

Report on

**ANALYZING THE ROLES OF DIFFERENT TYPES OF INVESTORS IN THE
CAPITAL MARKET OF BANGLADESH**

By

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

BRAC Business School

BRAC University

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Declaration

It is hereby declared that

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

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Letter of Transmittal

Mohammad Mujibul Haque, PhD
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BRAC Business School
BRAC University
KHA 224, Progati Sarani, Merul Badda, Dhaka-1212

Subject: Internship Report Submission

Dear Sir,

With pleasure, I am submitting my internship on “Analyzing the roles of different types of investors in the capital market of Bangladesh”. Following the university guidelines and your advice, I have prepared my report with utmost sincerity and dedication.

I hope this report will be accepted and be granted by you. Thank you for your patience and guidance to complete this report.

Kind Regards,

Ilad Hassan Khan

20104084

BRAC Business School

BRAC University

January 2nd 2024

Non-Disclosure Agreement

This agreement was made and entered into by and between LankaBangla Securities Limited and the undersigned student at BRAC University.

This agreement is between "LankaBangla Securities Limited" and me, a BRAC University student, to use and obtain all organizational information needed to complete my internship project, "Analyzing the roles of different types of investors in the capital market of Bangladesh". The data and information regarding the non-bank organization of this report were permitted by my organizational line manager and generated under his supervision. I would like to express my sincere appreciation for allowing me to utilize the data in the preparation of my report. I was strongly urged not to use sensitive information by the organizational supervisor. Without a formal instrument signed by both parties, this agreement may not be revised or modified.

Name of Company: LankaBangla Securities Limited

Supervisor Name: ASM Moniruzzaman

Signature:

Name of Student: Ilad Hassan Khan

Signature: Ilad Hassan Khan

Address: KHA 224, Progati Sarani, Merul Badda, Dhaka-1212

Description of the report: "Analyzing the roles of different types of investors in the capital market of Bangladesh"

Acknowledgement

By the grace of Almighty Allah, I am very happy and satisfied that I was able to finish my internship report on time. This report is a result of sheer hard work, patience and research. Similarly, this report would not have been possible to be completed without the help and effort from LankaBangla Securities FCM (Financial Content Management).

Mohammad Mujibul Haque Sir, has helped me throughout the semester. With his guidelines and feedback on the report's progress, I was able to figure out my mistakes or scopes of doing better and ultimately make a report of full contentment.

I would also like to thank my supervisor ASM Moniruzzaman, Deputy Manager/In charge of Financial Content Management from LankaBangla Securities. He has helped me through all thick and thins during my time at LankaBangla Securities Ltd. From making me understand about the department to giving me insights about the DSE, he has helped me throughout my internship. I would also like to thank Ms. Sohely Naznin, Executive, Financial Content Management, LankaBangla Securities ltd. Ms. Sohely helped me out meticulously about the works that were assigned to me and also provided me with knowledge about the department. Lastly, I would like to thank Mr. Sourav Basak, Officer, LankaBangla Securities ltd. Mr. Sourav helped me a lot in blending in with the culture of the office and also provided me tips in doing the work that I was assigned. Furthermore, I would like to thank the IT(Information technology) department for giving me the idea about softwares used in LankaBangla Securities ltd. Lastly, I would like to thank the DT(Digital Transformation) department for providing me with information about the marketing strategies of LankaBangla Securities ltd.

Executive Summary

This report is an accumulation of what I have learned from my undergraduate student life. Also, this report contains my experience from my internship from LankaBangla Securities Ltd. Primarily, I have made this report for my BUS409 course and it has three chapters in it.

The first chapter contains my experience of three months in Lanka Bangla securities. It also contains student information, supervisor's information from LankaBangla Securities ltd. Furthermore, this chapter contains the tasks that I was assigned, the learnings I got while doing those tasks, the difficulties I faced while doing the tasks. As I am a student of finance, there is no better place for me than LankaBangla Securities ltd to abridge my academic knowledge to real life experience.

The second chapter is about the organization that I have worked in. I have worked in LankaBangla Securities ltd and this chapter contains a detailed description and analysis of the organization. Starting from the history, overview, accounting practices to marketing, financial, human resource practices of the organization, I tried to write about all the important aspects of LankaBangla Securities ltd.

The third chapter is perhaps the most important part of this report which contains research on the topic "analyzing the roles of different types of investors in the capital market of Bangladesh". This chapter basically talks about the importance and significance of Dhaka stock exchange. But most importantly this report contains how retail(individual), institutional and foreign investors play a role in the Dhaka Stock exchange and their contribution to the DSE. Starting from the market capitalization of these investors to the problems they are facing, I tried to cover all of the aspects required. Also, this report contains the importance of these investors to the DSE and DSE's importance to the economy, therefore the importance of these investors for the economy of Bangladesh. In the end there are some recommendations provided by me in order to help these investors survive and help the DSE to grow and make Bangladesh move forward.

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List of Acronyms

DSE	Dhaka Stock Exchange
BO	Beneficiary Owner
BSEC	Bangladesh Securities and Exchange Commission
GDP	Gross Domestic Product
UCB	United Commercial Bank
IPO	Initial Public offering
IT	Information Technology
LBSL	LankaBangla Securities Limited
NBFI	Non-Banking Financial Institution

Glossary

IPO- A company's first sale of stock to the public. Usually, these securities belong to small and new companies that require capital from external source generally from the capital market

Capital market- Historically, the phrase "capital markets" has been used to refer only to the market where capital is raised and long-term debt instruments (with maturities longer than a year) are exchanged. Nonetheless, in more recent usage, it has come to refer to a wider range of financial markets, such as stocks, bonds, and derivatives.

Index- A stock index, also referred to as a stock market index, gauges a particular segment of the stock market. Stated differently, the index calculates the variation in the share values of several businesses. The prices of individual equities are calculated to create the stock index (usually a weighted average).

Float- The number of shares that are available for purchase and sale by the general investing public is indicated by the float. Among other things, restricted shares owned by insiders are not included. Insider shares, however, become part of the float if they finally sell their stock on the open market.

Chapter 1: Overview of Internship

1.1 Student Information: Name, ID, Program and Major/Specialization

I am Ilad Hassan Khan and my student ID is 20104084. I am studying in BRAC Business School in Bachelor of Business Administration and I have done my major in finance and minor in marketing.

1.2 Internship Information

1.2.1 Period, Company Name, Department/Division and Address

Once I finished my eleventh semester of the BBA program, I was given a three-month internship with a company. I started working at the A.A. Branch of LankaBangla Securities Limited on Motijheel C/A on 11th September, 2023. I spent the most of my internship working in the Financial Content Management department. My internship ended on December 11, 2023.

1.2.2 Internship Company Supervisor's Information: Name and Position

My supervisor's name is ASM Moniruzzaman. Currently, he is assigned as the Deputy manager at the Financial Content Management of LankaBangla Securities Limited's A.A. Bhaban office, which is located at Motijheel C/A, Dhaka-1000.

1.2.3 Job Scope – Job Description/Duties/Responsibilities:

As an intern, I was instructed by my supervisor and had to do whatever task was assigned to me. A responsibility of mine was to manage and enter data for a particular project (a project that I am obligated to disclose about). I had to prepare financial statements both quarterly and annually for 356 companies in our country. During the management of data, I learned a lot about the financial statements of huge companies and how their profit used to change every year based on their expenses and how it also used to affect the companies' EPS. Also, I learned about the formats of financial statements in the real world because before my idea revolved around study purpose financial statements. Another task that was assigned to me was to manage and input data for a website of LankaBangla securities known as the LankaBangla Financial portal. My job was to

input data of companies on the website. The data included updates of EPS, dividend, record date etc.

1.3 Internship outcomes:

1.3.1 Students contribution to the company

The objective of my internship was to apply whatever knowledge I have gathered over the course of my life but most importantly what I have gained from my undergraduate life. I was lucky enough to have had amazing faculties who had meticulous knowledge about finance and also had the capacity to convey to us students. Therefore I was able to achieve my objective. Firstly, my job was to prepare financial statements in a different format for a particular company. I used to work with the quarterly reports and my senior team members worked with the annual ones. It did not take me much time to grasp the project and was able to perform my duties and prepare quarterly statements of 354 companies of Bangladesh in a different format. Secondly, another contribution of mine was for the financial portal of Lankabangla. My job was to input information about companies for the financial portal. The information was of many types, For example, record dates, spot rate, dividend declaration, EPS, NAV etc. The data was usually taken from DSE and CSE and also from the company's websites. Another input by me was to prepare financial statements and basically data entry for the financial portal now. There is a segment of financial statements under each company and updating the statement with new annual statements was part of my job. Also, sometimes restating the previous year's data was also included.

1.3.2 Benefits to the student

The benefits for me working at LankaBangla are uncountable. I consider myself lucky to be able to work in such a huge company and learn from some of the very best of the capital market industry. Firstly, I would talk about the insights and the environment of the office regarding the stock market. Inside of the office, the whole environment was about the stock market. Everyone knew something different about the market and how it operates. Therefore, I can say that I earned quite a lot of knowledge about the market while just listening to the conversations of seniors. Also, while working on the financial statements which I had to prepare for a project in a new format, I

got to learn a lot about the companies of Bangladesh. While working with the numbers, I saw their profits, how much they spend, their retained earnings, EPS etc. These numbers also have a link to fundamental analysis that I heard my seniors talking about and then I could relate. Secondly, I used to input data for the financial portal which taught me a number of things like EPS, NAV of companies, record dates, spot rate, AGM, Board meetings etc. Furthermore, I used to find it fascinating that my provided data will be seen by everyone who uses the LankaBangla Securities ltd financial portal. The financial portal is a huge deal for LankaBangla securities. While working there I got to learn about how the portal can be used. Managing the portal was also a part of my job. While managing it I learned how the portal can be used by traders to carry out both fundamental and technical analysis. Also, I learned about the significance of the portal for learning about companies and their stocks. Inside of the portal, there is everything needed to know of the stock market. Overall, there are many other small learnings that I cannot recall but these learnings from LankaBangla Securities ltd will be beneficiary for my life.

1.3.3 Problems/Difficulties (faced during the internship period)

My time at LankaBangla was very good overall. However, one of the difficulties that I had faced was implementing my academic knowledge into a real life job. The knowledge from the books was very straightforward and easy to solve and it was repetitive. But in the real world new types of problems emerged everyday and I was finding it a bit difficult. On the brighter side, I had my seniors by my side and they helped me in each step. Furthermore, in the beginning it was difficult for me to get accustomed to the new type of a corporate person's life, working a 9-5 job and maintaining discipline every single day. Lastly, I did my internship during the election period of Bangladesh and the office of LankaBangla Securities Ltd was the epicenter of mass gathering. Therefore, some days I had to walk home through a sea of people with a little fear of getting caught in the middle of a riot.

1.3.4 Recommendations (to the company on future internships)

My overall internship experience at LankaBangla Securities Ltd was amazing and I don't have anything severe to recommend. However, one thing they could have done for the interns is to give a full overview of all the departments inside of the office and give a summary of what they do and how they do and also how all the departments are interconnected to each other. Also, I think that LankaBangla Securities Ltd could have arranged seminars or workshops for the interns in order to make us understand about the company goals and mission and about their operation. In that way we could have aligned our work to the organization's expectations. Another recommendation would be to have a specific lunch hour for employees. Other than these I felt, LankaBangla Securities Ltd has the best environment for an intern to learn and achieve their purpose.

Chapter 2: Organization Part

2.1 Introduction

LankaBangla securities ltd is a well-known brokerage firm in Bangladesh and has made a name for itself as a pioneer in the field. Initially listed on the Chittagong Stock Exchange as Vanik Bangladesh Securities Ltd., the firm began operations in 1997. In less than a year, it also made a move to join the Dhaka Stock Exchange. The business restructured and changed its name to LankaBangla Securities Ltd. in 2005. LankaBangla Securities Ltd. is well-known for its ability to develop the nation's most knowledgeable and competent stock brokerage personnel. The business is dedicated to providing service that leads the industry, placing a high priority on client interactions and transactions. For 16 years out of 25 years running, LankaBangla Securities Ltd. has steadily held the top spot as the broker in Bangladesh.

LankaBangla Securities has introduced many platforms that serve clients domestically and internationally, marking a significant advancement in the digitalization of its system. TradeXpress, LankaBangla Securities ltd Financial Portal, and iBroker are a few of these systems. Customers may create beneficiary owner (BO) accounts, conduct transactions on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) at the same time, and access real-time market updates and information with ease thanks to their easy online choices. Along with accessing portfolio and ledger information, real-time trading monitoring, and NPS and mobile banking deposit and withdrawal capabilities, these services also let users access their funds. To support these digital platforms, LankaBangla Securities ltd has built a strong IT infrastructure, indicating its dedication to technological innovation. Furthermore, the corporation has a robust research base that accounts for around 40% of the equity market capitalization. These studies are frequently published in a range of research journals and reports that appeal to both local and foreign investors. Notably, "Market Pulse," a market research magazine, is published by LankaBangla Securities ltd. With a substantial clientele and broad service coverage in strategic areas around the nation, LankaBangla Securities has made a name for itself in the market by offering its customers top-notch services.

2.1.1 Objective of the organization

The objective of LBS is to provide seamless access and guidance to investment in the capital market of Bangladesh. LankaBangla Securities Ltd has been the pioneer of security brokerage houses since their inception and they are providing the best service for their investors. LankaBangla Securities Ltd has a number of websites where investors can get seamless access to the capital market of Bangladesh. Investors can open a BO account using iBroker. And after opening the BO account they can trade seamlessly and independently on tradexpress. Therefore, LankaBangla Securities Ltd is providing hassle free access to the capital market. Furthermore, the company provides information and data based on which investors can invest in order to get a high return with minimum risks. There are over 62000 clients of LankaBangla Securities Ltd till date and the numbers are rising. Lastly, LankaBangla Securities Ltd is a very employee welfare oriented company. They have a two day holiday every week and most of the employees are given leaves quite leniently. Also, LankaBangla Securities Ltd provides profit share annually with their permanent employees.

2.1.2 Scope of the organization

LankaBangla Securities Ltd is a massive company and analyzing its daily operations helped me a lot to understand how an organization functioned everyday in real life. The scope I had in the organization opened a gateway to understand about management practices, financial activities, financial position of the company, marketing activities, industry analysis, human resource policy of the company etc. Furthermore, my part of the work which was to prepare financial statements helped get a deeper knowledge about real-life company's financial practices. Also I learned about how the members of the organization used different technology to support their work everyday. Furthermore, I also got the opportunity to update the LankaBangla Securities Ltd financial portal which is the heart of LankaBangla Securities Ltd and while doing so I got accustomed to many of the terms used in the capital market.

2.1.3 Methodology

The methodology that I used to write chapter 2 about LankaBangla Securities Ltd is a descriptive research methodology. Both primary and secondary data were used while doing the research. The primary data was collected from the employees with whom I was working. The secondary information was obtained from the LankaBangla securities website and also from LankaBangla Financial portal. Furthermore, other websites like company annual reports from the internet were also used sometimes to find in depth information about the company.

2.1.4 Limitation

Although the firsthand experience while doing the research about the company went really well, there were a few limitations. There were quite a few protocols for which I could not disclose my exact job at LankaBangla Securities Ltd as it was regarding a specific project. Furthermore, while taking information about the company from the employees, the information was not very explicit as sometimes the employees only knew what to do and could not answer the objective of the work. The marketing practice of LankaBangla is very minimal and it was really tough to find the information about their marketing. The human resource policy is not mentioned on their website and I had to access one of my colleague's employees accounts to get that information.

2.1.5 Significance

The significance of this research about LankaBangla Securities Ltd has been a lot for me because I was able to relate the theoretical knowledge that I have gotten over the years with practical knowledge. Also, I was able to look closely into the operations of such a huge organization. Starting from my department to other departments, I got the insight of much information that would be difficult or impossible to find in a book. The experience that I got as a 9-5 employee also made me realize the life of an employee. Lastly, the overall experience at LankaBangla Securities Ltd will allow me to seek my future endeavors with a bit more confidence as I now have a glimpse of how a company works and how I need to work as an employee or what is expected from me.

2.2 Overview of Lankabangla Securities

LankaBangla securities has been one of the pioneers of the security brokerage house of Bangladesh. The company is a trusted source of information and business activities for the capital market enthusiasts of our country. The company has been operating in the capital market of Bangladesh for 26 years. Till date there are over 62000 clients all over Bangladesh and have 24 branches and booths all over the country. Furthermore, LankaBangla securities is the first brokerage house that introduced OMS (Order Management System).

2.2.1 Basic information of LankaBangla Securities

LankaBangla Securities Limited at a glance	
Date of Corporation	July 3, 1997
Commencement of Operation	July 3, 1997
Registration No	C 33276(22)/97
Listing Year	DSE - 2023
Debut Trading Date	DSE – Jan 4, 2023
Authorized Capital – BDT (MN)	5,000.00
Paid Up Capital – BDT (MN)	2,690.30
Total Shares	269,030,332
Market Capitalization – BDT (MN)	6,456.73
EPS (2022)	1.26

LankaBangla Securities Limited at a glance	
Date of Corporation	July 3, 1997
Commencement of Operation	July 3, 1997
Dividend - Cash (2022)	10
Credit Rating	Long term - AA2; Outlook - Stable
Number of Branches	36
Number of Employees	406

Table 1: Basic Information of LBSL

2.2.2 Platforms of LankaBangla securities

TradeXpress

Consumers from all around the world may execute transactions utilizing LankaBangla Securities' smartphone app. This is the web trading platform that makes it possible to trade on several exchanges at once. Investments may be made on both marketplaces by investors utilizing this app service. It gives customers access to real-time data during trading hours, enabling them to place buy and sell orders at the right moment and price. Clients or investors may access flexible trading from anywhere at any time utilizing laptops, desktop computers, and mobile devices like iOS and Android.

iBroker

Beneficiary Owners Accounts, or BO accounts, can now be opened by investors from home or any other convenient place. Alternatively, you can apply for an IPO and get news about upcoming IPOs.

Financial Portal

LankaBangla financial site is one of the most prominent and well-known to those groups of individuals who are interested in the capital market industry and associated with this sector. It displays all of the data on the Chittagong Stock Exchange (CSE) and the Dhaka Stock Exchange (DSE). Through this site, anybody may obtain the financial data of any firm registered on the DSE or CSE; all information is freely available to the public. It offers all companies' financial ratios, market research data, financial news, market conditions, live graphs, news from AGMs and board meetings, IPOs and market announcements, various analytical tools, market parameters, news from the money market, economic indicators, commodities, and currencies, among other crucial items that enable people to make informed investment decisions. This website is in line with the Dhaka Stock Exchange and Chittagong Stock Exchange.

Market Pulse

Market Pulse is a monthly financial magazine issued by LankaBangla Securities Limited that is fully functional. It provides news and financial information about the market along with a summary of the market for that particular month. It is a comprehensive set of statistics about the financial markets.

2.2.3 Vision of LankaBangla Securities Ltd

To become the most efficient and unique platform for Bangladesh capital market by connecting people globally in order to derive the benefit of underlying economic growth of the country.

2.2.4 Mission of LankaBangla Securities Ltd

- Cost effective and efficient brokerage platform
- Build a trust-based relationship with the clients
- Hub of International Investment
- Uphold the Integrity of Capital Market
- Research and Analysis
- Continuous Process Improvement
- One-stop service with state-of-the-art technology

2.2.5 Values provided by LankaBangla Securities Ltd

- Service Excellence
- Integrity and professionalism
- Compliance
- Enjoyment
- Teamwork
- Understanding and Approachable
- Energy and Action

2.2.6 Policies of LankaBangla Securities Ltd

LankaBangla Securities Limited (LankaBangla Securities Ltd) implements policies to ensure transparency and accountability, within its operations. These policies encompass the following;

1) Anti-Money Laundering (AML) Policy: LankaBangla Securities Ltd has established a policy to prevent its services from being exploited for activities, such as money laundering and terrorism

financing. The policy outlines measures for monitoring transactions verifying client identities. Promptly reporting any suspicious behavior to the authorities.

2) Code of Conduct and Ethics Policy: LankaBangla Securities Ltd has a Code of Conduct and Ethics Policy that sets forth the professional expectations for all employees. This policy covers matters like maintaining confidentiality, handling clients fairly and avoiding conflicts of interest.

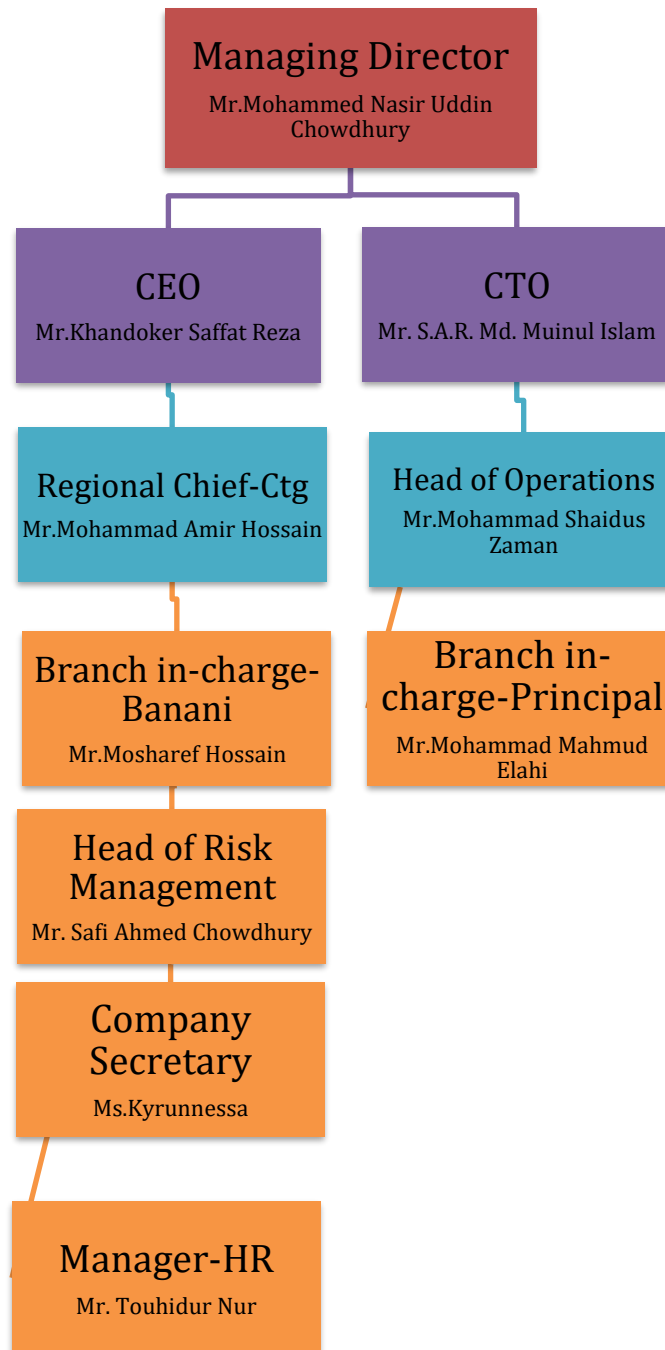
3) Complaint Handling Policy: LankaBangla Securities Ltd has implemented a procedure to handle customer complaints in a timely manner. This policy does not outline the steps for receiving, investigating and resolving complaints. Also provides customers with an avenue to escalate their concerns if they remain dissatisfied with the initial response.

4) Corporate Social Responsibility (CSR) Policy: As part of its dedication to giving back to society LankaBangla Securities Ltd adheres to a CSR policy that guides its initiatives in this realm. These policies collectively reflect LankaBangla Securities Ltds commitment, towards maintaining integrity, addressing customer needs effectively and contributing positively towards well-being. The policy outlines how we select and execute CSR projects covering areas such as healthcare, education and environmental sustainability.

5) Risk Management Policy; This policy explains how we identify, assess and manage risks associated with LankaBangla Securities Ltds business operations. It encompasses risks relating to credit markets, liquidity and operations.

2.3 Management Practices

2.3.1 Company Organogram



2.3.2 Leadership style

After working for months at LankaBangla Securities Ltd it can be stipulated that the company has a democratic leadership style. Democratic leadership means that the leader consults with their employees before making any decision for the company. Likewise, the management of LankaBangla Securities Ltd believes from their core that democratic leadership is to go by in this new age.

The leadership style of being democratic helps LankaBangla in a number of ways. Firstly, being democratic makes all the employees accountable. The reason behind this is that every employee is involved in major decisions for the company. If not, everyone directly sits with the CEO, but all the department heads sit together to make a decision and the department head discusses the decision with the fellow employees. So, this chain of command makes everyone involved in the decision making. This makes the employees of LankaBangla accountable for every major decision for the company. Whatever outcomes from the decision, everyone is involved in the decision whether the decision turned out to be good or bad. Secondly, the democratic leadership keeps the goals of the employees aligned with the goals of the organization. When the supervisors or department heads constantly discuss every major aspect going on, it keeps the employees up to date with the situation of the company and therefore the employees know what is required of them for achieving the goal of the company.

2.3.2 Human resource planning

Human resource planning is one of the fundamentals of any organization. The goal of human resources is to look after the company's employees as well as look out for new employees who can take the company forward. LankaBangla Securities Ltd is a large-scale company in the financial world and its human resource planning needs to be top notch to keep the company up and running.

2.3.2.2 Compensation system

Salaries are confidential between the employees concerned and the HR Department. The management from time to time shall decide the scales of the employees belonging to different grades. Salary Structuring of the Company will be reviewed as required (time to time) to allow adjustments in the Cost of Living and market forces relating to the industry (subject to the approval of Board of Directors). The HR Department is responsible for initiating the review and to present the same to the Board for its consideration.

The company will pay the allowances consisting of House Rent Allowance, House Maintenance Allowance, Dearness Allowance, Conveyance Allowance, Medical Allowance, Leave Fare Assistance, etc. to the employees. The structure and mode of payment will be determined by the management from time to time.

There are other benefits for the permanent employees like provident fund, gratuity, insurance coverage, festival bonus, mobile telephone allowance, car maintenance allowance etc.

2.3.2.3 Training and development

The Company believes that Human Resources Development (HRD) is enhanced by suitable training and chances for growth, which benefits both the Company and its workers by improving job skills and potential. In order to do this, the company assists workers in expanding their knowledge and skill sets, which enhances their value to the business. It is advised that every employee be given the chance to advance their knowledge and abilities through HRD interventions, which might include workshops, training, exposes, exchange trips, and any other kind of company-provided development opportunity. The best officers will receive frequent internal and external training to enhance their work knowledge and assist them develop their management and leadership abilities. The process of determining the needs for employee development and training is ongoing and ought to be completed before the annual budget is created. During the budget planning process, HR will create an annual training plan and budget

after consulting with each unit and department. The company-wide and individual employee training is part of the training strategy.

There are three categories of training:

Local external training- This refers to those HRD interventions occurring in the country. Supervisors will be fully responsible for ensuring that their employee receives access to training and development events in areas that have been identified for them.

Local generic training- Generic training will refer to general training areas that are applicable to a large number of the Company's employees. The generic need areas will be identified from strategic plans and individual development programs and evolving internal needs.

Overseas training- This will refer to those events and interventions that will enable further growth and development of employees and may require travel out of the country. This will be coordinated and arranged by the Head of HR or delegated authority. All overseas training will be covered by overseas travel insurance policy.

2.3.2.4 Performance appraisal system

For the employees of the Company, the review year is from 1 January to 31 December. Performance is appraised half-yearly. This process is initiated and facilitated by the HR Department. The following are some steps for the appraisal process of the employees:

By the 31st May and 30th November HR Department will send out a Memorandum informing all departments to start the appraisal process, enclosing Performance Assessment Form, and provides a deadline (normally within one month) for submitting the appraisals of the employees upon completion. By 30th of June and 31st In December or any other specified time, all departments should complete their appraisal, and forward to the HR Department. HR Department prepares an Annual Increment Plan for employees in accordance with the HR Committee guideline for increments for each department and gets final approval upon review with the Department Heads by the 15th of January. A letter of Increment for each employee Is prepared by HR Department and distributed to each department for disbursement by the 20% of January. Increment is effective from the 1st day of January.

Increment can only be given to those who have been rated as Outstanding (O), Excellent (E), Superior (S), Proficient (P), and Marginal (M). No increment will be given to Unsatisfactory (U) rated employees, except management discretion based on market conditions' effect on performance.

Moreover, for the sake of development of M and U rated employees under the performance appraisal, they will be counseled on one-to-one basis by his/her respective supervisor in presence of HR and Cross-functional Representative. However, consecutive U rated performers will be terminated from the services of the company.

2.4 Marketing Practices

With a consistent approach to marketing, LankaBangla Securities Limited acknowledges the distinct characteristics of the share market and its intended audience. There might not be as much public participation in our share market as there is in the banking industry. There aren't many people interested in or working in the capital market in Bangladesh. As a result, LankaBangla Securities Ltd and its services are specifically marketed. It is suggested for LankaBangla Securities Ltd employees to obtain funding by reaching out to their close friends and family. In order to introduce people into the share market, they also go after workers in other industries and professions. Social media is another tool that LankaBangla Securities Ltd uses to connect with both current and future customers. For instance, LankaBangla Securities Ltd frequently posts promotional details and a market description of their extensive product line on their Facebook page. Their cross-platform trading of DSE and CSE is a noteworthy feature. Because LankaBangla Securities Ltd produced this by researching investor wants in the market, it draws a lot of investors.

2.4.1 Products of LankaBangla Securities Ltd

Products:

- Equity- Equity refers to a security in the financial market that refers to part ownership in a company. These securities are then traded in the secondary market like DSE.
- Bond- Bonds on the other hand are debt securities traded in the stock market. Bonds represent a form of borrowing rather than ownership of a company.

- Closed End Mutual Funds- Closed end mutual funds are funds that are invested as investment funds and are traded like a stock.
- Open End Mutual Funds- Open ended mutual funds on the other hand continuously issue and redeem shares based on shareholder's demand.

2.4.2 Services of LankaBangla Securities Ltd

- **Brokerage Service (International Brokerage Service)**- In the stock market, a brokerage service is any of the services offered by brokerage firms or brokers on behalf of their investors to help them purchase and sell financial instruments like stocks, bonds, options, and other securities.
- **Margin Loan Facilities**- In the stock market, borrowing money to purchase securities from a brokerage firm is referred to as margin loan facilities. Investors might potentially increase their purchasing power and possible returns by using this procedure to leverage their investment funds.
- **Investor Relation Services**- In the stock market, the term "investor relations" (IR) services refers to the interactions and correspondence that businesses have with their shareholders and the larger investing community. The investor relations include financial reporting, shareholder meeting, SEC filings etc.
- **DP Services**- A middleman between investors and the central securities depository is known as a Depository Participant (DP). An institution that stores and manages securities in an electronic format, the central securities depository facilitates safe, effective trading and settlement of securities.
- **Custodial Services**- In the stock market, custodial services pertain to the management and preservation of financial assets, including stocks, bonds, and other securities, on behalf of customers. Financial organizations known as custodians, usually banks or specialist custodial businesses, are in charge of holding and protecting these assets to guarantee their safety and appropriate administration.

DP Services:

- BO account opening and maintenance.
- Dematerialization of securities.
- Re-materialization of securities.
- Change of Ownership.
- Pledging and Unplugging services.
- Transfer of securities.
- Transmission of securities.

2.4.3 Marketing strategy (Target Customers, targeting and positioning strategy)

LankaBangla has a very simple marketing strategy. With the four key components of marketing that is *product, place, price and promotion* LankaBangla Securities Ltd is doing a fair job. Firstly, for products they offer equity, bond, closed end mutual funds and open end mutual funds. They offer a lot of services like margin loan, brokerage, DP and margin loan facilities. Secondly, they offer 24 branches and booths all over the country. This makes LankaBangla Securities Ltd accessible to all of their clients. For the price they charge under the regulations of BSEC and also considering their competitor's price. Lastly, for promotion they have a number of strategies like websites and social networking sites.

Target consumers of LankaBangla Securities Ltd are mass people or everyone who wants to invest in the capital market. Starting from a student to an industrialist regardless of the amount of funds, LankaBangla Securities Ltd wants to reach out to everyone in order to gather investment. This is why they market their product for everyone.

LankaBangla Securities Ltd wants to position themselves as a medium to provide easy access to the capital market and they have complete technological backup to do so. They have iBroker where investors can open their BO accounts from home and look into their portfolio using the same website. TradeXpress which is OMS can be used for trade of stock in DSE and CSE. LankaBangla Securities Ltd financial portal can be used to gather all the necessary information regarding a stock.

2.4.4 Marketing channels

Marketing channels include LankaBangla Securities Ltd's official website on the internet and also there are pages in Facebook and Instagram where daily market updates are provided to interact with investors and also to gather new ones. Other marketing channels include iBroker, TradeXpress, LankaBangla Securities Ltd financial portal, Market pulse etc. iBroker is used for opening BO accounts and also to see the portfolio of all the stocks for an individual investor. TradeXpress is the OMS used for trading of stocks online and LankaBangla Securities Ltd financial portal is perhaps the most important marketing tool. This website gives access to all the related data for the stock market of Bangladesh. Market pulse is the monthly magazine that elaborates the ongoing situations of the stock market and also the economy of Bangladesh.

2.4.5 Branding activities

LankaBangla Securities Ltd has immense concern for their branding activities. To start off they have their website and magazines. Also, they post constant Facebook posts about any ongoing event like Mother's Day, Independence Day etc. Furthermore, LankaBangla Securities Ltd is very much involved in hyped up things. For instance, during the 2023 CWC they gave free coupons to stream the event live to any new BO account opener. Also, they had a daily prediction quiz through Facebook about the world cup, and lucky winners received gifts. Also, after their 25th anniversary they positioned themselves with the people with the tagline of "25 years with you and forever". LankaBangla Securities Ltd also brands themselves as the best brokerage houses. They have been the pioneers of brokerage houses in Bangladesh and they also have been number one for almost 16 years.

2.4.6 Advertising and Promotion activities

LankaBangla Securities Ltd has their website and other platforms like financial portal for promotion. Other than that, they post regularly on Facebook. The posts are of the daily updates of the DSE, market synopsis, new IPO launch etc. The posts also include ongoing events in the

country like victory day etc. Despite being an NBF, LankaBangla Securities Ltd has always tried to maintain a presence on the internet and in order to do that they are present in YouTube also along with generic Facebook and Instagram. LankaBangla Securities Ltd is also present in the TVC (Television commercial). Furthermore, the financial portal has won the BASIS ICT national award for consumer category NBF for iBoker.

2.4.7 Marketing Gaps

Unlike other products, selling brokerage houses through marketing is a tough job. People are not easily attracted to invest in the DSE as the capital market has become quite infamous in our country. LankaBangla Securities Ltd is having difficulties in the way to market their product as people are not showing interest and putting facebook posts are not helping. Furthermore, it is easy to convince people to buy products through marketing, however, for the capital market it is not working. They post regularly on facebook but their engagement is really low and so are the likes and comments. Also, their financial portal used to be the market leader for stock market information but they have lost their position to Amar Stock website. This has happened due to lack of engagement and lack of SEO (Search Engine Optimization).

2.5 Financial Performance and Accounting Practices of LankaBangla Securities Ltd

2.5.1 Financial performance

Using a variety of instruments and quantitative research like horizontal analysis and ratio analysis, I evaluated LankaBangla Securities Limited (LankaBangla Securities Ltd) performance and position in the market. To better grasp LankaBangla Securities Ltd's position let's examine its most recent performance.

2.5.1.1 Horizontal Analysis of LankaBangla Securities Ltd

Horizontal analysis of LankaBangla Securities Ltd Balance sheet for 2022 and 2021

	2022	2021	% change
Total non-current assets	1612759244	1661009562	-2.90%
Total current assets	9724980608	10708289132	-9.18%
Total Assets	11337739852	12369298694	-8.34%
Shareholder's equity	5720114601	5382039978	6.28%
Total equity	5722863471	5384500813	6.28%
Total non-current liabilities	691121732	446483351	54.79%
Total current liabilities	4923754649	6538314529	-24.69%
Total Liabilities	5614876381	6984797880	-19.61%

Table 2: Horizontal Analysis of LBSL Balance sheet 2022 and 2021

Horizontal analysis for the years 2022 and 2021 shows that the non-current asset decreased by 2.9% in 2022 compared to 2021. The current asset also decreased by 9.18% in 2022 compared to 2021. This means that the company had less cashable assets in 2022 compared to 2021. Therefore total assets decreased by 8.34%. However, the shareholder's equity increased by 6.28% and so did the total equity. The total non-current liabilities increased by 54.79% which means the company relied more on liabilities in 2022 than in 2021. The total liabilities also decreased by 19.61%

Horizontal analysis of LankaBangla Securities Ltd Balance sheet for 2021 and 2020

	2021	2020	% change
Total non-current assets	1661009562	1867268323	-11.05%
Total current assets	10708289132	8876192984	20.64%
Total Assets	12369298694	10743461307	15.13%
Shareholder's equity	5382039978	5051651860	6.54%
Total equity	5384500813	5053883333	6.54%
Total non-current liabilities	446483351	394584213	13.15%
Total current liabilities	6538314529	5294993762	23.48%
Total Liabilities	6984797880	10743461308	-34.99%

Table 3: Horizontal analysis of LankaBangla Securities Ltd Balance sheet for 2021 and 2020

Compared to 2020's total non-current asset, the non-current asset of 2021 was 11.05% lower. However, current assets increased by 20.64% in 2021 compared to 2020. This means the company had more liquid assets in 2021 than 2020. The total equity also increased by 6.54%. On the contrary, the non-current liabilities increased by 13.15%. However, the total liabilities decreased by 34.99% which means that the company was less reliable on liabilities in 2021 compared to 2022.

Overall comparing the three years (2022,2021 and 2020). The change will be better from 2020 to 2021. The reason can be the after effects of the covid-19 that impacted the capital market in 2020. In 2021 the detrimental effects were healed and the pace of the capital market picked up. However, from 2021 to 2022, the analysis stipulates that the condition slightly went south as the current assets decreased and liabilities started to increase.

Horizontal analysis of LankaBangla Securities Ltd income statement for 2022 and 2021

	2022	2021	% change
Total Revenue	1532775106	2373000043	-35.41%
Gross Profit	1139458865	1900254008	-40.04%
Operating expenses	666563296	656124422	1.59%
Operating Profit	484984691	1252432946	-61.28%
Operating profit before provisions	484984691	1018289660	-52.37%
Profit after tax	338362691	518938711	-34.80%

Table 4: Horizontal analysis of LankaBangla Securities Ltd income statement for 2022 and 2021

The total revenue decreased by 35.41% in 2022 compared to 2021 which is a setback. Also the gross profit decreased by 40.04% and the operating expense increased in 2022 by 1.59% in 2022 compared to 2021. The operating profit also decreased by 61.28% in 2022 compared to 2021. Lastly the profit after tax was BDT 338362691 in 2022 which is 34.8% less than that of 2021.

Horizontal analysis of LankaBangla Securities Ltd income statement for 2021 and 2020

	2021	2020	% change
Total Revenue	2373000043	1274276665	86.22%
Gross Profit	1900254008	834276727	127.77%
Operating expenses	656124422	518701510	26.49%
Operating Profit	1252432946	327836110	282.03%
Operating profit before provisions	1018289660	327836110	210.61%
Profit after tax	518938711	138698843	274.15%

Table 5: Horizontal analysis of LankaBangla Securities Ltd income statement for 2021 and 2020

The change of revenue from 2021 to 2020 was 86.22% which is massive and also the gross profit changed by 127.77% in 2021 compared to 2020. However, the operating profit decreased significantly in 2021 and so did the operating profit before provisions. But on the brighter side, the profit after tax increased by 274.15% which is the highlight of 2021.

Again, the condition in 2021 was the best compared to the other two years. In 2020, the profit was very less and the reason behind can be the aftermath of covid-19. Covid-19 greatly affected the capital market and so did LankaBangla Securities Ltd. However, the market picked up in 2021 and so did LankaBangla Securities Ltd which is evident in their profit. In 2022 the profit decreased again but not as much as 2020.

2.3.1.2 Ratio Analysis of LankaBangla Securities Ltd

The ratio analysis is a financial tool used to analyze and identify the financial position of a company based on their annual performance. Using ratios, liquidity, profitability, financial leverage, efficiency and many more of a company can be identified and ways to improve the

position can also be found out. In this report, I will attempt to analyze the financial position of LankaBangla Securities Ltd using liquidity, profitability, leverage and efficiency ratios for the years 2020,2021 and 2022.

Liquidity Ratios

Liquidity Ratios	2020	2021	2022
Current ratio	1.68	1.64	1.98
Quick ratio	0.92	0.85	1.04

Table 6: Liquidity Ratios

Liquidity ratios are ratios that measure how quickly an organization can convert its current assets to cash. This ratio stipulates how quickly a company can convert its assets to cash in order to off their short-term obligations.

Current ratio measures the ratio of current assets to current liabilities. For LankaBangla Securities Ltd, the current ratio for 2020 was 1.68 which means that the company had more current assets than current liabilities. Similarly, for the year 2021 the company had 1.64 current ratio which is again greater than 1. For 2022 the company had the best current ratio of 1.98 which means that in 2022 the company had almost twice the amount of current assets than current liability.

Quick ratio takes into consideration more liquid assets by excluding inventory and prepaid expenses. In quick ratio, cash and accounts receivable is divided by current liabilities. For the year 2020 LankaBangla Securities Ltd had a quick ratio of 0.92 which is close to 1 and this means that the company had very high liquid assets. However, the quick ratio position fell in 2021 to 0.85 and in 2022 the company regained their good liquid position with a current ratio of 1.04.

Efficiency Ratios

Efficiency	2020	2021	2022
Operating efficiency	2.46	3.62	2.3
Expense Ratio	0.048	0.053	0.059

Table 7: Efficiency Ratio

Efficiency ratios for NBFC measures how well managers manage their back-office expenses. At first comes the operating efficiency which shows the measure of a company's non-controlling expenses compared to the revenue. For LankaBangla Securities Ltd, the operating efficiency for 2020 was 2.46 which is mediocre, however, the efficiency increased in 2021 which is not good and in 2022 the ratio decreased again to 2.3 which means the company handled their non-interest expense better.

The expense ratio which is a measure of a company's operating expense divided by total assets. It indicates the per unit cost of managing funds. For LankaBangla Securities Ltd the expense ratio for 2020 was 0.048 and it increased to 0.053 in 2021. Furthermore, it again increased to 0.059 in 2022 which means the company's operating expense kept on increasing but the asset did not increase at the same rate.

Profitability ratios

Profitability	2020	2021	2022
ROA	1.39%	6.09%	2.94%
ROE	3%	13.83%	5.76%
Net profit margin	10.88%	21.87%	22.08%

Table 8: Profitability Ratios

The profitability ratios are the measures to understand and analyze the profitability of a company. ROA (Return on asset) is a basic measure for profitability which means the company's net income in comparison to its total assets and in 2020 the ROA for LankaBangla Securities Ltd was 1.39% and in 2021 it further increased to 6.09%. However, in 2022 the ROA decreased again to 2.94%. ROE (Return on equity) for LankaBangla Securities Ltd in 2020 was 3% and in 2021 it increased to 13.83% which is a good sign for the company and this means the shareholders are getting more return against their investment. However, in 2022 the ROE decreased to 6.76%

The net profit margin measures the company's income to revenue which means how much a company can generate profit out of its revenue. For 2020 the net profit margin for LankaBangla Securities Ltd was 10.88% and it further increased to 21.87% in 2021 and in 2022 the net profit margin further increased to 22.08%. This means the company produced more and more income in comparison to their revenue for the three years.

Leverage ratios

Leverage	2020	2021	2022
Debt to equity ratio	0.08	0.08	0.13
Debt to asset ratio	0.53	0.56	0.50

Table 9: Leverage ratios

In finance, leverage ratios quantify the percentage of a company's capital that is derived from debt as opposed to equity. These ratios aid in evaluating a company's financial risk and degree of reliance on borrowed money to support operations.

Debt to equity ratio measures a company's financing comes from debt rather than equity. For LankaBangla Securities Ltd, the d/e ratio was 0.08 in 2020 and 2021, however, in 2022 the ratio increased to 0.13 which means that the company had higher financial leverage in 2022.

Debt to asset ratio assesses the percentage of a company's assets that are financed by debt. The d/a ratio in 2020 for LankaBangla Securities Ltd was 0.53 and in 2021 it increased to 0.56. However,

in 2022 it came down to 0.50. This means that LankaBangla Securities Ltd had the highest financial risk in 2021 but in 2022 their risk decreased.

2.5.1.3 Comparative analysis

LankaBangla Securities Ltd has been one of the market leaders for brokerage houses for a long time, however, if any company is giving in a competition, that would be UCB stock brokerage. But since LankaBangla Securities Ltd and UCB have been vying for the top spot in recent years, UCB Stock Brokerage Limited has been selected as a comparison. Let's use some important financial measures to examine how these two firms performed differently from one another. To conduct a comparative analysis between the two firms, I utilized ratios from four distinct categories: profitability, liquidity, efficiency ratios. Also, I have used dupont analysis to identify the two company's financial condition. Based on all of the ratio comparisons displayed below, LankaBangla Securities Ltd outperforms USB in the majority of the metrics.

Liquidity

Current Ratio

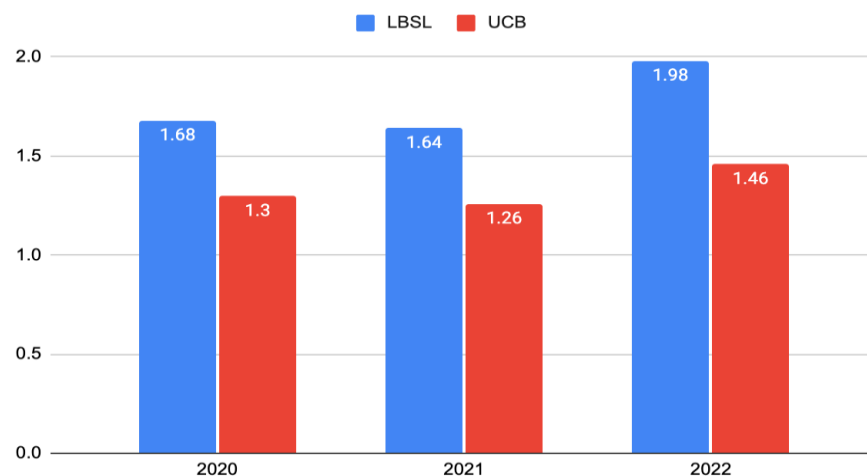


Figure 1: Current Ratio

A financial measure called the current ratio evaluates a company's capacity to pay short-term obligations with short-term assets. This ratio, known as the liquidity ratio, sheds light on a company's capacity to pay its debts immediately and its short-term financial stability. For the case of the two companies, it is evident that LankaBangla Securities Ltd has a better current ratio than UCB over the course of three years. This means that LankaBangla Securities Ltd has a better capability to pay short term obligations if required.

Quick Ratio

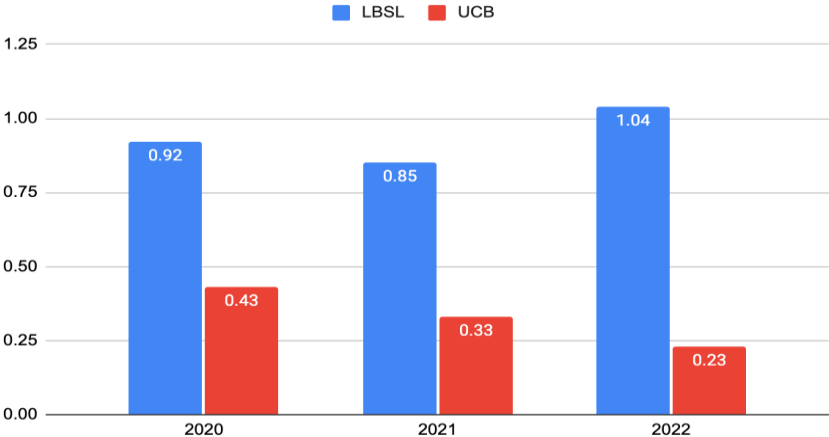


Figure 2: Quick Ratio

A quick ratio is part of the liquidity ratio and it also measures how quickly short term obligations can be fulfilled if required. However, unlike the current ratio, the quick ratio takes into consideration the most liquid assets like cash and accounts receivable. For the case of LankaBangla Securities Ltd and UCB, the quick ratio for LankaBangla Securities Ltd is 0.92,0.85,1.04 for the years 2020,2021,2022 respectively. For UCB the quick ratios are 0.43,0.33,0.23 for the years 2020,2021,2022. This stipulates that LankaBangla Securities Ltd has higher liquid assets than UCB and they can better meet short term obligations.

Efficiency Ratio

Operating Efficiency

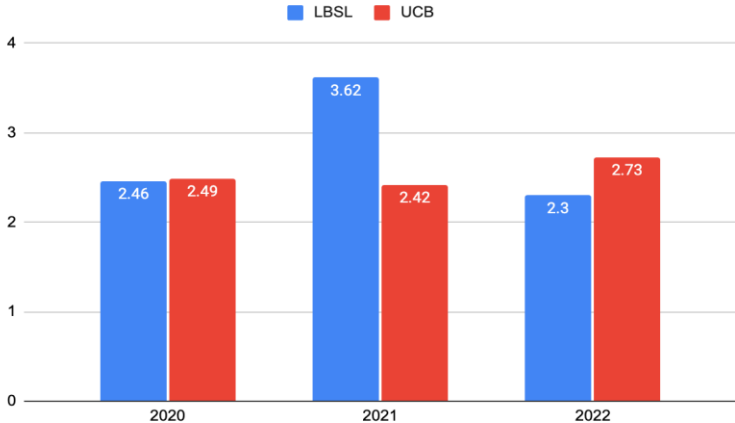


Figure 3: Operating Efficiency

Efficiency ratio indicates the use of resources for generating revenue. For the case of LankaBangla Securities Ltd and UCB, for the year 2020 LankaBangla Securities Ltd did a better job in generating revenue efficiency because they had a low ratio of 2.46. However, in 2021 UCB did a better job with just 2.4 operating efficiency ratio compared to that of LankaBangla Securities Ltd 3.62. In 2022, LankaBangla Securities Ltd regained their former position by having a lower ratio of 2.3 compared to that of 2.73 of UCB.

Expense ratio

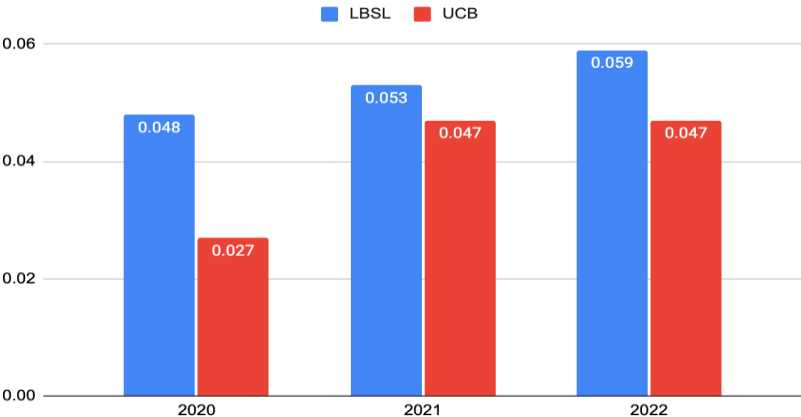


Figure 4: Expense Ratio

Expense ratios are financial indicators used to evaluate how successfully Non-Bank Financial Institutions (NBFI) use their resources to run their operations or per unit cost of managing their funds. The proportion of operational expenditures in relation to average total assets is calculated using this ratio. Better cost management is shown by a reduced expense ratio. For the case of the two companies, UCB is doing a better job than LankaBangla Securities ltd. For all the three years UCB has had a lower expense ratio than LankaBangla Securities ltd. In 2020 UCB had a better ratio of 0.027 compared to 0.048 of LankaBangla Securities ltd. In 2021 it was 0.047 compared to that of LankaBangla Securities ltd. In 2022 it was 0.047 compared to that of 0.059 of LankaBangla Securities ltd.

Profitability Ratios

Return on asset (ROA)

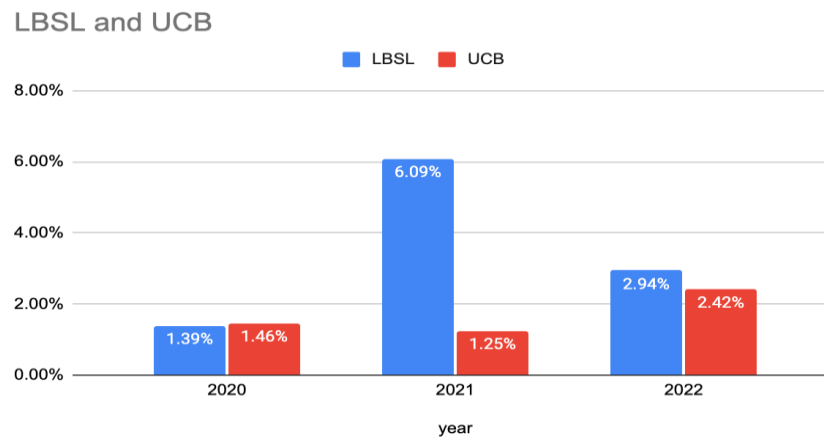


Figure 5: Return on Asset

A financial ratio called return on assets (ROA) gauges how profitable a business can make use of its assets. It shows how well a business makes use of its resources to produce revenue. For the case of return on asset, LankaBangla Securities Ltd is doing a better job than UCB. Only in 2020 LankaBangla Securities Ltd had a ROA of 1.39% which was lower than that of UCB that was 1.46%. For the following two years LankaBangla Securities Ltd had a ROA of 6.09% and 2.9% which was better than that of 1.25% and 2.94% for the years 2021 and 2022 respectively. This means that LankaBangla Securities Ltd is doing a better job at using its assets to make profit.

Return on Equity

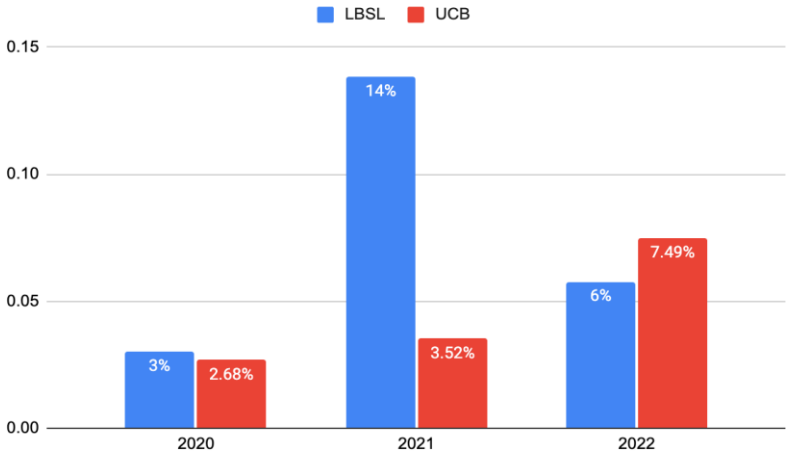


Figure 6: Return on Equity

A financial statistic called return on equity (ROE) gauges how profitable and effectively a business uses shareholder money to produce earnings. It is a crucial sign of how successfully a business is bringing in money for its owners. In the case of the two companies, LankaBangla Securities Ltd is again doing a better job than UCB. For the years 2020 and 2021, LankaBangla Securities Ltd has a greater ROE than UCB which means they are making more profit using the shareholder’s money in comparison to UCB. However, in 2022 ROE for LankaBangla Securities Ltd was 6% whereas for UCB it was 7.49%. But overall LankaBangla Securities Ltd did a better job in the three years spectrum.

Net profit margin

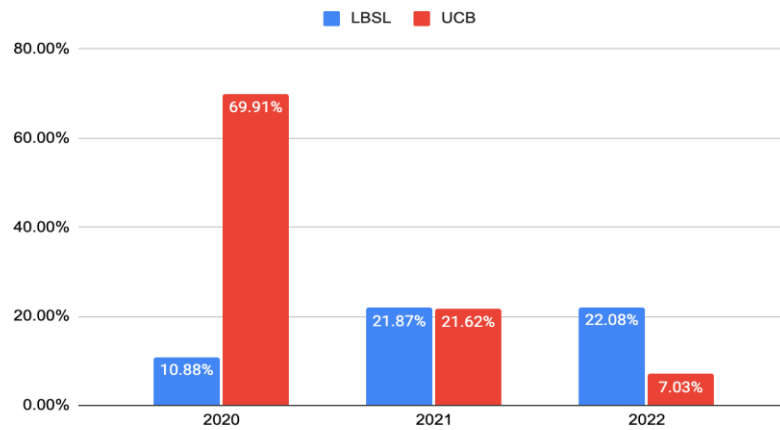


Figure 7: Net Profit Margin

The proportion of profit that a business keeps from its total income after all costs, taxes, and interest are subtracted is known as its net profit margin. It is a crucial metric for assessing a business's profitability and is given as a percentage. In the case of net profit margin, LankaBangla Securities Ltd again is doing a better job than UCB. In the year 2020 UCB had a better ROE than LankaBangla Securities Ltd which was 69.91% and 10.88% respectively. However, for the following two years LankaBangla Securities Ltd outperformed UCB which means they are doing a better job to earn a better profit for the company.

Leverage ratios

Debt to equity ratio

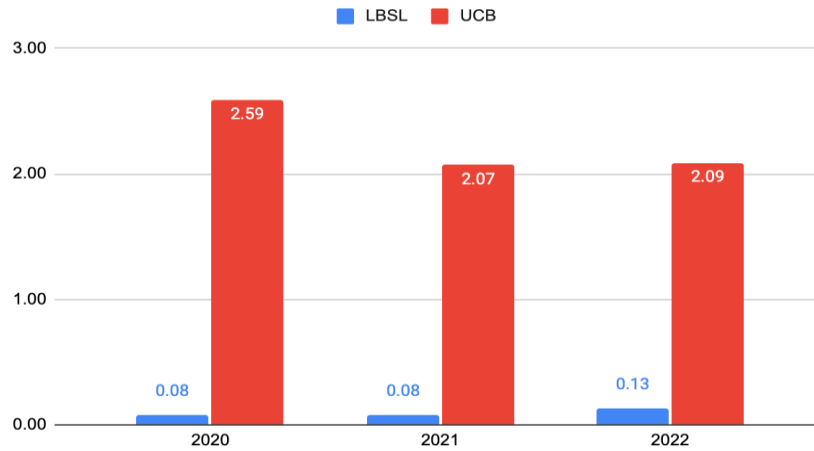


Figure 8: Debt to Equity Ratio

A financial ratio called the Debt-to-Equity Ratio shows how much of a company's funding is provided by debt as opposed to equity. It offers information on the capital structure and financial leverage of the business. In the case of LankaBangla Securities Ltd and UCB, LankaBangla Securities Ltd has less financial leverage than UCB. UCB had a debt-to-equity ratio of 2.59, 2.07 and 2.09 for the years 2020, 2021 and 2022 respectively. However, LankaBangla Securities Ltd had much less 0.08, 0.08 and 0.13. This means that UCB relies on debt more than LankaBangla Securities Ltd. LankaBangla Securities Ltd gets the fund more from shareholders.

Debt to asset ratio

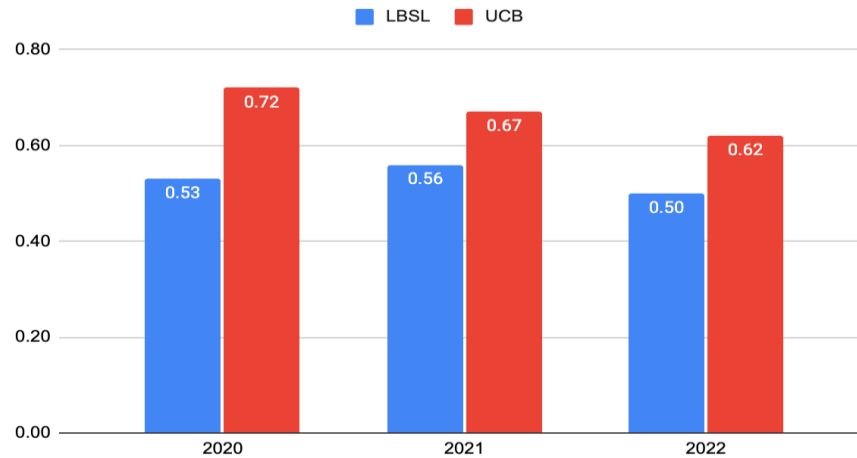


Figure 9: Debt to Asset ratio

A financial ratio that expresses how much leverage a corporation has is called a debt ratio. The ratio of total debt to total assets, either as a percentage or decimal, is known as the debt ratio. It may be seen as the percentage of debt used to fund an organization's assets. In the case of UCB the ratio is less than 1 and also for LankaBangla Securities Ltd. However, LankaBangla Securities Ltd is winning the battle because they have a less D/A ratio than UCB which means LankaBangla Securities Ltd's assets are less from debt in comparison to UCB. UCB had a D/A ratio of 0.72, 0.67 and 0.62 in the years 2020, 2021 and 2022 respectively. LankaBangla Securities Ltd had less D/E ratio than UCB over the course of three years.

2.5.1.4 Dupont Analysis

	2020	2021	2022
Net profit margin	11.00%	22.00%	22.00%
Asset Turnover	0.12	0.19	0.14
Equity Multiplier	2.13	2.3	1.98
ROE	2.80%	9.70%	5.90%

Table 10: Dupont Analysis of LBSL

Dupont analysis is the profitability, efficiency, and financial leverage are the three components of return on equity (ROE) as determined by DuPont analysis, a technique for measuring financial performance. DuPont analysis's main objective is to give a thorough knowledge of the variables impacting changes in ROE over time. In the case of LankaBangla Securities Ltd, the Dupont for the year 2021 out of the three years was the best. This means the ROE of 2021 was the highest for investors to invest in the company as they utilized investor's money the best to generate profit. In 2021, the net profit margin, asset turnover and equity multiplier all were the highest compared to the other two years. However, in 2020 the equity multiplier was good but the net profit margin was just 11%. This means in 2020 the company did not do well in profitability for which its Dupont value took a dive. Also, in 2020 the asset turnover was not so good which took a further toll on the Dupont value. In 2022, the asset turnover was the only bad part compared to the other two years. It was just 0.14 which means the company did not manage its assets well to generate revenue for which the Dupont (ROE) was less compared to 2021. Therefore, in order to maintain a healthy ROE and increase its value, LankaBangla Securities Ltd must work simultaneously to improve the net profit margin, the asset turnover and the equity multiplier.

2.5.2 Accounting Practices

I was able to learn more about LankaBangla Securities Ltd's accounting department and contrast my academic understanding with real-world applications during my internship there. After looking over LankaBangla Securities Ltd's most recent annual reports, I saw that all the necessary elements were there and gave stakeholders and investors a clear picture. LankaBangla Securities Ltd has also been acknowledged for their excellent organization. A brokerage business like LankaBangla Securities Ltd and normal corporations differ in several ways, but there are also certain commonalities in their accounting procedures that I noticed. For example, in accordance with standard accounting practices, LankaBangla Securities Ltd depreciates its fixed assets using the straight-line approach. Furthermore, LankaBangla Securities Ltd emphasizes the need to abide by the guidelines established by regulatory bodies like the Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank. They boost company reputation by making sure their accounting techniques comply with globally recognized standards. Because LankaBangla Securities Ltd adheres closely to the International Standards on Auditing (ISA) for audits, its managerial procedures and general credibility are enhanced. Furthermore, the financial statements have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows in accordance with the Companies Act 1994. For the year 2022, the auditor of LankaBangla Securities Ltd was Hussain Farhad & Co., Chartered Accountants. The name of the auditor was Asifur Rahman FCA. In case of depreciation, the company uses the straight line method.

2.6 Operations Management and information system practices.

2.6.1 Information system, processing of data

The operation management and information system is the most important aspect in the digital era. Nowadays, everything is done on the internet through devices and the capital market has become hugely dependent on the internet and therefore information systems. Subsequently, LankaBangla securities has invested a lot in information systems over the past years. The investments have led to products like Financial portal and iBroker that has made the life of investors easier and has made the capital market more digitized. Throughout its 26 years on the stock market, Lankabangla Securities Limited (LankaBangla Securities Ltd) has embraced technical improvements. By having specialized IT and research divisions, LankaBangla Securities Ltd has incorporated technology into its day-to-day operations. They track entrance and departure times using biometric attendance systems, which enables HR to see any irregularities, and they use contemporary HRIS technologies to keep an eye on their workers. The MINT software system, created in partnership with outside firms, tracks the records of all of the users/investors of LankaBangla Securities Ltd and using MINT these data are processed and sent to CDBL. Leading the industry in terms of regulatory compliance, LankaBangla Securities Ltd uses the encrypted ENADOC software to keep digital records of all transactions on their internal server. The security of customer information against online attacks is guaranteed by this technology. LankaBangla Securities Ltd trades using Direct FN terminals, an Online Management System (OMS) that is widely used by leading markets throughout the world. By using DirectFN, LankaBangla Securities Ltd assures effective and safe trading procedures, in contrast to other brokerage firms in Bangladesh that use BSEC's terminals.

2.6.2 Office and employee management software

LankaBangla Securities Ltd uses Virtual Office Dynamics (VOD) ~ An Smart Enterprise Resource Planning (ERP) Solutions for the regulation of their office and employees. Starting from data about the employees to any update about the LankaBangla Securities Ltd office, everything is regulated through ERP. The regular attendance of employees, their entry and exit time, their leaves and

everything is monitored through ERP. Every employee has an unique account in ERP and through the website the central body of LankaBangla Securities Ltd can regulate all of the employees. Employee data and performance is also tracked through ERP.

2.6.3 Investor relation software

i-Frame is a modern technology is the foundation of Investor Relation Service, which helps listed firms meet the requirements of the Dhaka Stock Exchange (Listing) Regulations, 2015 and minimize BSEC compliance. The firm website may easily integrate the i-frame technology used for the services, and the theme is tailored to meet the unique website's theme. Newspapers, TV displays, and listed corporations can all use the i-frame service.

Not only may the knowledge benefit investors, but creditors and other significant stakeholders in a firm can also benefit from it. With a few well-known listed firms, we have teamed with the goal of strengthening investor relations by providing accurate and convenient information. Our solution interfaces with websites quickly and seamlessly, with no complications at all.

2.7 Industry and Competitive Analysis

The capital market has become a huge industry over the past two decades and many want a piece of the pie in order to make profits. Therefore competition has risen like never before and analyzing the competition in the trying of beating it has become a part of every organization. LankaBangla securities is no exception and the company needs to analyze its competition in order to survive in this competitive market. Therefore to analyze the competition the porter's five frameworks will be used below for LankaBangla securities.

2.7 Industry and Competitive analysis

2.7.1 Porter's five forces

The Porter's five forces are a very effective indicator in order to understand the surrounding competition for a company or industry.

Competition in the industry- The competition in the capital market for security brokerage is immense and the numbers are rising every year. According to Ahsan H. (Sep 2023) "In terms of

stock brokerage companies, Bangladesh was first again, with 402 brokers working with investors via the Chittagong Stock Exchange and the Dhaka Stock Exchange.” The competition is very high and the numbers are ever increasing. Due to so many brokerage houses, it is seen that LankaBangla finds it very difficult to acquire new clients as there are so many options. Moreover, many small companies unethically provide such information that drags investors towards their company. When competition is high, it always comes down to price and as LankaBangla securities is a massive company, it becomes difficult for them to cut down prices in order to beat the competition. Large brokerage houses like IDLC, Shanta securities, UCB are also the market leaders along with Lankabangla securities and all of them are posing competition to one another.

Potential of New Entrants into an Industry- The potential for new entrants in the industry is quite high because the capital market of Bangladesh has just started to shed wings. Also, there is a huge scope for the capital market to expand through other securities like preferred stock etc. Also, with the introduction of new securities the capital market will become more expanded that will create new scope for entering the market for new security brokerage houses. Another reason is the entry barrier is not that stringent in Bangladesh for which companies can quite easily start their brokerage houses. Furthermore, the capital market is a very important part of the growth of a country’s economy for which the Bangladesh government is not providing difficulty in opening a security brokerage house. The government is doing so to enhance the capital market that will ultimately lead to the growth of the economy.

Power of Suppliers- The power of the suppliers is also an integral part to identify the competitiveness of an industry. For the case of LankaBangla securities, the suppliers are the data providers of the stock market, the technological support providers. In the case of a security brokerage house, the suppliers hold a fair share of power because of the information in the market. The supply of information about the capital market is the most important aspect for a security brokerage company. For the case of lankabangla securities, their suppliers of information about the market are quite legitimate as the company has been operating for 26 years, which has led them to create quite good connections and networks.

Power of customers- The investors in the capital market are the customers for LankaBangla securities. Perhaps, the most important aspect of a company are their consumers and for LankaBangla securities, the consumers are the investors. However, due to the rising number of brokerages houses it is becoming more and more difficult for LankaBangla to hold onto their consumers. The new companies and competition are taking away the investors with more and more lucrative offers and a less service charge is attracting the consumers. Also, consumers are moving from one brokerage to another in order to get better information and word of mouth is playing a very vital role among investors in choosing their brokerage house.

Threat of Substitutes- The distinct features and services that LankaBangla Securities ltd offers make them less vulnerable to replacements. For example, users of the TradeXpress platform can trade concurrently on the DSE and CSE. With the help of this service, LankaBangla Securities ltd can maintain a competitive edge over other brokerage companies.

2.7.2 SWOT analysis

Strength- Across Bangladesh, LankaBangla is a well-known brand with a distinct identity. It is the most recognizable and user-friendly since, among other things, it offers an app that allows users to purchase and sell stocks directly. Furthermore, LankaBangla was ranked as the top brokerage house in 2021 by the Dhaka Stock Exchange, and it went on to become the most well-known brand and market leader in the nation. Furthermore, It has more advanced technology than before. Due to LankaBangla's recent introduction of Trade Express, this app was released for the first time by a brokerage firm in Bangladesh. On the other hand, Lankabangla has a dedicated portal where you can obtain all the necessary information regarding the historical and current data of every listed company.

Weakness- The weakness of LankaBangla is their failure to understand that the capital market is quickly changing and so are the consumers. Customers are becoming more and more impulsive which is why they tend to shift their brokerage houses and also are becoming more and more

volatile and are shifting from one place to another. LankaBangla's management are still replying to regular market synopsis reports on facebook which are not motivating or acquiring investors. Furthermore, their management is less dependent on youngsters and more on experienced but obsolete thinking individuals. By not believing in the youngster's new ideas they are lagging behind in becoming better and more up to date. All of these are resulting in not being able to acquire new consumers and the reason behind that is that their lack of will to change.

Opportunity- Globally, the capital market is growing. Due to various benefits, new businesses are eager to enter the capital market. In Bangladesh, a few new NBFIs and banks have just gone public on the DSE and CSE markets. Thus, the DSE website now displays market growth. Investing in the capital market is more appealing to the general public than the money market. Nonetheless, a new clientele is emerging. Thus, there's an opportunity to draw in new clients and provide them with the greatest experience possible in the capital market. LankaBangla has advanced technologically. Potential customers can access its own financial portal to receive up-to-date news around-the-clock. Customers can trade securities directly with its Trade Express feature. LankaBangla also offers market pulse and iBroker. It also boasts a top-notch IT staff and a powerful server. As such, LankaBangla is ahead of its rivals in the digital age of technology.

Threat- The major threat for LankaBangla is the capital market itself. The capital market is the only source of income for LankaBangla securities. When the whole capital market is in a bad situation, it drags down all the brokerage houses along with LankaBangla securities. Another threat are the competitors. With the rising number of brokerages houses the market share is getting more and more distributed and taking away investors or potential investors from LankaBangla securities.

2.8 Summary and Conclusions

LankaBangla Securities Limited is regarded as one of the leading options for anyone looking for work, commercial alliances, or research prospects in Bangladesh's capital market, based on the talks and explanations given. During my internship at LankaBangla Securities Ltd, I gained

important experience in comprehending the corporate structure and was impressed by the company's general managerial techniques. Furthermore, the support from the department that I worked in made it really easy for me to grasp the situation and gain knowledge about the real world. While analyzing the company it became very clear to me that they are at the top because of the consistency the employees provide every single day. The management of LankaBangla Securities Ltd makes sure of the employees benefits for which the employees remain motivated. The company's sustained dominance in the sector is evidence of the great service they offer. Future growth possibilities for LankaBangla Securities Ltd are indicated by the company's acquisition of new consumers and its base of loyal clients. Furthermore, LankaBangla Securities Ltd is recognized as a reliable resource for scholars looking for data and analysis in the area of capital markets due to its publications, research, and media presence in newspapers and online media. Lastly, LankaBangla Securities Ltd presents a viable career path and a helpful setting for people to advance their knowledge and abilities in the financial sector. The corporation is a desirable option for researchers, business partners, and job seekers due to its excellent market position and reputation.

2.9 Recommendations

Marketing strategy- Marketing has been one of the weaknesses of LankaBangla Securities Ltd according to me because they are too focused on giving a return to investors. They do have a lot of clients because of their performance over the past two decades. However, without proper marketing exposure, they won't be able to acquire new investors in the near future as marketing has become an integral part of any company. Other than Facebook and LinkedIn posts, they should come up with new innovative ideas that make people attracted towards them.

Financial strategy- Based on the financial activities and ratios it is safe to say LankaBangla Securities Ltd is doing quite a good job in comparison to its competitor. However, LankaBangla Securities Ltd can improve their efficiency by working on the expense ratio and operational efficiency ratio. Furthermore, LankaBangla Securities Ltd should also look to improve their net profit margin in order to attract more investors. Also, LankaBangla Securities Ltd maintains low

cash. Cash is the most liquid asset and in order to pay off their debts, LankaBangla Securities Ltd should look to maintain more cash.

Human resource strategy- The performance appraisal process in LankaBangla Securities Ltd is too stringent which might make them lose valuable employees. Also, their promotion policy is very strict and this causes demotivation among employees. These stringent policies also make a bad word of mouth for the company which can cost them new capable employees.

Create a better workplace- In order to draw in younger workers and investors, LankaBangla Securities Ltd have to think about enhancing the vibrancy and engagement of their workplaces. This may be accomplished by including contemporary workplace architecture, offering leisure spaces, and encouraging an innovative and collaborative atmosphere. Young investors engaged in the share market can be drawn to LBS, and the organization can draw and retain top staff by fostering an atmosphere that appeals to this demographic.

Chapter 3 - Project Part

ANALYZING THE ROLES OF DIFFERENT TYPES OF INVESTORS IN THE CAPITAL MARKET OF BANGLADESH

3.1 Introduction

3.1.1 Background/Literature Review

The capital market is one of the most integral parts of a country's economy and Bangladesh is no exception. In this report, DSE (Dhaka Stock Exchange) will be taken into consideration as DSE is the most important capital market of Bangladesh. The stock market comprises investors and the investors are the people who make up the stock market. Therefore, in this report, the roles of different types of investors in the DSE will be analyzed in order to signify their importance on DSE and therefore the economy of Bangladesh.

In DSE, there are two types of investors which are the local and foreign investors. Similarly, the local investors are retail (individual) and institutional investors. In short, this report will analyze the roles of retail investors, institutional investors and foreign investors.

The retail investors are the individual investors who trade in the stock market with their own personal fund. The financial organizations known as institutional investors take money from outside sources and use it to make investments in their own names, acting as agents for those parties. The foreign investors are investors who invest their money from different parts of the world in the DSE in order to make profit. Foreign investors can be both individual and institutional, however, in this report we'll consider both individual and institutional foreign investors as foreign investors.

Understanding the roles of these investors in DSE is very important and crucial as these investors make up the capital market of Bangladesh. Similarly, understanding each one's importance will open doors to other possibilities of investments that might help Bangladesh's economy to grow.

Also, understanding their role will help considering the fact that sustainability and growth of these investors will help decide the future of Bangladesh's economy.

3.1.2 Literature review

Yasmin (Nov, 2018) says, the stock market's capitalization plays a huge role in the development and sustainability of the economy of Bangladesh. Furthermore, she stipulates that for the radical change in the economy and moving towards safe investments, the stock market of Bangladesh needs to be improved.

According to Sochi (n.d), "The collective choices made by retail investors have a big impact on how the price dynamics of financial products behave." As the market share of DSE is dominated by the retail investors, these investors play a very important role in the dynamic of the DSE and the capital market of Bangladesh.

According to Masoom (Dec, 2015) "Institutional investors has the capacity to exercise influence in the market through the purchase or sale of securities. Additionally, they can exert influence on companies by various strategies such directing attempts to control the internal decision-making process and launching pressure campaigns aimed at certain issues, possibly through their membership on the board of directors of the company."

Investopedia (n.d) shares that the aim of DSE is to attract more and more foreign investors in order to make 30% market capitalization by the foreign investors. Foreign investors bring funds from outside of the country that adds to the economy and foreign investors investing in DSE would mean more stable and rational investment decisions.

3.1.3 Objective(s)

The objective of the study is to identify the history and current situation of the capital market of Bangladesh and identify the roles of different types of investors in DSE (Dhaka Stock Exchange). Stock market is a very important aspect of any economy and it is as well for Bangladesh.

The stock market not only contributes to the GDP but also maintains money flow in the economy. This report will try to identify the key players of the stock market that are the investors in DSE. Investors in DSE are of three types: retail(individual) investors, institutional investors and the foreign investors. The main objective of this report will be to identify how these investors make or break the market which investors have the higher say in the condition of DSE. Similarly, the objective is to find out how these investors impact the market capitalization of DSE and also have their impact on the liquidity and index of DSE. Furthermore, this report will also analyze the growth or decline of these investors and each investor's effect on the price and overall condition of the market.

Lastly, this report will try to link the importance of DSE for the economy of Bangladesh. Also, how these investors contribute to the economy through DSE.

3.1.4 Significance

The significance of the topic depends on the importance of the capital market for the better economy of Bangladesh. Capital market is an integral part of a country's economy. Similarly, in the context of Bangladesh, the capital market plays a huge role for the nourishment of the economy. The capital market stands because of investments and the investments are made by the retail, institutional and foreign investors. Therefore, analyzing the role of these investors in DSE will not only make us understand how important they are to DSE and therefore the economy of Bangladesh but will also give ideas about how to sustain the investments and create more opportunities for investment. Furthermore, another aim of this report is to understand qualitatively the role that these investors play individually to the dynamics of DSE. This report will also provide recommendations on how to motivate more and more retail, individual and foreign investors into DSE. However, Bangladesh's capital market is still trailing behind that of South and Southeast Asian nations, despite the fact that it plays a vital role in economic growth by directing long-term money from savers to investors (Molla 2019). Therefore, in order to sustain DSE, understanding the roles of the aforementioned investors is very important.

3.2 Methodology

This report will only take DSE(Dhaka Stock Exchange as the capital market of Bangladesh. The report will consist of both qualitative and quantitative data. However, due to the nature of the topic which is, the analyzing of types of investors, qualitative, qualitative data will be present the most. This report will try to stipulate the importance of retail, institutional and foreign investors through a qualitative and quantitative approach and will try to analyze why they are important for the stock market and for the economy of Bangladesh. The acquisition of data for this report will be from secondary sources. Secondary sources such as company websites, research papers, newspapers, articles, journals etc. The report will also take data from, LankaBangla securities website, Lankabangla Financial portal, Bangladesh Bank official website etc. The timeline of this report will be from 2011-2022.

3.3 Findings and Analysis

3.3.1 History of DSE (Dhaka Stock Exchange)

Bangladesh's stock market began when the East Pakistan Stock Exchange Association Ltd. was established in 1954. Trade was suspended for five years following the end of the Bangladesh Liberation War in 1971 until picking back up in 1976. The major exchange of the nation adopted the name Dhaka Stock Exchange (DSE) in 1986. The Bangladesh Securities and Exchange Commission Act, 1993, which was passed into law in 1993, created the Bangladesh Securities and Exchange Commission (BSEC) as the nation's capital markets regulator. Exchange was stopped from 1971 and 1976 due to the country's poor economy following independence and the liberation struggle. Following that, trade was restarted in 1976 with nine listed securities totaling Taka 137.52 million in paid-up capital. The DSE had 92 listed businesses by 1987, a significant rise. However, compared to all previous periods since the market's founding, the 1990s saw a notable increase in development.

The DSE was up and running from 1990 and people were getting more and more involved in the stock market of Bangladesh. All three types of investors retail, institutional and foreign investor's numbers and investments were increasing. However, the DSE crashed in 1996 which was the first drawback for Bangladesh's capital market (Islam, Oct 2021). Similarly, in 2010 DSE index became the top performer in Asia after China, however, the market crashed again in the middle of 2011 (Ahmed, Apr 2019).

Historically, the DSE has been an unreliable secondary market to invest in. The margin for errors is very high and the market is extremely volatile for which DSE is considered to be a risky investment option. On the contrary, it is not stopping the retail, institutional and foreign investors to invest in the market for a fortune.

3.3.2 Current situation of DSE

To explain the current situation of DSE, DSE general index is taken into consideration. The index means the change in stock prices of companies in a capital market. In other words, Investors and financial experts can assess the performance of a particular set of stocks and get insight into more general market patterns by using a stock market index. Therefore, the more the points of the general index, the better it is for the market and its investors.

DSE Index

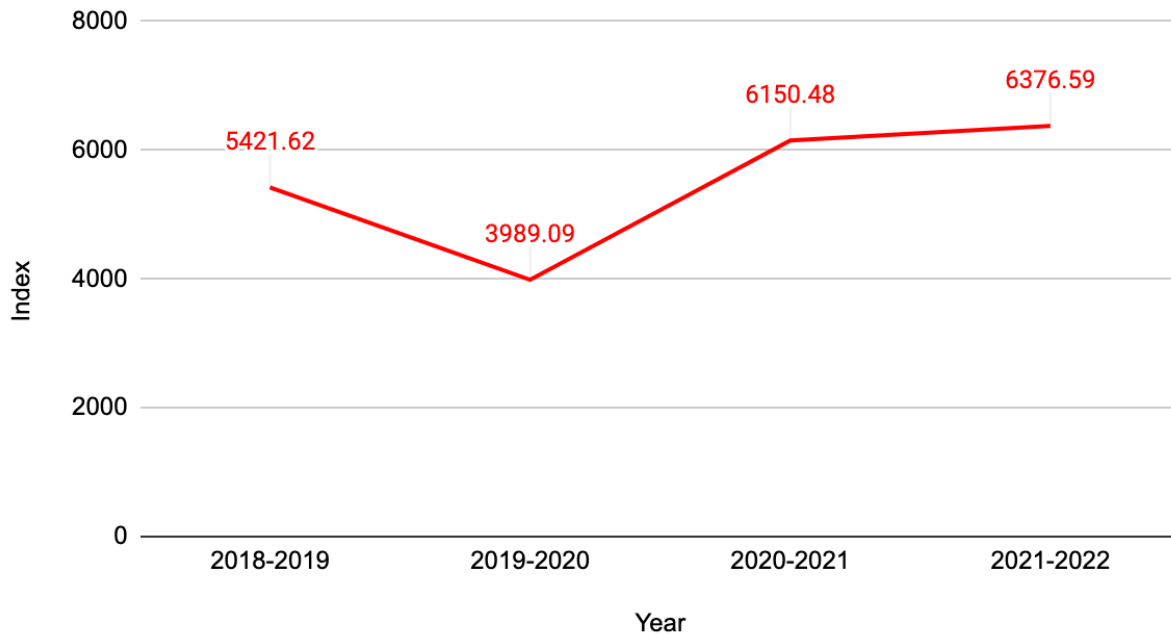


Figure 10: DSE recent index

The above chart shows the year ending DSE index over a period of the latest four years. For the year 2018-2019 the index was at 5421.62 points and in 2019-2020 the index dropped to 3989.09 points. The reason was largely COVID-19. However, the market again picked up in the 2020-2021 financial year when the index rose to 6150.48 points. In the year 2021-2022 the index further increased to 6376.59.



Figure 11: DSE Monthly index 2023

The current situation of DSE can be said to be mediocre. The index of DSE stands at 6238.98 points as of 24 December 2023. The index was the highest on June 4 of 2023 and the point stood at 6366 points. The lowest point of the market for the year 2023 was in January and the point was 6177.87. The plummet from 6366 points to 6238.98 is caused by the political unrest that is ongoing. Also, inflation over the last few months has been a major issue. Due to concern of the economic uncertainties brought on by the possibility of sanctions, turnover on the Dhaka Stock Exchange (DSE) plummeted by more than 22% on Tuesday, November 21, 2023. (n.a, 2023). Furthermore, due to the inflationary situation, retail investors are pulling out their funds from the stock market in order to mitigate risk and also support their livelihood. The current market capitalization stands at BDT 7702322 million.

3.3.3 Role of retail (individual) investors on the Dhaka Stock Exchange

Individual investors are investors who trade or buy and sell shares in the DSE for personal investment purposes. These individuals use their own money to invest and often they don't have a large sum. These people invest money for their personal benefit and use their own knowledge to trade in the stock market. The role of these investors is on providing liquidity to DSE and also due to highest market share, they provide to the highest chunk to the total market capitalization of DSE.



Figure 12: Shareholding % of DSE's free float market capitalization

The retail (individual investor) has the highest chunk of market share in the free float market capitalization in DSE. Free float capitalization means the amount of stock in the DSE that is up in the market to be traded. Also, they are the reason for the substantial trading volume each day in DSE. According to Babu (July, 2020), the retail investors account for 45.7% of all the free float market capitalization and the foreign investors account for 15.9%. The institutional investors account for 38.5% of all the free float market capitalization in DSE. This chart shows the importance of these investors for the DSE. This signifies the importance of these investors for the development of the capital market of Bangladesh. Certainly, individual investor's roles are the most important and radical.



Figure 13: Shareholding % of DSE's total market capitalization

Furthermore, apart from free float market capitalization, individual investors have the highest shareholding market capitalization in DSE. According to Babu (Jul, 2020), the individual investors have 18.5% shareholding in the total market capitalization in DSE.

The individual investors provide liquidity which means the buying and selling of shares by individual investors on the stock market adds to the overall liquidity of the market. By ensuring a lively market for stocks, their transactions facilitate the buying and selling of shares by other investors at any time.

Retail investors and their effect on the market capitalization of DSE

Retail investors are the backbone of the Dhaka Stock Exchange. From the very beginning of the capital market the retail investors have been the market leader in capitalization of the total DSE market capitalization.

BO (Beneficiary owner) accounts are accounts created to trade in the capital market of Bangladesh. Every year the number of BO accounts are rising and this increase in BO accounts has a direct impact on the market capitalization of DSE.

Number of BO accounts

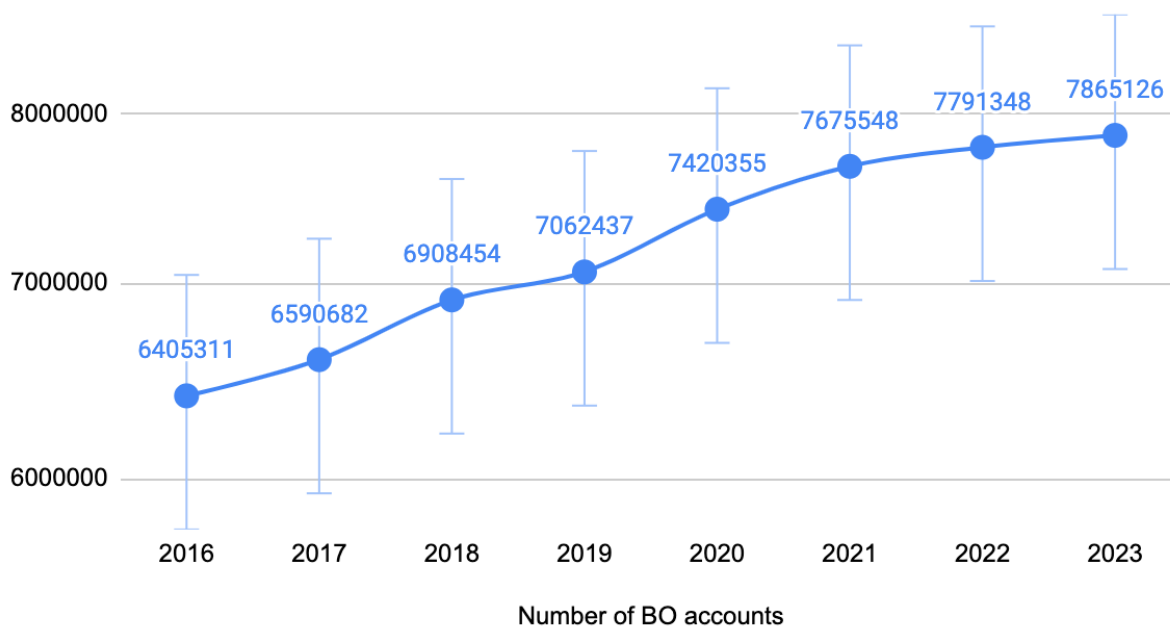


Figure 14: Number of BO accounts

From the figure above, it is evident that the number of BO accounts are increasing every year from 2016 and onwards. The BO accounts are dominated by the retail investors. This rising number means that more and more retail investors are investing in the DSE. This rising number has a direct impact on the increasing market capitalization of DSE. In 2016 the BO accounts number were 6405311 and in 2023 it went up to 7865126. The increase number of BO accounts mean that more and more individual people are bringing in their money that directly impacts the market capitalization and liquidity of DSE.

Market capitalization BDT (mn)

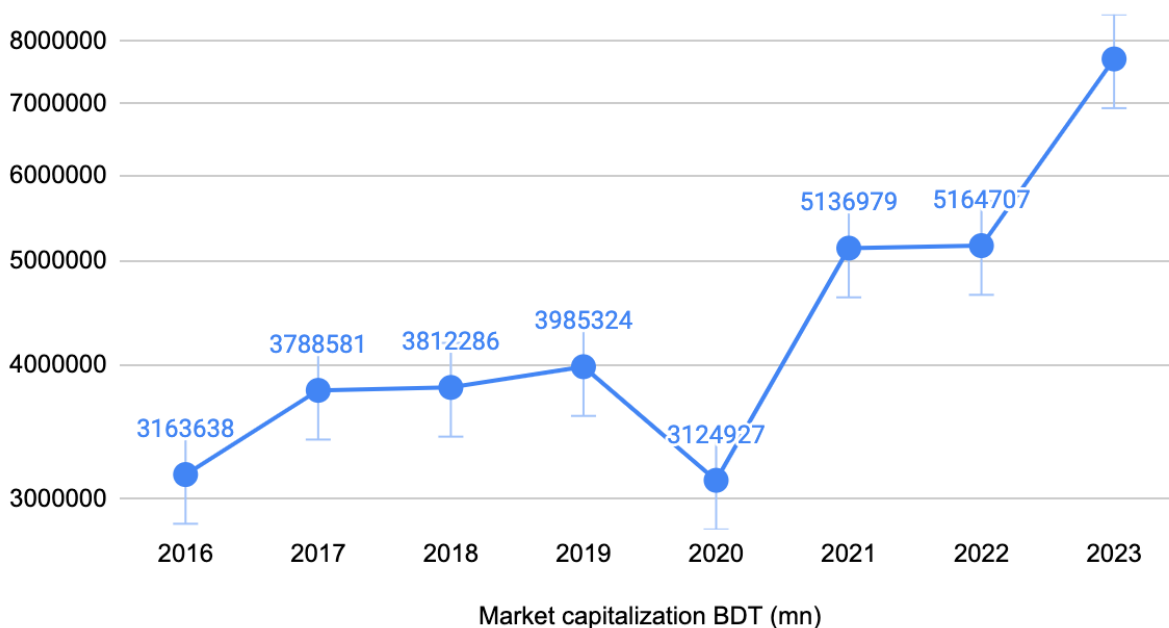


Figure 15: Market Capitalization

From the two figures above, it can be said that the rise of BO accounts has a direct impact on the total market capitalization of DSE. In 2016 the number of BO accounts were 6405311 and the total market capitalization was 3163638 million taka and in 2017 the BO accounts number increased to 6590682 and the market capitalization also increased to 3788581 million taka. The increasing trend of BO accounts continued the increasing trend of total market capitalization except for the year 2020. 2020 was an anomaly and it was due to the COVID-19 pandemic. However, the increase in BO accounts from 2019 to 2020 and the decrease in market cap from 2019 to 2020 can certainly mean that retail investors opened BO accounts but did not trade due to the ongoing pandemic. Other than that, it can be said that the increase in BO accounts or increase in the number of retail investor's accounts has a direct impact on the rise of market capitalization of DSE.

3.3.4 Role of institutional investors in the DSE

Institutional investors are investors who pool together a huge sum of money and invest it in the capital markets. In the case of DSE, there are many institutional investors operating currently. These investors take money from their clients and sum it up to invest in stock, bonds etc. These institutions have immense knowledge and information regarding the stock market. The different types of institutional investors are NBFIs, commercial banks, insurance companies, mutual funds etc. These investors provide to the market capitalization of DSE as they have the second highest market share in DSE. Similarly, the retail investors also provide stability in the market by providing rational investment that leads to a better index and therefore makes the DSE a safer place for investors to invest.

Institutional investors are the “big time” players in the DSE. They often come in the market with a huge amount of funds and unlike retail investors they are not impulsive. This means that these investors often go through a deep analysis before investing in a stock. The analysis includes thorough technical and fundamental analysis. In both developed and developing nations, institutional investors are essential to the corporate governance of the capital market as a whole. Due to their vast fund size and intelligence, they are key actors who may affect market trends and provide energy to the capital market as a whole. (Masoom, 2016). Therefore, in the case of Bangladesh which is a developing country, the capital market needs to be the driving force and for the capital market to grow, institutional investors are the key. As of now, there are 68 merchant banks and 35 NBFIs according to BSEC.

Institutional investor’s role on corporate governance on listed companies

Large holdings in businesses listed on the DSE are frequently owned by institutional investors. The investors actively participate in corporate governance issues as significant shareholders, influencing choices about strategy, management, and governance procedures. Involvement of the institutional investors in the corporate governance of companies makes the companies accountable for what they are doing for the company and their shareholders. The institutional investors keep companies under proper scrutiny which forces the companies to be more transparent in a corporate

sense. Lastly, the amount of funds the institutional investors bring contributes a lot to the daily sales volume of DSE.

Importance of Institutional Investors for DSE compared to NYSE (New York Stock Exchange)



Figure 16: NYSE Index

The index of NYSE over the course of 2011-2022 is shown above. The general index is a metric used to measure the performance of the stock market using price change calculations and many other data. The gen index of NYSE is from 2011 is in a rising trend and till 2022 it has kept increasing with few slumps in between.

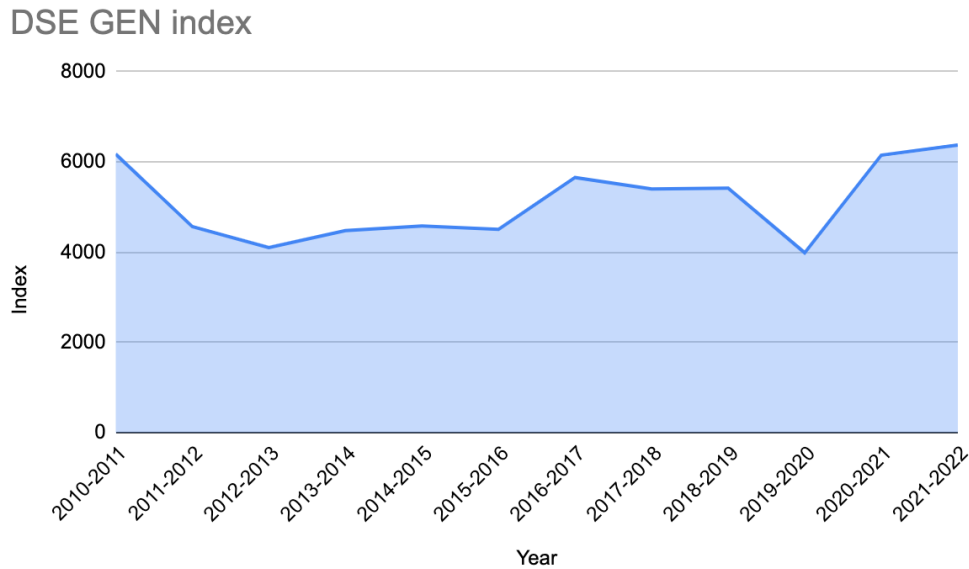


Figure 17: DSE general index

If we look at the general index of DSE it can be seen that the index is decreasing from 2011 onwards and again increasing from 2013 and this up and down trend continues and this provides a lot of uncertainty in the index. In 2011 the market just started over 6000 points and after 11 years the index is still over 6000 points. This means that the DSE has been at the same level for 11 years and did not improve. Furthermore, there were some pitfalls in between as well in 2023 and 2020. This implies that compared to NYSE, the DSE is highly volatile and risky.

The reason behind NYSE performing with more certainty and less risk is that “Institutional investors account for about 80% of the volume of trades on the New York Stock Exchange.” according to Investopedia (Aug, 2023)”. In Bangladesh only 38.5% of the volume of trade in the open market is done by the institutional investors. (Babu, Jul 2020). Companies like BlackRock, Vanguard etc., investment companies, manage trillions of dollars from their clients. Investments by these institutional investors keep the NYSE stable and less risky.

The institutional investors invest money with proper research, technical and fundamental analysis that pushes prices of stocks of companies that have good financial position. This results to a safe and less risky index like that of NYSE. If a market is dominated by retail investors like DSE, these

investors invest without any proper research which causes DSE to become more uncertain and riskier.

Types of Institutional Investors

- Private commercial banks- Commercial banks may have subsidiaries or divisions that handle investments for customers in addition to their standard banking operations.
- Non-Banking financial institutions- These financial organizations offer financial services while lacking a complete banking license. Because they provide a wide range of services that enhance those offered by traditional banks, NBFIs are essential to the functioning of the financial system.
- Insurance companies- The premiums that insurance firms receive from policyholders are invested in order to cover future claim commitments and produce profits.
- Merchant banks and brokerage houses- a bank that offers corporate and institutional clients financial services including capital raising, investment, and merger and acquisition arranging is a merchant bank and brokerage house is a place where investors go to trade stocks in the secondary market.
- Mutual funds- Mutual funds invest in a diverse portfolio of stocks, bonds, and other assets by pooling the money of several individuals. Professional fund managers oversee them.

3.3.5 Role of Foreign investors in DSE

Foreign investors who invest in the capital market of other countries. Foreign can be both institutional and individual. In the case of DSE, it is no exception than other stock markets. In DSE, there are lots of foreign investors who are trying to make profit by trading or buying and selling shares. Foreign investors also have vast information in their trading decisions.

The role of foreign investors in DSE is huge and especially for a country like Bangladesh where the overall stock market is not prolific. However, the foreign investors keep on coming on the soil of Bangladesh as DSE has become a good source for investment over the last few decades.

The foreign investors bring in a lot of funds in DSE. The more funds they bring into the country the bigger the stock market becomes. The larger the stock market, the better it is for the index of DSE. Also, foreign investors provide liquidity to DSE because of the buy and sell of stocks in the market. Foreign investors also increase the overall capitalization of DSE which is a positive sign for the market and stabilizes growth of the market.

To use foreign funds to trade stocks in Bangladesh, foreign investors must first create a Non-Resident Taka Account (NITA). They then have to select a custodian from among the various banks that are permitted to offer the service, such as the regional branches of Citi and HSBD. Opening several accounts is necessary to manage deals and currencies in this way. Following that, investors have the option to use the custodian's services to conduct transactions or create a trading account with a recommended broker.

Market Capitalization, NITA impact on DSE general index



Figure 18: Market Capitalization of (%) of foreign investors

The market capitalization of foreign investors has played an important role in the development of DSE. In 2019 the market capitalization was 6.8%. However in 2020 it further decreased to 5.0% and in 2021 it further decreased to 4.2%. The decrease from 2019 to 2020 was due to the COVID-19. The decrease from 2020 to 2021 was an act of the ongoing inflation and the Russia-Ukraine war indirectly affected the foreign investment. In 2022 the market capitalization further decreased to 3.9%.

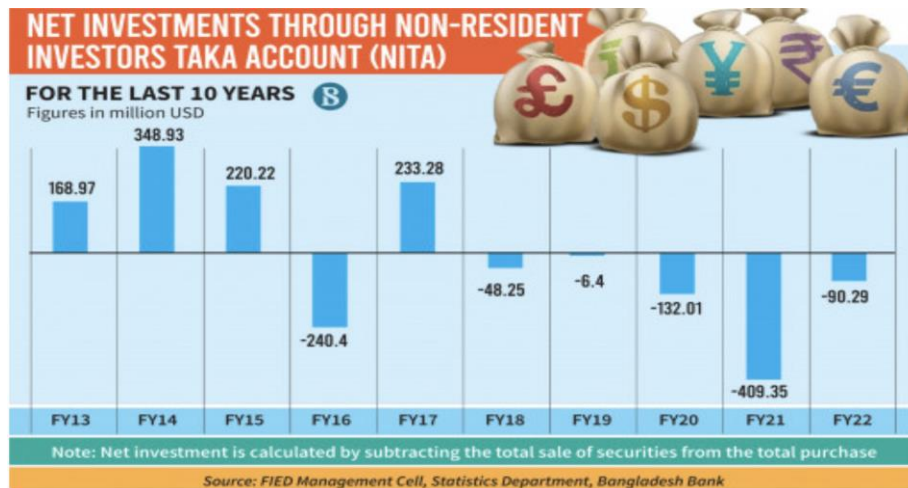


Figure 19: NITA investment details

From the figure 19 above it can be seen that the NITA(Non-Resident Investors Taka Account) were positive during the years 2013, 2014 and 2015, however in 2016 it became negative and turned around in 2017. Negative value means that sale ny foreign investors are higher than purchase. From 2018 onwards the NITA was always negative and this meant that foreign investors were keen on selling out their stocks and taking their money out of the market. This had a direct impact on market capitalization shown in figure 18. The market capitalization decreased on the years 2019-2022 following the NITA.

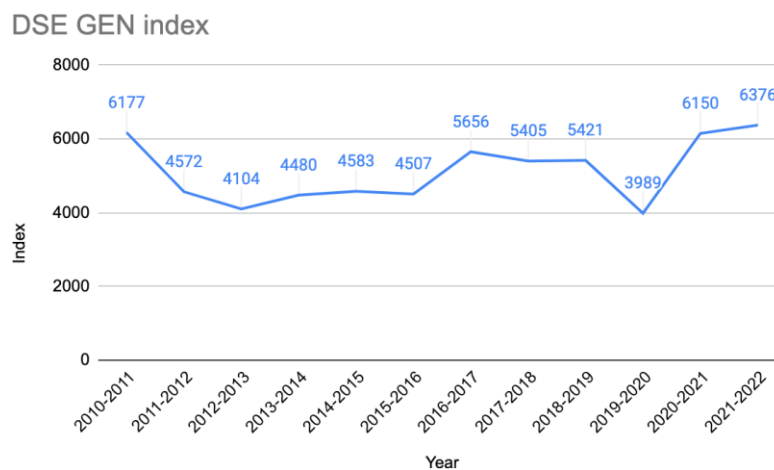


Figure 20: DSE general Index

The general index of DSE was also affected by the pulling out of funds by NITA and also the decline in market capitalization. In 2016 the NITA decreased by \$240 million and so did the index decrease from 4583 in 2015 to 4507 in 2016. Furthermore, in 2018 the NITA decreased by 48.25 million and so did the index decrease from 5656 in 2017 to 5405 in 2018. In 2020, the whole stock market collapsed due to COVID-19 pandemic and during that period the NITA decreased by \$132 million that further took the index down to 3989 points in 2020. Therefore, the foreign investors pose a major role on the index of DSE.

3.3.6 Importance of the DSE for the economic development of Bangladesh

The stock market plays an important role in the economy of Bangladesh as fundamentally the market allows funds from surplus units to deficit units (Khan,2018). For instance, when a company needs money, they introduce their IPO in the DSE in order to collect funds. These funds are further used for the development of the company. When companies like these develop, they end up growing the economy of Bangladesh. As the investors make up the stock market (DSE), the investors are very important for the economic development of Bangladesh. The ratio of market capitalization to GDP (at current market price) stood at 13.50 percent at the end of April 2022. Therefore, the stock market is a very important aspect for the economic growth of Bangladesh.

The contribution to GDP from the capital market has been immense. Capital market's benefits to the economy of Bangladesh. Stock market plays a pivotal role in the improvement of the economy of a country and Bangladesh is no exception. The most important aspect is that DSE provides funds to corporations that need money to improve or expand. When improvement or expansion happens, not only jobs are created, the whole economy is benefited.

Market Cap to GDP ratio in DSE

A technical measure of the value of all publicly listed shares of all firms in a particular economy divided by the gross domestic product of that economy is called the stock market capitalization-to-GDP ratio. The ratio makes it possible to compare the average value of an economy's inventories to the overall value of its production during a specific time period. It provides the GDP percentage that is indicative of the stock market's worth. In general, it indicates that the market is currently overpriced when the ratio is larger than 1, or 100%. Conversely, if the ratio is less than 0.5 or 50%, it indicates that the economy's stock is cheap. When the ratio is between 0.5 and 0.75, or 50% and 75%, it is considered that the market is now fairly priced, either modestly or precisely. The ratio is considered modestly priced or fairly valued if it falls between 0.75 and 0.9, or 75% and 90%. Lastly, the market is seen to be slightly overvalued if the ratio is between 0.9 and 1.15, or 90% and 115%.

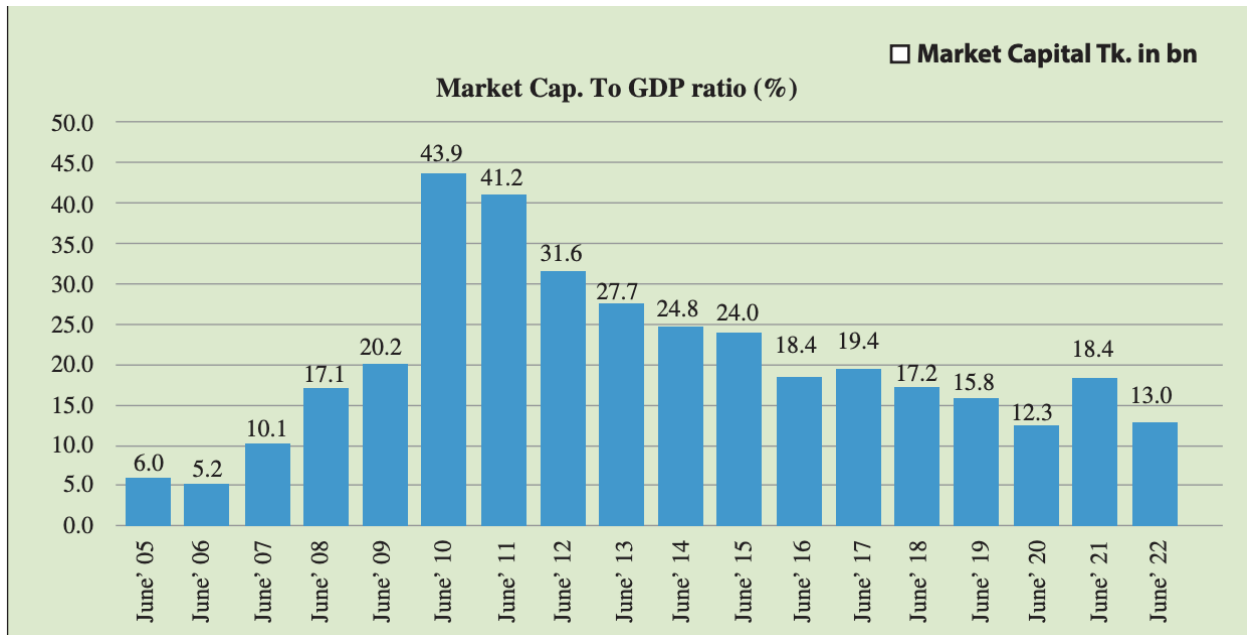


Figure 21: Market cap to GDP ratio (DSE)

According to the data of Bangladesh bank annual report 2021-2022, the DSE's market capitalization as a percentage of GDP is shown above. In 2019 the market cap to GDP ratio was

17.2%. However, in 2020 it decreased to 12.3%. In 2021 the ratio was 18.4% and in 2022 it further decreased to 13%. The situation of DSE according to market capitalization and GDP ratio tells that DSE is undervalued.

Market cap to GDP ratio of India

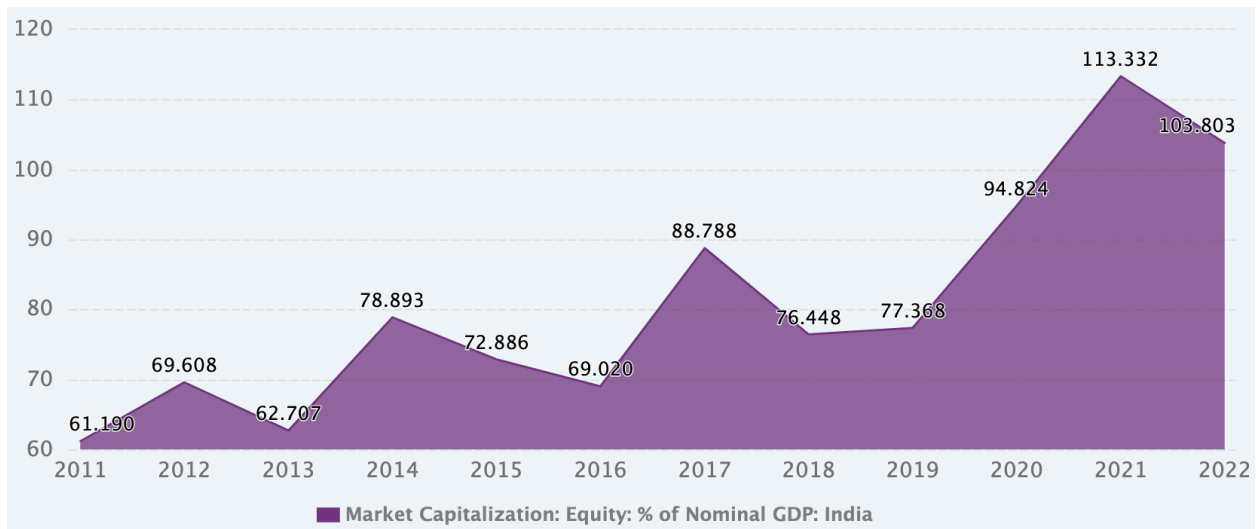


Figure 22: Market Cap to GDP ratio (India)

India's market cap to GDP ratio was way higher than that of DSE. In 2014, the market cap to GDP ratio was 78.9% and in 2017 it was 76.4%. In 2021 the value increased to 113.3% and in 2022 it dropped to 103.8%. This means that India's stock market is fairly valued and sometimes overvalued.

Compared to DSE, the India's stock market is much better because of their performance and market capitalization. DSE is fairly undervalued and this shows a scope for investors to invest and earn a profit. If more and more investors invest this will put more funds and increase market capitalization of DSE. This market capitalization will increase the GDP to market cap ratio that will benefit the DSE and make it fairly valued.

3.3.7 Behavioral finance of each investor type

Behavioral finance is the psychological aspect of investors before investing into the DSE. This has great impact on the overall stock market because the behavior of investors leads to judgement and judgments lead to decisions.

The number of individual investors compared to institutional and foreign investors is many times greater. Each individual has a different sort of thinking process, risk aversion, profit needed, perception, sentiment about the market etc. These behaviors are changed by the information that these individuals obtain from different reliable and unreliable sources. According to research by Barber and Odean (2000), even when investors are unable to evaluate the likelihood that an event will result in strong future investment performance, they are nonetheless impacted by stock market happenings that grab their attention and react accordingly. According to Waweru et al. (2008), these market determinants include price fluctuations, market intelligence, historical stock patterns, consumer preference, overreaction to price movements, and the fundamentals of the underlying equities. Most of the individual investors trading in the DSE do not even know about fundamental analysis. They look at the trend, historical data, reach out for their brokers and react regardless of considering the rationale. Now, usually, reactions occur in response to information that is pertinent to the firm that issued the stock or the sector in which it works. The price usually changes by a small amount. These kinds of reactions to unverified data and information cause an imbalance in the market efficiency as people are reacting without proper information and reactions do lead to abrupt change in price and market dynamic in DSE.

The institutional investors also play a huge role in the price of the stocks. Firstly, these types of investors just don't invest money based on their sentiment or risk aversion, they do it with proper research and analysis. They are known as the smart money in the stock market. They do the research with due diligence and carry out proper technical but more importantly fundamental analysis. These analyses enable them for long term safe investments that create a balance in the stock market. Due to the institutional investors, the stock prices reach a fair price because of their

proper judgment regarding the price of a stock. Also, the information and data they bring in the market helps provide fair and efficient prices for stocks.

When a foreign investor invests in DSE, they use a lot of new technologies in order to assess the market. These new technologies help to identify better investment management policies that puts DSE in a stable position as the investors always look for a sustainable long-term investment. Speaking of investment strategy, unlike retail investors and alike institutional investors, the foreign investors research thoroughly both technically and fundamentally that helps to identify proper long-term investment instead of impulsive buy and sell of stocks. The deep and thorough research of the foreign investors allows putting a fair price to stocks that also further stabilizes investment. Similarly, the stocks that foreign investors target creates a demand for the stock that actually deserves recognition due to the company's good performance. It also paves the way for stocks that deserve long term investments due to the prospective performance of the stock's company.

The retail investors drive the market in an illogical way and changes price of stocks of companies that are not doing well. They simply do it due to lack of understanding of the capital market and their abrupt reaction to false information. However, the institutional and foreign investors invest with proper due diligence and research for which their investment drives prices of stocks that are doing well financially and is sustainable.

3.3.8 Retail vs Institutional vs foreign investors

Retail Investors	Institutional Investors	Foreign Investors
Highest market share	Second highest market share	Least market share
Relies heavily on trends and technical analysis	Relies heavily on fundamental analysis	Relies on both technical and fundamental analysis
Low investment volumes	Highest investment volumes	High investment volumes
Impulsive trading decisions	Rational trading decisions	Rational trading decisions
Lack of knowledge and information about DSE	High knowledge and information about DSE	High knowledge and information about DSE
Makes the market more volatile due to radical decision making	Makes the market less volatile with rational decision making	Makes the market less volatile with rational decision making
Has heavy impact on DSE index and market capitalization of DSE	Has heavy impact on DSE index and market capitalization of DSE	Has comparatively less impact on DSE in dec and market cap of DSE.

Table 11: Retail vs Institutional vs Foreign investors

3.3.9 Challenges faced by the investors

Due to the current economic turmoil and political unrest, investors in the DSE are going through a lot of trouble. The retail investors are finding it difficult to earn profit as most of their investment's returns depend on capital gain. Due to high volatility, it is becoming more and more risky to hold onto a company's stock. According to the Central Depository of Bangladesh Limited (CDBL), the total number of operable beneficiary owners (BO) accounts dropped 10.7% to 18.34 lakh in July, 2023. Foreign and institutional investors are also facing the same kind of problem due to the political and economic turmoil. According to Habib (Apr, 2022) "With 63% and 47% of the listed shares in the UK and Canada, respectively, institutional investors also control a large portion of the listed businesses' overall and company-level ownership." However, in Bangladesh, compared to other capital markets, institutional investors cannot make a mark due to high risk, low market return and high uncertainty in the market. The exchange rate issue due to inflation has also become an issue for the foreign investors. "Analysts said that they were now withdrawing a significant portion of their assets, mostly as a result of avoiding losses from the volatility of currency exchange rates brought on by the ongoing conflict between Russia and Ukraine." (Mahmud, Feb 2023).



Figure 23: Buy/Sell of stocks by foreign investors in 2023

Share purchase value from foreign investors plummeted by 41% in January 2023 and the sale value increased by 36% in the same period. Foreigners are pulling out their funds in order to escape the turmoil in DSE.

Lastly, the capital market of Bangladesh is a victim of high political interference that makes the market uncertain and unsafe to invest for all investor types.

3.4 Summary and Conclusions

DSE is one of the most important aspects for the growth of Bangladesh's economy. DSE not only contributes to the GDP of the country but also helps to bring in investments from foreign land. In DSE, there are three types of investors, retail, institutional and foreign investors. The role of retail, institutional and foreign investors is an important aspect for the sustainability of DSE and nonetheless the capital market will cease to exist if these investors are not present anymore. These investors make up the market by providing liquidity, funds, market capitalization etc. The most important role is played by the retail investors as they have the highest market share in DSE, however, they are also the reason for mispricing of stocks due to inadequate due diligence and reaction to news and misinformation. However, the institutional and foreign investors do proper research and due diligence for which the fair price of stocks is reached based on technical but more importantly fundamental analysis. The capital market also plays a huge role in the growth of the economy as the capital market provides funds to companies for long term use and to invest in itself to grow. Therefore, the capital market of Bangladesh or Dhaka stock exchange which is the largest capital market of Bangladesh needs to be preserved for economic prosperity. Similarly, to make the capital market sustain, the investors need to be taken care of as they are the heart of DSE.

3.5 Recommendations/Implications

The DSE is one of the most important aspects of economic growth for Bangladesh and the three investors are the backbone of the DSE. Therefore, it is very important to make the investors motivated and sustained. In order to keep the investors motivated, the government should look into the matter. Recently, the condition of the DSE has not been good due to economic and political turmoil in the country as well as globally. Therefore, the government should take measures for the reform of the stock market by making the DSE more regulated and more transparent. In order to make informed investment decisions, more educated investment professionals need to be produced. Financial literacy is currently a must for the growth of the capital market. Also, the tendency of making speculative investments should be discouraged in order to obtain a smooth and fair priced stock market. The flow of information should be streamlined and transparent for good allocation of investment and return. The risk associated with investing in DSE should be minimized by ensuring trustworthy information and data flow among the investors. These factors will motivate more and more investors and a bigger capital market will be created. Institutional investors are the backbones of the capital market and therefore to make the DSE less risky and more rational institutional investments should be promoted. Institutional are not hyper and less sentimental unlike the retail investors which makes them take rational decisions. The rational decisions make the market less volatile and less risky. Furthermore, the foreign investors should be encouraged even more as they bring in foreign money that will help the economic boom. The encouragement can be associated by tax rebate, less stringent regulation and transparent trade.

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Appendix

Initial Proposal

Objectives

- Analysis of the importance of the capital market (DSE) for the economy of Bangladesh.
- This study will critically analyze the roles of different types of investors in the capital market of Bangladesh. For instance: individual investors, institutional investors, local investors, foreign investors.

Literature Review

According to Ayesha (2010), the effect of institutional investments on the growth of the stock market since it was generally accepted that property rights might be strengthened to increase investor attraction and trust.

According to Molla (2019), an essential factor in Bangladesh's economic development is the capital market. There are two fully functional automated stock exchanges in Bangladesh's capital market: the Dhaka Stock Exchange (DSE).

According to I. Sultana, M. Hossain and M. Uddin (2016), For the investigation, a convenience sample method was employed. According to the findings, the capital market problem in Bangladesh is primarily caused by frequent regulatory policy changes, a liquidity crisis, institutional investors' reluctance to make investments, and investors' lack of confidence and patience.

M. Sarker and N Nargis (2012), the investors attributed the crisis to the government because they thought it had been induced on purpose to favor a particular set of big investors at the cost of other significant market participants. They ceased to believe in the market's fairness.

Timeline

The timeline of the report will be from 2019-2022.

Preliminary Methodology

This study will only take into consideration the largest capital market of Bangladesh that is the Dhaka Stock exchange (DSE). Similarly, the analysis of different types of investors and the volume of money each type of investors invest will be compared. Furthermore, a detailed analysis through websites and other secondary data sources will be used to show the significance of the capital market for Bangladesh. This report will also consist of both qualitative and quantitative data from secondary sources in order to prove the credibility of the issue. The timeline for the report will be from 2019-2023.

Significance of the issue

Capital markets are proving to be one of the driving forces for the economy of a country. Nurturing the capital market properly has become a must for every government in order to improve the economy of the country. Different types of investors invest in the capital market of Bangladesh. Each plays different roles in the betterment of the market. Therefore, this report will try to analyze the different types of investors and how each investor's investments impact the capital market. Lastly, this report will also analyze how the capital market impacts the economy of Bangladesh. However, the situation of Bangladesh's largest capital market, Dhaka Stock Exchange (DSE) has not been able to satisfy its small-scale investors. According to M. Rahman (2023), "Small-scale investors in Bangladesh are suffering the most from a protracted decline in the country's stock markets, and the lack of workable solutions is making their troubles worse." As the number of small investors are greater than the large-scale investors, it is important to keep motivating the small scale investors in order to keep their hopes alive on the capital market. Likewise, if the small scale investors turn their back on DSE, it will be very difficult for DSE to survive as the small investors bring in the majority of the funds of the market. Therefore, the issue needs to be addressed as soon as possible and probable solutions have to be imminent soon.

