market has a long way to go, although it is growing over time. However, the trend of the growth is not as stable as it is expected to be. (Bepari and Mollik, 2015). The statement is followed by several stock market crashes, and till day the stock market in Bangladesh is going in for a lame run with different cracks from time to time (Hossain and Islam, 2012).

To develop the share market a lot of factors and sectors are to be considered with great importance. There are micro variables such as price/earnings, the potential of the market and its growth with capitalization, the yield dividend and last but not the least macro variables such as low foreign income, low remittance, low Foreign Direct Investment (FDI), Inflation, Gross Domestic Product

(GDP) etc. are to be considered and aligned with the development in order to make the stock market flourish. (Ali, 2011). The effect of macroeconomic variables on the share market goes back a long way in the 1970s (Ali, 2011).

To shed light on two more factor that plays a very crucial role in shaping the market is the stock exchange and interest rate, which can have both positive and negative effect on the economy (Uddin and Alam, 2010).

Discussing the drawback about the share market is very important, a study shows that the major drawback for any developing country such as Bangladesh, where there is a lack of regulation and transparency, the growth of share market is hindered and thus investors fear to invest. Where sufficient data and research is not done which fails to provide investor a better overview of the market. Inefficiency is a major threat for any stock market and in Bangladesh the inefficiency is very visible and evident (Moberek & Keasey 2000).

3.1.2 Objective

The main aim of this report is to explore the potential of the stock trade in Bangladesh. To be specific, this report aims to investigate the following objectives:

- To identify the reasons why university students and young professionals are not keen on investing in the stock market.
- To identify the possible solutions to make the young generation interest on investing in the stock market.

3.1.3 Significance

This report can help BRAC EPL Stock Brokerage Limited to expand its target audience. In present most stock brokerage houses are providing services to middle-aged clients and large institutional investors. By understanding the underlying issue i.e. why the young generation is not so motivated to invest in the capital market and what are some of the possible steps that can be taken to help combat the problem. They can resolve the problem by handling the matter vigilantly. This will in turn give the opportunity to the brokerage houses to expand its target audience and get in more clients. Furthermore, this will allow them to increase its revenue significantly which will organically have a positive effect on its profitability in the long period of time.

3.2 Methodology

This report aims to comprehend the potential of the stock trade in Bangladesh. In other words, how the turnover of the stock trade can improve if university students and young professionals starts investing in the capital market. Not only it will help the capital market but only help improve the revenue of BRAC EPL Stock Brokerage Limited. University students and young professionals were interviewed face to face and also via telephone calls to get their in-depth insights, thoughts, and opinions regarding the stock market of Bangladesh.

Qualitative research approach was used to collect information from the sample. Qualitative Research is also referred as “the study of the nature of phenomena” as it includes quality, different point of views and manifestations but excludes frequency, range and the place in an objectively determines the cause and effect (Busetto et al., 2020).

The report is based on first hand data i.e. primary data. A list of questions was prepared ahead of the interview. We interviewed university students and young professionals. The samples were not randomly chosen. They were university students and also young adults who recently entered the workforce. Seven university students and five young professionals were chosen for the interview and was promised confidentiality about their identities. Some of the interviews were taken in person and some via telephone calls. The seven university students were from BRAC and North South university and the young professionals were all service holders working in renowned public and private institutions.

From the interview, relevant and reliable data was collected and incorporated in our findings and analysis which is mentioned in the later part of the report. Five questions were asked to evaluate and gather information about the matter. The interview Questions are as follows:

- Are you aware of the Beneficiary Owners (BO) Account?
- Do you know about the Stock Market of our Country?
- Have you ever invested in the Stock Market?
- If not, what’s the reason behind it?
- What do you think can be done to flourish the market?
- Do you wish to invest in the Stock Market in the future?

3.3 Findings and Analysis

The purpose of this study is to investigate why the young adults are not so keen on investing in the capital market. For that reason, we interviewed 12 people in total. Among them seven were university going students and five were young professionals who just started their career. Some of the interviews were taken in person and some via phone calls. All the interviews went well and relevant and reliable information was found. Their opinions, comments and judgments provided some interesting findings.

The majority of the participants of the interview were not aware of the Beneficiary Owners (BO) account and had never invested in the stock market. One of them said *“Well, I do not know much about stocks but I do know that we have two exchanges. One is in Dhaka and the other is situated in Chittagong. And as far as my knowledge about investing, I would rather save my money in a bank or not save it at all. This is because one of my relatives had a bad experience and lost all his savings in the past and I never wish to see myself associating with the stock market any time soon. Honesty and knowledge are the two only things that can help to flourish the market.”*

Another said, *“I have neither invested in the stock market nor I am aware of a BO account. I do know a thing or two about the capital market as it was taught briefly in one of our courses back in university but other than that I do not have any first-hand experience with the market. When asked*

about the reason why people do not usually invest in the Stock Market and what can be done regarding that, she added, *“To be honest, I do not think so based upon my knowledge it will be wise for me to invest and what if I am scammed and lose all my hard earned money in the process. I mean if I learn and discover more about the market, I would mostly likely invest in the future”*.

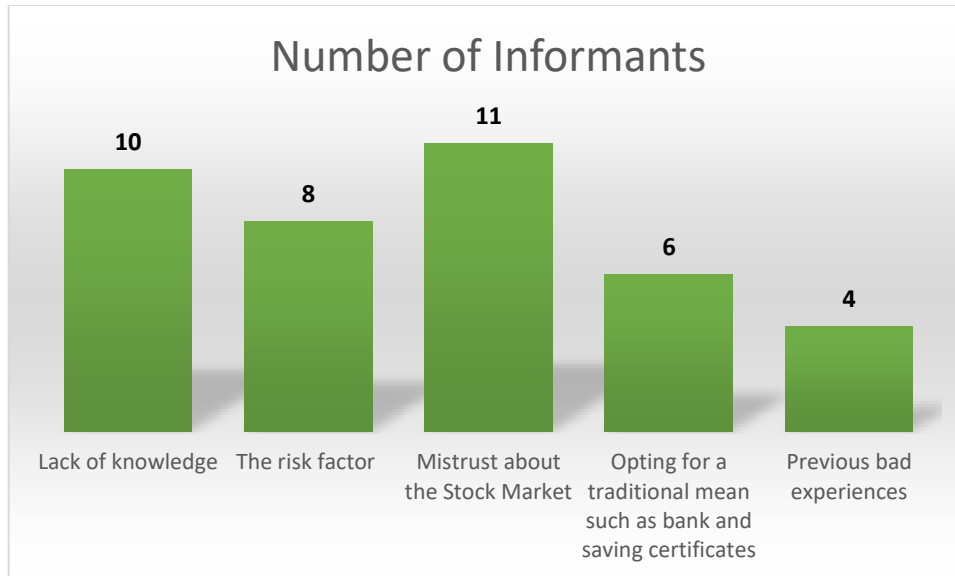
There was also a student who sighed, *“Although I am about to graduate university as a business student, I absolutely have no clue about the share market. This is because I never got the opportunity to explore and learn about the market. But my father invests in the market in stocks. Although I am not aware about his returns. I would most definitely like to invest in financial assets if I am aware about it. I think the problem is that we do not like to associate ourselves with risks and always prefer to follow the traditional methods of saving and borrowing money. If we can change our point of view the market will mostly likely flourish”*.

A finance major added, *“Although the area I specialized in has helped me to gather significant knowledge about the financial market and the world and I am aware of almost all the terminologies related to the field. However, I am still not confident about making investments on my own. I fear that the market is way too risky and that there’s a high probability of making losses. I suggest if I could attend seminars or other opportunities that would provide me with hands-on experience, then I would be most eagerly making investments in the emerging market of our country”*.

One of the interviewee spoke highly about the market, he responded saying, *“The share market of our country has huge potentials and it is one of the emerging sectors. It can contribute significantly to our country’s GDP if proper attention is paid. I started to invest quite recently about two years ago and never looked back. The market is really fascinating if you know what stocks to invest in. I do not know if I got lucky or not but I had received returns from the market that was beyond my expectations. Although I made losses here and there but the return I got overshadows it. I mean, you cannot always expect good returns. At times you are bound to meet with losses. My suggestion for our generation will be to explore and learn about trading. Universities should offer courses specifically dedicated to Capital Market and Investments regardless of the major”*.

One of the informants also said, *“I started my career quite recently and saving most of my income in a bank. I am aware that the return that I am getting from the bank is quite low compared to the percentage that I would be earning if I would have invested in shares. I am extremely cautious about my finances and also my family members used banks as a means to save money. So investing in the capital market is something that I am not familiar with. However, I am open to invest provided if I have the proper guidance and scope to do so.”*

These are some of the examples of the twelve interviews taken. Based on this, we can deduce that although many of them are willing to invest but they do not possess the knowledge and experience necessary to make such investments. Due to that, some of them are convinced that the market is a scam and are not willing to invest. To add fuel to the fire, past adverse experiences from their relatives made it even worse. Furthermore, some of them are risk averse so they do not want to risk losing their savings and are comfortable investing or saving in the bank. The reasons why they are not willing to invest in the capital market is illustrated by the cluster chart below:



*Figure 9: Reasons why the Young Generation are not willing to Invest
Source: Developed by Author*

This chart specifies the main reason why the university students and young professionals are not investing in the stock market. 10 out of the 12 participants said due to lack of knowledge, 8 out of the 12 participants said due to the risk associated with the investment in the capital market, 11 out of the 12 participants said due to the mistrust about the market, 6 out of the 12 participants said they would rather opt for a more traditional approach like banks, saving certificates etc. and lastly 4 out of the 12 participants said due to previous bad experiences of their relatives. If the financial brokerages are able to break this taboo they are sure to reap the benefit of increased revenue and profitability due to the huge influx of clients.

3.4 Summary and Conclusions

It is with no doubt, that the capital market can contribute significantly to the country's Gross Domestic Product (GDP) if proper attention is paid. Upon my findings, it is wise to say that although the market is full of potential, the young adults are not really keen on investing. The prime reason behind it is because the lack of knowledge and experience in the market. Moreover, there are other specific reasons why the young crowd is not looking forward to invest includes the fear of risk. The fear that they might lose all their savings and hard earned money if they invest in the wrong type of stock is also an important factor to consider. Also, the past experiences of their relatives made the case even worse. Other factors that is also worth mentioning includes the lack of trust about the share market and also the habitual behavior of people, who prefers saving in the bank as fixed deposits or even buying saving certificates. Upon asking them the probable solution to help eliminate the issue, most of them said more or less the same thing i.e. to provide them with scope and opportunities to learn and know about the financial market and assets. These are some of the reasons and scopes that were discovered in my findings and is preventing university students and young professionals from investing in the market.

However, there are some limitations in my study. First of all, the sample size was considerably small. Only 12 people were interviewed. Among them only 7 were university students and 5 were young professionals. Moreover, the 7 students were limited to two specific private universities and public universities and other similar type of educational institutions were not considered. Moreover, the 5 young professionals only represented one or two industries. And based upon our findings only a few reasons were found. There might be other factors that might hinder their investments like gender, level of income and so on. Also, macroeconomic variables and other factors were not considered. Regardless of the limitations this paper provides a clear idea of the prime reasons why the young generation is not so keen on investing in the stock market.

3.5 Recommendations

This paper looks into the specific reasons why the young crowd is not motivated to invest in the stock market of Bangladesh. This paper will help the brokerage houses and other similar service providers and practitioners a clear picture and depending on it can take some necessary steps to combat the issue.

Firstly, they can collaborate with universities and other educational platforms like 10 Minute School, Shikho and certain educational institutions to spread awareness of their activities and functions. They can also conduct workshops and seminars to educate the young folks about the financial market and assets. They can create a set of videos or playlists, educating the basic knowledge and skills needed to know about the market and investment. The brokerage houses should promote heavily via the social media platforms and also provide exciting offers and facilities to the younger crowd to attract them like opening a Beneficiary Owners (BO) account for free, providing useful financial advices to the young crowd, and so on.

By doing so they will be able to expand its customer base which will eventually increase its turnover and profitability. This will also have a positive impact on the economy at large in the long run like greater financial literacy, higher Gross Domestic Product (GDP) growth, and increased sustainability and stability during economic instability like pandemic, war, natural calamity and so on.

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Appendix

List of Interview Questions:

1. Are you aware of the Beneficiary Owners (BO) Account?
2. Do you know about the Stock Market of our Country?
3. Have you ever invested in the Stock Market?
4. If not, what's the reason behind it?
5. What do you think can be done to flourish the market?
6. Do you wish to invest in the Stock Market in the future?