Journal of Business Administration Vol. 16 No. 1 & 2, 1990

DEVELOPMENT OF CAPITAL MARKETS IN BANGLADESH

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I. Introduction

Capital markets are integral parts of developed and industrialized economies. One can hardly escape the impact of activities in the capital markets or lack thereof on an economy. On the one hand are the capital markets such as Japan or US—deep, resilient and highly sensitive, and on the other are the capital markets such as Bangladesh shallow, shaky and rather insensitive. In the middle of the spectrum are the emerging markets such as Korea, Taiwan, India and Brazil.

Why the capital markets of Bangladesh are what they are ? Is it because Bangladesh happens to be one of the least developed economies ? One may twist this question and ask—is Bangladesh doing badly because of its poor capital markets ? Of course who needs capital markets in China, or Cuba or even Sri Lanka ? It is also doubtful that developed capital markets will ever be needed if agricultural growth is all that is desired. So does Bangladesh afterall need development of capital markets ? If so, how important the development is and how to develop ?

These are some of the fundamental questions that we intend to address in this paper. Given the increasing awareness about investment activities and capital markets and more importantly renewed aspirations for economic betterment, it is perhaps an opportune moment to rejuvenate discussion about the questions raised.

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In the discussions that follow, we advocate certain themes ; (A) capital markets development is a means towards an end not an end in itself ; (B) economic development via development of large and medium scale industries is an appropriate strategy for Bangladesh, and it is in this context that capital markets development is called for and is likely to occur ; (C) for capital markets development, resource gaps in managerial skills, investment skills and intermediating network are to be addressed. In formulating these themes, we have used the concept of strategic planning for business firms adapted in this case for the state as an enterprise.

The rest of the paper is divided into seven sections. Section II provides preliminaries on capital markets definitions, classifications, their role and characteristics. In section III, we briefly review the relative position of Bangladesh in terms of economic development, industrialisation and capital markets development vis-a-vis some other countries. The concept of strategic planning is introduced in section IV along with discussion of why Bangladesh capital markets are where they are. Section V is on the diagnostic phase of strategic planning for Bangladesh. In section VI, we take up the matter of strategic plan and planning for its implementation. In this section, we also show the strategic importance of capital markets and identify the resource gaps. We present some suggestions for addresing these gaps in section VII. We summarize our thoughts and conclude in section VIII.

II. Nature of Capital Markets

Capital markets are often referred to as the 'markets for long term and medium term funds'[1]. Depending upon whether the formal claims of funds supply are negotiable or not, capital markets can broadly be classified into securities markets and non-securities markets. Securities markets have in turn two segments--the markets for initial transactions (primary issues) between the acquirers of funds and the suppliers of funds and the markets wherein secondary trading of the issued securities take place. Secondary tradings by themselves do not generate net new funds for the issuers of securities. However, they are highly desirable since good secondary markets are vital for enhanced access to funds by the users both in the securities and the non-securities segments, and for improved portfolio management on the part of investors.

Alternatively classified by the contractual nature of the formal claims, capital markets have four segments-debt (eg., bonds, debentures and term loans), stock, (eg,, common stock and preferred stock), hybrid, (eg., convertible debt, convertible preferred), and derivative (eg., warrants and options).

The definitions and classifications above are useful in so far as they bring out the role of well functioning and developed capital markets. They augment the process of economic development, efficiency and welfare through the following ways among others[8] : (1) encourage savings, (2) draw more savers and users into the investment process, (3) draw more institutions into the intermediation process, (4) help mobilisation of nonfinancial resources, (5) attract external resources, (6) descipline sick organizations and investments and (7) offer financial innovations to match the diverse and changing needs of savers and users.

The role of developed capital markets in a way hints towards the salient characteristics of such markets :

(1) a large number of individual and institutional investors.

(2) a significant proportion of their portfolio invested in capital market instruments,

(3) healthy and competitive capital market institutions, eg., stock exchanges, investment banks and/or brokerage firms,

(4) a large number of users of funds having access to and using the capital markets,

(5) high volume of trading in the secondary markets leading to liquidity.

(6) a respectable level of fairness in deal making and trading.

(7) a wide variety of instruments,

(8) a good level of understanding on the part of investors and users about the functioning of capital markets.

(9) well trained promoters and professionals such as brokers, underwriters, bankers, exchange officials, officials of regulating and overseeing bodies, etc.

Not surprisingly, there are strong empirical correlations among the level of economic deveolpment, industrial development and the level of capital markets development. Very few developed countries, if at all, are there which do not have high degree of industrialization. It is also hard to find an industrially developed country not to have a developed capital market. However, these correlations should be understood as a system of mutual feedbacks with the result of continued economie betterment. Developed capital markets themselves are neither achievable nor desirable. They are meant to be vechicles of sustained industrial and economic development and not the end result.

It is thus imperative on the part of underdeveloped countries to realize that their capital markets development plans will hardly go anywehere unless those are interactive and coherent with industrial and other economic plans. To go a little further what is needed is strategic planning. We will come back to the subject of strategic planning later on in this paper.

III. Developments in Bangladesh Capital Markets

Let us now have a broad reflection on the position of Bangladesh in relation to select groups and individual countries in terms of economic development, industrialization and capital markets development. Although the data in Table—I is somewhat old, we do not think that the situation has changed markedly since 1980. Bangladesh is one of the poorest and slowest growing economies in the world. Like most underdeveloped economies, the population pressure is only a part of the story, some of the rests are political instability, a relatively high (low) proportion of output and labor force in agriculture

(industry) as can be seen in Table 2, inadequate technology and capital, low savings rates, volatile export earnings from a high proportion of traditional exports, low literacy and unskilled labor force.

When it comes to the level of capital markets development, Bangladesh fares very poor on almost all counts of development we have mentioned earlier. Almost all medium and long term debts are negotiated term loans ; corporate and government bond markets are virtually non-existent[3]. The long term loans are largely extended on concessional terms by the two big industrial development banks-Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS)[4]. However, their loan recovery (collection) experience is a matter of grave concern[5]. Although various government arrangements are in place to train develoment bank officials and to help potential loan applicants regarding the fromulation of projects and submission of loan applications, the awareness and skill levels are far from being reasonable. Also, political interferences and under the table dealings are not rarities, which unfortunately drives away may potential investors and profitable projects.

The stock market in Bangladesh is also a far cry from the developed and even the emerging markets. Not only the capitalization is extremely low, but the trading volume relative to capitalization is unusually thin. The economies of Taiwan, Korea, India and Malayasia are roughly 2,4,3.1, 14.0 and 1.96 times the economy of Bangladesh. However their stock market capitalizations are approximately 272, 184, 133 and 104 times that of Bangladesh. One obvious factor is the degree of industrialization. For example, with about the same percentage of labor force, Indian industrial sector's relative contribution to GDP is almost three times that of Bangladesh. However, that it is lot more than low degree of industrialization as indicated by the trading volume relative to capitalization.

An inactive market such as Bangladesh can hardly expect to attract a large many investors and/or listings. As of year-end

1986 the Bombay, Calcutta and Delhi Stock Exchanges had respectively 1911, 2113 and 1698 companies listed, while the Dhaka Stock Exchange had 82 listed companies[6].

According to a Reserve Bank of India survey of 361 companies listed on 8 various stock exchages, in 1978, the total equity paid-up capital (Rs. 1391.85 crores) of the surveyed companies was owned by about 30 million shareholders (account)[7]. In comparison, a Dhaka Stock Exchange survey of 35 companies reported that as of June 30, 1985, the total equity paid up capital of about 125 crore taka was owned by only about 40 thousand shareholders.

Although Bangladesh seems to have too few shareholders compared to India, one common feature is the concentration of share ownership. In both the markets, a few shareholders account for substantial part of total sharehoders' value. For example, in Bangladesh as of June 30, 1985, 664 large shareholders accounted for 87.07% of the total paid-up capital of the 35 companies surveyed. By categories of shareholders, Directors/Sponsors rank highest in Bangladesh with 37% of total paid up value of shareholdings follwed by general public (25%), government (23%), Investment Corporation of Bangladesh (10%) and banks and financial institutions (41%). India's individuals, however held 37%, government 2% and financial institutions 26% [RBI Survey, 1978]. India shared with such developed markets as USA, UK, and Japan the trend to increasing involvement of the financial institutions. India, in fact, has been able to attract more foreign investment in equity capital (20% of the value of holdings) than USA, UK or Japan. It appears that Bangladesh has a long way to go in terms of attracting individuals into the stock market either directly or indirectly through the finacial institutions, as well as attracting foreign involvement.

IV. Strategic Planning of the Economy

Why the capital markets are where they are ? There may be as many ways to approach this question as there are concerned minds. We will try the approach of problem in planning for growth of the economy.

Bangladesh may have had substantial long-range planning but it is doubtful whether it had sound strategic planing for growth and/or development. "Long-range planning, is essentially a process of extending current operational plans into the future with segregated business units as the source of such projections and inputs. These separate business plans are often consolidated into one recommended plan which is called "strategy"," [Howard (1986), P. 60].

Strategic planning in contrast, is a process of determining "what" the organization (in this case, countries) wants to be (within the context of its operating environment, its resources and capabilities, the preferences of its management and the nature of the organization itself) and "how" it will get there. "Strategy" here is the "What" and "how"-together.

The reasons why Bangladesh needs strategic planning are :

to determine as an economy where it wants to be so that there is a sense of direction

to avoid plans for individual sector which are "misfits" either in terms of strategic emphasis or in terms of resource availability when a comprehensive picture of all the sectors and resources is considered

to learn to be dynamic in reacting to evolving situations which necessitates realignment of strategy, plans and actions,

Aside from the political instabilities and differences among the regimes, we are not sure if Bangladesh ever had clear sense of direction for its economy. For example, the following questions have remained largely unanswered :

Should the strategic initiative go for economic growth and economic development or basic need first, or liberation first and growth and development second ?[8]

Should Bangladesh strive for excellence in agriculture or industrialization ?

Should the industrial development take place, mainly through small and cottage industries or through medium to large industries ?

The discussion of capital markets development would be most relevant if the strategic initiative goes for economic growth and development first, if rapid industrialization is targetted and if medium to larger industries are preferred. In our view except for this combination of strategic choices, highly developed capital markets, specially securities markets, are hardly necessary. For example, since independence in 1948, Sri Lanka's strategic initiative was placed on basic needs rather than on growth and development. In 1980 Sri Lanka's Physical Quality of life Index (POLI) indicator of literacy, life expectancy, and infant mortality was higher than that of Mexico and Brazil (with income levels seven times higher). Sri Lanka needed hardly any capital market while Mexico and Brazil are now two of the emerging stock markets.

The financial market needs for excellence in agriculture (without industrialisation) or industrial development through small and cottage industries hardly match the services and characteristics of developed capital markets. For example, in these cases, the securities markets are rather inessential not to speak of their development.

Thus in our belief, the capital markets development in Bangladesh has suffered most from political indecision regarding its strategic importance for economy of Bangladesh. One glaring example is the suspension of trading at the Dhaka Stock Exchange following independence (in 1971) and the resumption of trading activities later in 1976.

V. Strategic Planning Process

The first and perhaps the most critical input to the strategic planning process is the assessment of the various aspects of external environment, eg., technological forces, economic and financial markets, governmental and social forces and competitives forces.

Bangladesh should reckon with the technologies abroad of producing goods and services that it either produces now or intends to produce in future. Varying technological demands translate into different financial and human resource capability requirements. Assessment of foreign technology in comparison to domestic and existing ones is also vital from a competitive point of view. A glaring example in this context is the development of jute substitutes abroad.

In the international market, be it economic or financial, Bangladesh is a price-taker. Thus the course of events in the economies abroad and the financial markets abroad are to be evaluated carefully prior to determining strategic initiatives. To give a hypothetical example, if in the world market there is a glut of wheat and disregarding this event Bangladesh determines that mass production of wheat will be a strategically beneficial move, on all likelihood this will be a harmful move.

The governmental, social and competitive forces abroad are particularly important since at least for the foreseable future Bangladesh will have to rely heavily, on external assistance. Certainly nationalization of banks and industries will not fetch favour from the current USA or UK regimes. The current trend in the free world and also in regulated economies is towards privatisation and deregulation, thus opening up for more competition. It is significant to note that the industrial policy of 1986 and the recent government moves in this area are in tune with the worldwide wave of free enterprise.

The next two steps in the strategic planning process are the identification of current strategy and the measurement of current performance against strategic goals and objectives. Although there does not seem to be any current strategy, performance against the targets of five year plans may be evaluated. We will here cite the interim performance evaluation of

private sector outlay according to the 1989-90 Budget Speech of the Minister of Finance, Part I. The Third Five Year Plan (1985—90) outlay for the private sector assigned greater importance to investments in agriculture (32.35%), physical infrastructure and housing (26.84%) and industry (23.53%). In these sectors, the realized investments were 23.75%, 18.98% and 12.01% respectively. During the three year period, realized investments in transport and communication (23.63%) and the trade and services sector (21.63%) far exceeded the planned stipulations of 11.03%and 6.25% respectively. As was so correctly pointed out by the Minister of Finance, "Preferences of the investors diverge from the priorities determined by the plan".

Identification of the key factors which determine the successful implementation of a strategy is the next step in the strategic planning process. These define what the organization (country) has to do well, from an internal standpoint, to be successful. Some of these are perhaps :

Population Control
Costs and quality of exports
Adoption of foreign technology
Financing
Management

Internal organizational assessment is the last diagnostic step in the strategic planning process. For a country, perhaps the more important aspects to be examined are the current human, financial and physical resources, external contacts, preferences of government leaders and officials, institutional network, organizational culture and human resource management systems.

VI. Strategic Role of Capital Markets

The crucial step now is to develop a strategic plan, i.e., to set and/or modify the goals and objectives of the enterprise so that there is a "fit" between preferences, organization and environment.

Basically Bangladesh has three choices regarding its goals : economic development, satisfaction of basic needs, or liberation (from western influence through anti-capitalism). Given the world's experience, the latter two may at best be temporarily suitable for an economy. Furthermore, given the external environment, management preferences and organisational culture, economic development appears to be the only viable and suitable goal for Banglasesh. Not that Bangladesh can achieve this goal soon, but this goal is the most worthy to strive for and Bangladesh has the potential to make progress towards the goal.

The next step is to determine the appropriate broad sectoral mix. Economic development is economic growth accompanied by changes in output distribution, among other things, from agriculture to industry. The potential for agricultural growth in Bangladesh is limited by scarce and shrinking cultivable land, landholding nature reducing the benefits of large scale mechanisation and low export potential. Any agricultural growth is also going to be volatile due to natural calamities and poor irrigation and flood control systems.

The sectoral emphasis consistent with the goal of economic development has to be on industry. We realize that this is a substantive departure from traditional policy statements and plans. However, we feel that by necessity Bangladesh has to select the path of industrial development. The world away from Bangladesh and around Bangladesh has chosen the route of enlarging the pie first through industrial development. Availability of technology is not a problem, rather the selection of it is since there are so many. Bangladesh also has one of the cheapest pool of labor which is potentially an economically attactive pool of human resources. Markets are there if we only achieve quality by adoption of finer technology and development of human resources.

Industrial development should take place primarily through large and medium industries rather than through currently emphasised small and cottage industries. By technological demand

core industries will have to be large. Also to become competitive with producers abroad, the industries should grow large enough to compete in terms of price, to absorb revenue and cost volatilities, to be able to devote resources to research and development and the like. True that small and cottage industries are in general more labor-intensive. But short term employment maximization is an illusive objective Bangladesh has so disappointingly pursued for so long like many other less developed countries. Also, foreign direct investments which are to be welcome are likely to be large scale. From financing point of view, domestic and international capital may be more available and at cheaper cost for large rather than small industries.

After determinig the strategic plan, strategic planning requires a plan for implementation of the strategic plan. Implementation planning translates broad strategic plans into specific operational plans which will provide concise guidelines for undertaking specific strategic initiatives, in the first phase. Strategic intiatives in some cases will be direct governmental initiatives, in many other cases, government policies and incentives would be designed so that private sector initiatives come along.

Government of Bangladesh has already undertaken significant strategic initiatives through its industrial policy, formation of the Investment Board, denationalising many industries and financial institutions, opening upto foreign financial institutions, taking significant steps (including more operational freedom) for improving management of the public sector enterprises, giving new incentives, such as investment allowance for balancing, modernization and replacement of machinery, extending time-limits for various tax exemptions, introducting tax-breaks for going pubilc, giving pereferential tax treatment to intercorporate dividend income, etcetera. Many of the goverment strategic initiatives fall directly into the category of developing capital markets.

However, there are two reasons why the initiatives have yet to produce significant results. First, as mentioned earlier, the strategic role of industrial development has not been made clear. As a result, commitment to this cause has been half-hearted. Agricultural growth, still tops the priority list, the relative emphasis of large and medium scale vis-a-vis small and cottage industries is still unclear and bold steps to revitalise the capital markets are yet to be undertaken.

Second, activities similar to the second phase of implementation has been ignored for the most part. The second phase requires "the identification of the necessary resources for the implementation of the strategic plan, and the development of a plan for obtaining or developing the resources , . .". [Howard (1986), p.61]. Most important of the existing resource gaps are intermediation network, managerial skills and investment skills.

In Bangladesh, households save more than the government and the corporate sector (1989-90 budget speech of the Minister of Finance, Part I. P. 6). We have also quoted before that during the first three years of the Third Five Year Plan, private sector investment in transportation and trade and services have largely outstripped thier planned levels while investments in industry have seriously fallen short. It appears that domestic private savings were available but did not get channeled into industrial inventment[9]. It may be obsrved that the expected returns from industrial investent were just not good enough given the ex-ante risks and other investment opportunities. One or more of the following might have happened :

(a) because of poor managerial skills, industrial investment returns were truly lower given the risks ;

(b) because of poor investment skills, investors could not properly gauge the attractiveness of industrial investments ;

(c) there was no effective intermediating network to spread the risks over many savers and industrial investments.

Bangladesh needs developed and well functioning capital markets where capable managers-enterpreneurs will come forward with good projects to raise long-term capital, more enlightened investors will pour in savings and trade securities, and where there will be institutions where managers-enterpreneurs and savers-traders can confide in and rely upon.

VII. Recommendations

In order to close the managerial skills gap, the followings are needed ;

(a) More enterpreneurs and managers with management education. For this, in turn, are needed :

(i) More management education programs such as the ones of IBA. Dhaka University, but preferably with business firms as sole or joint sponsors

(ii) Undergraduate management education so that young pool of enterpreneur managers are available

(iii) More engineers with management education so that the process of adoption of technology for industrial development is facilitated.

(iv) Management education programs for management of public sector enterprises

(v) More familiarity with management education throughout the country

(vi) More involvement of the multinationals in the management education process.

(b) Better humen resource development programs on the part of industrial concerns. Appropriate fiscal incentives in this regard may be called for.

(c) Better human resource management systems which try to match the tasks required by strategic plans of business with the match the people assigned to the tasks. This is done through selection, development, evaluation and compensation of employees.

To alleviate the investment skills gap, the following are suggested ;

(a) Setting up one or more investments or securities institute to impart applied investment education to potential investors, capital markets professionals and personnel such as borkers, investment bankers, development bank officials and other government officials in contact with the capital markets.

The benefits of separate Investments or Securities Institute in addition to the usual management education institutions are :

0. it specialise, in imparting invesments education only and will enjoy more flexibilty in designing curriculum,

0. it can draw professionals from all walks of investments and investment education for administration and imparting education without much hassle since usually there are no lectures and the courses progress through correspondence.

0. it can attract many savers into the investment process since no office time need be spent and yet valuable information and skills can be obtained. In other words, marginal costs are negligible and marinal benefits are high for savers-cum-potential investors.

0. it can have a cycle of entry dates into the program and examination dates to facilitate year round access.

Take home examinations by mail can be given and yet the purpose may be served since the courses will be intended to make potential investors aware about the institutions, instruments, some tactics, myths and realities of investment, if they wish to be so. Of course, entrance fee, course fee and examination fee will be reqnired to control abuse of the institute previlages.

0. Since the courses will progress through correspondence, the Institute can reach out to potential investors across

the country. This is particularly important given that at present Bangladesh has only one Institute of Business Administration located in Dhaka.

0. The institute will be in a position to sponsor and undertake investment research drawing upon its pool of graduates many of whom will hopefully be in positions to help in terms of finance, data and information supply and of course authorship.

(b) Promoting financial press and personal finance news letters. Not only these enhance investment awareness of people, but also serves the purpose of keeping the securities market efficient. Perception of efficiency, in turn, will generate confidence in the secutrities market. Investor confidence is one of the serious barriers to securities market development in Bangladesh.

To fill up the intermediation gap, we propose the following :

(a) Initiation and development of gilt edged securities markets. The funds raised will be recycled to indusrial development purposes either through sole or joint venturers, or through the development banks. Various financial institutions including the commercial banks can be required to invest certain proportion of their funds in the gilt-edged securities. This will create liqudity in other securities markets as well by inducing trades for portfolio reshuffling needs, will pave the way for corporate bond markets, bring more savers into the investment process and may also be used as venue for the conduct of monetary policy.

(b) Gradually transform some of nationalized commercial banks into development banks with publicly traded equity. This will transfrom lot of commercial capital into industrial capital. The asset liability mismatch may not be severe due to relatively low volatility of interes rates, customer allegiance and customer inactivity on the investment horizon.

(c) Establish a securities and exchange commission to oversee and guard fairness in the primary issues market, the activities of the stock exchange and securites trading in the secondary market. This will not only relieve the overburdened Ministry of Finance, but also signal firm commitment on the part of the government towards capital markets development.

(d) Seriously consider restructuring Investment Corporation of Bangladesh (ICB) since in its current state it is probably more of a disservice rather than a helping hand. It is holding inactive a huge part of the paid up capital of publicly traded companies thus creating dismal turnover at the Dhaka Stock Exchange. It is also alleged that the management culture at ICB is not conducive to the stock market. Extreme risk aversion on the part of ICB managers may have rendered ICB one time investor in the primary issues and thus have robbed ICB of its active portfolio management mandate. These do suggest that the government take a serious look at the current state and usefulness of ICB.

(e) Require insurance companies to hold part of their asset profolio in stocks thus allowing commitment savings to fund industrial activity and at the same time add considerable liquidity to the stock market.

(f) Introduce higher tax rate for long-term capital gains than for short term capital gain or tax accrual of capital gain rather than realization. Again. this is to increase trading frequencies of investors and thus add liquidity.

(g) Fairness in trading on the floor of stock exchage must be established. The current system of trading leaves ample room for manipulation of prices by the floor traders. A more impersonal but still not mechanised system such as the one in India may enhance fairness in trading,

VIII. Summary and Conclusions

In this paper, we have argued that the underdeveloped nature of capital markets in Bangladesh is principally due to a lack of recognition of the strategic importance of such markets in Bangladesh, Capital markets development will be necessary if Bangladesh chooses to achieve economic development through development of large scale industries.

As part of a strategic plan, we have suggetted some measures to develop capital markets in Bangladesh. These are related to mitigating resource gaps in the areas of managerial skills. investment skills and intermediating network. Some of these measures are : more undergraduate and graduate management education programs, setting up one or more securities or investments institutes, initiation and development of gilt-edged securities market, estabilishment of a securites and exchange commission, seriously consider restructuring the ICB and change system of trading on the floors of the Dhaka Stock Exchange. These will help in realising the staratcgie role of capital markets and rejuvenating the capital markets in Bangladesh.

Footnotes

1. Since the effective term of fund availbility or supply can be different from the nominal term, it is rather difficult to give a precise definition of 'Capital markets'. Typically, funds available or supplied for a year are called short term, medium-term refers to from more than a year to five years and long-term refers to more than five years. To emphasise, however, this clasification is not universal.
2. Although economic development is not synonymous with economic growth aspects of economic development in this paper. More than anything else, this is to limit the scope of this paper.
3. Government of Bangladesh bond type liabilities include Defense Saving Certificate, Bonus Savings Certificate and Prize Bonds. In addition, the Postal services offer Postal Savings Certificates of variying maturities.
4. Some other specialized institutions providing medium and long term credit are : Bangladesh Krishi Bank, Bangladesh House Building Finanace Corporation, International Finance and Investment Company Limited, insurance companies and leasing companies.

5. During the year 1987-88, the Bangladesh Shilpa Bank recovered only 19% of the outstauding amount. Inspite of a series of relief introduced by the Bangladesh Shilpa Rin Sangstha, its loan repayment has not improved as expected. It is estimated that as of June 30, 1988, outstanding loan recoverable from large and medium size Industries is about 52%of the loan to the secror.

6. Bombay, Calcutta and Delhi are the three biggest stock exchanges in India. In addition to common stock, these and many other Indian exchanges also have listings of preferred stock, debentures and bonds. Ource of information for India is "The Stock Exchange Official Directory', Bombay Stock Exchange.

7. There were about 1952 public limited companies listed on the recognized stock exchanges of India in 1975. (Page 3, SEOD, No. XXII/51, 1988). In 1980, there were more than 3000 listed companies on the exchanges of RBI survey.

8. Plesse see Nafziger (1984), chapter 2 for an informative duscussion of these controversies. While economic growth refers to the rate of growth of measures such as GNP per capita, economic development refers to economic growth accompaied by changes in output distribution and economic structure. Growth can take place without development, but it is necessary for development.

9. Recently we came to know from a respected colleague that the nationlized commercial banks are currently pregnant with money but really do not know how to reinvest the huge sums. This is another indication of intermediation gap for the purpose of industrial development.

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Table-1

Economic Development, Industrialisation and Capital Markets Development of Bangladesh in Comparison to Some Other Counter (a)

	Population mid-1980 (million)	GNP per capita 1980 (US$)	Average Growth of GNP 1960—80	Annual rate per capita (percent)	
In 1980 GNP per capita US $415 Low income countries	2160.9	260	2·3	Pop X per Capita GNP	Relative Size of the Economy
Bangladesh	88.5	130	0.0	11,505	1
Nepal	14.6	140	0.2		
India	673.2	240	1.4	1,61,568	(14.04)
Sri Lanka	14.7	270	2.4		
Middle income countries 415—4500	1211.8	1,510	3.9		
Thailand	47.0	670	4.7		
Philippines	49.0	690	2.8		
South Korea	38-2	1,520	7.0	58,064	5.05
Thaiwan	17.4	1,600	6.6	27,840	2.42
Malayasia	13.9	1,620	4.3	20,518	1.96
Singapore	2.4	4.430	7.5		
High income Countries 4500	1012.1	8,690	3.7		
UK	55.9	7,920	2.2	442,728	38.48
Japan	116.8	9,890	7.1	1,155,152	100.40
Canada	23.9	10,130	3.3	242,107	21.04
US	22.77	11,360	2.3	2,586,672	224.83
France	53.5	13,590	3.3	827,631	71,94

(a) Source : Table 2—1, pages 13-19 of Nafzlger (1984) other economies relative to Bangladesh Economy

Table-2

Industrial Structure in Developing and Developed Countries, 1980 (b)

	Percent of labour force in		Percent of Gross Domestic Product (GDP) in	
	Agriculture	Industry	Agriculture	Industry
Low income	71	15	36	35
Middle income	44	22	15	40
High income	6	38	4	37
India	69	13	37	26
Phillipines	46	17	23	26
U.K.	2	42	2	35
U.S.	2	32	3	34
Bangladesh (a)	70	14	50.4	9.5

Table-3

Market Capitalization and Trading Volume-1987
International Comparison(a)

Country	In Million US$			
	Market Capita-lization	Trading Volume	Cap of other to BD	Other Econs to BD
Development Markets				
Japan	2,802,956	2,047,224	15,659	100
USA	2,588.890	2,423,066	15,463	225
UK	680,721	389,728	2,178	38
Canada	218,817	75,189	1,222	21
Germany	213,166	373,428	1,191	72
France	172,048	88,085	961	52
Emerging Markets				
Tiwan	58,634	84,112	272	2.4
Korea	32,905	24,919	184	5.1
India	23,681	8,323 (b)	133	14.0
Malaysai	18,531	3,829	104	1.96
Bangladesh(c)	179	1.5	1	1

a. The figures for developed and emerging market are quoted from Stock Exchange Official Directory: Weekly Replacement Service, No. XXII/51, December 19, 1988, Bombay Stock Exchange.

b. Estimated.

c. Bangladesh figures are for the year end 1986 and are based upon an exchange rate of Taka 32 per US$. The source is "Fact Book 85-86" Dhaka Stock Exchange Limited Indicated by the trading volume relative to capitalization.