

Recent stock market crash and government initiatives

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And Government Initiatives for stabilizing the market Dear Sir Here is the report on " Analysis of Recent Stock Market Crash and Government Initiatives for stabilizing the market" which I have prepared as the requirement of completion of the ABA degree and the course BUS 498, Project Work. While making the report I studied the reasons of stock market crash of Bangladesh during 2010-2011 and government taken initiatives to stabilize the market situation. I have come to know a lot of things about the practical scenario of the capital market in Bangladesh.

The whole experience of this report writing enabled me to bridge the gap between classroom learning in my academic study in the university and real life situations to a great extent. I thank you and the University for providing me such an opportunity. Sincerely yours, ACKNOWLEDGEMENT For helping to making this project, at first, I would like to thank the Almighty and My parents. I am grateful to the employees of broker houses who helped me in collecting data and other necessary information for this report. I would also like to thank my friends and relatives for their supports.

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I must take this opportunity to thank Dacha Stock Exchange for giving me the opportunity to complete my project requirement ND gave me the chance to show my practicability in the organizational arena. Executive Summary This report is about identifying the causes behind the recent collapse of capital market in 2010-2011 and government initiatives regarding that. To identify the causes and effective initiatives requires plenty of time and informational resources. Due to shortage of that the report highlights on the principal areas of the topic. The whole report is divided into six chapters covering their own respective parts of the topic.

Chapter one Contains the detailed information about the recent market crash in 2010-2011 and government initiatives for stabilizing the market. The chapter includes several segments such as origin of the report, background, rationale of the report, objectives of the study, scope and limitations. It describes the background of the capital market in our country in details. Chapter two report revealed the methods used in collecting the objectives of the report which are the causes of the market crash and government initiatives regarding that. Primary and secondary data sources are used to complete this report.

The chapter shared the direct opinion and ideas of the investors and informational data from Journals, paper articles and websites of the capital markets about the catastrophic incident of the capital market. The third chapter of the report provides an detailed description about the capital markets of Bangladesh and its history, Dacha stock exchange (DEEDS) and its missions, objectives and functions, Chitchatting stock exchange (CASE)

and its vision, mission and objectives & an overview of Bangladesh securities and exchange commission (BASE) have been given consecutively.

DEEDS is the present form of former east Pakistan stock exchange. It is the largest capital market of the country. CASE is known as the pioneer of modern capital stock exchange in the country. The mission DEEDS & CASE is to create a successful well-organized and transparent market of international standard to facilitate the competent entrepreneurs to raise capital and speed up industrial growth for overall benefit of the economy. So that Bangladesh can be a perfect investment ground for the domestic and foreign investors.

The prime objective of the DEEDS & CASE is to create a nation-wide stock market also beyond the national boundary. The activities of DEEDS and CASE are regulated by the Bangladesh securities exchange omission. Beech's mission is to protect the interests of securities investors, developed and maintained fair, transparent and efficient securities markets, ensure proper issuance of securities and compliance with securities laws. This chapter discusses elaborately about these topics. Chapter four raises the detailed discussion about the capital market crash in 2010-2011.

It highlights the December 2010 and January 2011 separately to explain the exact situation before, during and after the capital market collapse. There was an extreme disorder among the investors and law enforcers in the street. The government, regulatory bodies and BASE took immediate steps to minimize the losses of the investors and regain the stability of the capital

market. A committee of four members had been formed to find out the reasons behind the catastrophic incident.

The committee submitted the report identifying the reasons which are role of market regulators and their employees, demutualization of exchanges, uniform face value of shares, trade in pre-ipo placement, misuse of omnibus accounts, faulty asset revaluation, irregularities in book building method, lack of knowledge of small investor, December closing of financial institutions, serial ND artificial trading, issue of right and preference shares, suspicious transaction of top players, block placement and direct listing.

The fifth chapter of the report explains the necessary steps taken by the government to overcome this recent catastrophe in stock market.

In order to bring stabilization in the capital market government has taken some initiatives such as increasing the merging loans, relaxing the maximum limit of merchant banks investment starting netting system once again, altering mutual fund rules, introducing circuit breaker on the capital market index, enforcing disciplinary measures against illegal activities, reviewing the transparency in transaction through Boo accounts etc. Chapter six consists of the recommendations which are stated to make the capital market more stable. The major recommendations are all the parties have to work perfectly, government can improve its guidelines for stock market, the decisions regarding the market should be taken considering behavioral psychology of the investors, in order to make the market more attractive, the corporate tax bracket can be lowered in order to encourage

companies to list their companies in the exchanges, the regulatory bodies' frequently changing policy and rules that is not good for the market stability, at the initial stages of stock market development, appropriation of state owned enterprises can make a significant contribution, regular TV and radio program should be made on developments and other topics relating to the stock market to make the investors aware etc. The study has attempted to find out the major reasons for the recent stock market crash of Bangladesh in 2010-11 and role of different regulatory organizations including DEEDS, CASE, SEC and the government of the country. A number of reasons for the stock market crash have been identified. Though many causes were identified, few factors emerged stronger in the recent stock market crash.

The causes include over exposure of banks and financial institutions, poor monitoring of regulators, corrupted employees of regulatory organizations, margin loan, direct listing, insider trading, book building, lack of general investor's knowledge, imbalance of share and intervention of Bangladesh Bank. Other reasons, mentioned in discussion section were also liable for the crash. It also tries to suggest regulatory organizations to follow the recommendations to stabilize the capital market more efficiently.