Stock Market Crash in 2010: An Empirical Study on Retail Investor's Perception in Bangladesh

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Abstract

Share market is considered as a place of investment by the investors of different levels. But the third world's share market is full of uncertainty and risks, especially in Bangladesh that has confronted two big crashes in 1996 and in 2010. People with little knowledge and people without any knowledge entered into the market to make profit. Around 3.3 million people were affected by the market crash 2010. Lack of restriction on opening B/O accounts, speculations through omnibus account, wrong placement of IPOs , violation of banking act, rumor spread by the brokers and the dealers, wrong application of book building method, wrong method used in face value determination, lack of monitoring in the share market, all these together created the devastating outcome. People from the various income levels came to the market and lost much of their capital.

Keywords: B/O Accounts, Omnibus Account, Book Building Method, Face Value.

Introduction

The stock market or share market is an integral part of a country's economy. People invest their money in the stock market to obtain economic prosperity for them, which also has positive effect on the country. If, for any reason like the stock market crash, this process of resource mobilization is threatened, investors become panic and begin seeking safe alternatives. Around 3.3 million retail investors of Bangladesh were said to be engaged in the stock market during the market crash of 2010. They used to invest money from various sources like savings in bank, idle money, part of earnings or proceeds from selling their movable or immovable assets, but after the crash they were left with nothing significant.

Literature Review

Overview of Bangladesh Stock Market

Most of the countries all over the world have its own stock market. Stock exchange is an organized place or arrangement where the buyers and the sellers are brought together so that they can buy and sale their stocks/shares. Bangladesh is a rising market with two stock exchanges, Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE). DSE is the larger of the two. Dhaka Stock Exchange (Generally known as DSE) is located in Motijheel Commercial Area which is situated in the heart of the Dhaka city. It was incorporated in 1954.

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Dhaka Stock Exchange is the first stock exchange of the country. Chittagong Stock Exchange (CSE) began its journey in 10th October of 1995 from Chittagong City through the cry-out trading system with the promise to create a state-of-the art bourse in the country.
149 registered organizations are the owners of Chittagong Stock Exchange and 238 registered companies are the owners of Dhaka Stock Exchange. The owners receive the advantage of trade license for share trading. Apart from this, they don't get any extra benefit. DSE consists of a Board of Directors of 24 members. Among them 12 are elected by the members and other 12 are selected by the government. This Board has a President with 3 Vice-Presidents. This Board formulates the policy and implements the plan. Four directors have to retire every year and they are subject to get nomination for being reelected as per the 1994 Company Act. The appointment of CEO of DSE is to be approved by SEC. After every 3 years, Stock Exchange Commission (SEC) has to approve the appointment of new CEO. To support CEO in the daily activities the following departments are existing: ICT division, Membership affairs administration, Monitoring, Investigation and compliance department, Training academy , Research, development & information department, General accounts department, Logistic, Maintenance and protocol department , Listing department , HR department, etc.

The administrative layers of CSE and DSE are more or less the same. The following are the departments of CSE: Finance and Administration, System department, Compliance department, Market operation department, Legal department, Clearing and settlement department, Library and investor information cell, Listing department, Inspection department, and Membership department.

Stock trader and investors

There are especially two types of investors in our country: institutional investor and small investor. Institutional investors include Mutual fund, Merchant Banks, Provident Fund Companies, Insurance Company and Investment corporations. They have the right to invest in the share market. But their buying natures are restricted by the rules and regulations. They take part in the placement of shares. Retail investors are those who invest in the market with a view to earning profit. Their capital is not defined or confined by any laws or means. They are invited by the companies to participate in the IPO. After the IPO, the shares enter into the secondary market for transaction. In the recent collapse of share market, the retail investors are the main victims. The institutional investors are being accused of taking part in destroying the market (MOF, 2011). ICB has more than thirty thousand accounts to facilitate the institutional investors, whereas more than three hundred thousand people are involved in the share market. That means there are more than 30 lakh small investors in our country.

Stock market collapses in 1996 & 2011

Most of the countries' stock markets have confronted the taste of collapse at least once. In 2000, London Stock Exchange and American Stock Exchange encountered the collapse. Economic recession all over the world caused the share market collapse in America and Europe. But Bangladesh protected itself from this scenario due to very little foreign investment in this country.

After 1996 collapse in the share market, a neutral Inspection Committee was formed with a view to investigating the reasons behind the market collapse. Munir Uddin, an FCA, was the chief of that committee. He opined that the collapse of 1996 was the result of the activities of a group of people. Main accused at that collapse were outsiders to Bangladesh. Some of the leading businessmen along with the foreigners committed the crime. They were sued at that time but lack of evidence closed the files of the alleged persons. According to that Investigation Committee, more than 500 crore was transferred outside the country. But for that failure, the government and the SEC were accused. The controlling and the monitoring activities were weak. As a whole, it can be said that paper based share certificate, lack of knowledge of the retail investors, manipulation, inside trading and greed are some of the main reasons of the collapse (MOF, 2011). The main catalysts for that collapse were the shrewd manipulators from both home and abroad (Mohiuddin, 2010).

After 14 years, SEC and the two share markets again experienced the taste of collapse. But this time the reasons were different. The paper based share certificates are no more in existence. As per the report of Ibrahim Khaled, various reasons led towards this disaster. Institutional investors played a major role in that case. For instance, each merchant bank has the right to invest in the market 10% of the deposit money collected from the clients. But they didn't comply with these rules. They invested more than ascribed amount that violated the rules. Another reason was that ICB has more than thirty thousand omnibus account. With this accounts many company speculated and manipulated the total market. The free entrance of the black money caused collapse of the share market. More than 30 lakh B/O accounts are now in Bangladesh. But there is no legal restriction about opening the B/O account. It has been revealed in the report that a single person has more than 20 accounts to conduct share transaction. Lack of surveillance activities led toward this collapse (MOF, 2011). It was said by the expert economists that more than 30 thousand crore taka was taken away by the share market gamblers. These gamblers speculated the shares and increased the price, which attracted the retail investors. They entered in the market without having sufficient knowledge about share market. Lack of knowledge on the part of the small investors is also indicated as the reason of market collapse.

Since the collapse of the share market, a number of measures were initiated by the government, of which the most important one was forming a competent probe committee to investigate the activities in the market during the run up to the boom and bust, identify malpractices and manipulations and come up with policy suggestions to address the attendant problems. The report published by Bangladesh Finance Ministry specifying the reasons for share market collapse helped to get an overview regarding the reasons of market collapse. Before describing the reasons behind share market collapse, a citation of the Waran Buffet may be considered which is important for the small investors-the market like the Lord, helps those who help themselves. But unlike the Lord, the market doesn't help those who do not know what they do and what they shouldn't do.

It has been said in the report that recently market has experienced a sheer increase of investors and the volume of trade in the share market is one of the keys of economic development. The indomitable increasing market was to experience a collapse (opined by many market experts before the market crash). It has been opined by a giant investor that 3 million new B/O accounts have been opened newly in the last four years. The demand supply factor played a vital role in this collapse. Huge amount of money entered into the secondary market. The demand for the shares was created by opening many branches of brokerage houses. But the supply of the shares didn't increase. Such kind of pressure on the limited shares increased the price of the shares, and thereby, led towards the crash. Every merchant bank invests a huge amount of money in the share market and makes huge profit out of it. But in December, 2010, the Bangladesh Bank gave order to the merchant banks to limit their investment in the share market and also increased the cash reserve ratio (CRR). As a result, all the merchant banks had to withdraw the excess amount of money from the share market for withdrawal from the extra investment as well as maintaining high CRR fixed by the Bangladesh Bank. Such kind of situation caused the decrease of liquidity in the share market which also was one of the reasons for market crash.

Market manipulators controlled the market by spreading various rumors regarding the shares through media, newspaper, broker houses etc. Such kind of misleading information attracted the small investors to invest and thereby the market became overvalued. Lack of IPOs in the share market and the wrong placement of IPOs created the situation. Most of the IPOs went in the hand of big companies' owners. As a result, people got a few shares to buy. It became easy to manipulate the market by those big persons.

Commercial banks are to invest 10% of their total amount collected from the clients as deposits (Banking Act 26(2). But it was found that they invested a huge amount of money that overvalued the market.

Broad money and foreign remittance entered into the share market that created such situation. Not only these but also the loans taken by the people for business purpose, housing loan and industrial loan received were invested in the share market. Such situation overvalued the market. The source of the investment was not justified or scrutinized. Therefore, the black money entered easily into the market and the market was overvalued.

Strict supervision and excessive intervention by the government created the crash. It was to be iteratively stated by the media that the current higher index could lead the situation like 1996 crash. It is assumed that such news warned the gambler and induced them to withdraw huge amount of money from the market. If the supervision and intervention had been more flexible, the nation would not have confronted the situation like this.

The Managing Director of BDBL opined that the excess entrance of liquidity, the split of shares of Tk. 100 into 10 shares of Tk. 10 each, illogical right and preference shares issue, increase of IPOs' price by applying wrong book building method and the misstatement of net asset value of the company were also responsible for the collapse of the share market.

The CEO of IIDFC Capital limited opined that merchant bank should act as professional investment advisor to the small and other institutional investors. But Bangladesh Bank restrained the merchant banks from this investment advisory by formulating relevant laws. It is one of the reasons for market collapse.

Other reasons like the insider trading by the dishonest broker, dealer and the related parties, wrong procedure in determining the face value of the shares, wrong information spread by the media, poor surveillance activities of SEC, DSE & CSE etc led towards this disastrous situation in the Bangladesh share market.

Objectives of the study

The objectives of the study are as follows:

1. To identify socio-economic profiles of retail investors and their respective degree of confidence in having success in the stock market of Bangladesh before and after the market crash of 2010.
2. To show an overview of retail investment scenario and the motivation for retail participation in the stock market of Bangladesh.
3. To explore and weigh up the retail investors' perceptions on the reasons behind stock market crash of 2010 in Bangladesh.
4. To verify the retail investors' perceptions on the proposed suggestions and recommendations to ensure stock market stability after that major crash.

Methodology of the Study

The target population for this study has been defined as retail investors who have been active in the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) before and after the market crash of 2010. The fieldwork for our study was conducted in three districts of Bangladesh: Dhaka, Chittagong and Noakhali. Convenience sampling or judgmental sampling method was used to survey and collect data through interviews and questionnaires. We collected data by surveying more than 200 respondents as representative retail investors who had been involved in direct trading in DSE and/or CSE, but because of a large number of missing answers, we sorted out our final sample as a total of 187 respondents. A survey questionnaire was developed as an instrument for the purposes of this study. The instrument contained three sections- Demographics, Investment Information and Perceptions of Investors. The most traditional data collection modes: face-to-face interview and written questionnaire were used in our survey, and samples were chosen by convenience sampling or judgmental sampling method. Respondents were chosen from different broker houses, merchant banks and some educational, financial and non-financial institutions in Dhaka, Chittagong and Noakhali on the basis of our accessibility and convenience. Finally, a total of 187 respondents who had been trading in DSE and/or CSE were included into the sample size. The basic point of this research paper was to assess retail investors' perceptions on the identified reasons for the market crash of 2010. However, as per different recognized reports and articles, it is well estimated to be 3.3 million or 33 lakh.

Limitations of the Study

i. Due to lack of professional skills and knowledge of individual investors, they ware reluctant to provide relevant data for the study.
ii. Though the study covers/involves a few limited but representative retail investors, we could not uphold the standard theory of sampling and sample size for our study
iii. In this process, some major issues of reasons and recommendations could not be placed or modified. For example, “unrestricted bulk-trading and serial-trading” as a reason for the recent stock market crash or “stock market demutualization” as a measure for stock market stability were omitted finally from the survey questionnaire after our field test results had come up.
iv. Due to lack of adequate textbook and previous study in Bangladesh, literature review could not be extensive.

Data analysis and findings

Objective one

Table 1 shows that among the total sample, 86% represents the male and 14% represents the female. The degree of confidence before the crash is same in both male and female and it represents 80. But after the crash the degree of confidence is lower among the females than that of the male investors.

Table: 01 Respondent’s Profiles along with their Respective Degree of Confidence in having Success in the Stock Market of Bangladesh:

Variables	Frequency	Percent	Median Degree of Confidence	
			Before the Crash	After the Crash
Gender				
Male	160	86%	80	40
Female	27	14%	80	30
Age				
Less than 20 years	2	1%	75	20
20 to 29 years	99	53%	75	35
30 to39 years	61	33%	80	40
40 to 49 years	18	10%	80	10
More than 49 years	7	4%	80	40
Educational qualification				
Primary	2	1%	87.50	45
Secondary	2	1%	90	25

Variables	Frequency	Percent	Median Degree of Confidence	
			Before the Crash	After the Crash
SSC/ O' Level	4	2%	77.50	20
HSC/ A' Level	16	9%	80	22.5
Graduation	70	37%	80	37.5
Post Graduation	93	50%	80	40
Profession				
Public or Private Service	64	34%	77.50	44
Student	61	33%	75	25
Business	41	22%	80	40
General investors	8	4%	80	30
Homemakers	5	3%	80	30
Academicians	4	2%	75	50
Others	4	2%	100	25
Years of trading experience				
Less than 5 years	134	72%	80	31.5
5 to 10 years	35	19%	80	40
11 to 15 years	11	6%	80	50
More than 15 years	7	4%	70	40
Total investment amount (Tk.)				
Less than 100,001.00	23	12%	70	30
100,001.00 to 2,000,000.00	148	79%	80	37.5
2,000,001.00 to 4,000,000.00	12	6%	80	45
More than 4,000,000.00	4	2%	80	40
Score for whole sample	187	100%	80	40

Source –Field data 2010

In the age group, 20-29, represents the highest percentage and frequency. It represents 53% of the total sample with a frequency of 99 whereas 30-39 age groups represent 33% of the total samples. It is an important finding that the group having less than 20 years and those having 20-29 had the same degree of confidence before market crash (75). On the other hand the age groups (30-39), (40-49) and more than 49 had the same degree or level of confidence before the market crash. After the market crash, the degree of confidence decreased drastically with all of the different age groups. The age group, 40-49, possesses the lowest degree of confidence after the major crash 2010 and that is 10%.

As to educational qualification, it is very significant to analyze that 50% of the total samples has postgraduation degree. The cumulative percentage of graduate and postgraduate is 87%. That means the majority of the samples is highly educated. It can be said that the persons completed secondary stage of their education, had the highest level or degree of confidence before the market crash whereas the groups HSC/A level, Graduation, Postgraduation had the same level of confidence before the market crash and it represents 80. All of the groups lost a huge portion of their confidence after the crash and the existence of the lowest degree of confidence after the crash is in the SSC/ O level and that is 20.

In case of profession, we can see that the highest percentage comes from the private/the public sector job holders. 33% of the total samples is student. So we can say that 67% of the investors belongs to the students and the private/public job sector group. The degree or level of confidence was the same among businessmen, general investors and homemaker groups and it was 80. It is highly important to see that the group, "others", include engineers, tuition providers, grocers had the highest degree of confidence before the market crash and it represents 100. It is an important finding that after the market crash this "other" group is having the lowest degree of confidence along with the students for whom it is 25.

Table 1 represents that 72% of the total samples has the experience in the stock market of less than 5 years. After 1996 it took a long time to the capital market to get in a stable situation. From 2007 the market were getting higher. So we can see that 72% of the investors have less than 5 years experience. So it can be inferred that these portion entered into the market when the market got bullish. It is important to notice that the first three groups – less than 5 years, 5-10 years and 11-15 years had the same level of confidence before the market collapse. The most experienced group, "more than 15 years", had the score of 70 before the market crash. Investors having experience of less than 5 years possess the lowest degree of confidence after the share market collapse and it is 31.5. An important finding is that the group having experience of 11-15 years in the share market is in the neutral position even after the market collapse and their score is 50. It can be said that they are sanguine about the share market stabilization.

In terms of total investment amount, the highest percentage lies between one lakh – 20 lakh. It represents 79% of the total samples. It is important to note that the retail investors whose investment ranges are from (Tk. 1-20 lakh), (Tk. 20-40 lakh) and more than Tk. 40 lakh had the same degree of confidence before the market crash and it was 80. The lowest degree of confidence exists in the group having investment of less than Tk. 1, 00,000 and is 30.

Table-02: Correlation Coefficient Scores

Influential Variables	Correlation Tools	Confidence before the crash	Confidence after the crash
Age	Pearson Correlation	.11	.22**
	P-value	*.139*	*.003*
Years of Trading Experience	Pearson Correlation	- .01	.12
	P-value	*.939*	*.095*
Educational Qualification	Spearman' Rank Correlation	- .10	.14
	P-value	*.197*	*.051*

Source- SPSS output of primary data

There was a weak, positive correlation between age and degree of confidence before the crash as well as degree of confidence after the crash. Though correlation between age and degree of confidence before the crash was nonlinear and statistically insignificant(r = 0.11, n = 187, $P >$ 0.01), correlation between degree of confidence after the crash and age was statistically significant (r = 0.22, n = 187, $P <$ 0.01) and linear.

Although the correlation between the respondents 'years of experience and degree of confidence before the crash was not enough strong, negative and statistically insignificant (r=-.01, n=187, p>0.01), it turned positive between years of experience and degree of confidence after the crash , but the relation was also weak and insignificant. At last Spearman's Rank Correlation applied to determine the relationship between the respondents' educational qualifications and degree of confidence before and after the crash. The result r= -.10, P> .05 and r's n (187) =0.14, P>0.05 respectively. The correlation in both these cases is very weak.

Objective two

Table-03: Incidence of Retail Participation through Investment in the Stock Market

Particulars	Frequency	Percent
Source of investment amount		
Own Capital	106	57%
Money Taken From Parents	89	48%
Money Taken From Relatives/Friends	25	13%
Institutional Loans	25	13%
Others	4	2%
Name of stock exchange		
Dhaka Stock Exchange	140	75%
Chittagong Stock Exchange	18	10%
Both	29	16%

Particulars	Frequency	Percent
Market for investment		
Primary Market	10	5%
Secondary Market	78	42%
Both	99	53%
Criteria used for investment decision		
Self-projection	99	53%
Established Financial Indicators	73	39%
Company's Financial Statements	57	30%
Company's Goodwill	53	28%
News Spread around the Market/Rumor	49	26%
Advice/Tips given by Other Investor	42	22%
Advice/Tips given by Broker-Dealer	38	20%
Advice/Tips given by Professional Body	16	9%
Advice/Tips given by Merchant Bank	4	2%
Others	10	5%

Source – Primary data 2010

In this table incidence of retail participation through investment in the stock market of Bangladesh has been shown. Here we can see that the number of people having investment from their own capital is 57%. Money taken from the parents used as a source of investment indicates 48% of the total sample of retail investors. Institutional loans are also used as a source of investment and it represent only 13% of the total samples.
From our sample of 187, majority of the persons' investment belong to DSE and it is 75% of the total sample whereas only 10% people have investment in CSE and 16% people have investment in both DSE and CSE. Only 5% of the sample invests their money in the primary market, whereas 42% invests in the secondary market and 53% investors invest in the both primary and secondary market.

Criteria used for investment decision is an important part for the retail investors. It needs analysis. It has been found that 53% of the total investors used investment decision on the basis of their self-projection. The second highest percentage lies in the established financial indicators and it is 39%. Three important criteria used by the investors for investment decision are rumors, tips given by the investors and advice given by broker and dealer and their percentages are 26, 22, 20 respectively.

Table-4: Motivation of Retail Participation in the Stock Market

Particulars	Frequency	Percent
Motivators for investment		
Self-Motivation	95	51%
Peer Groups	68	36%
Others' Success in Stock Market	52	28%
Relatives	23	12%
Family	22	12%
Financial or Nonfinancial institutions	11	6%
Others	6	3%
Incentives for investment		
Earning Profit/Capital	123	66%
Earning Dividends	82	44%
Acquiring Knowledge about Capital Market	35	19%
Professional Attachment	18	10%
Others	5	3%

Source- Primary data 2010

We can see that 51% of the investors invest in the stock market from their self-motivation. Peer group and others' success in the stock market plays a vital role as motivators for investment in the stock market and their percentage is between 36 and 28 respectively.

Incentives of investment are very much important to understand the retail investors' view about the share market. 66% of the total investors invest money in the stock market to earn profit/ capital gain. 44% of the investors invest with a view to earning dividend. On the other hand, acquiring knowledge about capital market indicates 19% of the total retail investors professional attachment is only 10%.

Objective Three

On the basis of which the questionnaire had been made to know the retail investors' views regarding the market collapse.

Reason -1- Overvaluation of the share price by manipulation
Reason-2- Extreme amount of money invested by the banks and other industries in the market
Reason-3- Free entrance of black money
Reason-4- Wrong application of "Book Building" method.
Reason-5- Secret news revealed by the dishonest persons and related authorities.
Reason-6- Rumor spread by the dealer and the broker
Reason-7- Rumor and misinterpretation of information of shares spread by the media and the newspaper.
Reason-8- Poor inspection of DSE, CSE, SEC and ACC in the stock market.
Reason-9- Face value inequality
Reason -10- False and misleading information stated by the company and their related auditor.
Reason-11- Illegal issuance of Right and Bonus shares.

Reason	Mean Value	Std Dev
Reason-1	4.2	1.53
Reason-2	4	1.55
Reason-3	3.4	1.80
Reason-4	4	1.73
Reason-5	4	1.59
Reason-6	4.1	1.75
Reason-7	3.8	1.65
Reason-8	4.7	1.42
Reason-9	3.8	1.56
Reason-10	4.1	1.42
Reason-11	3.8	1.56

Interpretation of the reasons behind the collapse (Retail investors' view):
It can be seen from this analysis that the highest mean value lies in the reason 8 that stands for poor inspection activities of DSE, CSE, SEC and ACC in the stock market. From the table, it is apparent that the highest Standard deviation value has been found in the reason 3 that stands for wrong application of Book Building method and this reason has got the lowest mean value among all the reasons behind the stock market crash as per the retail investors.

Objective Four

To stabilize the stock market and to bring back the confidence of the retail investors, the following twelve measures have been suggested in this report. It is to be analyzed which measures are important and to which extent as per the perceptions of the retail investors. Mode value has been used to know the opinion of the retail investors' on the measures to be taken to stabilize the market.

Table-5: Classification of Suggestions by Mode

No.	Suggestions	Mode	Classification By Mode
1	Government intervention	6	Extremely important
2	Legalization of B/O accounts	6	Extremely important
3	Scrutinizing the activities of broker and dealer	3	Neutrally important
4	Restrain from rumor based trading	6	Extremely Important
5	Restructuring DES, CSE, ACC, BB and finance ministry	6	Extremely Important
6	Identify the insider trader and restrain them from trading	6	Extremely Important
7	Activating new laws of share market	6	Extremely Important
8	Equalization of Face Value	3	Neutrally important
9	Penalizing the alleged gambler	6	Extremely Important
10	Fair role performed by the media	6	Extremely Important
11	Strengthening Surveillance activities	6	Extremely Important
12	Introducing "Investment advisory activities	5	Very important

In recommendations 1, 2,4,5,6,7,9,10,11 the modal value is 6. 6 means it is "extremely important". It means extremely important measures are to be taken to stabilize the markets in these respective factors. Number 3 and 8 recommendations reveal to be in neutral position to stabilize the share market. That means these two are not considered as extremely important by the retail investors. 12th recommendation is very important as per the opinion of the investors.

Hypotheses Development

Under the fourth objective, general alternative hypotheses have been developed which guided us further to set out the following 11 specific alternative hypotheses:

H1: Retail investors with different level of education perceive the identified factors behind the recent market crash differently:

Hypotheses Testing

Reason	Chi Square	df	P- Value
Reason -1	10.430	5	0.064
Reason -2	3.358	5	0.645
Reason -3	9.535	5	0.090
Reason -4	4.000	5	0.549
Reason -5	4.919	5	0.426
Reason -6	5.275	5	0.383
Reason -7	5.577	5	0.350
Reason -8	4.064	5	0.540
Reason -9	5.657	5	0.341
Reason -10	5.416	5	0.367
Reason -11	3.549	5	0.616

SPSS output of primary data

Comment on overall Hypotheses

From the above analysis it can be said that in all the cases the null hypotheses have been accepted and the alternative hypotheses have been rejected. So it can be said that the perception of the retail investors' on the causes of market collapse are the same, irrespective of the educational level of them. The retail investors with different level of education perceive the identified factors behind the recent market crash in the same way.

Conclusion & Recommendations

The stock market, a security segment of capital market, plays a pivotal role in the growth of industry and commerce of a country and helps to predict the country's future economic sustainability in situations where the stock market is active(Demirguc-Kunt and Levine, 1996; Singh, 1997 and Levine and Zervos,1998). Retail investors are vital components of the stock market. During times of plenty (Bull Market), investors buy stocks right and left and make substantial profits in both primary and secondary market. Unfortunately, strong economic times are almost always followed by shaky economies (Barsky, R.B and J.B DeLong, 1990). Investment in stocks is a high-risk, information-sensitive professional task that has considerable impact on the investors' lifestyle. The investors in the developing countries like Bangladesh behave like short-run speculators and aggressive traders (Bloomfield, Libby and Nelson, 1998; Potter, 1971). Retail investors in the developing countries like Bangladesh are strongly influenced by the advice provided and actions taken by brokerage houses (Lewellen, Lease & Schlarbaum, 1977). Western studies have shown that the retail investors normally invest over the long-term (Baker & Hashem, 1973). To avoid the share market collapse, not only the financial factors but also the attitudes of the retail investors' are greatly liable. A recent survey has revealed that 70% of the total investors don't know about the training program of DSE regarding share market. The success of others brings huge investors in the market. The people who are investing in the market are now considering the share market as a place of short term investment. Before investment, the retail investors must have sound knowledge about financial factors like dividend growth rate, Price to earnings ratio, EPS ratio and recent and past stock market's performance. The rational thinking of the investors along with the structural efficiency controlled by the government can give a stable scenario of the Bangladesh stock market.

For share market stabilization, the following are the recommendations:

- To maintain financial discipline in the money market and strengthen its coordination with the capital market.
- To take necessary actions immediately, the government should undertake the required measures and form a task force to initiate investigation into the fraudulent practices in the country bourses.
- To reduce the misuse of the multiple B/O accounts, the government should take necessary measures to make the submission of TIN document mandatory for all B/O accounts for ensuring transparency of transactions in the share market and also submission of income statement of the NBR.
- To inspect the application of book building method carefully by the governments' appointed auditor to defend the situation like major market crash.
- To clarify the reasons of the issuance of Right and Bonus shares, each and every company must state their income statement and the balance sheet so that every retail investors can understand and take the right decisions.
- To reduce problems associated with the day to day operation in the DSE. The alienation of ownership and management of DSE/CSE from brokerage house is required.
- To remove market manipulation, the demutualization is a must at DSE/CSE under strong monitoring of the SEC.
- To avoid the share market collapse, the enforcement of strict surveillance activities of SEC, DSE and CSE, especially on brokers and dealers and amendment of present rules, and enactment of new rules and regulations and restructuring DSE, CSE and ACC are very much necessary.

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