

Efficient Monetary Policy in Bangladesh: An Overview

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Abstract

There are so many monetary signs that show the electricity or weakness of financial condition of a country like Bangladesh and Gross home products (GDP) is certainly one of them, even as the turnover of capital marketplace can make contributions plenty closer to the GDP. The objective of the look at is to expose the contribution of capital marketplace, especially of share marketplace to the economic system of Bangladesh, even as the hypothesis concerning the unsound capital marketplace takes vicinity. alas, the said marketplace could not play the right function as it changed into expected in evaluation with the neighboring, local and a few different nations that the observe unearths. It suggests that the government alongside the government worried have to be more energetic in strengthening this marketplace in order that the traders as well as issuers should come forward to contain themselves with complete self assurance.

Keywords: - *Capital market, buyers & Issuers, proportion marketplace, Turnover, Gross home Product*

INTRODUCTION

For the betterment of economic system as an entire, of a country like Bangladesh an efficient economic policy could be very critical and a green monetary policy of the government helps its economy to be reinforced in the long run. The very coverage encompasses cash marketplace and capital marketplace. Both the markets

deal with financing for the establishments worried. In the capital market some important institutions like Securities and change fee (SEC), investment company of Bangladesh (ICB), commercial banks and other banks like Bangladesh Shilpa R in Sangstha and Bangladesh Shilpa bank (both these banks are actually transformed into Bangladesh development bank Ltd.-

BDBL), trouble homes, coverage groups and so on. Specifically cope with lengthy time period financing which covers the source of price range and application of the same, even as SEC works because the controlling authority of the stated market. Both the markets have a robust function to play within the Gross domestic Product and Gross country wide Product (GNP) of this u. s .a .because of the financing for the personal and institutional worried and these markets are inter-established between each different.

The amassed financial savings of the human beings within the money marketplace are invested within the capital market. In truth, two organizations are keenly associated with the capital market and they're investors and issuers. Both the events take part in this market which will achieve their objectives. absolutely, capital marketplace acts as a bridge for financing for the economic improvement of a rustic like Bangladesh thru the selling and shopping of shares, debentures, bonds, mutual price range, treasury bills, certificates & papers and so on and the turn-over of capital market contributes to the GDP each yr. Out of these dealings proportion market (inventory marketplace) plays a vital position in the capital marketplace, whilst the other contributions

of mortgage from banks and monetary institutions, bonds and mutual budget etc. cannot be undermined. whereas, a excellent part of humans of this united states of America remain in the back of the visible of Capital marketplace in which they should come ahead for the person improvement in precise and for the emancipation of the economic system in general. Thinking about this hole the take a look at is deliberate. Of course, the present examine will mainly awareness on the proportion marketplace troubles of this u .s .a .which play an extremely good function inside the capital market as a key thing.

LITERATURE EVALUATION

S. M. Solaiman¹ in his observe titled “current Reforms and the improvement of the Securities marketplace in Bangladesh” observed that the Bangladesh Securities marketplace has failed to play any large increase due to the fact that its inception in 1954 and this can purpose for a variety of things which encompass, inter alia, the life of vulnerable prison and regulatory frameworks, the absence of active market place experts, the predominance of character traders, and a severe dearth of foreign and institutional investors. Prison and regulatory weaknesses are taken into consideration to have critically hindered

the market's potential increase. Accomplishing the study he observed that some vital legal guidelines are outdated, and the regulator has delivered a few unrealistic reforms over time, maximum of the reforms achieved thus far focus on incentives to investors and issuers alike, but nothing huge has been completed for investor protection. The examiner argues that powerful felony protection to buyers has to take delivery of for the improvement of said marketplace and the recovery of public self belief must be established in the little one securities market of Bangladesh. M. ok. Mujeri, and Md. Habibur Rahman² centered inside the studies paper titled "Financing long time Investments in Bangladesh: Capital marketplace development troubles" regarding the capital marketplace role that there has been an extended call for the development of infrastructural services and starting up of the infrastructural region for personal funding so that a big wide variety of financial intermediaries and personal quarter participants might take part the economic marketplace to raise long time budget in Bangladesh. He, therefore, opined to set up the required debt market infrastructure which could create a colorful secondary debt market in Bangladesh. The paper analyzes recent trends inside the country's capital

marketplace and shows measures and approaches to make sure a liquid capital marketplace in Bangladesh in aid of the us of a's speedy development wishes.

Kh. Asadul Islam Ripon³ stated in an editorial like "The potentialities, possibilities and challenges of Bangladesh capital market" that the current growth of capital marketplace (CM) of Bangladesh changed into in the back of time. He witnessed the money market (MM) grew strong in this u .s .over the last decade and the economic system become ravenous for a matured and stable capital market. The stableness came thru a diffusion of resources specifically, knowledgeable retail buyers, institutional investors and closing however not least the capital market regulators. They have a look at also located that the important bank (CB) played a considerate component in growing the capital market. It added transparency to the banking quarter, which virtually welcomed the retail investors to enroll in the capital marketplace with excessive self belief. The overall performance and healthy return of the banking region worked as an important aspect to usher in establishments and foreign investors.

Similarly to that, the authorities facilitated the capital market via structuring its monetary and fiscal rules in a pro-capital marketplace manner which helps to invite the budget from all around the world. It additionally allows traders to benefit more confidence and positively impact on Gross home Product (GDP) of the us of a. in the examines in comparison the Bangladesh capital market to the neighboring international locations and opined that India and Pakistan have market capitalization greater than 75% of their GDP, regrettably, the Bangladesh capital marketplace money owed for a a ways lesser proportion of its GDP indicating sufficient scope for future intensification on this zone, therefore, he recommended, the involved authorities must have utmost seriousness with a destiny vision.

OBJECTIVE OF THE OBSERVE

The objectives of the observe are:

To research the nature and characteristics of the proportion marketplace triumphing in Bangladesh;

To discover the problems and obstacles associated with this market;

To show the effect of the capital marketplace at the economy and

To present hints for the development of the capital market in Bangladesh

METHODOLOGY OF THE OBSERVE

The look at used statement approach and is particularly based totally on secondary facts at the same time as those have been accrued from the various files and papers like reviews of Securities and alternate commission; monthly economic trends prepared through Statistical branch of Bangladesh financial institution, Bangladesh financial assessment, business coverage-2005, Annual Budgets, Reviewed Literatures, web website online facts, selected Books, Journals and every day information Papers overlaying the latest periods. Analyses and interpretation were completed the usage of tabular shape.

Hypotheses of the Take A Look At

The effectiveness of the Regulatory structures of the Capital marketplace isn't sound; The Contribution of the proportion market closer to the economy of Bangladesh isn't always propitiatory.

TERMS AND CONCEPTS

Basically, money market is related to the short-time period financing at the same time as capital market deals with the lengthy-term financing alongside short

time period of the identical. for instance, bank and financial establishments, personal corporations and so on take care of this financing with the interested humans thru the term-deposits in addition to brief-time period loans. gathering cash from the capital marketplace the involved institutions use the fund in terms of investment for operational and growing sports. on the equal time, the buyers“ participation in this marketplace, in particular funding in shares benefits them probably if the investments take vicinity consequently, which can play a essential role for the development of financial system in Bangladesh.

ANALYSES

AND

INTERPRETATIONS

It’s far, in fact that the contribution of capital market to GDP is no longer as appropriate as of the neighboring countries like India, Sri Lanka and so forth which might be identified progressively. There are so many motives in the back of the scene. Currently, the melancholy in global economic system has hindered the capital market to be strengthened; imbalance of our trade reduces the export earnings, political instability within the latest years has polluted the funding environment and as a result, the traders mainly, the small traders are frightened of their investment

with go back. Now a day, it is important that the small traders sense interested to make investments their money in the share market where they seem to get their returns predicted on a normal foundation, but the things do not stay constant due to diverse socio-financial and global financial reasons. but, it could be stated how an investor can take part in the proportion marketplace. which will making sure the proper issuance of securities, preserving the interest of investors, developing the capital and protection market and controlling the same, the Securities and change fee of Bangladesh commenced its activities due to the fact 8th June, 1993 underneath the Securities and trade commission Act, 1993.

This commission is directed by a board comprising of one Chairman and four different participants appointed through the authorities of Bangladesh. The board has normal responsibilities to administer the securities regulation and is a statutory frame, whilst it's far a connected branch to the ministry of finance. Beneath this fee broker/supplier, merchant Banker, PortFolio manager, Mutual fund, Asset management enterprise, Trusty, Custodian, Depository Company and other Intermediaries had been operating to broaden the capital market as an entire.

percentage market is the principle a part of Capital marketplace wherein Dhaka inventory trade (DSE)/Dhaka stock marketplace and Chittagong inventory trade (CSE)/ Chittagong inventory market had been functioning beneath the manipulate of Securities and trade commission. In this market specially, parties play key role i.e. one birthday party collects the capital expected whilst other ones make investments the money they've. Essentially, the businesses acquire their capital through issuing of shares/debentures/certificate/bonds and that they (corporations) are known as the Issuers, while small and large cash holders invest their cash in shopping the stocks/debentures/certificates/bonds and they're known as the traders. Inside the stock market (market with shares/debentures/certificate/bonds and so on.) the investors have alternatives regarding the purchase of stocks. Within the 1st option they are able to invest to buy the number one shares of the newly installed companies inside the primary marketplace through the initial public supplying (IPO) and they become taken into consideration to be the share Holders who can get the last dividend of the companies concerned. Of course, in this marketplace purchased stocks cannot be sold.

The buyers can also make investments their money inside the secondary market shopping the secondary shares in case of 2nd choice. Basically, the maximum known transactions of stocks are treated this marketplace. Its miles substantial that the newly set up corporations can't sell their shares at once in the proportion market because they are unknown to this market so their stocks are offered out through the „Consortium“ comprising of investment organization of Bangladesh (ICB), Bangladesh Shilpa RinSangstha (BSRS) and Bangladesh Shilpa financial institution (BSB) belonging now to the Bangladesh development financial institution Ltd (BDBL) in exchange of commission that's referred to as Underwriter fee. In other phrases, this financing is called „Bridge Financing“. Whilst the ones businesses turn out to be familiar with the share marketplace, do now not want to seek assist for financing via the „Consortium“. in this marketplace (secondary marketplace) the buyers should buy and sell their stocks with the help of registered agents. At present, with the help of a dealer an investor has to open a „Beneficiary owner“ (BO) account to participate in the proportion marketplace for buying and selling of shares and this account is used in any Depository participant (DP) under the „significant

Depository of Bangladesh limited“ (CDBL) on behalf of the investor for the transaction of digital stocks, due to the fact all the stocks of the groups involved were taken under this machine (Demated shares/electronic shares) considering 24 January, 2004. An investor should purchase certificates stocks, however he/she can't get advantages of the annual standard meeting (AGM) of the business“s until the ones stocks are transformed into the electronic stocks.

Truly, this system is taken into consideration to be a display-primarily based trading system through which the buyers can take part in buying and selling floor of every day with the help of a computer with internet seating at any place in home and overseas. Via this time a number of the district cities in which these styles of transactions are dealt with this machine. Share market of this United States has been playing position for the financial development considering that after the independence although this isn't always sufficient compared to the neighboring nations noted in advance. In truth, this marketplace is termed as a „speculative marketplace“. Here investors need to think over their investments very deeply so they have to no longer be affected. Definitely, there are such a lot of

elements that should be taken into consideration at the same time as buying or selling the shares. Out of the ones elements, fundamentals and technical analyses of the agencies concerned are deeply taken into consideration. besides, tendency of the market, turnover of the market, opportunity choice of the projects, availability of the loans, rate of interest, chance inside the market, understanding within the market, inflation fee, role of the intermediaries, authorities centers, world marketplace situations, political scenario and so on play critical function in taking selection of the stated transactions. In Bangladesh almost the above referred to factors had been functioning, in particular, the recession of the percentage marketplace in 1996 nonetheless alarms the buyers in investing their money although the concerned parties have now become more alert thanks to the advantages of modern-day technologies. Currently, inside the light of profit and loss position, protecting of Annual preferred assembly (AGM), operational sports, announcement of dividend etc. the corporations are categorically segregated and analyzing the types the traders determine to make investments their money in the percentage market. The companies are the types of A, B, G, Z and N which might be shown beneath in detail:

Table 1: classes of the organizations

Name of the Category	Criteria for selecting the Category
A Category	1. Regular holding of AGM, 2. Declaration of dividend at 10% or more;
B Category	1. Regular holding of AGM, 2. Declaration of dividend at less than 10%;
G Category	The Companies which did not yet start the commercial operations;
Z Category	1. Failure in regular holding of AGM or 2. Non-payment of any dividend or 3; Excess of Accumulated loss over Paid up Capital or 4. Stopping commercial operation for more than six months;
N Category	The companies which are newly enlisted with the Securities and Exchange Commission and could not hold the AGM within Six months from the enlisted date. Of course, this is a proposal to be categorized under consideration.

PROBLEMS OF CAPITAL MARKETPLACE

Within the capital marketplace specifically, in the share marketplace a few problems are hindering the clean strolling of the same; as a end result, the capital marketplace thru the proportion marketplace can't extensively make contributions towards the GDP of this us of a. There are four fascinated corporations in the capital market and they're provider, savings holder/Investor, Intermediaries and Securities exchange commission.

Without the mixed contribution of them the position of capital market can now not be evolved. The company agencies cannot make a contribution properly due to the fewer numbers, irregularities in keeping AGM and statement of dividend or

inadequate dividend, facing loss, corruptions, horrific relationship among the decrease management and top management, bad effect of change Unionism and so forth. The position of the saving holders/traders is not commendable, because they have no sufficient information approximately this marketplace, they grow to be terrified of making an investment their capital, they sense better in funding of saving certificates or in small and medium enterprise etc.

The Intermediaries like banks and other financial institutions, issue homes by some means turn out to be engaged in any other case. as an example, commercial banks contain in producing unique credit program or grow to be reluctant to allow

loan for share marketplace without sound securities, the service provider banks do not work properly and many others. The mother or father, Securities and trade commission (SEC) cannot play proper role as it is able to do. It cannot entice the investors specifically, the small investors introducing a few moneymaking applications like minimum advantage of investment, fending off the risk, training middle, proper supervision in the market; it cannot also create congenial environment for the bigger as nicely as overseas direct funding (FDI), positive coordination between or most of the parties involved and so on. Of path, lately, SEC suspended the transaction of 9 Z class groups' shares because of the Poor transactions carried out by way of those organizations.

In those groups the shareholders are not getting dividends, AGMs are not being held, whereas due to the rumors and dishonest achieved by using the dishonest investors in addition to syndicates the charge of those shares are growing artificially where the small investors are being affected in loss purchasing those shares⁵ any other hassle is found that the presence of sturdy and mostly sound groups on this market is negligible which could assist make this market sound.

Within the current device of will power of the fee of preliminary Public supplying (IPO) shares, the corporations must present their Prospectus to the SEC for scrutiny, after which SEC approves the Prospectus determining the fee of the shares. For this reason the huge organizations alleged for not getting the right fee in their shares and as a result, they may be now not happy and involved to come in this marketplace.

IMPACT AT THE FINANCIAL SYSTEM

The inner pressure like capital market that could make the financial system healthful is susceptible within the perspective of this us of a up to now for this reason, Bangladesh is being deprived of having some extra blessings from this market due to the shortage of sound role in comparison with different neighboring, nearby and a few different countries. In aid of this declaration a current comparative look at regarding a few factors of this market can be proven below⁷:

Table 2: Comparative declaration of different countries' position

Country's Stock Exchange	Terminologies			
	Indices	Market Capitalization (Millions US \$)	Turnover (US \$)	% of GDP
Dhaka Stock Exchange (SE)	2384.18	7915	623	11.67
Colombo SE	2442.11	7042	579	26.28
Karachi SE	13,630.50	65,820	66,598	51.02
Mumbai SE	15,551	11,11,791	1,55,650.80	126.05
Philippines SE	3501.20	93951	17,305	80.35
Singapore SE	3547.10	5,12,895	2,12,568	388.10
Hong Kong SE	23,184.90	22,29,101	9,21,992	1176
London SE	6360.10	39,45,829	65,32,036	166.02

From the above desk it's miles visible that in phrases of Indices, Dhaka inventory exchange (DSE) had 2384.18, while Colombo SE, Karachi SE, Mumbai SE, Philippines SE, Singapore SE, Hong Kong SE, and London SE had 2442.11, 13630.5, 15551, 3501.2, 3547.1, 23184.9 and 6360.1 respectively on July 2007 indicating the adverse position for DSE. inside the light of marketplace Capitalization (US \$) DSE had 7915 Million against 7042, 65820, 1117910, 93951, 512895, 2229101 and 3945829 tens of millions respectively of the identical. one of the most essential issue, Turnover indicated (US \$) 623 Million for DSE while other ones of the same had been for 579, 66598, 155650.8, 17305,

212568, 921992 and 6532036 thousands and thousands respectively. In case of the proportion of GDP apart from DSE there had been plenty of contributions of the SEs of those international locations defined while the DSE of Bangladesh belonged to handiest 11.sixty seven% of GDP as against 26.28% of Colombo, fifty one.02% of Karachi, 126.05% of Mumbai, eighty.35% of Philippine, 388.10% of Singapore, 1176% of Hong Kong and 166.02% of London which highlighted the lamenting function for the u . s . a . , Bangladesh. since 2007 the data posted by using the SEC were not also great, because every now and then it become visible that the go with the flow of capital marketplace specifically, proportion market became

upward and sometimes the same was downward which indicate the fluctuating trend and this fashion is not considered to be congenial for the financial system of Bangladesh. Once more, for the ultimate couple of months the indices of proportion marketplace broke all of the earlier information in terms of each the increasing and reducing traits, even as these are not the sound signals of contributions what the analysts consider.

CONCLUSION AND POINTERS

The above data as well as statistics screen the facts that the contribution of capital market specifically, of proportion marketplace towards the financial system of Bangladesh isn't always propitiatory so far due to the fact, in terms of indices, marketplace capitalization, turnover, percentage of GDP, amount of securities, issued capital and so forth, the capital market function as a whole, does no longer help the sound economic system besides, the location of number one and secondary percentage market isn't always smooth as well as solid wherein the issuers and investors couldn't sense better concerning themselves.

Hence, the second hypothesis may be considered installed subsequently, the stated marketplace could not play the

preferred function to the economic system of Bangladesh. once more, as in keeping with the analyses and interpretations finished, regulatory structures are not obvious as well as now not sound, as a end result traders continue to be in darkish in knowing the regulations which might be fluctuating additionally and that consequently invite the syndication seems to have ruled which causes market scenario uncertain while local traders do now not keenly intend to make investments within the said marketplace and foreign investments do no longer take location in time as nicely. Here, the intermediaries a few of the four companies stated in advance do now not play good enough function inside the improvement of this market. Here, first hypothesis corroborates the identical ideas. Of course the government of Bangladesh has taken some fine steps concerning the strengthening of SEC enforcing some obligatory terms on the intermediaries and developing the sports of banks and financial institutions.

However, to upgrade the share market, in different phrases, to generate the capital marketplace for smooth financing for the stakeholders the following tips may want to play the fruitful function:

- a. The presence of the financially sound institutions is negligible within the marketplace. So, masses of corporations which are financially sound should come forward towards this market e.g. Grameen telephone organization has already appeared in this market, once more, cautious interest have to take delivery of for regular preserving of AGM of the agencies, coaching of financial statements at the side of the audit reports according to the Accounting and Auditing standards;
- b. The bridge financing sports are not best, right here „Consortium body“ (ICB, BDBL) have to be greater lively in gambling their position for „Bridge Financing;
- c. The tracking phenomenon is a few how weak, subsequently, service provider bank which has been directed below the manage of SEC should be monitored time to time whether or not it's miles properly functioning for the interest of participators within the stated market;
- d. The inflation fee is fluctuating and it must be kept strong so that the price of money could not be degraded;
- e. ok training and different options aren't to be determined, for that reason, SEC should conduct a nicely-installed education middle in which the new comers should have understanding regarding their involvements on this market. On the identical time, there must be an association of seminars, symposiums and speak suggests for the betterment of the investors;
- f. To make certain the supply of loans together with low interests for the buyers in addition to participators(mainly for the Small and Medium Scale firms, SMEs) Bangladesh bank have to take high quality steps thru the schedule banks both public or personal something they're;
- g. The arms for manipulate of the share market like „Circuit Breaker“, „Surveillance with on line and Of-Line mechanism and many others must be energetic greater in order that any person could not take the chance in any other case;
- h. Excessive savings-investment Ratio can play an excellent function in this market. So, right steps ought to be taken for the boom of flow of savings

of the human beings thru the money market and centers must be given to the expatriates for his or her participation in this marketplace which may want to bring the tremendous result for financing through the effect of for ex Reserve opening Non Resident buyers Taka Account (NITA) actively. Besides, congenial atmosphere need to have to be created for foreign Direct funding (FDI) to boom the overseas coins-In-Flows;

a. There must be a provision for SEC that it is able to directly purchase and sell the securities with the events worried in order that they could keep them out of the financial crises;

b. Tax centers have to be elevated for the enlisted businesses together with other facilities like tax holyday, tax-unfastened transactions, discount of the excise and responsibilities with the aid of which other establishments ought to be endorsed to participate in the stated marketplace;

c. studies sports ought to be conducted to find out the deficiencies in addition to efficiencies associated with this market which can contribute to the fulfillment of Gross domestic Product

and Gross country wide Product to this point.

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