

NAVIGATING INVESTOR BEHAVIOR: A DEEP DIVE INTO BANGLADESH CAPITAL MARKET

Bangladesh Finance Capital Limited



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Submitted in Partial Fulfillment of the Requirements for the Degree

Bachelor of Business Administration



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Internship/Project Report Approval Form

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Letter of Transmittal

Date: 27th August 2023

Sarwar Uddin Ahmed, PhD

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Subject: Submission of Internship Report “Navigating Investor Behavior: A Deep Dive into Bangladesh Capital Market”

Dear Sir,

I'm thrilled to share my internship report titled "Navigating Investment Behavior: A Deep Dive in Bangladesh Capital Market" which reflects my time and learning with the University of Liberal Arts Bangladesh. This internship has been an incredibly enriching experience, and the guidance I've received has undeniably enhanced the depth and caliber of this report. The insights and observations I've gathered aim to provide valuable perspectives for a better comprehension of investment behaviors within our local capital market.

I want to extend my heartfelt appreciation to you for your unwavering support and motivation during this journey. Your mentorship and expertise have been instrumental in molding my learning adventure and shaping the content of this report.

I eagerly await any feedback or perspectives you might have regarding the report. Once again, I'm grateful for the opportunity to have completed my internship under your guidance and to contribute to my knowledge in this field.

Sincerely Yours,

Marchia Ahmed Shreya

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BBA Program

School of Business

University of Liberal Arts Bangladesh

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Part A

Chapter One: Internship Preparation

Internship Motivation & Learning Goals:

I am motivated to pursue this internship by my genuine passion for the finance industry and a strong eagerness to acquire hands-on experience within a respected financial institution. My goal is to put my theoretical knowledge into action, make meaningful contributions to the organization's functions, and deepen my comprehension of the finance sector. I intend to actively participate in various aspects of financial services, translating concepts from my finance studies into tangible results. Through my involvement in projects and tasks, I aim to bridge the gap between theory and real-world application, honing my analytical capabilities. Moreover, I aspire to enhance my communication, interpersonal, and client-oriented skills. Simultaneously, I am eager to gain insights into areas such as compliance, ethics, and risk management. Working together with seasoned experts offers a great chance to learn, and I expect to adjust to the constantly changing financial field. My goal is to make a substantial impact on the organization's activities while enhancing what I know and can do in the finance industry. I'm excited about taking on challenges, expanding my perspective, and making the most out of my learning opportunities throughout my internship.

Internship Search & Choice:

The journey I took to secure an internship at Bangladesh Finance was a thoughtful and systematic process aimed at maximizing my chances of gaining valuable experience in the finance field. I began by researching respected financial institutions and singled out Bangladesh Finance as a prominent player. Through careful monitoring of their official website and social media channels, I stumbled upon the internship announcement on Facebook. Instead of rushing into applying, I took my time to thoroughly review the prerequisites and deadlines, ensuring they resonated with my skills, goals, and career ambitions. Recognizing the competitive nature of the opportunity, I meticulously customized my application materials to highlight relevant coursework, past experiences, and personal qualities that aligned seamlessly with the organization's values. My application genuinely reflected my eagerness to contribute to their mission and my unwavering enthusiasm for the finance sector.

I had strong and varied reasons for choosing Bangladesh Finance. Its excellent reputation and substantial contributions to the economic advancement of Bangladesh were in perfect harmony with my career goals. The chance to be mentored by industry experts, contribute to meaningful projects, and get hands-on experience across a variety of financial functions was especially attractive to me. Additionally, the organization's dedication to fostering teamwork, creativity, and individual development deeply aligned with my own principles. The strong focus on cultivating talent within the finance field also greatly intrigued me.

Interview Reflection:

My interview experience with Bangladesh Finance was incredibly insightful. It provided me with valuable insights into the company's values and the finance industry as a whole. The interview process was well-structured and allowed me to showcase my skills while gaining a deeper understanding of the company's operations.

In preparation for the interview, I conducted thorough research on Bangladesh Finance. This involved delving into their history, understanding their core activities, and assessing their overall performance. This groundwork enabled me to effectively convey how I could contribute to their team and elucidate my genuine interest in becoming a part of their organization.

The interview commenced with an assessment, followed by a formal interview for those who progressed to the next stage. The interviewers were approachable and created a comfortable environment that put me at ease. I ensured I was punctual, dressed professionally, and conducted myself with utmost professionalism. I shared my experiences in a coherent manner, drawing from examples in my academic studies and extracurricular endeavors. These instances highlighted how my experiences had equipped me for the role. I underscored my proficiency in numerical analysis and problem-solving, referencing both my academic achievements and real-world projects in finance.

The interview also involved hypothetical scenarios that tested my critical thinking skills, in addition to questions about the company itself. These challenges enabled me to showcase my analytical prowess and aptitude for learning. I emphasized my ability to collaborate effectively, adapt to different circumstances, and contribute positively to diverse teams. As the interview concluded, I expressed my gratitude for the opportunity to discuss why I was a strong match for the position. I conveyed my enthusiasm for contributing to Bangladesh Finance's success and my eagerness to further my growth and involvement within the company.

All in all, the interview experience with Bangladesh Finance was immensely beneficial. It allowed me to effectively articulate my strengths, gain deeper insights into the company's operations, and visualize my potential role in the finance sector. The process heightened my excitement about joining their team and making a meaningful impact in the field of finance.

Organization Details:



Bangladesh Finance Limited, previously recognized as BD Finance, is a long-standing financial establishment that has been serving the nation since 1999. The company foresees significant advancements in the near future. Its journey towards becoming a prominent financial entity in the country has been punctuated by noteworthy accomplishments, such as achieving higher credit ratings, establishing a robust client deposit foundation, raising bonds and foreign investments, obtaining approval for an Islamic division, and consistently maintaining a low rate of loans that are not performing as expected.

With two affiliated companies, namely Bangladesh Finance Securities Limited and Bangladesh Finance Capital Limited, the organization offers comprehensive financial solutions across the entire country. Bangladesh Finance strives to be a reliable financial ally for the people of Bangladesh, assisting them in their pursuit of rapid economic progress and contributing to ongoing achievements. Their recent logo and symbol "BIJOY" embody fundamental principles of trust, advancement, and prosperity. The company's ambition is to stand as the most dependable financial institution for the people of Bangladesh, nurturing financial growth in their ventures and ultimately fostering prosperity for all. As they continue on their journey towards a flourishing Bangladesh, the company remains committed to playing a role in the collective economic progress of the nation.



Incorporated in August 2011 as a publicly traded company in accordance with the Companies Act of 1994, Bangladesh Finance Capital Limited functions as a comprehensive investment bank. The firm, a subsidiary of Bangladesh Finance with a ownership stake of 99.972%, obtained a complete merchant bank license from the Bangladesh Securities and Exchanges Commission in February 2012. Established with the aim of delivering specialized investment offerings to both individual and institutional investors, Bangladesh Finance Capital Limited is dedicated to furnishing exceptional, personalized investment services to clients located both within and beyond the borders of Bangladesh. Functioning as a full-fledged merchant bank, their array of services includes equity and debt management, underwriting, post-IPO management, corporate advisory, portfolio management, research, and investor advisory services in the domains of Bangladesh's financial and capital markets. Additionally, the firm extends comprehensive investment solutions catering to those focused on savings and adhering to Shariah principles. These solutions are delivered through systematic investment plans and Shariah-compliant portfolio management services. The company employs a methodical investment approach to mitigate risks in the dynamic capital market and upholds a rigorous commitment to regulatory compliance and ethical standards. The firm is spearheaded by seasoned professionals operating under the guidance of industry veterans.

Chapter Two: About the Internship

Intern Role & Environment

Position: Intern - Portfolio Management and Operations

During my internship in the Portfolio Management and Operations division at Bangladesh Finance Capital, I had the remarkable opportunity to immerse myself in the vibrant realm of finance. In my capacity, I collaborated with the team on a spectrum of portfolio management tasks, operational intricacies, and financial analyses, all of which significantly contributed to the organization's overarching triumphs.

The ambiance within the precincts of Bangladesh Finance Capital is a blend of professionalism and synergy. Nestled within a contemporary workspace, the office cultivates an environment conducive to exploration, ingenuity, and teamwork. The array of state-of-the-art technological tools and resources empowers streamlined financial analysis, data administration, and communication. An open-door ethos prevails, fostering a dynamic exchange between interns and seasoned professionals. This platform not only fuels knowledge dissemination but also acts as a conduit for mentorship.

Mirroring the financial sector's dynamic pace, the work atmosphere at Bangladesh Finance Capital is invigorating and fast-moving. The ensemble comprises adept professionals who are not only approachable but also enthusiastic about shepherding interns on their learning expedition. The company's foundation rests on collaborative efforts and transparent communication, an approach that invites interns to pose queries, proffer ideas, and actively participate in projects.

Daily Job Responsibilities:

- **Analyzing Portfolios:** Aiding in the assessment of investment portfolios, including evaluating asset distribution, exposure to risk, and performance indicators.
- **Researching Markets:** Investigating diverse financial instruments, industries, and market trends to contribute insights for shaping investment approaches.
- **Managing Data:** Managing and structuring financial data, ensuring precision and entirety to facilitate well-informed decision-making.
- **Supporting Operations:** Assisting in operational assignments like settling trades, reconciling accounts, and verifying compliance adherence.
- **Generating Reports:** Compiling and preparing comprehensive reports on portfolio performance, market developments, and investment suggestions.
- **Teamwork:** Collaborating with cross-functional groups to ensure seamless portfolio operations and alignment with investment goals.
- **Learning Opportunities:** Engaging in educational sessions, workshops, and team meetings to enrich understanding of financial markets and tactics.
- **Software Proficiency:** Developing proficiency in financial software tools and platforms used for analysis, reporting, and portfolio administration.

My internship at Bangladesh Finance Capital offered me a holistic insight into the intricate workings of the financial sector, the nuances of portfolio management, and the pivotal role of teamwork in attaining investment objectives. This immersive experience served as a bridge between theoretical learning and

practical application, refining my analytical acumen and amplifying my connections within the finance domain.

Learning & Contributions:

During my tenure at Bangladesh Finance Capital, I garnered invaluable insights across a spectrum of financial operations. I delved into the intricacies of crafting portfolio statements, meticulously curating ledgers, and orchestrating seamless buy/sell orders for stocks. Moreover, I honed my finesse in furnishing customers with tax certificates and wealth certificates, thereby mastering the art of ensuring customer satisfaction.

My skill set expanded exponentially as I familiarized myself with the prerequisites for establishing Beneficiary or Blue SIP accounts, seamlessly inputting these details into the back office via the Capital software. My grasp of the DSE (Dhaka Stock Exchange) facilitated an adept comprehension of market trends and empowered me to navigate company analyses with finesse. In tandem, my adeptness with the MS Suite proved to be a valuable asset, as I adeptly organized sprawling datasets, tailored for research endeavors.

The enrichment journey of my internship also bore witness to the blossoming of new skills. I imbibed the art of dissecting a company's historical evolution, assimilating the intricate lexicon of the stock market, and navigating the intricate labyrinth of portfolio management and merchant banking, meticulously aligned with BSEC (Bangladesh Securities and Exchange Commission) guidelines. My proficiency in wielding Excel functions such as VLOOKUP and strategic value placements burgeoned, while my prowess in crafting impactful presentations was honed through intensive PowerPoint usage.

I made substantial contributions to the company during my tenure. My responsibilities included managing daily operational tasks like handling client deposits and withdrawals. I played an active role in promoting a novel product named PPM (Professionally Portfolio Management) among clients. To enhance efficiency, I organized client information related to Blue SIP and created an Excel dashboard for future reference. Leveraging Canva, I designed QIO notes for client engagement and developed PowerPoint presentations to highlight the company's strengths during interactions with prospective clients. I ensured timely provision of essential documents to clients, including acknowledgments, tax certificates, wealth certificates, portfolios, and ledgers. Additionally, I provided assistance to investment bankers by conducting data analysis and input for final reports.

Overall, my internship enabled me to put my financial knowledge into practical use and contribute effectively to the company's day-to-day operations. I refined my skills, deepened my comprehension of finance, and actively contributed to the company's growth and service excellence.

Academic-Experience Connection

The knowledge I gained through my coursework proved to be highly relevant during my internship at Bangladesh Finance Capital Limited. The subjects covered in my classes, such as Security Analysis Portfolio Management and Project Finance, closely mirrored the tasks I encountered at the company. Applying my understanding of risk assessment and differentiating between stocks, bonds, and securities proved valuable in carrying out my internship responsibilities.

My studies in Financial Markets & Institutions equipped me with insights into the distinctions between banking and other financial entities, which greatly aided my comprehension of the company's operations at Bangladesh Finance Capital. Additionally, the International Financial Management course provided me with essential skills in managing foreign exchange matters, a competence that proved crucial when the company engaged with international transactions.

Furthermore, my Banking and Insurance class furnished me with a strong foundational knowledge of insurance and banking, enhancing my overall grasp of the financial services sector and enabling me to contribute effectively during my internship.

Chapter Three: Self Reflection

Internship Likes & Dislikes

During my internship at Bangladesh Finance Capital, I was engaged in both the Portfolio and Operational departments. The experience had its positives and challenges.

The challenging aspect involved time management and some tasks lacking clear instructions. Sudden departures of colleagues occasionally added confusion. Additionally, there was a scarcity of culturally oriented recreational activities, and opportunities for relaxing outings were limited.

However, there were notable advantages. The knowledgeable colleagues I collaborated with were exceptionally supportive, freely sharing their insights and recommendations. Their guidance regarding personal growth proved invaluable. I also had the chance to take initiative and practice tasks independently, which significantly enhanced my learning.

Reflecting on my time at Bangladesh Finance Capital, I recognize a mix of positive and less favorable aspects. While certain elements like time management and cultural engagement posed difficulties, the mentorship and hands-on experience from admired professionals constituted the highlights of my journey there.

Self-Improvement & Organizational Utilization

Given more opportunities and time to practice tasks at home, I believe I could enhance my performance further. However, due to the commitments of report completion and providing tuition, this option isn't always feasible, leading to missed chances for improvement.

Regarding how the organization could optimize my potential, I recognize my proficiency in research. Utilizing my adept research skills could be advantageous. Additionally, involving me in graphic design projects could yield valuable outcomes. This dual approach would allow me to harness my creativity and abilities to make meaningful contributions to the organization's ongoing projects and endeavors.

Future Growth & Program Enhancement

As I think about my next job, there are a few things I want to keep getting better at. One is managing my time well, so I can do everything I need to do and still have time to improve my skills. I also want to work on not getting so nervous and ask more questions when I need help. Additionally, I want to get better at

doing research because I'm good at it and it can help me to contribute more. It's important for me to focus on analyzing things and being good at using Excel.

As for ways the organization's internship program could improve, I have some ideas. It would be helpful if they could teach us about another part of the company, like Bangladesh Finance Securities, and about the main company, Bangladesh Finance. This way, we'd get a better overall picture. Adding a bit of information about the trading part of the company would be interesting too. It might be better to start with easier tasks before diving into the main work. This way, we can learn step by step and do a great job.

Chapter Four: Personal Development Plan

Development Pathway

Currently, my primary objective is to enhance my proficiency in finance, particularly in comprehending financial analysis and research methodologies. To achieve this, I'm planning to actively participate in workshops and fintech events that combine finance and technology. This approach not only expands my knowledge but also enables me to network within the finance sector and stay updated on the latest industry trends. Building a robust professional network is a crucial aspect of my plan. Recognizing the significance of effective communication and leadership skills, I intend to enroll in courses to refine my public speaking abilities and leadership qualities.

In the immediate future, I'm determined to secure a position in the finance field, focusing on roles involving financial analysis and research. This would allow me to apply and refine the skills I've acquired. Over the next 3-5 years, I aspire to advance my career trajectory within the finance domain, taking on more challenging responsibilities. My overarching goal during this period is to establish a reputation for excellence in financial analysis and research.

When envisioning the more distant future, around 5-10 years down the line, I visualize myself occupying a leadership role in finance. This could entail positions like a manager, director, or even founding my own finance-oriented company. What remains paramount to me is the opportunity to assist organizations in making well-informed financial decisions.

Skill Enhancement

I'm dedicating substantial effort to enriching my proficiency in MS Suite through online courses. This commitment is pivotal as it furnishes me with skills essential for an array of administrative and data management tasks across diverse job roles. Furthermore, I'm venturing into the digital marketing domain to broaden my skill set. This newfound comprehension adds versatility to my capabilities, paving the way for opportunities in spheres related to online marketing and branding.

Elevating my expertise in data analysis tools like Excel and Tableau stands as a pronounced objective. These tools remain highly sought-after across industries, granting me the ability to efficiently process and decipher data. I'm investing substantial time in mastering Excel and refining analysis techniques. These competencies hold immense value for organizing data, recognizing patterns, and extracting insightful conclusions.

Proactively distributing my updated CV to research firms and multinational corporations constitutes a core strategy. This approach seeks to establish connections and delve into a broad spectrum of prospects. The prospect of a career within the telecommunications sector serves as a substantial source of motivation for me. I firmly believe that my skill set aligns seamlessly with the dynamics of this field.

To thrive within team environments, I'm diligently refining my collaborative aptitudes. Acknowledging the pivotal role of teamwork, I'm diligently developing into a pivotal team contributor. Given the rapid pace of evolution in our contemporary world, adaptability to emerging technologies and methodologies is indispensable. I'm wholeheartedly embracing change, nurturing an open-minded approach to remain pertinent.

Cultivating robust problem-solving abilities empowers me to confront challenges directly and devise efficacious solutions. Effective time management remains paramount, ensuring punctual completion of tasks, efficient multitasking, and the maintenance of a harmonious work-life equilibrium.

Upon graduation, my focus will shift towards embarking on the CFA program. This dedicated pursuit will arm me with specialized financial expertise, aligning with my fervent aspiration to excel in this domain.

PART B

Executive Summary:

Capital markets hold global significance as vital indicators of a nation's economic progress. Nonetheless, in the context of Bangladesh, despite substantial economic advancement in 2019, the country's capital markets encountered formidable obstacles, failing to accurately mirror its economic standing. This discrepancy eroded investor trust in their logical investment choices, culminating in unsatisfactory capital returns over time. Notwithstanding these hurdles, the past year witnessed substantial growth in Bangladesh's capital market, attracting a diverse spectrum of investors. Given the escalating intricacy and volatility of financial landscapes, comprehending investor conduct has emerged as a crucial pursuit. This study primarily aims to scrutinize the elements that influence investment decisions among Bangladeshi investors in the capital market and to delve into the influence of socio-economic variables on these determinants. In pursuit of this goal, we executed a questionnaire survey to gather data from urban stock investors within Bangladesh. Our study employed factor analysis to unearth pivotal determinants, including technical analysis, investment literacy training, investment consultancy, proximity to trade houses, mechanisms of insider trading, and macroeconomic variables, all of which wield influence over investment decisions.

Our inferential statistical analyses yielded fascinating insights. Gender disparities, for instance, emerged as influential in the realm of technical analysis. Educational attainment emerged as a formidable force shaping investment training. Moreover, the duration of investment tenure wielded a discernible impact on both fundamental and technical analysis. Remarkably, these factors exhibited a certain consistency across diverse occupational backgrounds and levels of investment training.

Our findings hold substantial implications for policy formulation. Addressing concerns tied to fundamental and technical analysis, alongside bolstering investment literacy, warrants particular attention. In essence, our study navigates the intricate labyrinth of investment choices, contextualized by the distinct attributes of the Bangladeshi capital market. By encapsulating the intricacies of investor decision-making, risk inclination, and the pivotal forces shaping investment preferences, we offer a beacon of illumination into the subject.

The bedrock of our endeavor is rooted in an exhaustive literature review, bolstered by a meticulously calibrated research methodology. This amalgamation begets a comprehensive and nuanced analysis of the subject matter. Culminating our exploration, we propose actionable recommendations. These recommendations encompass the augmentation of investor education, the amplification of market transparency, and the establishment of regulatory measures fostering an environment conducive to investment. Through these strategic initiatives, Bangladesh's capital market can aspire to fortify its resilience and allure, ultimately beckoning a broader spectrum of investors.

Chapter One: Introduction

NAVIGATING INVESTOR BEHAVIOR: A DEEP DIVE INTO BANGLADESH CAPITAL MARKET

Over time, the capital market in Bangladesh has undergone substantial expansion and advancement, drawing a diverse array of investors keen to explore varied investment prospects. As the nation's economy continues to flourish, the financial market emerges as a pivotal platform for both individuals and institutions, facilitating wealth generation and management. However, the triumph of investments within this realm isn't solely contingent on prevalent market conditions; rather, it significantly hinges on the choices and decision-making of the participating investors. The behavior exhibited by investors in the market holds a central role as it profoundly impacts market dynamics, asset valuations, and overall equilibrium. Grasping the elements shaping investors' decisions, their perception of risk, and their investment inclinations holds paramount importance, serving the interests of individual investors and market stakeholders alike. For investors, understanding their own actions empowers them to craft informed decisions that harmonize with their financial objectives and risk thresholds. Conversely, for market stakeholders encompassing regulators, policymakers, and financial institutions, comprehending investment behavior is instrumental in devising effective strategies that nurture market efficiency, safeguard investor welfare, and stimulate holistic market growth and advancement. By delving into the complexities of investment actions, the market can operate with greater coherence, catering to the requisites of all participants and nurturing an environment conducive to sustained progress.

Research Objective:

While conventional finance theories posit that investors make decisions based on rationality, the empirical reality often contradicts this assumption. Psychological biases frequently disrupt this rational trajectory, leading to deviations in decision-making. This phenomenon was illuminated by the pioneering work of Kahneman and Riepe (1998). This intriguing dance between rationality and psychological sway is a global phenomenon, transcending borders and manifesting even in the financial landscape of Bangladesh. The impact of behavioral biases has, at times, contributed to significant market downturns, as documented by Khan et al. (2015). In a backdrop where Bangladesh emerges as an economy in ascent, with a capital market that is focal and dynamic, the exploration of these behavioral irregularities assumes paramount importance. This endeavor aligns seamlessly with the realm of behavioral finance, as emphasized by Islam et al. (2018). It is within this juncture that the study of behavioral anomalies becomes not only pertinent but also pivotal.

Background of the Study:

An effective and efficient capital market stands as a pivotal pillar of any economy, furnishing entrepreneurs with sustained funds that spur rapid economic advancement. Nevertheless, the capital market within Bangladesh grapples with challenges, including speculative practices and a lack of transparency stemming from inadequate regulatory mechanisms. Historically, the nation's financial sector heavily leaned on banks, with divergent perceptions among the public regarding the risks associated with the capital market, deterring numerous potential investors. Around the mid-1990s, the market displayed encouraging growth, capturing the attention of the populace. However, an abrupt surge in the market eventually led to a bubble, which burst in 1997, resulting in significant losses for countless investors. This incident created an enduring hesitancy to invest for nearly a decade. Regulatory entities intervened to stabilize the market, introducing fresh issuances and modernizing trading frameworks. While this effort led to renewed growth, it inadvertently culminated in another market bubble in 2010, causing substantial losses for millions of investors. The regulatory bodies' inability to proactively address and mitigate the situation, as well as their failure to avert the bubble's consequences, contributed to economic instability. The recent abnormal volatility experienced within Bangladesh's capital market has adversely impacted a multitude of investors, necessitating a thorough investigation into the underlying factors.

Capital Market of Bangladesh: Overview

The role of Bangladesh's capital market is central to the nation's economic progress and advancement. It serves as a crucial avenue for companies and the government to raise funds by issuing securities, simultaneously affording individuals and institutions opportunities for investment. Acting as a vital bridge between savers and investors, the capital market expedites the efficient allocation of financial assets within the economy.

Key Components of the Capital Market:

- **Stock Exchanges:** Within Bangladesh, the financial landscape is graced by two prominent stock exchanges - the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). These revered platforms constitute the epicenter of trading activities, standing as the foremost arenas for the exchange of shares belonging to companies listed within their purview.
- **Securities:** The canvas of Bangladesh's capital market is adorned with a diverse array of securities, each resonating with unique risk-reward dynamics. Among these, the prominent offerings encompass stocks (commonly referred to as equities), bonds, and mutual funds. These varied instruments present investors with an eclectic spectrum of risk and return profiles, adeptly tailored to align with their distinct investment aspirations and objectives.
- **Regulatory Authorities:** Oversight of the capital market falls under the jurisdiction of the Bangladesh Securities and Exchange Commission (BSEC), responsible for upholding equitable practices, safeguarding investor interests, and maintaining market credibility.
- **Investor Profiles:** The capital market draws diverse categories of investors, including retail individuals, institutional entities, foreign stakeholders, and participants in mutual funds.

Market Structure and Instruments:

The capital market of Bangladesh exhibits a vibrant interplay between two fundamental realms: the primary market and the secondary market. Within the primary market, companies set their sails on the journey of

issuance, unveiling new securities through avenues like initial public offerings (IPOs) and rights issues. On the flip side, the secondary market serves as a dynamic stage, offering investors the theater to engage in the trading of existing securities.

The key instruments available in the capital market are:

a) Stocks: Listed enterprises' common and preferred shares come alive within the vibrant stage of stock exchanges. Here, investors immerse themselves in the ebb and flow of ownership acquisition and dividend accrual by engaging in the purchase and sale of these shares.

b) Bonds: Corporate bonds and government bonds form a distinct narrative within this financial tapestry, fostering fixed-income investment prospects. They orchestrate a symphony of regular interest payments and a climactic return of principle upon maturity.

c) Mutual Funds: The realm of mutual funds adds a layer of intrigue, where pooled resources from numerous investors metamorphose into a diversified portfolio of securities. The orchestra of investment is deftly conducted by professionals, furnishing investors with a managed and diversified avenue for their investment pursuits.

Investment Behavior and Challenges:

The way investors act in Bangladesh's capital market is molded by a medley of factors. These include the sway of market sentiment, the ebb and flow of macroeconomic landscapes, shifts in regulations, and the currents of global economic tides. But the tapestry doesn't end there. The prism of risk and return perception, along with the availability of information, holds considerable sway over the choices investors make.

However, this arena is not without its trials. The capital market grapples with challenges, like the tempestuous waves of market volatility, the dearth of investor awareness and education, a veil of insufficient transparency, and perturbations in corporate governance. To chart a course toward a robust and thriving capital market that allures both local and international investments, it becomes vital to address these challenges head-on.

Research Question:

This study is fueled by a central research question: What shapes the investment behaviors of capital market investors in Bangladesh, and what elements sway their choices? The goal of this report is to delve into this question by embarking on a comprehensive exploration. We'll dive deep into the intricate tapestry of investor inclinations, uncovering their preferences and objectives. Furthermore, we'll navigate the realm of market sentiment and how it weaves its influence into the intricate fabric of investment decisions. This report serves as a guiding light, illuminating the path to unraveling the fascinating world of investor behaviors and the myriad factors that guide their choices within Bangladesh's capital market.

Chapter Two: Methodology

Literature Review:

The traditional principles of finance suggest that investors base their trading strategies on their willingness to take risks and their expected returns. However, recent research challenges this idea, showing that investors often display unconventional behavior that goes against established investment norms. These deviations can be attributed to a range of factors contributing to these anomalies. Previous studies focusing

on the determinants of investment behavior within the context of global stock markets have yielded interesting findings. Merikas et al. (2004) highlight the influence of wealth maximization as a conventional objective guiding investors' trading behavior. Their study emphasizes factors like company accounting data, financial needs, personal perceptions, external recommendations, and personal information. Existing literature supports these findings by shedding light on the key factors that shape investment decisions. These factors encompass elements like accounting information (Merikas et al., 2004; Afroze et al., 2015), dividend growth (Balke & Wohar, 2006), inflation and interest rates (Al-Qenae, 2002), financial literacy (Al-Tamimi & Kalli, 2009), macroeconomic conditions (Tsoukalas, 2003), earnings per share (Bhatt & Sumangula, 2012), political situations (Bennet & Selvam, 2011), as well as long-term growth, high returns, and post-retirement income (Kumar & Sriram, 2018). Together, these factors significantly influence investors' decision-making processes. Further exploration conducted by Rashid et al. (2009) focuses on factors specifically affecting the investment choices of Bangladeshi investors. Their study identifies critical determinants like inflation rates, company efficiency (macroeconomic factors), ease of transaction execution, transaction costs, access to industry and company data, quality of information, and prior investment knowledge. The research by Husain et al. (2012) emphasizes the importance of specific company attributes in shaping investment decisions. Notably, factors like Net Asset Value (NAV), financial data, reputation, advertisements, ownership constituents, and personal financial requirements play a significant role in influencing investor preferences. Al-Tamimi's study (2006) on UAE capital markets highlights the prevalence of individual factors in investment decisions. Factors such as past stock performance, expected earnings, stock market liquidity, wealth aspirations, structured financial markets, and government holdings are identified as key driving forces. Joshi, Khusboo, and Desai (2011) reinforce this idea by highlighting the influence of company financial performance, long-term trends, attitudes toward the stock market, bonus share offerings, cash dividends, company reputation, and stock market movements. In this dynamic context, Chong and Lai (2011) emphasize that investment decisions are affected by factors like historical stock performance, recent price shifts, and the industry reputation of an organization. Ahmed (2017) identifies corporate earnings, dividends, historical performance, and financial statement analysis as dominant factors among a multitude of variables affecting investment choices. Williams (2007) delves into a unique aspect, indicating that investors consider social and environmental practices when making investment decisions. Sevil et al. (2007) challenge traditional finance theory by providing compelling evidence that investor decisions are influenced by emotions, deviating from rationality. The field of behavioral finance has gained traction due to the observed disparities between investor behavior and traditional market efficiency theories. The presence of behavioral biases among individual investors (Kim & Nofsinger, 2008) underscores the impact of psychological aspects on investment decisions. Kadariya et al.'s (2012) study on the Nepalese Capital market highlights the role of both tangible and intangible information, capital structure, and pricing methods. This research demonstrates a positive relationship between investment decision-making and factors such as the political environment, media coverage, belief in luck, trend analysis, and financial education. The Chittagong Stock Exchange study by Sarbabidya & Saha (2018) identifies factors including risk, stockholders' attitude, earnings per share (EPS), political instability, and macroeconomic variables as influencing investment decisions. Khan et al. (2015) emphasizes the effects of market, economic, and hedging factors. Focusing on specific regional contexts, Rahman & Hossain (2021) concentrate on individual investors in the Bangladesh stock market, revealing risk perception, investment experience, financial literacy, and market volatility as crucial determinants. Farhana & Siddik (2020) explore the impact of behavioral biases on Bangladeshi individual investors, uncovering the influence of overconfidence, herding behavior, and loss aversion. Ahmed & Sultana (2019)

delve into the impact of individual investor participation on market volatility in Bangladesh. Investigating retail investors, Sarker & Rahman (2018) scrutinize investment preferences, demonstrating that investment horizon, diversification, and risk appetite are key factors. Kabir & Rahman (2017) echo this sentiment by probing the connection between behavioral finance concepts and stock market decisions. The role of demographic and socioeconomic factors is highlighted by researchers such as Bajtelsmit and Bernasek (2001), Collard (2009), Aren & Aydemir (2015), and Obamuyi (2001). Geetha & Ramesh (2012) reveal age, gender, education, income, occupation, family size, and savings as influential. Metawa et al. (2019) connect age, gender, education, and experience to investment decisions.

To wrap up, the extensive exploration of investment behavior has illuminated the intricate web of factors that sway decisions in the stock market. While traditional financial theories advocate rational choices based on risk and returns, alternative research has brought to light behavioral biases and non-standard investment patterns. This expanding body of knowledge emphasizes the importance of delving into the drivers shaping investors' selections—ranging from the technical to the psychological.

Yet, a gap persists in understanding how cultural and regional nuances weigh in on investment behavior, especially within Bangladesh's stock market. Prevailing research often leans on global findings, leaving room to investigate how Bangladesh's distinct cultural elements might mold decision-making.

Moreover, the dynamic relationship between technology and investment decisions presents another avenue to explore. As online platforms, robot-advisors, and algorithmic trading redefine the landscape, it becomes pivotal to grasp how these digital advancements transform investors' behavior and strategies.

Type of Research

The research work titled "Navigating Investment Behavior" employs a fusion of descriptive and exploratory research techniques. This endeavor involves engaging 50 participants in a survey designed to unearth insights about their demographics, investment tactics, behaviors, and risk tolerance levels.

The descriptive facet of this research takes shape in its meticulous focus on amassing intricate data regarding participants' attributes—ranging from age and education to occupation and professional background. This information confluence offers a panoramic glimpse into the diverse demographic tapestry of the participants. Furthermore, the survey delves into a spectrum of investment strategies and choices embraced by these participants, thereby painting a vivid picture of their investment journeys. At the same time, the research narrative welcomes an exploratory spirit, elegantly woven into the very fabric of the survey. Concurrently, the research encompasses facets of exploratory analysis within the structure of the survey. The research design is geared towards gaining a more profound understanding of the relationships and trends among various variables. By delving into the potential impact of demographic factors on investment strategies and behaviors, the study seeks to unveil the intricate interplay of these factors. Furthermore, through the examination of risk tolerance in conjunction with investment choices, the research aims to uncover insights into participants' preparedness to embrace risks within their investment undertakings.

Research design

The research methodology employed in the study titled "Navigating Investment Behavior" adopts a mixed-methods approach, encompassing both qualitative and quantitative techniques. This choice was deliberate, aiming to ensure a comprehensive exploration of the intricate facets inherent in participants' investment behaviors and profiles.

The quantitative facet is evident through the survey's structure and the incorporation of close-ended questions, facilitating the acquisition of numerical data. Participants are prompted to select specific response choices pertaining to their demographic particulars, investment strategies, and levels of risk tolerance. This quantitative methodology streamlines statistical analysis and the identification of trends and patterns.

Conversely, qualitative research is integrated through open-ended questions embedded within the survey. These queries encourage participants to provide detailed explanations and insights regarding their investment choices, behaviors, and attitudes towards risk. This qualitative approach to data collection fosters a deeper understanding of the underlying motivations and cognitive processes driving participants' decisions.

Data Collection (Survey Questionnaire):

The principal avenue for gathering data in this study involves a meticulously structured survey questionnaire. This questionnaire is meticulously crafted to glean quantitative insights into investors' preferences, how they perceive risk, their investment goals, and the intricate dance of their decision-making processes. The questionnaire seamlessly blends closed-ended queries and the Likert scale, an approach meticulously chosen to streamline data analysis and interpretation. This digital questionnaire makes its way to a serendipitous selection of individual investors, forming a randomly selected sample.

This dynamic questionnaire covers a gamut of investment behavior dimensions. It captures individual preferences spanning stocks, bonds, mutual funds, and more. It peels back the layers of investment time horizons, risk thresholds, and sources of information. This journey delves into the labyrinth of factors sculpting investment choices. Moreover, it ventures into the very realm of market sentiments and the reverberations of recent economic events, casting a spotlight on how they influence the investment path.

The insights amassed through this survey questionnaire don't simply reside as raw data. They evolve into a symphony of analysis. Statistical tools such as descriptive statistics and inferential analysis are carefully wielded to extract meaning from this data orchestra. And this narrative is not confined to a solitary chapter—it flourishes in subsequent chapters, weaving a comprehensive tableau of investor behaviors within Bangladesh's capital market. The methodology etched within this chapter is underpinned by rigor and a quest for validity. It crafts a robust foundation for the research journey, fostering a rich and multifaceted analysis of investor behaviors within the landscape of Bangladesh's capital market.

Chapter Three: Findings and Discussion

Current Situation of Capital Market:

The recent upswing in the Dhaka Stock Exchange (DSE) can be attributed to the improved economic outlook of Bangladesh. The projected increase in the country's GDP growth is expected to boost company earnings and reinforce investor confidence. Additionally, the government has taken steps to strengthen the regulatory framework overseeing the capital market, making it more appealing to potential investors.

However, amid this positive outlook, there are certain risks that could potentially disrupt the current positive momentum. One concern revolves around the possibility of the market being overvalued. Currently, the DSEX index is trading at a price-to-earnings ratio exceeding 20, historically indicating a high level. This suggests that investors are paying a premium for each unit of earnings, and if these earnings don't materialize as expected, the market could experience a significant decline.

Another potential risk is related to how the government manages inflation through a tighter monetary policy. This could result in higher interest rates, increasing borrowing costs for businesses and potentially affecting corporate profits, which in turn could impact investor confidence.

In conclusion, the state of Bangladesh's capital market presents both positive factors and potential challenges. It is advisable for investors to carefully assess both the risks and potential rewards before considering involvement in Bangladesh's capital market.

The capital market in Bangladesh is confronted with several notable challenges:

- **Insufficient Transparency and Disclosure:** Many companies listed on the stock exchanges fail to provide adequate information regarding their financial performance and operational activities. This deficiency in transparency complicates the decision-making process for investors seeking to make informed choices.
- **Fragile Corporate Governance:** Instances of fraud and mismanagement exhibited by listed companies have eroded investor confidence in the capital market. This underscores the necessity for enhanced corporate governance measures.
- **Undercapitalization:** A significant number of listed companies grapple with undercapitalization, rendering them susceptible to financial pressures. This vulnerability could lead to instances of debt defaults and a subsequent decrease in the value of shares.
- **Elevated Transaction Costs:** The costs associated with trading shares on the stock exchanges are steep, dissuading potential investors from actively participating in the capital market.

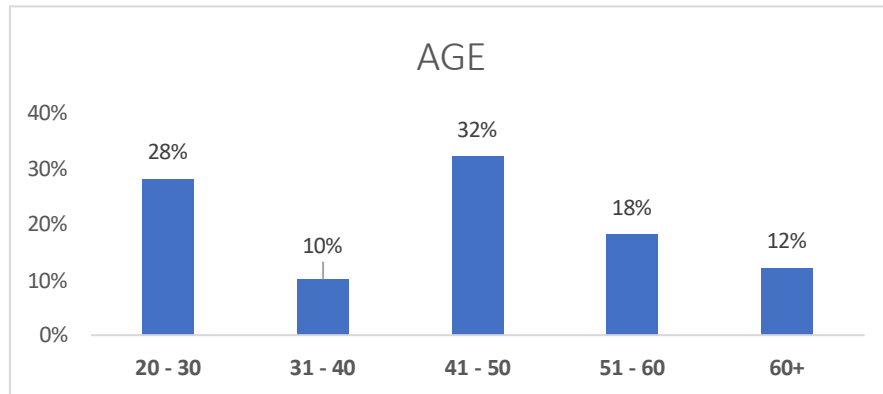
While endeavors are being undertaken by the government and the Securities and Exchange Commission (SEC) to tackle these challenges, the process of establishing a more transparent, efficient, and attractive capital market in Bangladesh necessitates a substantial investment of time and resources.

Analysis on investment behaviors:

Given the current context, gaining insights into investor behavior in the realm of investment holds significant relevance. In light of this, I conducted a survey to delve into the decision-making processes of investors participating in the Bangladesh capital market. The survey was structured into five distinct sections, namely demographic particulars, investment behaviors, investment strategies, investors' disposition towards risk tolerance, and finally, by establishing correlations between investment choices and

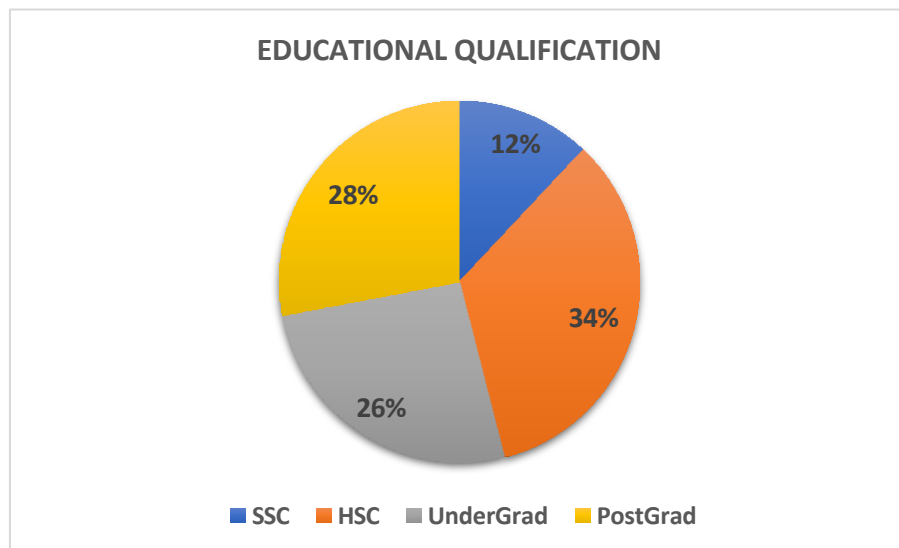
the risk-taking attitude exhibited in investors' profiles. The ensuing paragraphs outline the discoveries I made through this study:

A. Demographic Information:



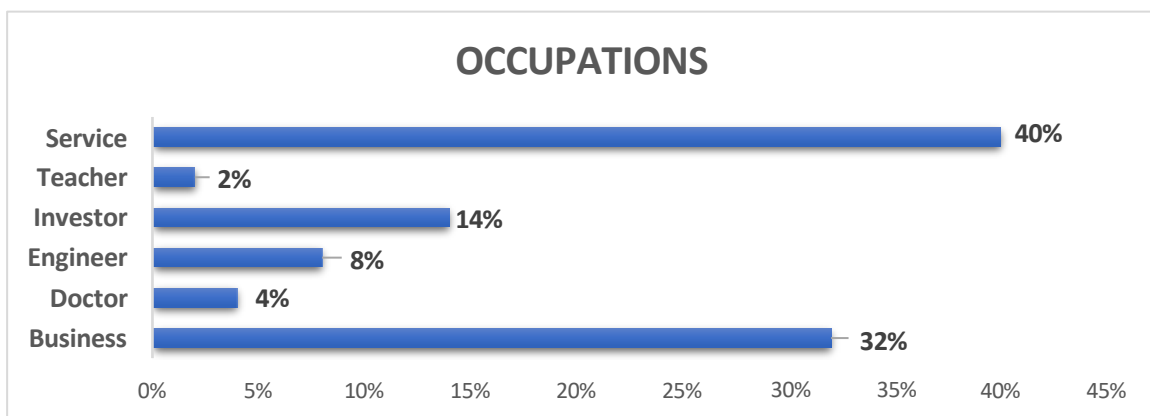
[Figure 1: Age of participants](#)

The furnished data illustrates the breakdown of participants across various age brackets within the survey. Significantly, the age range of 41 to 50 exhibits a prominent presence, constituting the largest share at 32%. This suggests considerable involvement of individuals within their prime working years, who are potentially actively exploring investment prospects. Additionally, the cohorts of 20 to 30 and 51 to 60 each contributed 28% and 18%, respectively, signifying a well-balanced mixture of younger and middle-aged participants, as well as those nearing or in retirement. The 31 to 40 age range accounts for 10%, indicating a relatively smaller representation of respondents in this category. The 60+ age group encompasses 12%, underscoring a notable engagement from older individuals who maintain an interest in matters pertaining to investment. Collectively, this diverse distribution across age groups yields comprehensive insights into how distinct demographic segments engage with investment choices, thereby fostering a nuanced comprehension of the investment landscape within Bangladesh's capital market.



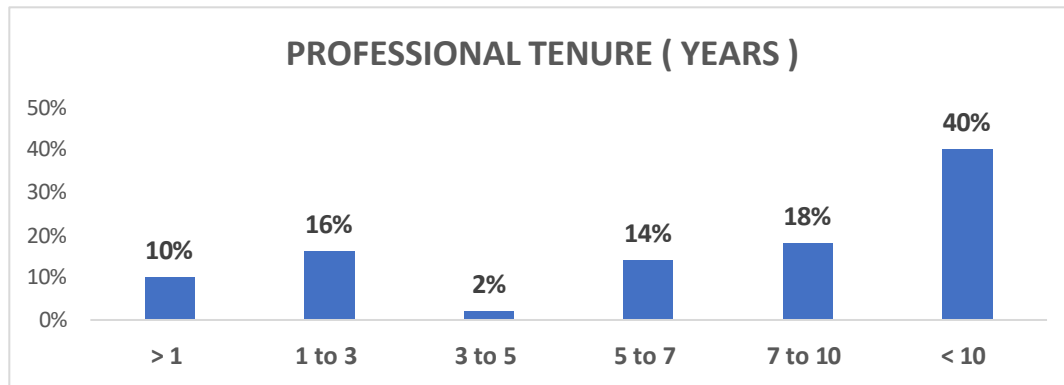
[Figure 2: Educational Qualification of participants](#)

The presented data elucidates the educational composition of respondents within the survey. Noteworthy is the substantial representation of individuals holding a Higher Secondary School Certificate (HSC), constituting the largest cohort at 34%. This underscores a significant presence of participants with education at the secondary level. In close succession, those with Undergraduate (UnderGrad) and Postgraduate (PostGrad) degrees contribute 26% and 28% respectively, portraying a well-balanced engagement encompassing individuals with varying degrees of higher education. The Secondary School Certificate (SSC) group accounts for 12%, indicating a comparatively smaller segment of participants holding this qualification. In essence, these observations underscore the breadth of educational backgrounds among respondents, with a prominent proportion possessing advanced degrees. This data furnishes insightful perspectives into how distinct educational levels may influence investment behavior and decision-making patterns.



[Figure 3: Occupations of participants](#)

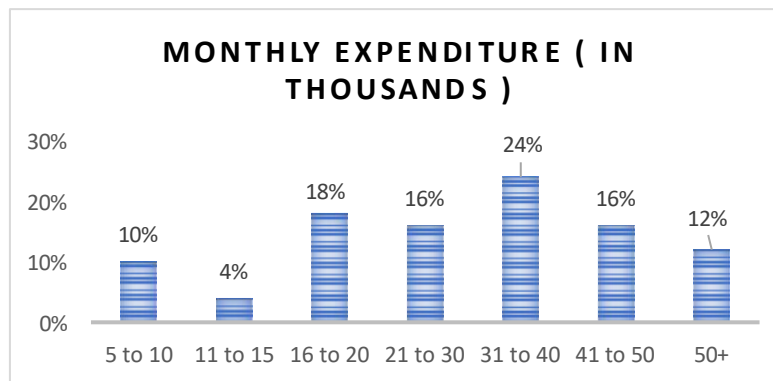
The provided data offers a glimpse into the array of occupations held by respondents in the survey. Of particular note is the substantial representation of individuals employed in business, constituting the largest portion at 32%. This substantial figure suggests a noteworthy presence of entrepreneurs or professionals in the business sector. Occupations of doctors and engineers, constituting 4% and 8% respectively, signify smaller groups, but their inclusion remains significant. Respondents identifying themselves as investors account for 14%, indicating a considerable number of actively engaged investors. Teachers comprise 2%, indicating a lesser presence from the education sector. An intriguing observation is the prevalence of individuals in service-related roles, forming the largest category at 40%, pointing to a strong engagement from this occupational segment. In essence, this diverse range of professions provides valuable insights into how various occupational backgrounds might correlate with investment behaviors and decision-making tendencies.



[Figure 4: Professional Tenure of participants](#)

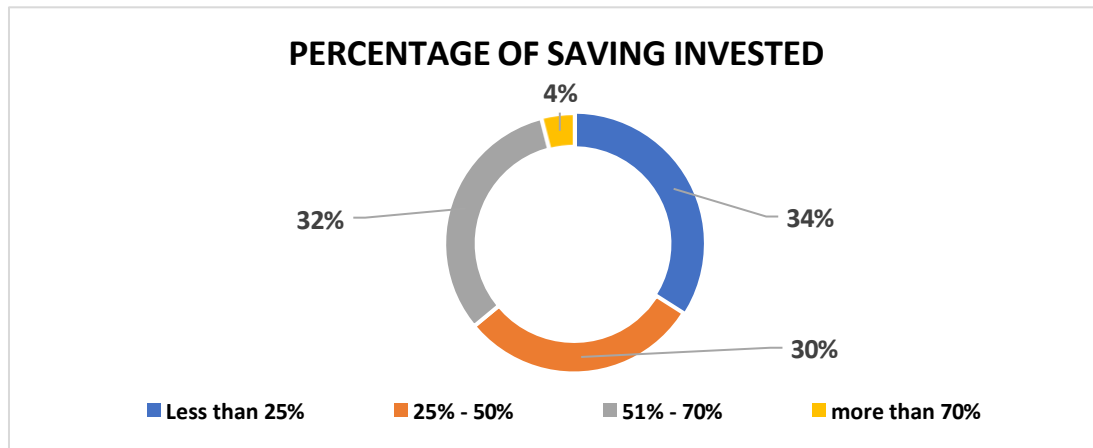
The data provides valuable insights into the tenure of participants in their current job roles. Notably, a substantial 40% of respondents have spent less than a decade in their current positions, indicating a considerable proportion of individuals who are relatively new to their roles. Additionally, 18% have accumulated 7 to 10 years of experience, while 14% fall within the range of 5 to 7 years. Smaller yet noteworthy groups encompass those with 1 to 5 years of experience (16%), 3 to 5 years (2%), and a further 10% with merely 1 year of experience. In summary, this diverse spectrum of job tenures enhances our comprehension of how varying levels of experience might influence investment behavior among the surveyed participants.

B. Investment Behaviors:



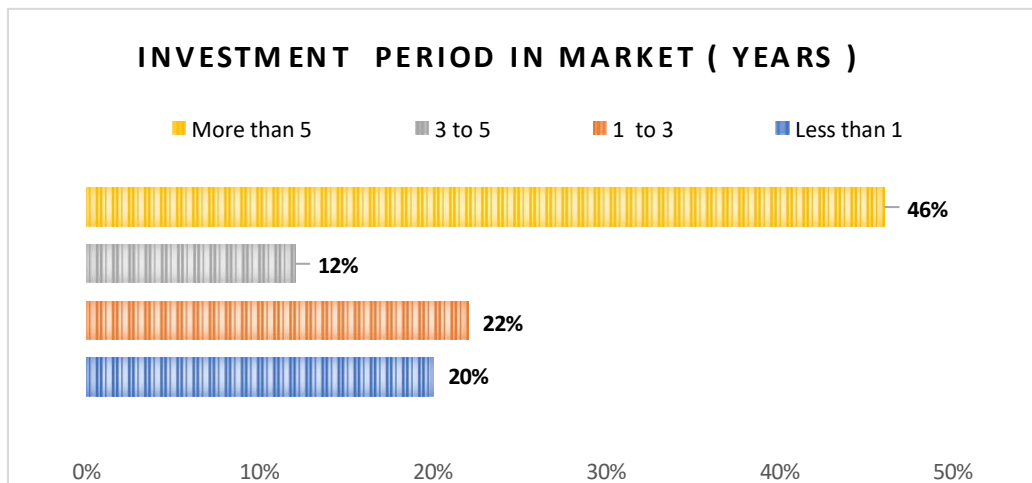
[Figure 5: Monthly Expenditure in thousands of participants](#)

The provided information illustrates participants' monthly spending patterns, categorized into different ranges. The largest segment, accounting for 24%, falls within the 31 to 40 thousand range, indicating a substantial number of individuals in this spending category. Additionally, 18% and 16% fall within the 16 to 20 thousand and 21 to 30 thousand ranges, respectively, showcasing considerable portions with moderate spending habits. There are smaller yet notable groups consisting of individuals spending 41 to 50 thousand (16%) and those spending 50+ thousand (12%). The lower spending ranges, namely 5 to 10 thousand and 11 to 15 thousand, comprise 10% and 4% respectively. Overall, this diverse overview of spending habits underscores the connection between expenditures and investment behavior among the respondents.



[Figure 6: Percentage of savings invested of participants](#)

The data representation offers a glimpse into the allocation of participants' savings within the capital market. Particularly noteworthy is the largest group, comprising 34%, which invests less than a quarter (25%) of their savings in the market. Additionally, a considerable 32% allocate their funds within the range of 51% to 70%, while 30% choose to invest between 25% and 50%. A smaller but significant contingent of 4% directs more than 70% of their savings towards investments. This data provides valuable insights into the strategic decisions participants make regarding their savings allocation within the market, shedding light on the intricate relationship between savings and investment preferences among the surveyed individuals.



[Figure 7: Investment period in market of participants](#)

The data provided offers an overview of the investment durations chosen by participants, categorized by the number of years. Significantly, the largest segment, accounting for 46%, represents individuals who have engaged in investments for over 5 years, highlighting a pool of seasoned investors. Furthermore, 22% of respondents indicate investment durations ranging from 1 to 3 years, while 20% have a track record of less than 1 year. A minor proportion of 12% falls within the 3 to 5-year range. This dataset presents a diverse spectrum of investment time limits among participants, imparting insights into the correlation between experience and investment behavior within the surveyed cohort.

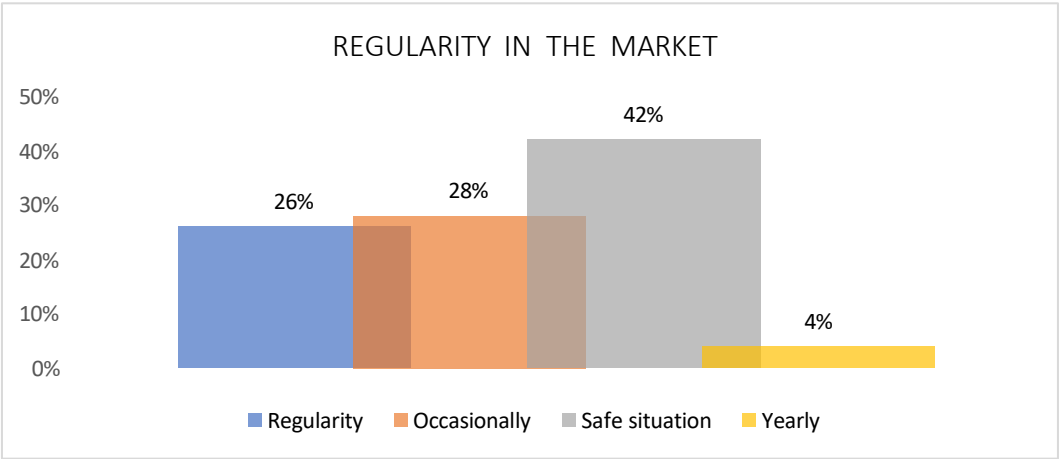


Figure 8: Regularity in the market of participants

The data presented offers an insight into participants' market interaction patterns categorized by their engagement levels. Significantly, the majority, accounting for 42%, exhibit a preference for investing during secure periods, indicating a cautious strategy. Furthermore, 28% of respondents fall under the category of occasional investors, while 26% engage in regular investments. A smaller subset of 4% opts for annual investments. This dataset exposes a varied spectrum of investment engagement preferences among participants, providing valuable insights into the relationship between engagement levels and investment behaviors within the surveyed cohort.

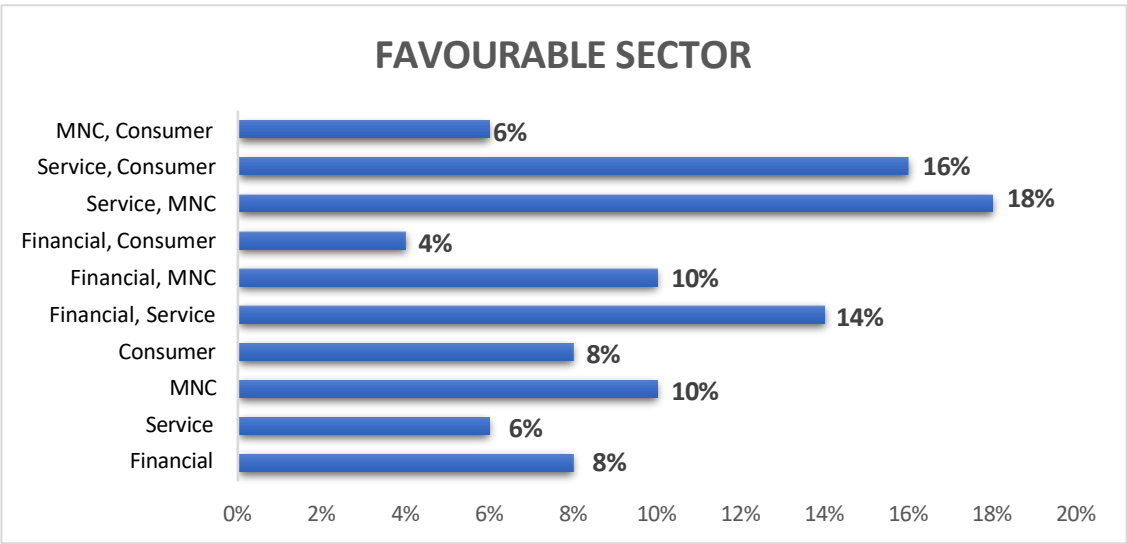
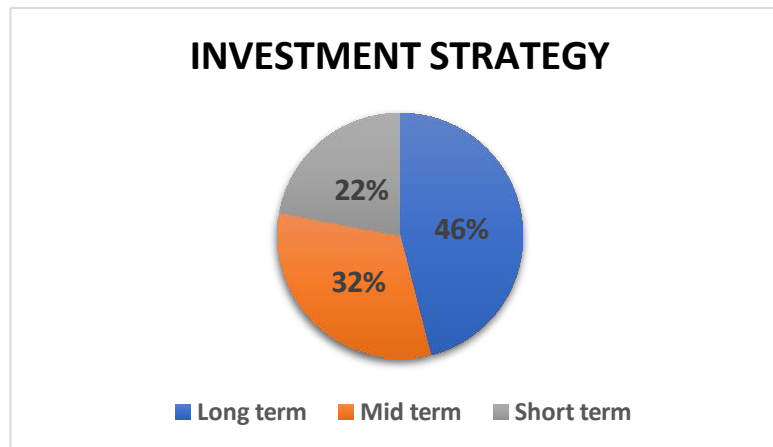


Figure 9: Favorable sector of participants

The provided data presents participants' preferred investment sectors, revealing their inclinations. Notably, the most prominent choice is the combination "Service, MNC," constituting 18% of responses. This underscores a significant proportion of participants expressing interest in investing in service-oriented multinational corporations. Furthermore, the sectors "Service, Consumer" and "Financial, Service" both hold positions at 16% and 14%, respectively, indicating substantial attraction to these sectors. The "MNC, Consumer" and "Financial, MNC" sectors each garner favor from 10% of respondents, while the individual "Consumer" and "Financial" sectors stand at 8% and 4%, respectively. Notably, the "Service" and "MNC"

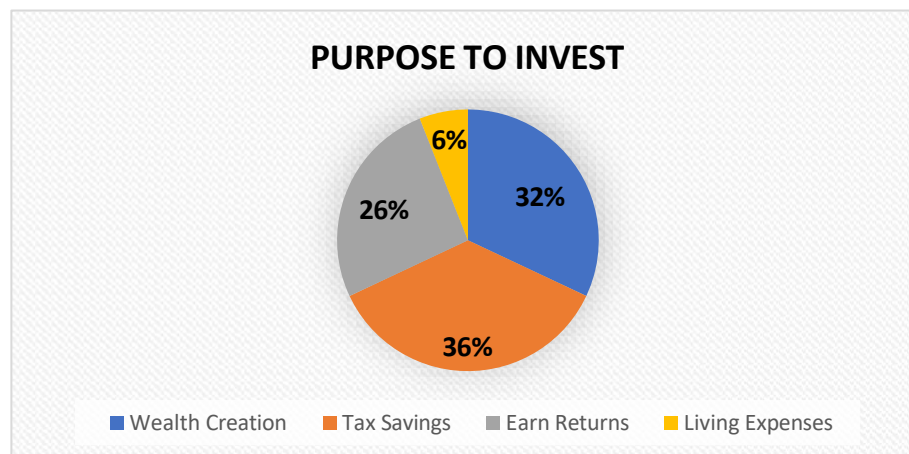
sectors, considered separately, each capture 6% of preferences. This dataset provides valuable insights into the sectors that participants prefer for investment, particularly emphasizing the appeal of service-related multinational corporations and sectors combining service and financial aspects.

C. Investment Strategy



[Figure 10: Investment Strategy of participants](#)

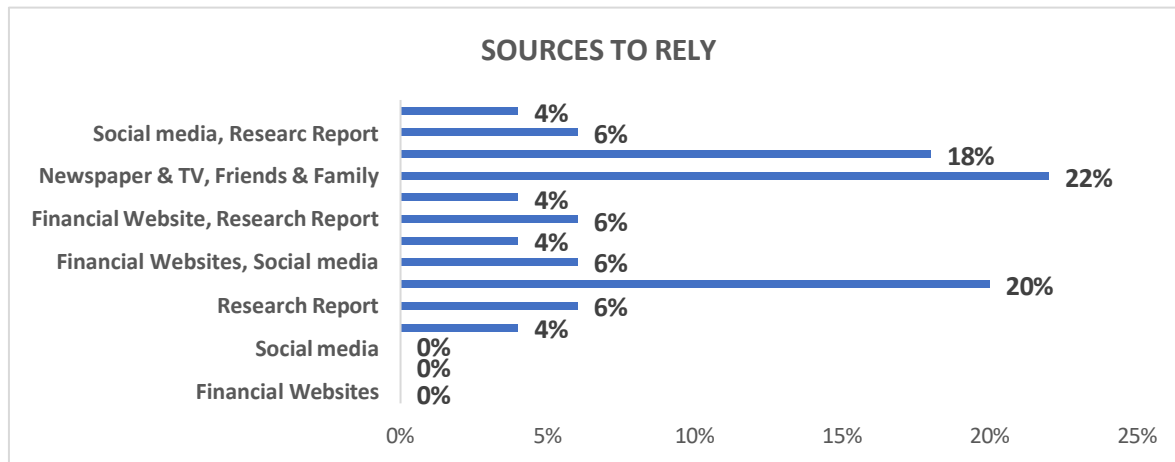
The provided data offers insights into participants' preferred investment strategies categorized by timeframes. Notably, a significant majority, constituting 46%, opt for a long-term approach, indicating a considerable portion of individuals favoring patient and prolonged investment strategies. Furthermore, 32% of respondents express a preference for a mid-term strategy, while 22% lean towards short-term investments. This dataset sheds light on the variety of strategies embraced by participants, with particular emphasis on the prominence of long-term investment approaches. These findings contribute to our comprehension of participants' investment planning and decision-making processes.



[Figure 11: Purpose to invest in market](#)

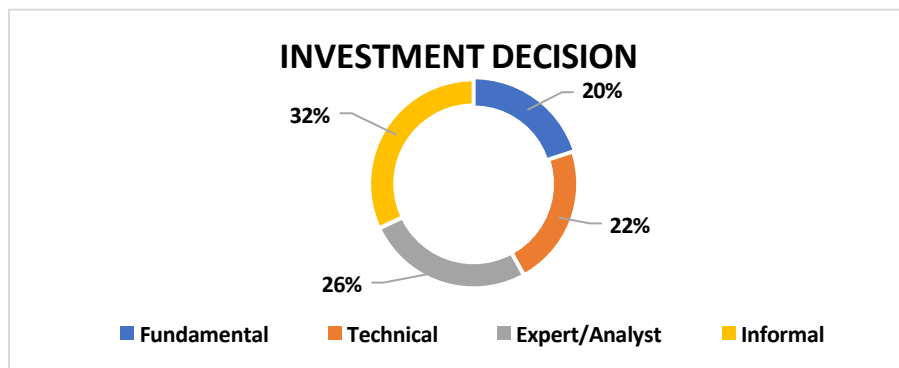
The provided data provides valuable insights into the motivations behind participants' investments, categorized by their goals. Remarkably, the most significant group, comprising 36%, invests for the purpose of tax savings, signifying a considerable portion of individuals aiming to optimize their tax liabilities.

Additionally, 32% of respondents invest with the goal of creating wealth, indicating a substantial number focused on accruing financial assets. Furthermore, 26% invest primarily in returns, with the objective of increasing their invested capital. A smaller segment, constituting 6%, invests to cover their living expenses. This data set underscores the diversity of investment motivations among participants, with particular attention to the prominence of tax savings and wealth creation. These findings provide valuable insights into the driving factors behind individuals' investment choices.



[Figure 12: Sources to rely](#)

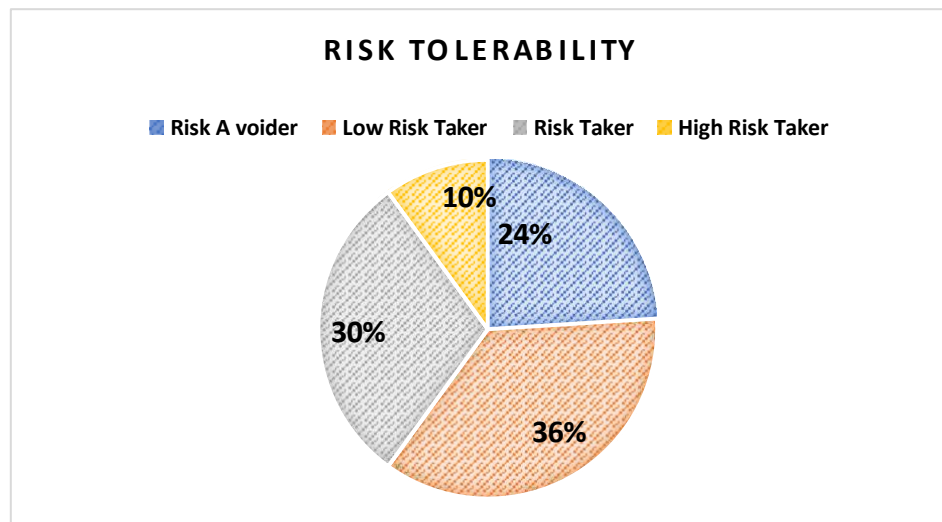
The provided data offers an insightful perspective on the diverse sources from which participants gather investment-related information, categorized by their choices. Notably, the highest percentage, amounting to 22%, places trust in a combination of "Newspaper & TV" and "Friends & Family," highlighting a significant reliance on traditional media outlets and personal connections. Additionally, 20% of respondents exclusively rely on "Friends & Family," underscoring a strong inclination towards recommendations from trusted individuals. Furthermore, 18% of participants turn to both "Social media" and "Market forums," indicating active engagement with online platforms for investment insights. Interestingly, "Financial Websites," "Newspaper & TV," and "Social media" each recorded a preference of 0%. This data delineates a diverse spectrum of information sources, with a noticeable emphasis on personal networks and traditional media sources, as well as a considerable involvement in online platforms. These findings provide valuable insights into the varied avenues through which participants acquire investment-related information.



[Figure 13: Investment Decision of participants](#)

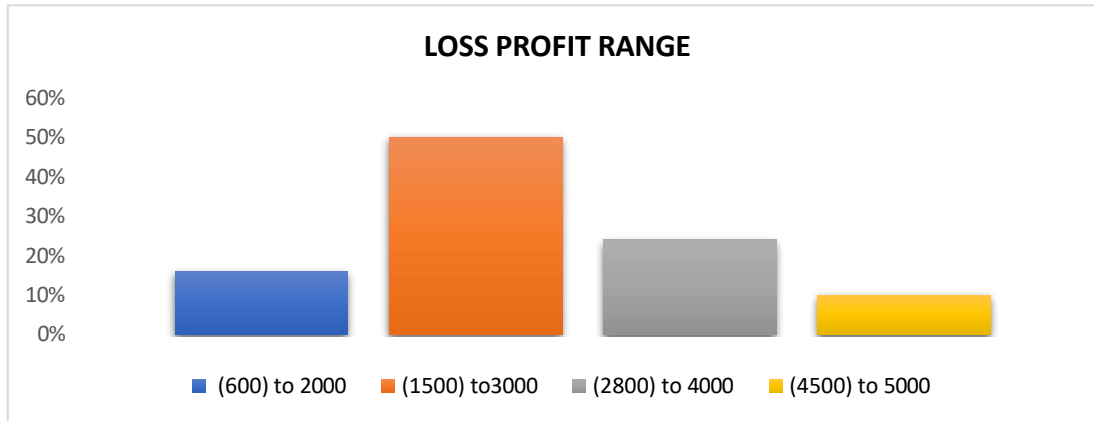
The data paints a vivid picture of diverse methodologies embraced when making investment decisions. Among respondents, the "Fundamental" approach garners favor from 20%, signifying a penchant for delving into a company's financial health and performance. Simultaneously, 22% lean towards a "Technical" analysis, homing in on the intricate dance of stock price patterns. An intriguing revelation emerges as 26% place their trust in the counsel of "Expert/Analyst" voices for guidance in their investment journey. Noteworthy is the chunk of 32% who gravitate towards an "Informal" approach, hinting at the role personal networks or informal channels play in shaping their investment choices.

D. Risk taking attitude:



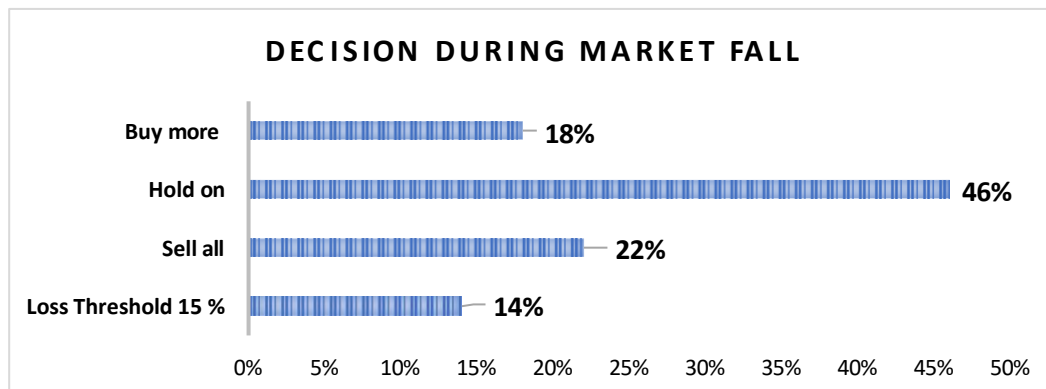
[Figure 14: Risk Tolerability of participants](#)

The data provides a glimpse into participants' comfort levels regarding risk within their investments, as gauged by their risk tolerance levels. It's worth noting that the largest segment, accounting for 36%, are inclined towards being "Low Risk Takers," indicating a substantial contingent that gravitates towards more secure investment avenues. In parallel, a robust 30% characterize themselves as "Risk Takers," unveiling a notable portion willing to embrace a moderate level of risk. Adding to this panorama, 24% label themselves as "Risk Avoiders," while a more modest 10% embrace the label of "High Risk Takers," showcasing a smaller but still significant preference for ventures carrying higher risk.



[Figure 15: Loss Profit Range of participants](#)

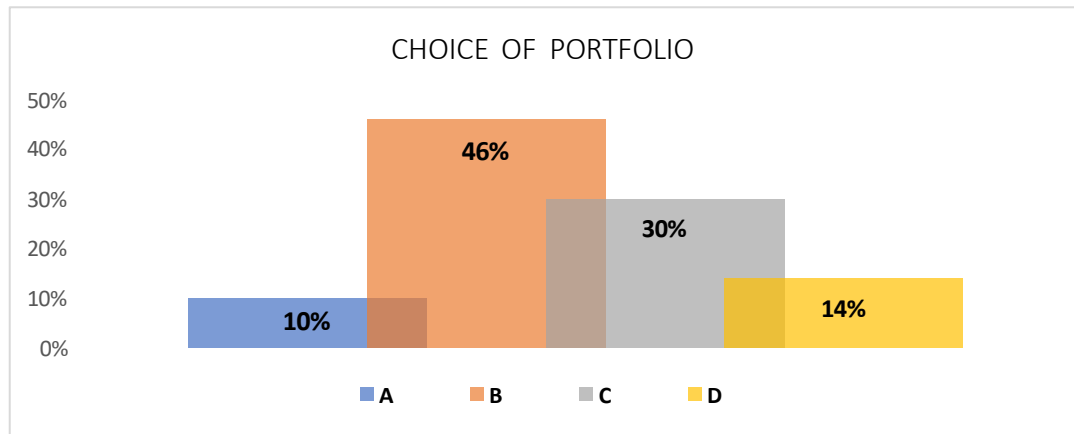
The data presented originates from a scenario-based questionnaire designed to gain insights into participants' disposition towards risk and their appetite for profit in investment scenarios. Respondents were presented with four distinct investment options, each associated with varying degrees of potential gains and losses. They were then tasked with selecting their preferred investment option, considering the potential outcomes over the course of one year. The most popular choice, favored by 50% of participants, involved the possibility of incurring losses of BDT 1,500 or achieving gains of BDT 3,000. Additionally, 24% of respondents leaned towards an option that presented a potential loss of BDT 2,800 against gains of BDT 4,000. Meanwhile, 16% of participants opted for an option entailing a potential loss of BDT 600 and gains of BDT 2,000. Lastly, a choice characterized by potential losses of BDT 4,500 and gains of BDT 5,000 garnered the preference of 10% of respondents. This data lays bare participants' inclinations when it comes to investment preferences, providing insights into their willingness to accept risk and their expectations regarding potential gains and losses within investment scenarios.



[Figure 16: Decision during market fall](#)

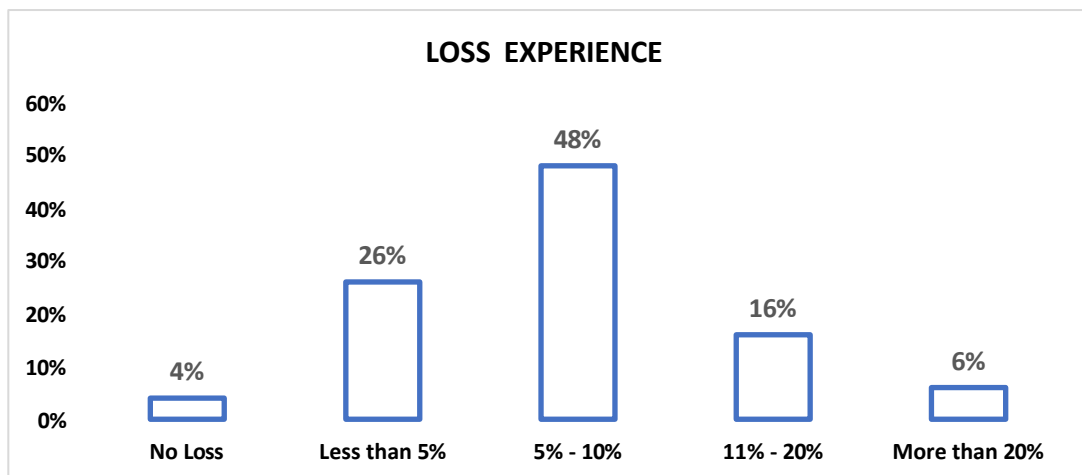
The insights emerge from a questionnaire delving into decision-making amidst market downturns. In this scenario, participants were presented with a hypothetical situation mirroring a 37% loss in Bangladesh's capital market over a brief 2010 period. The question posed was how they would respond if they held an investment that mirrored a similar loss. Among the participants, 46% leaned towards "Holding on," favoring patience during market declines. Remarkably, 22% would opt to "Sell all," while 18% embraced the unconventional path of "Buying more." A twist unfolds as 14% would consider selling at a 15% loss.

Altogether, this dataset illuminates the spectrum of reactions—holding, selling, and contemplating further investments—during market dips, thus enriching our grasp of decision-making in such circumstances.



[Figure 17: Choice of portfolio](#)

This dataset originates from a questionnaire designed to explore participants' inclinations regarding investment portfolios. They were immersed in a hypothetical scenario involving annual gains and losses across four investment portfolios spanning a decade. Their task was to pinpoint the portfolio they would feel most at ease holding over this period.



[Figure 18: Loss Experience](#)

The provided data presents insights into the experiences of participants with regards to investment losses. Notably, 26% of respondents indicated encountering losses amounting to less than 5%. Meanwhile, 24% reported experiencing losses falling within the range of 5% to 10%. Additionally, 16% of participants noted losses ranging from 11% to 20%, while a smaller proportion of 6% indicated losses surpassing the 20% mark. It's quite intriguing that 4% of the people surveyed mentioned that they haven't faced any losses in their investments. To put it simply, this information gives us a detailed insight into the various degrees of losses that the participants have gone through. These losses vary from small to significant drops in investment value. These discoveries add to our better understanding of how the participants handle and manage these investment losses in different ways.

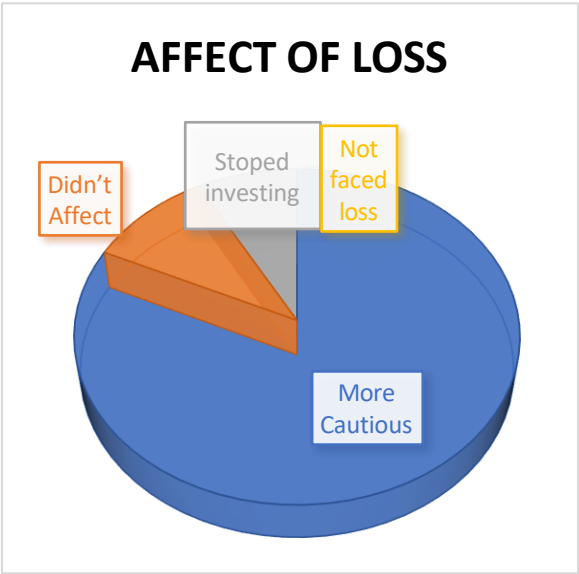


Figure 19: Effect of loss

The data provided offers valuable insights into how participants' investment behavior is influenced by losses. A significant majority, namely 82%, mentioned that they adopt a "More Cautious" approach to investing after experiencing a loss, showcasing an increased level of carefulness. Moreover, a minority of 10% expressed those losses had "No Effect" on their investment behavior, displaying a certain level of resilience. What's intriguing is that 8% of the participants made the choice to "Cease investing" as an immediate reaction to facing losses. Interestingly, participants who didn't encounter any losses did not display any change in their behavior. Overall, this information highlights the considerable impact of losses on investment behavior, particularly in terms of motivating individuals to be more prudent. These findings significantly enhance our comprehension of how individuals react to financial setbacks and adjust their investment tactics accordingly.

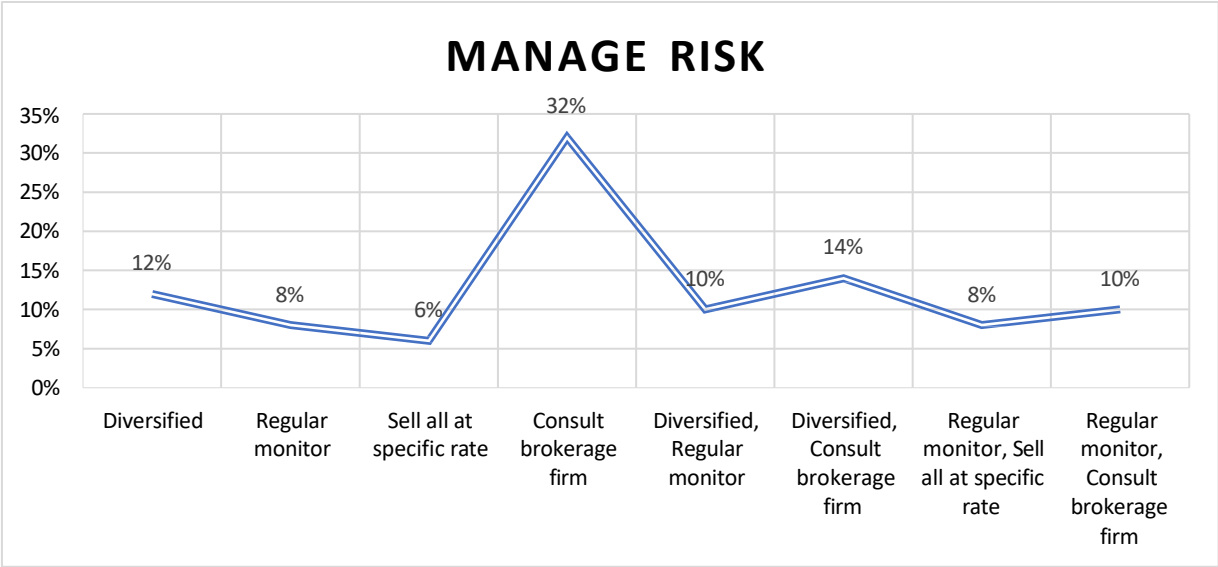
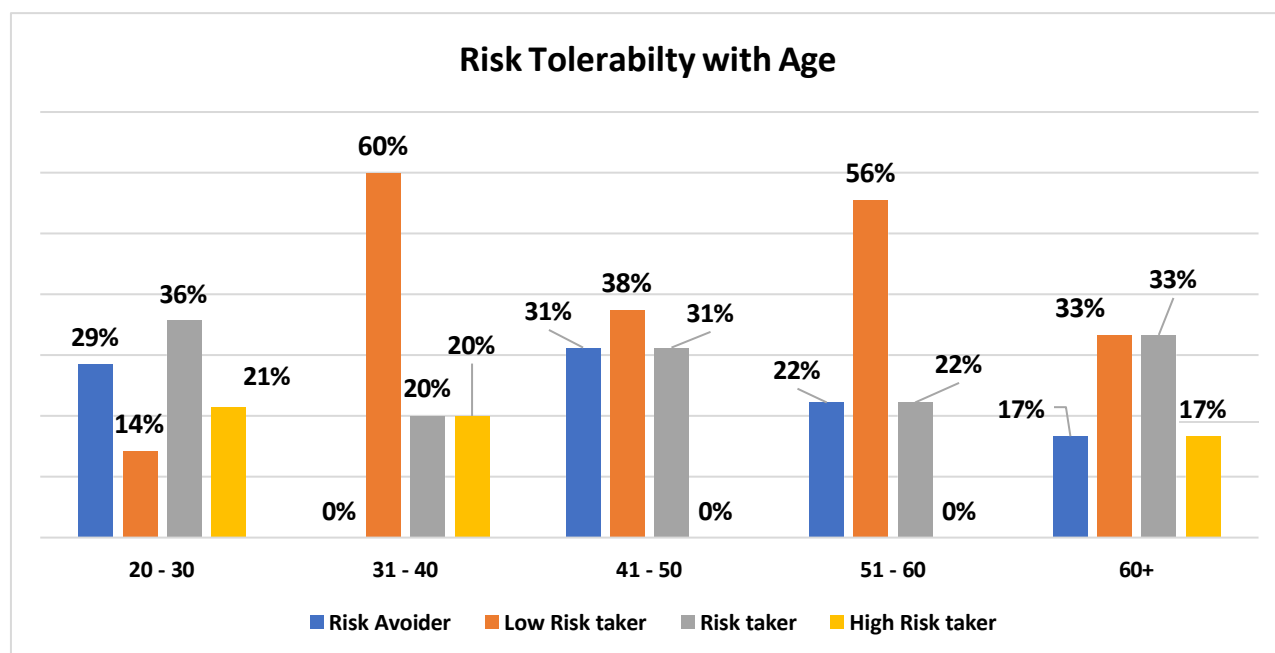


Figure 20: Manage risk

The information presented reveals how participants handle the risks associated with their investments. Notably, a significant portion of 32% choose to "Seek advice from their brokerage firm," showing a reliance on professional guidance to manage risks. Additionally, 14% of participants combine the strategy of "Having a mix of different investments" with consulting experts, highlighting the importance of both diversification and seeking professional help to manage risks. Furthermore, 12% opt for the approach of "Investing in a variety of assets" alone. It's interesting to note that 10% of respondents prefer strategies that involve both "Having a mix of different investments and regularly monitoring them" and "Regularly monitoring investments and seeking advice from their brokerage firm," underscoring the significance of ongoing vigilance and expert consultations. Notably, 8% each lean towards "Regularly monitoring investments and selling them all at a specific rate" and simply "Regularly monitoring investments" strategies. The strategy of "Selling all investments at a specific rate" by itself is chosen by 6% of participants. To sum up, this data sheds light on a diverse array of strategies for managing investment risks, with a clear emphasis on seeking professional advice and embracing diversification tactics. These findings deepen our insight into how individuals navigate and mitigate the risks tied to their investments.

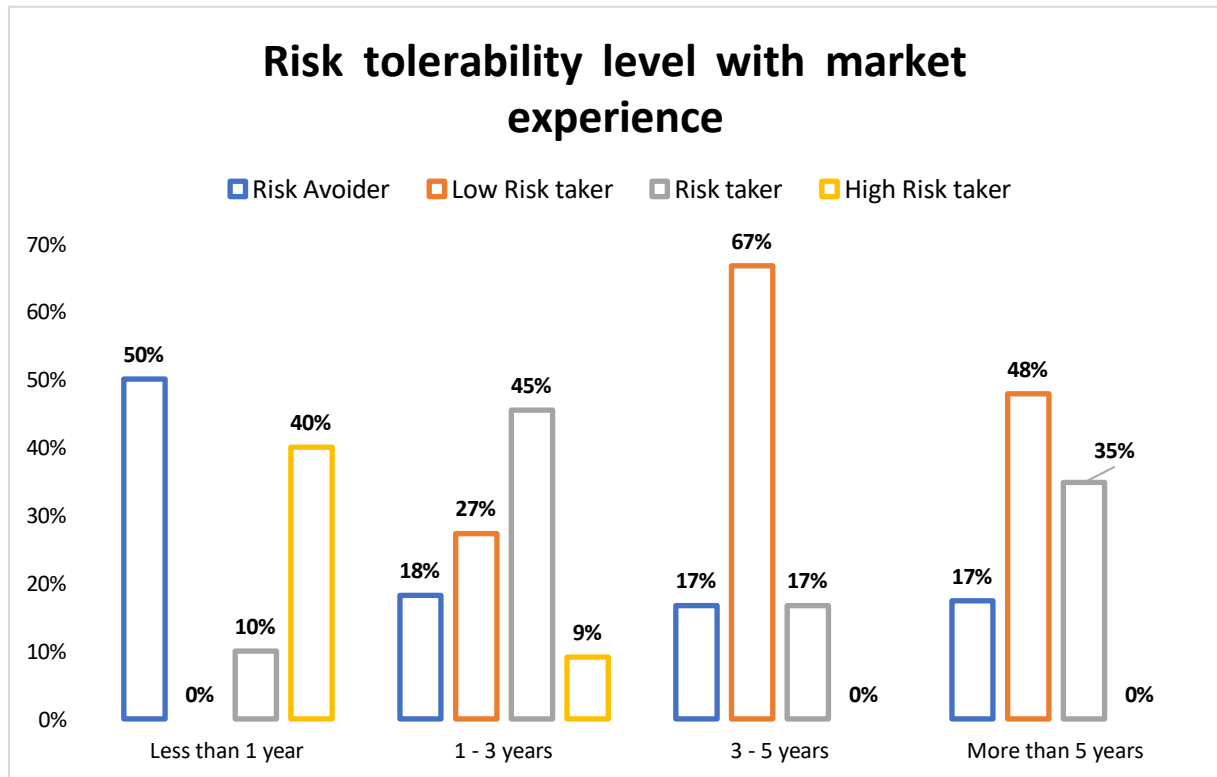
E. Investor Profile:



[Figure 21: Risk Tolerability with Age](#)

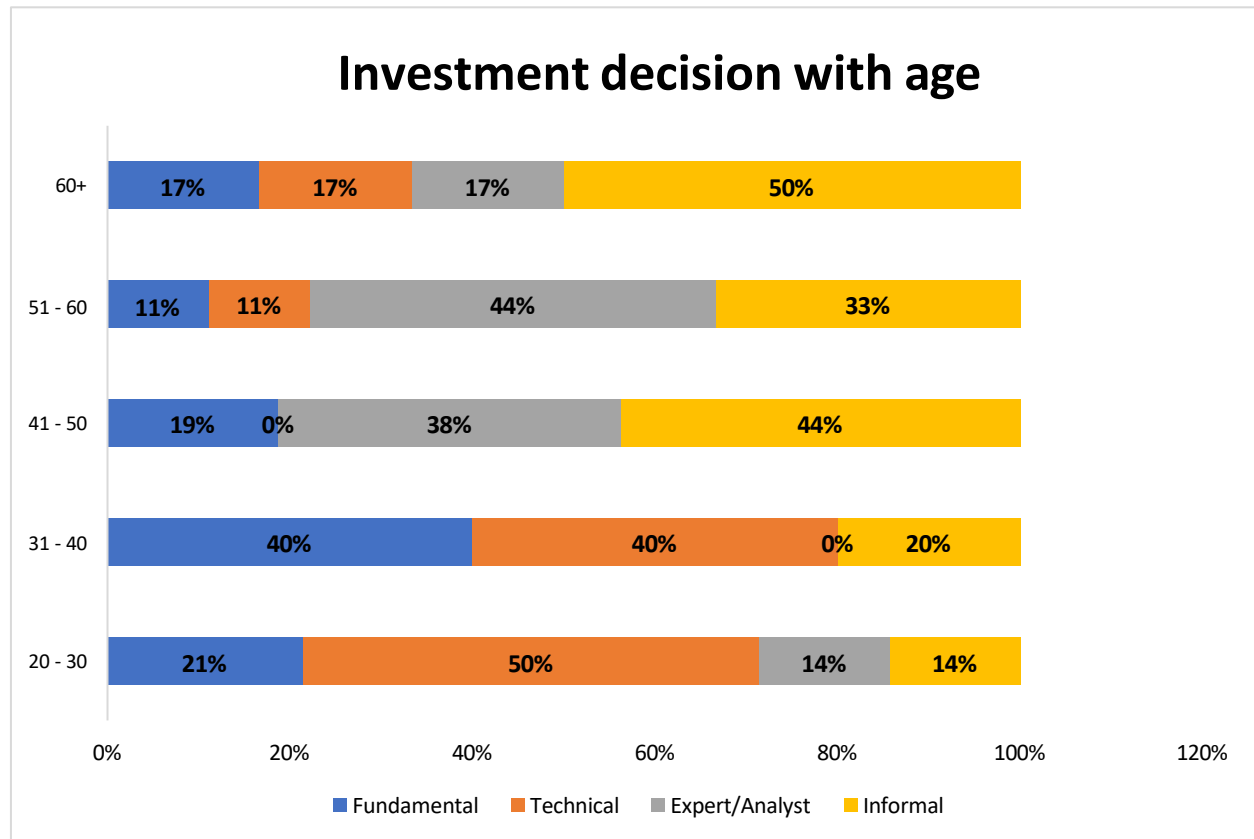
The gathered information offers insights into how different age groups relate to their respective levels of comfort with investment risks. Within the 20 to 30 age range, the distribution across the four risk tolerance categories is relatively balanced, with the largest proportion (36%) falling under the "Risk taker" category. For those aged 31 to 40, a notable 60% tend to lean towards the "Low Risk taker" category, indicating a preference for safer investment choices. Among individuals aged 41 to 50, risk tolerance is evenly spread

between the "Risk Avoider" and "Risk taker" categories. In the 51 to 60 age brackets, a substantial majority (56%) inclines towards a "Moderate" level of risk tolerance. Interestingly, individuals over the age of 60 exhibit a variety of risk tolerance levels, with no single category standing out dominantly. In brief, age seems to influence one's risk tolerance, as various age groups showcase distinct inclinations toward different levels of investment risk.



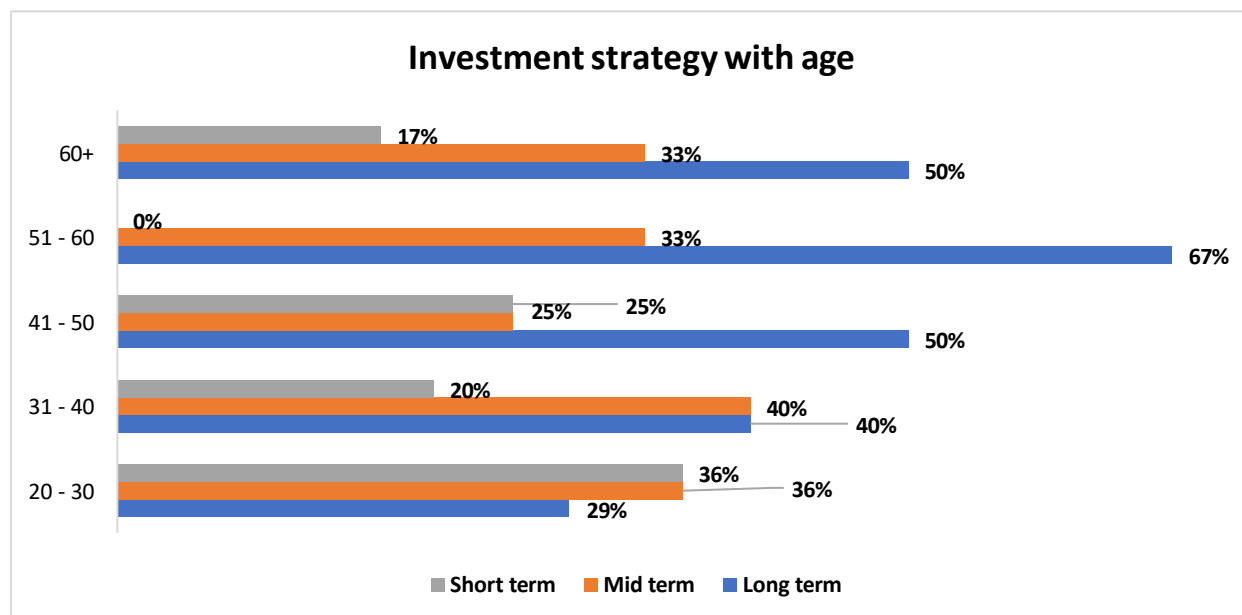
[Figure 22: Risk tolerability level with market experience](#)

The data illustrates a clear connection between years of experience in the market and risk tolerance. Participants with less than 1 year of market experience either tend to avoid risk (50%) or lean towards high-risk strategies (40%). In contrast, individuals with 1 to 3 years of market experience exhibit diverse risk profiles, with preferences for low-risk options (27%) and inclinations towards risk-taking strategies (45%). Among those with 3 to 5 years of experience, a significant majority (67%) tend to be low-risk takers. For respondents with over 5 years of experience, there is a mixture of low-risk (48%) and risk-taking (35%) orientations. This data underscores the potential influence of one's exposure to the market over time on their stance towards risk when making investment decisions.



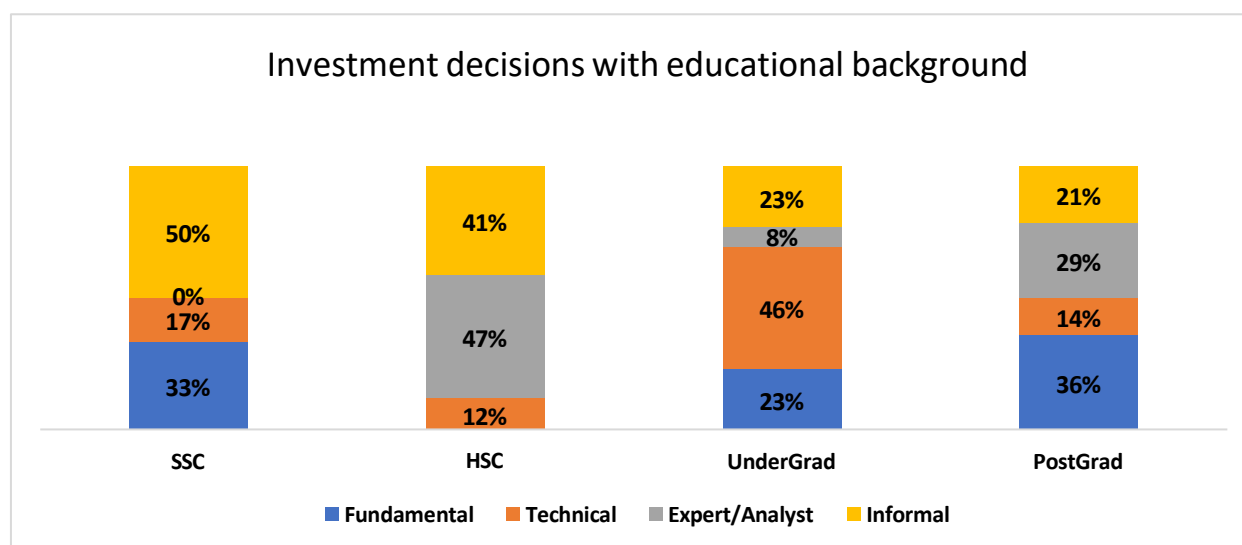
[Figure 23: Investment decision with age](#)

The data highlights the correlation between age groups and their preferred methods of investment decision-making. In the 20 to 30 age group, the "Technical" approach is notably favored, chosen by a significant 50% of respondents, followed by "Fundamental" analysis at 21%. In the 31 to 40 age category, there is a shift towards equal preference for "Fundamental" and "Technical" methods, with each selected by 40% of participants. Conversely, the "Expert/Analyst" approach gains prominence among those aged 41 to 50, capturing 44% of their preferences. For individuals in the 51 to 60 age group, the "Expert/Analyst" and "Informal" approaches take precedence, with each receiving 44% and 33% respectively. Interestingly, respondents above 60 exhibit a stronger inclination towards the "Informal" approach at 50%, indicating a reliance on personal networks. In summary, the selection of investment approaches differs among various age groups, showcasing a wide spectrum of preferences that are shaped by individuals' life stages and personal experiences.



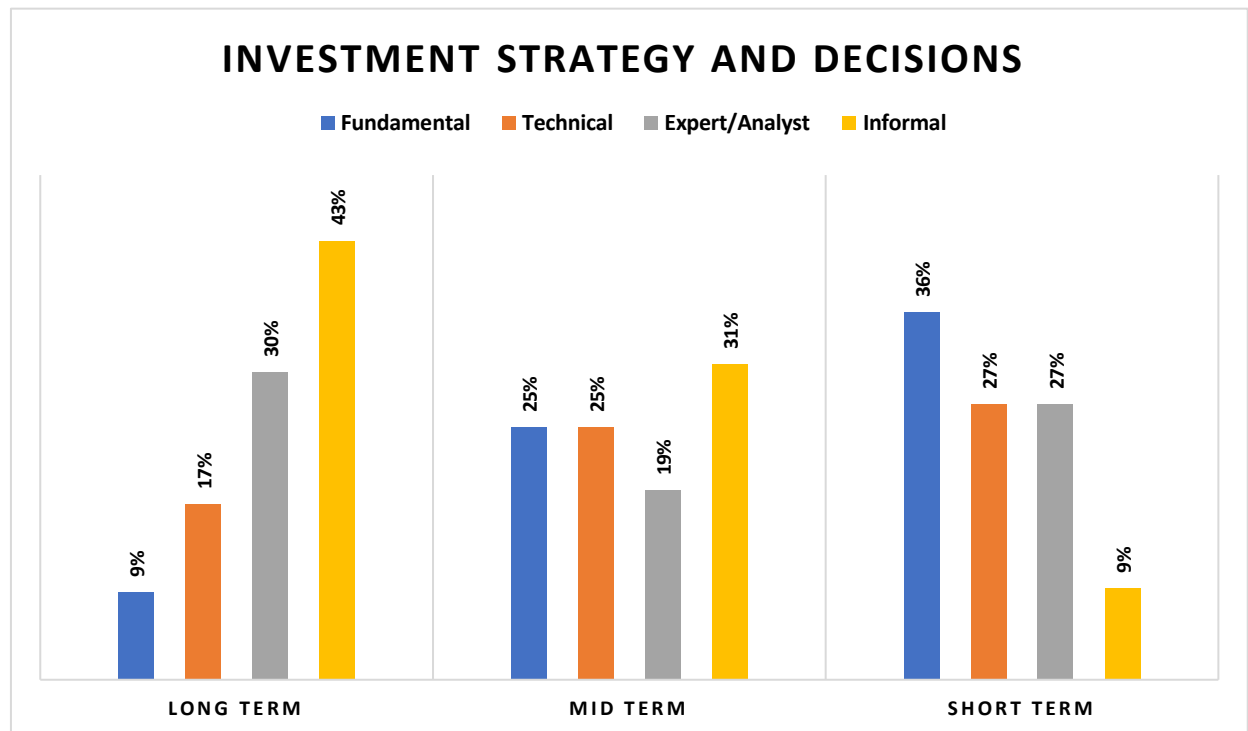
[Figure 24: Investment strategy with age](#)

The information underscores the link between age groups and the methods they prefer when making investment decisions. Among those aged 20 to 30, the "Technical" approach stands out as the preferred choice, selected by a substantial 50% of participants, while "Fundamental" analysis follows at 21%. In the 31 to 40 age category, there is a shift towards equal preference for "Fundamental" and "Technical" methods, with each selected by 40% of participants. Conversely, the "Expert/Analyst" approach gains prominence among those aged 41 to 50, capturing 44% of their preferences. For individuals in the 51 to 60 age group, the "Expert/Analyst" and "Informal" approaches take precedence, with each receiving 44% and 33% respectively. Interestingly, respondents above 60 exhibit a stronger inclination towards the "Informal" approach at 50%, indicating a reliance on personal networks. In conclusion, the choice of investment methods displays variation across different age groups, demonstrating a diverse range of preferences influenced by individuals' life stages and experiences.



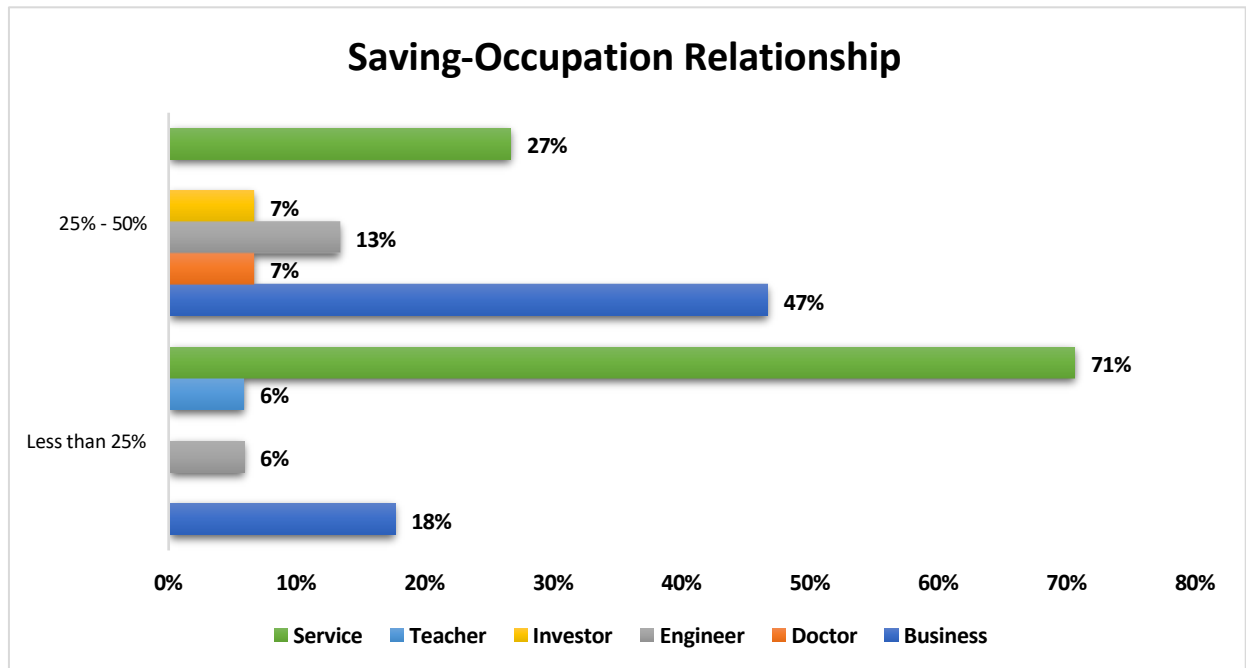
[Figure 25: Investment decisions with educational background](#)

The data provides insights into the relationship between participants' educational backgrounds and their preferred investment decision-making methods. Respondents with an SSC education seem to show a preference for an "Informal" approach (50%) as well as "Fundamental" analysis (33%). Among those with an HSC background, "Expert/Analyst" analysis stands out at 47%, while "Informal" methods are also favored (41%). Undergraduates demonstrate a notable inclination towards "Technical" approaches (46%), while "Fundamental" analysis (36%) also holds significance. Postgraduates adopt a more balanced approach, favoring "Expert/Analyst" analysis (29%) alongside "Fundamental" (36%) and "Technical" (14%) methods. In conclusion, it appears that educational backgrounds exert an influence on investment decision preferences, with the levels of expertise and familiarity of individuals shaping their choices within the investment landscape.



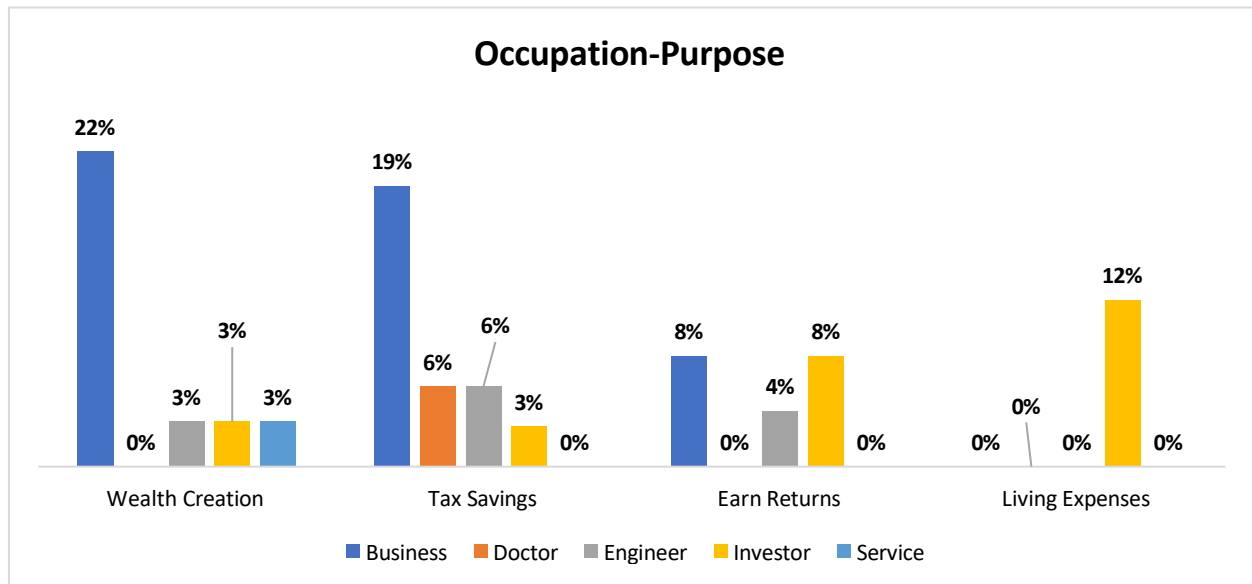
[Figure 26: Investment strategy and decisions](#)

The provided data presents participants' favored investment strategies based on their decision-making methods. The findings highlight discernible patterns: investors adopting an expert/analyst approach tend to lean towards a long-term strategy (30%), while those who rely on informal decision-making display a preference for short-term strategies (43%). In addition, individuals utilizing fundamental analysis showcase a well-distributed preference across all three investment strategies. On the other hand, users of technical analysis exhibit relatively equal preferences for mid-term and short-term strategies (25% and 27% respectively). Overall, the data underscores the influence of decision-making methods on the selection of investment strategies, offering insights into the interconnected dynamics between investment approaches and decision-making processes.



[Figure 27: Saving-Occupation Relationship](#)

The data provided demonstrates the connection between the proportion of savings allocated to the capital market and various occupations. Among the occupational categories, investors notably emerge as having the highest engagement with the capital market, with a significant 71% of them investing over 70% of their savings. Following closely, teachers and doctors share an equal 50% engagement rate in this context. Conversely, individuals in professions such as business, engineering, and services exhibit diverse investment tendencies across the specified saving percentages. Evidently, investors showcase a distinct inclination for significant participation in the capital market, while individuals in different fields showcase varying degrees of involvement that align with their approaches to allocating savings.



[Figure 28: Occupation-Purpose](#)

The data vividly showcases how people's occupations intersect with the driving force behind their investments. It's evident that individuals hailing from diverse occupational spheres harbor distinct investment objectives. To illustrate, business professionals exhibit notable enthusiasm for both wealth creation (22%) and tax savings (19%). In contrast, engineers and service sector employees present a spectrum of inclinations: engineers placing emphasis on wealth creation (8%) and service workers directing their focus towards earning returns (31%). A striking revelation emerges investors, as a collective, allocate a substantial share of their investments towards wealth creation and tax advantages, underscoring their aspirations for financial expansion and strategic tax management. This analysis profoundly underscores how an individual's profession can wield a potent influence over their investment motivations and choices.

Chapter Four: Recommendation

The study proposes a set of actionable steps to enhance investor behavior in Bangladesh's capital market:

- Elevating awareness about the capital market and its associated risks is vital to bolster investor decision-making. Many investors lack knowledge about the array of securities available and the factors influencing their prices, leading to potentially misguided choices.
- To safeguard investor interests, it's imperative to foster greater transparency and regulation within Bangladesh's capital market. This entails ensuring comprehensive disclosure of company and security information, coupled with robust mechanisms to thwart fraud and manipulation.
- Enabling access to accurate and timely company and security information is crucial for informed investment choices. This data should be easily comprehensible and devoid of bias.
- Shifting focus from speculation to sustainable investment behavior necessitates promoting the creation of long-term investment products. The prevalence of short-term speculation in Bangladesh's capital market is partially due to the scarcity of viable long-term investment options.
- Championing the engagement of financial advisors can steer investors toward sound choices. Financial advisors offer impartial advice, guide investors through risk comprehension, and assist in formulating fitting investment strategies.

Beyond these recommendations, addressing the root causes of suboptimal investment behavior in Bangladesh is pivotal. This entails tackling issues like limited financial literacy, a lack of trust in the financial framework, and a culture that favors instant gratification. Through these efforts, the investment behavior of Bangladeshi investors can be enhanced, fostering a more vibrant and enduring capital market.

Chapter Five: Conclusion

The capital market in Bangladesh has witnessed substantial growth in recent times. However, the outcomes of investments within this domain hinge on the behaviors and choices of the involved investors. Various factors, including market sentiment, macroeconomic conditions, regulatory shifts, and global economic trends, shape investors' decision-making. Their assessments of risk and potential returns, along with the availability of information, also factor into the equation.

An analysis of investors in the Bangladeshi capital market unveils a diverse cohort marked by distinct preferences and levels of risk tolerance. Most investors are in their productive working years, possess a secondary education, and hold positions in business or service-related sectors. Typically, they've held their

current roles for under a decade and allocate less than a quarter of their savings to market investments. Majority have over five years of investment experience and favor secure periods for investing. The inclination is to put resources into multinational corporations within the service sector, often blending service and financial elements. Among the favored investment strategies are long-term approaches and value-based investing.

The findings from the survey indicate that Bangladeshi capital market participants exhibit a propensity towards risk aversion. They lean towards secure and predictable avenues like bonds and mutual funds, although a growing interest in higher-risk options such as stocks is apparent. The current bullish trend in the country's stock market likely contributes to this surge in stock market enthusiasm.

The survey insights furnish valuable understanding into the investment behaviors of those engaged in the Bangladeshi capital market. This information can be harnessed by investors, policymakers, and market regulators to enhance market efficiency and transparency.

Key survey discoveries include:

- Diversity among investors with varying preferences and risk tolerance.
- A majority being in their prime working years, holding secondary education, and occupying business or service-related roles.
- A preference to invest less than 25% of their savings in the market.
- Most investors have over five years of investment experience and favor safe periods for investing.
- A tendency to invest in service-related multinational corporations and sectors that blend service and financial elements.
- Preferred investment strategies leaning towards long-term and value-based approaches.

Beyond these recommendations, other noteworthy considerations encompass:

- A more active government role in promoting the capital market through financial support for startups and small businesses, coupled with the creation of a favorable regulatory framework.
- Responsible media coverage of the capital market, involving accurate and impartial reporting that refrains from sensationalizing market dynamics.
- Encouraging investor patience and discipline, thereby steering clear of impulsive decisions prompted by short-term market fluctuations while focusing on long-term investment objectives.

Collectively, the survey findings project a promising outlook for the Bangladesh capital market. Nonetheless, addressing challenges to enhance market efficiency and transparency is crucial. Through strategic reforms, the Bangladeshi capital market has the potential to emerge as a substantial catalyst for national economic growth.

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APPENDIX

Internship Proposal Form

Name:	Marchia Ahmed Shreya
ID:	193011068
Semester (Spring/Summer/Fall)	Spring 2023
Department:	Bachelor of Business Administration (BBA)
Supervisor's Name (Faculty):	Professor Sarwar Uddin Ahmed, PhD
Organization Name:	Bangladesh Finance Capital Limited.
Internship Title:	NAVIGATING INVESTOR BEHAVIOR: A DEEP DIVE INTO BANGLADESH CAPITAL MARKET



Student's signature & date

27 Aug 2023

Supervisor's signature & date

(Submit your Research Proposal to your Supervisor for approval)

Survey Questionnaire

"Navigating Investor Behavior: A Deep Dive into Bangladesh Capital Market"

Thank you for joining my survey on "Investment Behavior in Bangladesh Capital Market." Your insights into investor preferences and strategies will enhance my understanding and improve investment services. Your participation is highly valued, and your responses will remain confidential, contributing solely to research purposes. Please answer the questions thoughtfully and honestly.

1. Age*

- ☐ 20 - 30
- ☐ 31 - 40
- ☐ 41 - 50
- ☐ 51 - 60
- ☐ 60+

- ☐ 16,000 BDT - 20,000 BDT
- ☐ 21,000 BDT - 30,000 BDT
- ☐ 31,000 BDT - 40,000 BDT
- ☐ 41,000 BDT - 50,000 BDT
- ☐ More than 50,000 BDT

2. Educational Qualification

- ☐ SSC
- ☐ HSC
- ☐ Under Graduate
- ☐ Post Graduate

6. Approximately, what percentage of your savings you invest in the market?

- ☐ Less than 25%
- ☐ 25% - 50%
- ☐ 51% - 70%
- ☐ more than 70%

3. Occupation:

- ☐ Business
- ☐ Doctor
- ☐ Engineer
- ☐ Investor
- ☐ Teacher
- ☐ Service

7. How long have you been investing in the share market?

- ☐ Less than 1 year
- ☐ 1 - 3 years
- ☐ - 5 years
- ☐ More than 5 years

4. What is your professional life tenure?*

- ☐ Less than 1 year
- ☐ 1 - 3 years
- ☐ - 5 years
- ☐ 5 - 7 years
- ☐ 7 - 10 years
- ☐ More than 10 years

8. How frequently do you trade in the share market?

- ☐ Regularly
- ☐ Occasionally
- ☐ When the market situation is safe or preferable.
- ☐ Yearly
- ☐ Other:

5. What is your average monthly expenditure?

- ☐ 5000 BDT - 10,000 BDT
- ☐ 11,000 BDT - 15,000 BDT

9. In which market sector you prefer to invest your money? *

- ☐ Financial Sector

- ☐ Service Sector
☐ Multi National Companies
☐ Consumer Goods
☐ Other:

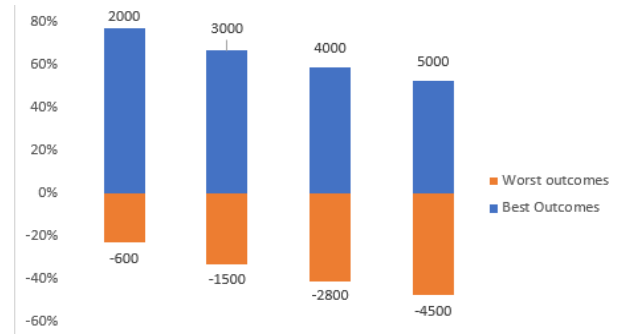
10. What is your investment strategy in the share market?

- ☐ Long-term investment (holding stocks for more than a year)
☐ Mid-term investment (holding stocks for more than 3 months or upto a year)
☐ Short-term investment (holding stocks for less than a month)
☐ Other:

11. When you're making choices about money and investments, you are:

- ☐ You're very careful and want to avoid risks or losing anything
☐ You're careful with your choices, but you're okay with a little bit of risk.
☐ You're okay with taking some risk and can handle losses if in return you get higher profits.
☐ You're daring and often take big risks. You're okay with big losses if there's a chance for big gains.
☐ Other:

12. The chart below displays the biggest loss and the highest gain in a year for four different investments of BDT 10,000. Based on the possible gain or loss in a single year, which investment would you be more likely to put your money into?

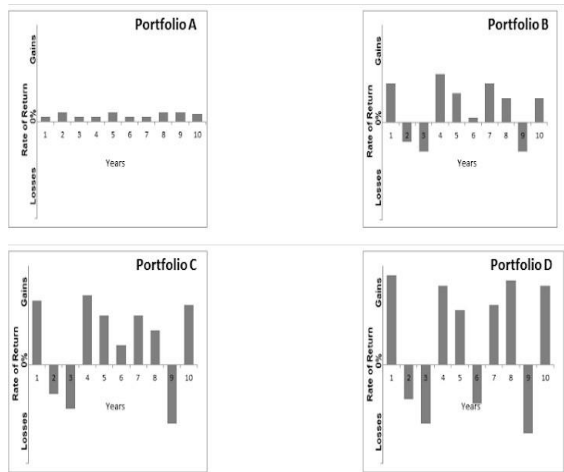


- ☐ EITHER a loss of BDT 600 OR a gain of BDT 2,000
☐ EITHER a loss of BDT 1,500 OR a gain of BDT 3,000
☐ EITHER a loss of BDT 2,800 OR a gain of BDT 4,000
☐ EITHER a loss of BDT 4,500 OR a gain of BDT 5,000

13. During the decline in the capital market of Bangladesh in 2010, the market experienced a huge loss of value. The Dhaka Stock Exchange (DSE) general index, decreased by around 37% over a very short period of that year. If you currently owned an investment that lost over 37% in few months you would:

- ☐ I would like to sell my investments when the loss limit reached upto 15%
☐ Sell all of the remaining investment to avoid further losses
☐ Hold onto the investment and not sell any of the investment in the hopes of higher future returns
☐ Buy more of the investment now that prices are lower

14. The charts below show hypothetical annual gains and losses for four different investment portfolios over a 10 year period. Keeping in mind how the returns fluctuate, which investment portfolio would you be most comfortable holding?



- ☐ Portfolio A
- ☐ Portfolio B
- ☐ Portfolio C
- ☐ Portfolio D

15. How do you manage risk in your investment portfolio?

- ☐ Diversification (investing in multiple stocks across different sectors)
- ☐ Regular monitoring and research
- ☐ Sell all my holdings at a specific price
- ☐ Consulting with brokerage firms
- ☐ Other:
- ☐

16. Which sources do you rely on for information about the share market?

- ☐ Financial news websites
- ☐ Newspapers & Television channels
- ☐ Social media platforms (e.g., Facebook, Twitter)
- ☐ Stock market forums/groups
- ☐ Research Reports
- ☐ Friends & Family
- ☐ Other:
- ☐

17. How do you make investment decisions?

- ☐ Fundamental analysis (assessing company financials, management, etc.)
- ☐ Technical analysis (studying stock price patterns, charts, etc.)
- ☐ Friends/relatives
- ☐ Following recommendations from experts/analysts
- ☐ Instinctual perception/intuition
- ☐ Other:
-

18. In the past 6 months, how much loss have you experienced in the market?

- ☐ No Loss
- ☐ less than 5%
- ☐ 5% - 10% loss
- ☐ 11% - 20% loss
- ☐ More than 20%

19. How did the loss experience affect your future investment decisions?

- ☐ It made me more cautious, and I reduced my risk exposure.
- ☐ It didn't impact my future investment decisions.
- ☐ I stopped investing in the share market altogether.
- ☐ I did not face any loss, yet.
- ☐ Other:
- ☐

20. What is the purpose behind your investment?*

- ☐ Wealth Creation
- ☐ Tax Savings
- ☐ Earn Returns
- ☐ Living Expenses
- ☐ Other: