

Growth and Development of Corporate Bond Market in Bangladesh : Impediment Factors Analysis

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Abstract

The Development of bond market is a precondition for the development of stock market. The Corporate bond market is insignificant share in the bond market of Bangladesh. The present study has been undertaken in order to identify the impeding factors of growth and development of Corporate bond market by employing sophisticated multivariate technique- Varimax Rotated Factor Analytical Technique. The study has collected and used only primary data, secondary data, and consulted available literature for designing the questionnaire. The study has identified factors impede the development of corporate bond market in Bangladesh: Financial institutions and Interest rate Factor, Macroeconomic Environment Factor, Market oriented Factor, Information of Sector Regulatory and Policy Formation Sector, Benchmark bond factor etc. The study has suggested some policy like introducing bench mark bond for investment, reducing dominance of banking system, flotation cost, political instability, making regulatory reform for development of corporate bond market.

I. Introduction

1.1 Background of the Study

AN EFFICIENT BOND Market is important for managing public debt and bank liquidity and for efficient conduct of monetary policy. The bond market links the issuers having long-term financing needs with investors willing to place funds in long-term interest bearing securities. When firms can raise funds by issuing bonds, they are less dependent on banks and less exposed to vulnerabilities of the banking system. It also makes the financial market more competitive by generating market based interest rates that reflect the Opportunity cost of funds at each maturity and reduces excess dependence on the banking system. A well functioning bond market is

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- iii. To reduce dominance of banking system, flotation cost, political instability.
- iv. To increase contribution of non banking sector, diversification features of bond, marketability of bond, investors.
- v. To make regulatory reform for development of corporate bond market.

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Appendix
Table A1
Corporate bond and debenture market in Bangladesh

Year	2003	2004	2005	2006	2007	2008	2009	2010	Sd	X	cv
No. of corporate bond and debentures	8	8	8	8	9	9	9	10			
No of unit of corporate bond and debentures (ml)	0.41	0.41	0.41	0.41	0.41	3.41	3.41	4.75			
Issued capital of corporate bond and debentures (ml)	289	140	140	140	3140	3140	3140	4476			
Growth of issued capital of corporate bond and debentures(ml)	Year to year growth	48.44	0.00	0.00	0.00	0.00	0.00	42.55			
Market capitalization corporate bond	517471000	517471000	575696000	576000000	4165000000	2764000000	29690000000	3922000000			
Value of debentures (market capitalization)	517471000	517471000	575696000	576000000	5760000000	576000000	576000000	576000000			
Total market capitalization of corporate bond and debentures	517471000	517471000	575696000	576000000	4741000000	3340000000	3545000000	4498000000	1916862442	1475128929	1.30
Growth of total market capitalization of corporate bond and debentures	Base year 2003	0	11.25	11.31	816.19	545.45	585.06	769.23			
Growth of total market capitalization of corporate bond and debentures	Year to year growth	0	11.25	0.05	723.09	-29.55	6.14	26.88	272.90	105.41	2.59
Share of debentures to total market capitalization(%)	0.53	0.23	0.25	0.18	0.08	0.05	0.03	0.0002	0.173	0.17	
Share of corporate bond to total market capitalization(%)					0.55	0.26	0.16	0.001	0.23	0.24	
Total share of corporate bond and debentures(%)	0.53	0.23	0.25	0.18	0.63	0.31	0.19	0.0012	0.20	0.29	0.70
Growth of Total share of corporate bond and debentures	Year to year growth	-56.60	6.96	-27.64	252.81	-50.00	-40.45	-99.36	116.84	-2.04	-57.26
Growth of Total share of corporate bond and debentures	Base year 2003	-56.60	-53.58	-66.42	18.49	-40.75	-64.72	-99.77			