

*Research Note*

**A Critical Study on Power and White-Collar Crime in Stock Market  
Debacle of Bangladesh**

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***Abstract:** The stunning debacle in Bangladesh's stock market resulted from market manipulation, which left public investors with a serious loss of invested capital amid warning signals in the market before the crash. Bangladesh's stock market had faced a steep decline from 1996, though it began to recover in 2006; however, some miscreants traders made the whole financial and socio-economic condition vulnerable. In addition to individual investors, virtually all commercial banks have a significant presence in the stock market. The Dhaka Stock Exchange was about 5.6 times higher. Revenue and market capitalization were multiplied by 11.1 and 61.7, respectively. However, when the bubble finally burst on December 19, 2010, the market dropped by 6.7% in a single day. Investors are becoming pessimistic as there has been little in the way of upticks in stock prices. Four moneymaking psychological traits of domestic investors were identified in this study on power and white-collar crime: greed, envy, speculation, and overconfidence; and four loss-minimizing and capital-protecting psychological traits were identified as contributing to the bursting of the bubble: panic, frustration, lack of self-confidence, and distrust. The banks, brokers, and manipulators reaped the greatest rewards, while the most naive and greedy little investors lost heavily. The market will be less volatile, more stable, and continue longer if most investors understand the risks and potential returns and if regulators do their tasks honestly and skillfully.*

**Keywords:** Bangladesh's stock market, market manipulation, steep decline, psychological traits, white-collar crime: greed, potential returns

## **1. Introduction**

Bangladesh's stock market is vital to the country's financial system. It allows businesses to get funding from various individuals within and outside a country. For new companies to flourish, it is necessary for stock markets and other financial mechanisms to evolve. Investors in a stock market do so voluntarily, purchasing share

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of stock in a company. The Bangladesh stock market had shown consistent growth in value since 2007 (Saha, 2012) when it was first opened. Just looking over the past year, their growth rate was 83%. In the period between October and December of 2010, the Dhaka Stock Exchange General Index reached an all-time high, reaching an all-time high of 8,918 points on December 5. Although the benchmark index gained 80% in 2010, its value has fallen by more than 27% since the beginning of December 2010. On January 3, 2011, investors learned that banking and non-financial organizations were reducing margin lending due to a continuing liquidity problem. From the 2nd through the 10th of January, the index declines steadily. The DGEN index dropped from 8,500 to 7,200 between December 2010 and January 2011, a drop of 21 percent. Those responsible for the crash made around BDT 5,000 crore (\$667 million). The Dhaka Stock Exchange General Index (DGEN) dropped roughly 1,800 points, closing the market for several days in December 2010 and January 2011 and wiping out the savings of millions of tiny investors. Because of this, millions of new investors put their little money into the market at this time. The primary victims of the market meltdown were inexperienced newcomers who had invested billions of takas. The 2010-2011 stock market collapse has become a major political and societal concern. There is more at play in Bangladesh's capital market woes than meets the eye. Massive syndicates collude to manipulate prices artificially, reaping enormous profits at the expense of regular investors who risk their life savings. Economic bubbles may have their roots in market manipulation, and stock market bubbles may have been artificially inflated by insider trading. Large investors (both retail and institutional) may artificially inflate stock prices in many industrialized and developing nations. In recent years, manipulations in the Bangladesh stock market have inflated the market (Saha, 2012). This study aims to achieve the objective of finding out the relationship with power blocks that caused manipulation of legal regulations, which ultimately resulted in the stock market crash

## **1.2 Rationale of the Study**

An economy needs a healthy capital market. Economic growth could be slowed without a stable and efficient capital market because it funds businesses long-term. Bangladesh's capital markets have been among the top three globally for the last three years. The index dropped roughly 42% in three months, from 8,900 to 5,200 points. Why this happened is the question of people in general, Index up to and suddenly down is not expected. The abrupt loss of wealth in the share market, a favorite industry among Bangladesh's educated middle class, left many people feeling dissatisfied. Investors in Bangladesh get violent after the market suddenly crashes. After the stock market crashed, individual investors and police came to blows. Due to the market crisis, millions of tiny investors have lost everything. The downturn has been blamed on fraudulent practices and poor leadership at the federal level. The regulation of trade and market efficiency depends critically on

addressing the threat of market manipulation. Securities authorities forbid market manipulations because they produce price distortions, prevent efficient allocation of resources, and add to deadweight losses. Some elements that impede the stock market's smooth operation have been seen to inflate the share prices of some profitable corporations artificially. Nonetheless, we could determine that some funds had been diverted to unauthorized accounts without discovering the full amount. In Bangladesh, a developing nation in South Asia, there is widespread bribery at every level of government and in every sector of the economy. Corruption is rampant in this country, as evidenced by Transparency International's (TI) Corruption Perception Index (CPI), placing it at the very top of the list from 2001 through 2005 for the fifth time in a row. The point is that Bangladesh is among the highly corrupt countries, even though the exact ordinal position given by TI is debatable (Temple, 2006). Some politicians and their business cronies have exploited the trust placed on them by the public in recent years. Capital formation and the smooth operation of financial markets can be severely hampered by the speculative nature of the market, especially when coupled with charges of market manipulations, insider trading, and outright scams (Krishnamurti et al., 2021). The investigation panel uncovered a wide range of anomalies, such as omnibus accounts, regulatory inconsistencies, the facilitation and legality of illegal big investor practices, and more formulating policies to support market players (manipulators) and so on (Sievers et al., 2006).

## **2. Review of the Literature**

The researcher has reviewed the problem from various sources, including articles, reviews, and newspapers, to get an overall idea. In these reviews, the researcher has tried to confine the review to the specific topic related to the issue, which helps the researcher understand the condition of the Bangladesh stock market debacle. Alam (2012) focuses on analyzing and identifying the causes behind the share market crash. That paper discusses the recent turbulence in the Bangladeshi stock market, evaluates the current listing and trading laws in Stock Exchanges in Bangladesh, and concludes with some recommendations for improved regulations to further enhance the country's capital market. The development of the Bangladesh stock market is the subject of this study. According to the study, the Bangladesh stock market is rising with time, but this expansion is not yet following a clear and consistent pattern. According to the findings, the Bangladesh stock market is still in its infancy, characterized by low liquidity and significant concentration. In this study, we sought to examine the dynamics of the expanding Bangladeshi stock exchange, catalogue the many factors that contribute to this expansion, and create an index that measures this expansion's relative strength (Bepari & Mollik, 2008). Rahman and Moazzem (2011) objectively investigate the relationship between the SEC's regulatory decisions and the volatility

seen on the Dhaka Stock Exchange (DSE), the country's primary stock exchange. The purpose of this research was to investigate the causes of the volatility seen on the DSE by looking at its historical patterns and attempting to identify the role that economic and regulatory factors have played. In 2011, following the recent fall of the Bangladeshi capital market, the People's Republic of Bangladesh government set up a high committee to investigate the matter and submit reports within two months. Mr. Khondoker Ibrahim Khaled, the ex—vice-governor of Bangladesh Bank, presided over the committee, dubbed the "Ibrahim Khaled Share Market Investigation Committee". The report was compiled from a variety of websites. The report is particularly valuable for research since it provides a comprehensive understanding of the problem's background through the case (Saha, 2012).

### **2.1 Power and Politics Unit: Theories of Power**

The researcher sought to provide various "Theories of Power" in this paper. Multiple perspectives on authority were analyzed, including the Elite Theory and the Ruling Class Theory. According to the elite theory, society is governed by a series of elites, or powerful groups, that compete with one another. There are two primary types of elite theories that are discussed here. Elite is a central tenet of pluralism that not all interest groups in a society have equal access to power and, more importantly, equal power. In this light, elite groupings as the primary decision-makers emerged as a theoretical framework. Organizations, administrations, parties, unions, and other elite groups in society could fit this description.

### **2.2 Ponzi Finance**

"Ponzi finance" is defined as "A borrower with some control over the market where the issues debt will want to play the 'Ponzi game of financing,' which is repaying debt with fresh debt". Ponzi financing can be characterized as a situation in which a plan generates income for its promoters rather than investors "entices initial investors, after they have gained a great deal of money, to recount their success tales to the second round of investors, who then invest even more money in the scheme, allowing the con artist to pay off the second round of investors, whose success story attracts an even larger round of investors. If the criminal has not repaid the most recent and largest round of investors, he or she may seek to abandon the business and evade the law (Tymoigne, 2010).

### **2.3 Political Corruption**

The concept of "political corruption" includes behaviors within a larger set termed by Friedrich "the pathology of politics." Generally, political pathologies are acts and intentions

which violate the laws, procedures, and ideological-cultural expectations of a political system and include political violence, betrayal or treason, corruption, secret and often arbitrary decision-making, and the manipulation of "reality" for political ends (i.e., propaganda) (Rahman & Moazzem, 2011). Specifically, "political corruption" refers to actions that result in private gain at the expense of the public. According to them, "Corruption in politics can take the form of "trading in influence" or the awarding of favors". They added, "Includes crimes and illegal acts perpetrated by political leaders before, during, and after their terms in office. The main notion is that power corrupts, and absolute power corrupts absolutely". Their political corruption reached its highest levels. When corrupt politicians and state officials draft and execute laws in the people's name corruptibly. According to radical criminology and conflict theory, crime is directly caused by a society's social and economic dynamics. Radical criminology holds that social and economic factors significantly contribute to crime. Recognizing these powerful entities as perpetrators draws a new dimension to protecting citizens and upholding human rights. All these points are embedded in the radical criminological framework, which includes definitions of absolute deprivation, discrimination, racism, sexism, and the like as crime. The power relations in studying crime can better be understood from the nature of the crime committed by a different class. Each stratum of the socio-economic structure has its unique brand of criminality (Sievers et al., 2006).

## **2.4 Hypothesis**

People in power have taken advantage of their positions and manipulated the market. People with political identities played the lead role. The hypothesis is based on the saying "Power tends to corrupt, and absolute power corrupts absolutely," (Martin, 1998).

## **3. Methodology**

The methodology is a set of clear principles and procedures against which knowledge claims are evaluated and upon which research is conducted. The methodology contains the overall process of a study. The research method systematically understands reality, gathers specific data, and analyzes and presents them. A research method aims to select an approach suitable for the task at hand (Hammersley, 1992). This study combines qualitative and quantitative methods. Mainly it is qualitative research for its small sample size. The study is desk-based using secondary data. Data sources include analyzing newspaper reports, journals, articles, and websites. Primary data sources for the present study include responses from different stakeholders about the actors, process, and structural setting of the stock market crash to identify the role of big players in market manipulation. The study's data and information have been processed, evaluated, and provided in the text. The nature of available data is of primary concern in qualitative research. The

### **3.1 Field selection**

Motijheel and other commercial areas of Dhaka city were selected for the research work convenience and purposively.

### **3.2 Population Selection**

In this research, the population is all the persons who have been trading in Bangladesh's stock markets (both DSE & CSE) since or before the crash.

### **3.3 Sample Selection**

Sampling is selecting respondents from the population, likely representing the total population. The researcher used non-probability sampling to collect data from the respondents. Samples were selected in a purposive way. The size of the sample was 50. Self-administered questionnaires and in-depth interviews were used as data collection methods.

### **3.4 Data Collection Methods and Techniques**

After selecting the sample, the researcher must collect the data from the respondents. Data was collected through survey method. As all the respondents were not educated enough to realize the questions from the questionnaire, we also used an in-depth interview. There are different types of questions, such as open-ended and closed-ended. Closed-ended questions are most in number. A questionnaire was the primary instrument used to collect data for the study.

### **3.5 Data Processing**

After collecting data, the researcher's duty is to process & analyze the data. Steps for data processing: Questionnaire registration, revision, verification, open-ended response listing, classification. Transferring codes; Code transfer and verification; Structured data entry; verifying data entry. Backups; Analysis strategy, program creation, execution, and report generation.

### **3.6 Ethical Consideration**

Researchers have a responsibility to protect the rights of study participants. This means that researchers conducting any study must consider the moral implications of their work. Every step of this investigation was conducted following the highest ethical standards.

### **3.7 Expressing Research Purposes to the Respondents**

It is important to share with the respondents for data voluntarily.

### **3.8 Assurance to the Respondents**

All responders were made aware that their responses would be held in the strictest confidence. The surveys would be kept confidential and only seen by the researcher and the interviewer. Nowhere in the survey were the respondents' names or addresses recorded.

### **3.9 Research and Data Privacy**

Interviews were conducted in private. Respondents were more candid during the interview. Their identities were never linked to the study.

## **4. Discussion and Theoretical Implications**

### **4.1 Power**

In this paper, the Elite Theory of Power is considered. Institutions formed a power block and the internal elite-role in each. There is a necessary overlap and cooperation between these power blocs in any society. Their coinciding general objectives meant that while they may have distinct interests, these are subordinated to the larger goal of preserving elite position, power, and domination.

### **4.2 Share Market Crash**

Although there is no universal agreement on what constitutes a "crash" in the stock market, the term is commonly used to describe more than 10% falls in an index for several days. A stock market crash is characterized by a fall of more than 10% for a few days. A stock market crash is a precipitous drop in stock prices across a substantial segment of a stock market, leading to a significant devaluation of paper assets. The crashing share market impacts economic factors, mixed behavior and psychology which leads to selling by more market participants. Crashing is caused by both panic and fundamental economic issues. Typically, they occur after speculative stock market bubbles. "A stock market crash is a sudden and unexpected decrease in stock market prices over a short time, typically followed by a decline in the prices of many other assets." Investors and speculators incur significant capital losses (Zayed et al., 2021a; Zayed et al., 2021b; Zayed et al., 2020a; Zayed et al., 2020b).

### **4.3 How Power Relates to Stock Market Debacle and Constitute a White-Collar Crime**

#### **4.3.1 Sutherland's Theory**

This theory caused employees who worked long hours for low pay to abuse their positions. The Great Depression was the impetus for Sutherland's theory "less than two percent of those sentenced to prison each year were from the upper class," he said. In the 1920s, the United States legislated antitrust and social welfare; according to him, "legislation in the 1930s; during the tremendous Depression, people went to great lengths to reestablish their financial stability, and it is argued that these laws were a result of their efforts" (Rudy & Sutherland, 1995). According to Jain (2001), all corruption includes political systems. Given the concept of corruption, the related phrase frequently employed is "political corruption". The term often refers to the political elite abusing their economic policymaking authority. Authorities or people's representatives work as "benevolent social guardians" to their respective constituents. They must balance the interests of different social groups with their desire to maintain power. The stock market in early 2000 was another Ponzi scheme, just like the one in the 1920s. Based on the work of Robert Sobel, who chronicled the years following the Roaring Twenties. According to Jain (2001), corrupt practices always entail a political system. Considering the definition of corruption, the phrase "political corruption," frequently employed by political scientists, may be redundant. In a broad sense, grand corruption is the misuse of power in economic policymaking by the political elite. In their roles as representatives of the people or as the government's "benevolent social guardian" (Sievers et al., 2006), politicians are tasked with allocating resources to benefit their constituency. Bangladesh Stock Market Scam 1996: In 1996, a similar share crash was named "the Slaughter of the Innocents." Then, as the ruling party and government failed to combat, the benchmark index came down to 700 in Nov. 1996. Investing failed. From 1991 to 1995, the DGEN price index grew 139.3%, to 834. The price index rose 337 percent in 1996 due to market changes. The DGEN Index rose 280.5 percent from July to November 5, 1996. Chittagong Stock Exchange (CSE) increased 258%. 1996 Chittagong Stock Exchange (CSE) index rose from 409 to 1157 (Committee, 2010).

### **5. Possible Ways Manipulation: A Brief Review of the Report of the Probe Committee**

Manipulating the price of a security, commodity, or currency to achieve a predetermined goal is an example of market manipulation. With former Bangladesh Bank Deputy Governor Ibrahim Khaled at the helm, a four-person, high-powered committee was established to look into January 24, 2011, stock market disaster. On April 7, after a meeting for three months, the committee released its conclusions. The probe body was formed on January 25 to investigate small investors' recent share market crash that triggered street protests and vandalism. It was given two-months to submit its report. The



committee talked to over 500 traders during the two month investigation, including all DSE and CSE exchange members and all concerned stakeholders. It exposed a web of deceit involving sixty powerful people, ultimately leading to the recent market meltdown. Concerns all DSE and CSE consulted journalists and analysts before presenting their reports. The following are the causes of the stock market crash, according to the investigation of the investigating (Committee, 2010):

### **5.1 Direct Listing**

Direct listings are held responsible for the roller coaster ride experienced by small investors. There are ten direct-listed companies. From 2006 to 2008, the DSE saw a direct listing of five state-owned and two private firms. (Saha, 2012). These stocks are priced excessively high. The research found that prices were recommended at 58 times earnings per share and 9 times net asset value (Saha, 2012). The SEC and stock markets have not looked into the possible manipulation of share prices by these publicly traded companies that are not traded on an exchange. According to Ibrahim Khaled, chairman of the investigating committee, the direct listing will transfer Tk 4,000 to 5,000 crore to the hands of the wealthy.

### **5.2 Abuse Book Building Method of IPO**

Attempting to entice new businesses, the regulator introduced Book-Building in 2010. Some companies leveraged listing improperly to raise the market. In order to entice a greater number of businesses to list on the Bangladesh Stock Exchange, fair share pricing was implemented. Market prices were manipulated as a result. The study found that investors manipulated share prices during the price discovery and bidding processes. Once the lock-in period ended, investors dumped their shares. Although they soon amassed wealth, the stock price did not reflect this. This issue was managed by an issuer who was also corrupt. The block trading of mutual funds seems strange. Some of the investors got substantial stakes.

### **5.3 Stock Price Manipulation through Omnibus Accounts**

The investigation uncovered evidence of fraud within the omnibus accounts. It discovered many lacs in fraudulent "shadow" accounts. According to the investigation, deposits and withdrawals were incorrectly reflected in the shadow accounts presented as omnibus accounts with merchant banks. The stock market crash was partly blamed on ICB and merchant bank omnibus accounts. Each office of a merchant bank operates with its unified checking account. There may be 31,100 BO Accounts hidden away in the omnibus account that are not subject to SEC oversight. Financial institutions specializing in business banking are the only ones that record and preserve customer account and transaction details.

#### **5.4 Contributions of Market Regulating Authorities**

According to the report, placing mutual funds and initial public offerings (IPOs) at prices below market value has become a popular strategy for bribing high-ranking officials in powerful regulatory agencies. It has also been suggested that these high-ranking employees lied about their identities to get hired.

#### **5.5 Delegation of Decision-making Power of Stocks**

Demutualization means separating the controller's decision-making authority from the market's influence. In Bangladesh, the stock indices are directed by an elected committee of stock brokers, which creates a potential for biases and corruption. According to the findings, various actors in the capital market and civil society supported and demanded the demutualization of exchanges. A fair decision cannot be expected in Bangladesh because a committee governs the DSE of brokers.

#### **5.6 Manipulation in Pre-IPO & IPO Process**

The investigating committee concluded that the steep rise in stock prices preceding and following the first public offering was the primary cause of the stock market's subsequent collapse. In the Pre-IPO phase, a Kerb market was artificially established by manipulators acting illegally and unethically. The IPO application was approved even though the listing committee did not endorse it. The SEC did not investigate the revaluation of anomalous assets or their indicative value. Therefore, the placement process and the placement trade in the Kerb market tend to overvalue shares in the pre-IPO and IPO stages. The result was a crisis in the capital market's ability to access funds.

#### **5.7 Placement Trade/Kerb Market**

There are some fixed rules in developed countries, but the SEC does not have appropriate rules in Bangladesh. Consequently, in 2009 and 2010, eight different corporations issued convertible preference shares, with an average of 69% of those shares being placed. In addition, some corporations have used private placements to issue between 50% and 90% of their paid-up capital. Nevertheless, free-floating shares decrease, pushing a new trading process outside the share market, which is illegal.

### **5.8 Serial and Artificial Trading**

The Committee (2011) discovered numerous examples of Serial Trading leading to a spike in stock values, which contributed to the boom. The public who invested in the stock market is greatly deprived because of some manipulators' greed since the overwhelming majority bears the cost of corruption committed by the few.

### **5.9 Role of Power Blocks in the Price Manipulation**

It is obvious from the investigation report that certain powerful persons are responsible for the recent stock market debacle. Cabinet ministers, family members, family businesses, ruling party loyalists, traders, and stock market regulators benefitted from this crash. Business people with close ties to people in power are the best beneficiaries. Report mentioned that pro-government business tycoons swayed the selection of SEC commissioners to increase their influence within the commission. As a result of the public outcry, the SEC declared that it would no longer permit direct listings. Later, despite SEC's notice, KPCL and OCL were approved for the direct listing. The SEC has been known to issue directions only to rescind their days, or even hours, later.

### **5.10 Involvement of SEC Employees**

Officials at the Securities and Exchange Commission (SEC) reportedly worked in cahoots with corporate sponsors or directors, major brokers, and high-net-worth investors to manipulate a subset of the market prices. The report mentioned that the SEC's top officials were completely connected. Report said the people on the committee were of high professional integrity and wisdom. When they had named anybody in the report, they must not have forgotten the accused person's reputation that might come under the clouds. So whatever they have done has been done with full knowledge of the implications and judiciousness.

## **6. Case Studies**

### **6.1 Case Study-1: Khulna Power Company Ltd**

Khulna Power Company Ltd. generates electricity and distributes it to homes and businesses in Bangladesh. Their stock debuted on the market on April 18th, and eligible institutional investors are discovering the 2010 price of the securities through the book constructing system. The incorporation date for the firm is October 15th, 1997. KPCL's Net Asset Value was TK. 18.53, and the indicated price was Tk. 162, for a tenfold premium. Before listing, the security had a price-to-earnings ratio of over 60, which is high compared to comparable firms, given the company's EPS of TK. 2.79. With a PE

Ratio of 98 and 81, respectively, the sponsors of KPCL and OCL were able to raise a total of Tk 15.60 billion from the market at an average price of Tk 225 and Tk 325 per share of Tk 10 (Alam, 2012). Tk 85 was the last price at which KPCL shares changed hands on January 20, as the market lost 600 points in less than six minutes. There was a mysterious disappearance of more than two-thirds of KPCL's worth. Without the help of the SEC, DSE, and finance ministry officials, raising such a large sum of money at absurdly inflated rates is impossible.

### **6.2 Case Study-2: Ocean Containers Limited**

The maximum price of the stock was Tk. 2254, and the minimum price was Tk. 69 only against the face value of Tk. 10. The lowest price of the securities was half of the offer price, indicating that many shareholders caused huge losses from this security. On Jan 20, when the market shed 600 points in less than six minutes, OCL stocks were last traded at Tk 106. More than two-thirds of the value of OCL had vanished. In both cases discussed above, the most benefit goes to the company's owners, who own the company.

### **6.3 Case Study-3: Chittagong Vegetable Oil Industries Ltd**

The committee made three recommendations, including necessary action against CVO Petrochemical Refinery Limited, for not disclosing price-sensitive information on the non-performing operation of the company, whose market price rose 4158.46% within one year. The committee recommends it be re-audited by the commission, as the company showed profit and declared a stock dividend for the rising share price, although the company was not in operation. CVO Petrochemical Refinery, known as Chittagong Vegetable Oil Industries, held its EGM on May 06, 2010, and changed its name to CVO Petrochemical Refinery on July 06, 2010, and the company's market price went up by 92.69% on April 22, 2010. The company amended all relevant papers on August 18, 2011, & the company obtained a no-objection certificate (NOC) from the Ministry of Electricity, Fuel and Minerals on August 03, 2011. It also got NOC from Fire Service and Civil Defense and the office of Deputy Commissioner of Chittagong from February 15, 2011, and November 24, 2011, respectively. However, as per the probe report, the information given by the company was not consistent with the supporting papers of conversion into refinery plant, as the company is still in non-operation as well as is under the process of obtaining papers/documents for establishing refinery plant (Committee, 2010). Chittagong Vegetable Oil Industries Limited and its directors, managing director, and company secretary were served with a show-cause cum hearing notice for failing to comply with securities rules in their audited financial accounts. The SEC has recently begun looking into the company's extraordinary price increase and has suggested a 20% stock dividend for the fiscal year ending June 30, 2010. The SEC committee formed for further investigation into the matter will likely submit its report

by August 5. The recent stock market fiasco prompted the investigative panel to investigate the company's dividend recommendation in light of the repeated losses the firm had sustained in 2008 and 2009. The study suggested further inquiry into whether the dividend decision was based on "doctored" financial statements, which might have played a major role in the abnormal price hike of the company's shares (Akimzhanov et al., 2021; Duyunov et al., 2021; Rubi et al., 2022).

## **7. Findings and Recommendations**

A vibrant, dynamic and progressive capital market is essential for economic development. Although there have been serious allegations against SEC, the organization has been working on keeping a steady stream of business going through the market. Independent research, a monitoring mechanism, and swift decision-making areas where the SEC might benefit from increased human resources and professional expertise. However, from the perspective of regulators, the following initiatives could be taken for the market's healthy growth such that all parties are appropriately addressed. The dissemination of materially important data concerning individual stocks Audit firms should be held to the highest standards of transparency and accountability if the SEC will enforce strict monitoring of audited report quality. By enforcing a level playing field for public and private mutual funds, the SEC and the government can increase the number of mutual funds, which will help stabilize the market in the long run. The government can also play a proactive role in building a stable market by capitalizing on the general public's growing interest in the market by increasing the supply of shares. Share business infrastructure, such as brokerage houses, should be established in major cities around the country to accommodate the growing demand of the general public. This is where an increase in internet access at the grassroots level and other IT development might prove invaluable. To better safeguard the interests of new investors, it is critical to ensure that they have at least some familiarity with the capital market before they invest. To guide and restore confidence in the capital market, the regulatory body should take the appropriate steps to boost corporate governance ratings among listed companies, allowing investors to distinguish the excellent governance companies from the rest and assign such firms a higher value. Moreover, a vibrant market cannot possibly be achieved.

Current and potential investors in the Bangladesh stock exchange must be educated on the market process and given reliable information to make informed decisions when trading shares. Moreover, if we do not do something about it, the Bangladesh capital market will shortly experience this irrational decline in the DGEN Index. The regulatory authorities should take the appropriate actions to boost corporate governance ratings among listed businesses to direct and restore the confidence of individual investors in the capital market. This will help investors identify companies with strong corporate governance practices allowing them to place a higher value on these firms. Moreover, if

market governance is not improved and manipulation is not eliminated. In this endeavor, regulators must continuously adapt to economic change and globalization. Therefore, to keep the country's capital market stable, stakeholders, including the government, regulatory authorities, listed firms, brokerage houses, institutional investors, and retail investors, should implement the recommendations made in this study and their own best interests. These include using legal action, threats of violence, control of resources, and personal connections (such as family, friends, or patronage networks) to influence others. Even while corrupt agents will be susceptible to these controls, they will also employ methods under their control to mitigate the effects of these controls. A lack of institutional presence in the share market, monopolistic dominance of member brokers, the inefficiency of the SECS to cope with developments, the existence of the Kurb market, the absence of proper circuit breaker application, etc., led to the unexpected rise and fall in share prices. One of the main tools of influence was the system of delivering goods and services in exchange for cash. False and fraudulent stock certificates flourished in the curb market. Indicators of both DSE and CSE are on the rise, but this does not mean they are problem-free. The researcher has found that people in power (especially those having ties with politics) have manipulated the market from the analysis.

## **8. Conclusion**

The stock market is one of the most significant financial markets in today's economies, including Bangladesh. It is well known that the state of a nation's stock market significantly impacts its economic stability and prosperity. It makes it possible for businesses to raise substantial sums of money from numerous individual investors inside and outside a given nation. Due to a weak regulatory environment, Bangladesh's capital market is still quite speculative and opaque. The previous few years have seen a dramatic increase in stock price manipulation, with some firms' stock prices increasing by more than 4000 percent in a single year despite little to no change in the company's fundamentals. The Bangladeshi government, which is in charge of the SEC, must make sure that the agency is managed by people who are more reputable, competent, and knowledgeable about financial markets and their workings. If doing so necessitates employing local or foreign professionals and paying them lucrative rates. The Bangladesh Security and Exchange Commission (SEC) and the government should take short-term and long-term steps to stabilize the market. To meet the current demand, they should push for an increase in the number of public limited firms providing shares to the public. Existing investors' confidence should be restored by introducing income tax rebates, injections of the Market Stabilization Fund, mandatory shareholding requirements for board members, and short-term incentive packages.

## 9. Limitations of the Study

Every research has limitations. This research also has some limitations. Discord between the SEC and stock markets; Inviting Banks and Other Financial Institutions to Take Aggressive Positions in the Capital Market. Uniform face value of a share; Faulty index counting; Demand and supply imbalance; Lack of knowledge of the investors; Small investors' attitude toward making money in a short time; Asset revaluation & Rumor; Problems with the issue of Right Shares, Preference Shares, Repeat IPOs, and Other economic factors resulting from the stock market crash. The research paper has some more limitations. Such as, a non-probabilistic sampling procedure was used in selecting a sample that might not generalize the events. Additionally, a small sample size (50 respondents) might not represent the situation. Access to concerned authorities was difficult, and the major problem was the respondent's response as they were not keen enough about giving real data. Data was not sufficient in the number of samples. The study is primarily based on secondary data.

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