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Exploring the Trends and Patterns of Debt and Equity Financing through Initial Public Offering in Bangladesh

Md. Iqbal Hossain*
Department of Banking and Insurance, University of Dhaka
Email: iqbalhossain@sec.gov.bd

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*Corresponding Author

Abstract

Bangladesh is considered a fast-growing emerging economy and the new Asian Tiger. The need for fund in Bangladesh is largely met by banks, mainly due to the underdeveloped nature of the stock market and deterred public trust in it. While some studies stress the need for strengthening the debt and equity securities markets to fuel Bangladesh's fast economic growth, capital financing through the primary market remains insignificant compared to that arising from the banking sector. Analyzing Bangladesh Securities and Exchange Commission's long-term data from 1981 to 2022, this paper evaluates the trends and patterns of IPO financing in Bangladesh. Findings suggest that IPOs are much lower in number than what is needed and have not much picked up in recent years. Although the equity market has grown bigger over time, it has not expanded as required mainly due to inadequate importance assigned to it at the policy level and the two market crashes that occurred over the period. The debt market has the lowest visibility and functionality with only a few public issuances. Overall patterns indicate that the securities market historically remains of little significance in supplying capital funds for Bangladesh's industrialization and economic growth. Findings call for taking a comprehensive approach to increase market size at both the supply and demand ends.

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1. Introduction

A business needs financing at various stages of its business cycle. In Bangladesh, the financial market is composed of capital market, money market, foreign exchange market, and treasury bond market. In terms of structure and level of development, financial market in Bangladesh is distinct in various ways. When compared with other countries in the region, the financial market provides a vastly different pattern.

Financing through stock issuance is regarded as one of the key avenues for long-term capital funding by Bangladeshi companies. Development of primary market is crucial for business expansion for large companies in an economy. A well-developed primary market attracts more initial public offerings and enhances market capitalization for booming sectors. Yet, the capital market here is very much underdeveloped leaving room for the bubble to burst. Historically, high liquidity in our financial market has caused too much money to be invested in too little stocks. Initial public offering is also much less than desired for a matured market. It has also been observed that a vibrant financial market would have been possible through an appropriate balance of equity and debt market. But, the share of debt financing and equity financing in Bangla-desh is largely different from that of other countries. In Bangladesh, the share of debt financing, primarily through bank loans, tends to be more significant compared to equity financing, such as issuing stocks or bonds. This differs from some other countries where equity financing plays a more prominent role.

The banking sector in Bangladesh holds a dominant position in the country's financial system. Banks are the primary source of financing for businesses and individuals, offering loans and credit facilities. As a result, debt financing, in the form of bank loans, is a widely used and accessible option for companies in Bangladesh. Bangladesh's capital market, including its stock exchanges, is relatively smaller and less developed compared to some other countries. The limited number of listed companies and lower market capitalization make it less common for businesses to raise funds through equity financing, such as initial public offerings (IPOs), or issuing corporate bonds. The regulatory environment and listing requirements in Bangladesh can influence the choice between debt and equity financing. The process of issuing equity and meeting the listing criteria may be perceived as complex and time-consuming, leading companies to opt for debt financing instead, which is more readily accessible. Cultural factors, such as a preference for ownership and control, can influence the financing choices of businesses in Bangladesh. Some companies may prefer to retain full ownership and control over their operations, leading them to opt for debt financing instead of equity financing, which would involve sharing ownership with external investors.

The financial markets in Bangladesh do exhibit some differences compared to neighboring or other Asian countries. They are relatively smaller in terms of market capitalization. Stock exchanges like the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) have smaller market sizes and fewer listed companies compared to exchanges in countries like India or China. Besides, the regulatory framework in Bangladesh's financial markets may differ from neighboring countries. The regulatory bodies, such as the Bangladesh Securities and Exchange Commission (BSEC), enforce regulations and oversee market activities. The specific rules and regulations can vary, including listing requirements, trading mechanisms, and disclosure norms. Bangladesh's large and growing middle class, combined with a rising disposable income, presents an attractive consumer market. This creates opportunities for companies listed on the stock exchanges and can attract domestic and foreign investments in various sectors. The government of Bangladesh has implemented policies and initiatives to promote investment and economic growth. For instance, the government has established special economic zones, introduced tax incentives for foreign investors, and facilitated infrastructure development. These measures aim to create a favorable investment climate and drive the growth of financial markets. Bangladesh receives significant remittance inflows from its citizens working abroad. These remittances contribute to the country's foreign exchange reserves and can have a positive impact on the financial markets by supporting liquidity and stability.

All these characteristics make financial markets lucrative to be explored from different perspectives. The 'Introduction' section discusses the capital market of Bangladesh, historical trends and patterns of fund raising through Initial Public Offering (IPO) in Bangladesh, and the financial market based on financing options. Each part in this section is followed by insight from patterns and remarks based on the trend of the market. Within the sections, discussions from South Asia and other economies are added to have better insight on our financial market. The section concludes with remarks on the overall financial market of Bangladesh. However, the analysis is divided into several sections. Discussion starts with the economy of Bangladesh. Following sections provide information on the capital market and market segments based on Security Placement (e.g., Primary and Secondary) in Bangladesh. Subsequent sections provide the history and pattern of IPO financing from different aspects followed by an explanation on financial markets based on different financing options and the challenges deterring the growth of these markets.

2. Literature Review

The going public decision is one of the most important and complex questions in corporate finance. In recent years, the theoretical literature has investigated this topic from different perspectives, proposing a host of different models. Nevertheless, the empirical analysis of the going public decision and of its consequences at a firm-specific level is one of the least studied issues in corporate finance and empirical papers on the issue are often based on questionnaires and interviews to chief financial officers and managers of IPO companies (Brau & Fawcett, 2006; Brau et al., 2006). Several studies have been conducted to find the role of stock market on economic growth. The study conducted by Levine and Zervos (1998) – a study considered as seminal one - showed that both stock markets and the growth of banking sector are positively and significantly related to economic growth and are good predictors of economic growth. A number of studies (e.g., Adamopoulos, 2010; G.C. & Neupane, 2006; Capasso, 2006; Atje & Jovanic, 1993; Carporale et al., 2004; Nurudeen, 2009; Enisan & Olufisayo, 2009; Tang, Habibullah, & Puah, 2007; Shahbaz, Ahmed, & Ali, 2008) concluded that stock markets have positive impacts on economic growth, particularly in the long-run. Stock market development positively affected economic growth through a number of channels, such as liquidity, risk diversifications, acquisition of information about firms, corporate governance, and savings mobilization (Levine & Zervos 1993; Osei-Kofi, 2005).

Research suggested that the role of stock market development in economic growth and development may differ across developed and developing economies due to the differences in economic and financial market infrastructure and stability. Adjasi and Biekpe (2005) and Capasso (2006) found a considerable positive impact of stock market development on economic growth in relatively developed economies. On the other hand, Seetanah et al. (2012) discovered an overall insignificant relationship between stock market development and economic growth for least developed countries (LDCs). Seetanah et al. (2012) also, however, highlighted that banking sector development drove economic growth in these economies. Their results indicated that developing countries, including the LDCs, were mostly bank oriented and that their stock markets were relatively young and underdeveloped, which prevented the stock market from playing its due role.

There are many theoretical and empirical studies focusing on Bangladesh's stock market. Several of these (e.g., Banerjee, Ahmed, & Hossain, 2017; Hossain & Kamal, 2010) found that stock market development significantly and positively influences economic growth in Bangladesh. One of the key barriers identified by research for capital market development in Bangladesh is the non-existence of an effective bond market (Jahur & Quadir, 2010). Studies suggested that the role of stock market in economic growth could be much bigger if a powerful bond market is developed and the stock market is allowed to grow larger in both depth and breadth (Akter, Himo, & Siddik, 2019; Debnath, 2014). In order to make this happen, regulatory reforms and policy supports are necessary to encourage more investors and issuers to join the market (Misir, Mohsin, & Kamal, 2010;

Jahur & Quadir, 2010). Many empirical studies examined different issues concerning IPOs, such as IPO pricing and underpricing, IPO flipping, IPO short profit, and IPO long term performances in Bangladeshi Markets (Islam, 1999; Islam & Munira, 2004; Islam, Ali, & Ahmed, 2010). In terms of quality of issuance, most of the IPOs belonged to genuine firms while a small number of IPOs were floated with the intention to exploit naive investors (Dubey, 2012). Rahman, Hossain, and Omar (2017) found that most of Bangladesh's IPOs followed fixed-price method in pricing their issues while only a handful followed the book-building method.

Additionally, a robust stock market nurtures entrepreneurship by providing access to capital for innovative ventures thereby leading to job creation, technological advancement, and the development of new products and services. Furthermore, a vibrant stock market attracts foreign investment, bringing in capital, expertise, and market integration. Foreign investors contribute to the growth of domestic companies, enhance liquidity, and bolster investor confidence. Finally, the stock market serves as an indicator of economic health, reflecting investors' expectations and sentiments about the future prospects of the economy. It provides policymakers and analysts with valuable insights and guides decision-making, contributing to macroeconomic stability. Therefore, a sound and vibrant stock market is instrumental in driving economic development by facilitating capital formation, efficient allocation of resources, promoting good governance, fostering entrepreneurship and innovation, attracting foreign investment, and serving as an indicator of economic performance.

Studies examining the Bangladeshi capital market have highlighted various key findings. Firstly, research on market efficiency suggested that the market may exhibit inefficiencies and stock return volatility. Factors such as market manipulation, insider trading, and information asymmetry had been identified as potential contributors to these inefficiencies (Rasul, 2013). Secondly, studies had explored the relationship between corporate governance practices and financial performance in the context of Bangladesh. The findings indicated that companies with stronger corporate governance mechanisms tend to display better financial performance, including higher profitability, increased firm value, and improved investment efficiency (Al Farooque et al., 2007).

Therefore, a sound and vibrant stock market plays a pivotal role in fostering the economic development of a country. Firstly, it serves as a critical channel for capital formation, enabling companies to raise funds for expansion, research and development, and infrastructure investments. This infusion of capital stimulates economic growth, job creation, and technological advancement. Secondly, the stock market facilitates the efficient allocation of capital by directing investments to companies with growth potential. This promotes competition and efficiency in the economy, as businesses strive to attract investment by delivering value and generating returns for shareholders. Thirdly, a well-regulated stock market encourages good corporate governance practices. Listed companies are subject to stringent disclosure and reporting standards, promoting transparency and accountability, and reducing corruption. Transparent and well-governed firms attract more investment, fostering a favorable investment climate. Moreover, a vibrant stock market enables wealth creation and distribution, as individuals participate in the growth of companies and benefit from capital appreciation and dividend payments. This widens the ownership of capital, enhances financial inclusion, and contributes to overall economic well-being.

In the realm of initial public offerings (IPOs), researchers had focused on issues such as underpricing, long-term performance, and determinants of IPO success. It had been observed that IPOs in Bangladesh often experience underpricing, and companies with better information quality and stronger corporate governance tend to exhibit more favorable post-IPO performance (Boulton, Smart, & Zutter, 2010). Moreover, scholars had investigated the integration of the Bangladeshi capital market with global and regional markets, particularly during periods of financial crises. Some studies had found evidence of contagion effects, highlighting the interconnectedness of markets and the potential transmission of shocks from global and regional markets to the Bangladeshi market (Al Asad Bin Hoque, 2007).

Understanding investor behavior and market participation has also been a subject of research in the Bangladeshi capital market. Studies had explored factors influencing investor decision-making and participation, including financial literacy, investor confidence, and macroeconomic conditions. These findings implied that the above-mentioned factors significantly impact investor behavior and play a role in shaping market dynamics. Additionally, scholars had examined the regulatory framework and its impact on market development. Effective regulatory oversight, enforcement mechanisms, and investor protection have been identified as crucial factors for promoting market development, stability, and investor confidence.

Given the stock market literature with respect to Bangladesh, it is evident that studies covering and exploring the historical trends and patterns from IPO issuance in Bangladesh remain unavailable till date. To fulfill this research gap, this study explains the historical trends and patterns and examines different characteristics of the IPOs issuance in the Bangladesh capital market.

3. Methodology

This study adopts a qualitative and descriptive approach to analyze the financial market in Bangladesh. The methodology involves data collection from primary and secondary sources. Primary sources include raw data-sets, as well as annual and periodic publications from the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank (BB). Secondary sources encompass publications from reputable international organizations such as the World Bank (WB), International Monetary Fund (IMF), and Asian Development Bank (ADB). These sources were selected based on their relevance to the study's objectives. Data compilation involved meticulous organization and verification of the collected data to ensure accuracy and reliability. Challenges encountered during this process were addressed through validation procedures and cross-referencing.

The qualitative analysis was conducted by examining the collected data in details to gain insights into the dynamics, trends, and factors influencing the financial market in Bangladesh. Various qualitative frameworks and models were employed to guide the analysis and interpretation of the data. Descriptive analysis techniques were applied to summarize the collected data. Descriptive statistics, charts, graphs, and frequency tables were utilized to present a clear and concise representation of the data. These visual aids were employed to simplify the tabulated analysis and enhance the comprehension of the findings.

To provide a comparative picture of the financial market in Bangladesh, data from international organizations such as the WB, IMF, and ADB were included. Comparative analysis techniques were employed to compare and contrast the data from different sources, facilitating a comprehensive understanding of the financial market dynamics. The results of the qualitative and descriptive analysis were summarized, highlighting the key findings and insights derived from the study. The methodology employed in this research contributes to a comprehensive understanding of the financial market in Bangladesh, enabling policymakers, researchers, and stakeholders to make informed decisions.

In conclusion, this methodology combines qualitative and descriptive analysis to examine the financial market in Bangladesh. By leveraging data from various sources and employing visualization techniques, the study provides valuable insights into the market's characteristics and trends. The rigorous data collection, compilation, and analysis procedures enhance the reliability and validity of the findings.

4. Objective of the Study

The objective of this study is to evaluate the trends and patterns of equity and debt IPO financing in the stock market of Bangladesh. The study also analyses if there is any visible trend that can be identified in the primary market investment.

5. Initial Public Offerings (IPOs): Some South-East Asian Countries

Over the last two decades, stock markets have undergone profound changes. Various forms of institutional ownership have increased in importance at the expense of direct ownership by individual households; new investment strategies and investment vehicles, such as index investment and exchange traded funds (ETFs), have become much more common; and, the business models of stock exchanges have been fundamentally transformed as many exchanges have become profit-maximizing corporations that are themselves listed companies.

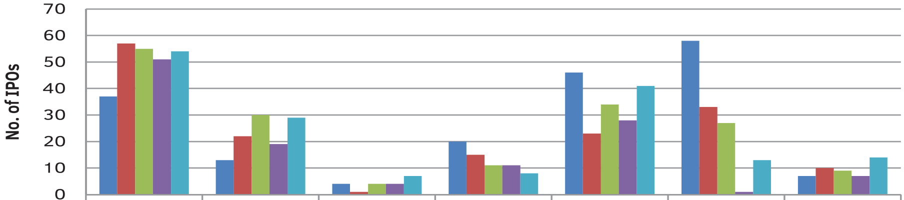
In 2021, a record number of 152 companies got listed in Southeast Asia, almost 33% more than that of previous year. More than 78% of these companies were non-financial. In 2022, the number of IPOs in Southeast Asia has fallen from 152 to 136 due to the after effects of COVID-19. The largest number of issuers in 2021 was from Indonesia (54 companies), followed by Thailand (41 companies), Malaysia (29 companies), Vietnam (13 companies), and Singapore (8 companies), as compared to the capital market of Bangladesh, where 14 public limited companies have got listed. There were also 118 IPOs by non-financial companies from the emerging economies of Southeast Asia. The strong IPO activity in 2021 reinforced Asian companies' status as the largest users of public equity markets globally. Companies from Thailand have been the largest users of IPOs in the region. Notably, several Asian emerging markets, such as Vietnam, Thailand, Indonesia, and Malaysia, rank higher in the list than most advanced capital markets.

Figure 1 shows the number of IPOs issued in key Southeast Asian markets, including Bangladesh, during 2017-2021. The period saw 152 IPOs, a 33% increase compared to the 114 IPOs in 2020. This is a strong signal that the market conditions are improving as more entities seek IPO listings to tap on the capital markets.

2021 was a breakout year for the market as a grand total of US$13 billion of funds were raised during this year, marking the highest amount of funds raised in the past 5 years.

The Southeast Asia IPO market closed 2021 with an IPO market capitalization of US$51 billion. With a record high amount of funds raised, IPO market capitalization increased 75% from the previous year. 2021 ended on an all-time high with a flurry of IPO activities in the fourth quarter. This momentum in IPO activity continues to grow even as the region is still battling the COVID-19 pandemic, giving a strong signal to investors that the Southeast Asian IPO market has plenty of untapped potential as we look forward to an exciting year of 2022.

Figure 1: Number of Equity IPO Issuance in Selected Southeast Asian Markets



	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Bangladesh
2017	37	13	4	20	46	58	7
2018	57	22	1	15	23	33	10
2019	55	30	4	11	34	27	9
2020	51	19	4	11	28	1	7
2021	54	29	7	8	41	13	14

Source: Deloitte Touche Tohmatsu Limited, Southeast Asia

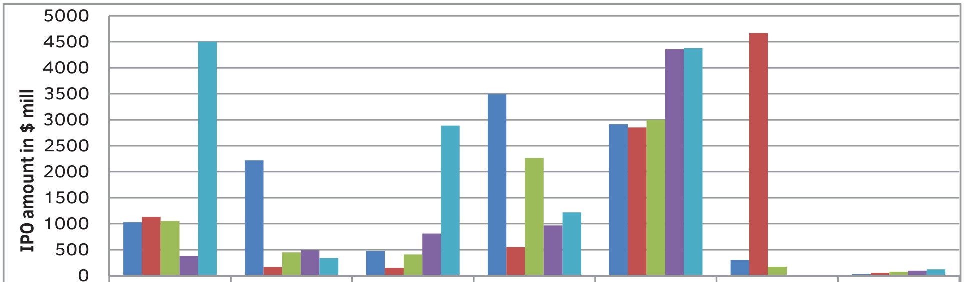
Figure 2 shows the amount of IPO capital raised by some selected countries in Southeast Asia, including Bangladesh. As conditions all around SEA improved, we saw the number of IPOs go up by 33%, total funds rose by an astounding 90% and the total market capitalization grew by 75%. This translates to a US$6.3 billion increase in total IPO proceeds and US$21.7 billion increase in total IPO market capitalization in the period.

Indonesia, Thailand and Philippines accounted for 88% of funds raised across Southeast Asia

Indonesia surpassed the US$2 billion mark in funds raised for the first time. Two blockbuster IPOs- PT Bukalapak.com Tbk, Indonesia's first tech unicorn and PT Dayamitra Telekomunikasi Tbk – both contributed close to US$3 billion in total, out of the US$4.5 billion raised by all IPOs in Indonesia in 2021. In fact, Indonesia IPOs have raised more funds in 2021 than the past four years combined.

Thailand narrowly missed out top spot in 2021, coming in a close second behind Indonesia. A stable economy, strong currency, low interest rates, and consistently strong domestic liquidity contributed to the Thai bourse raising US$4.4 billion in IPO proceeds, topping their performance in 2020.

Figure 2: Amount of Equity IPO Capital in Selected Southeast Asian Markets, in $ mill



	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Bangladesh
2017	1024	2219	473	3492	2912	304	31.9
2018	1132	166	153	551	2850	4667	54.03
2019	1052	447	407	2263	2996	172	76.92
2020	377	490	809	968	4356	9	93.92
2021	4502	337	2889	1217	4377	16	121

Source: Deloitte Touche Tohmatsu Limited, Southeast Asia

In 2021, the bourse saw 4 mega Real Estate Investment Trusts (REITs) listings which raised a total of US$1.8 billion. Together with the largest-ever listing in Philippines by Monde Nissin Corporation which raised US$1 billion, Philippines raised more IPO funds in 2021 than in the last four years combined. 2021 was a slightly less eventful year for Singapore, as it recorded 8 IPOs, a 27% decrease in IPOs from the previous year. The Singapore IPO market managed to raise a total of US$1.2 billion in funds, and US$2.4 billion in market capitalization. We observed that the Singapore IPO capital market picked up momentum in Q4 of 2021, with almost 80% of the total amount raised in the last two months of the year, and we saw this momentum continue with 3 Special Purpose Acquisition Companies (SPACs) and 1 Catalyst being listed in January 2022. Malaysia experienced a 53% increase of IPO listings from previous year, recording 29 listings in 2021.

The recovery of Malaysia's IPO market from the pandemic is boosted by strategic economic frameworks and stimulus packages ushered in by the Malaysian Government plus the emergence of the first REIT listing since 2017. The Vietnam Stock Exchange (VNX) was officially launched on 11th December 2021. After VNX comes into operation, Hanoi Stock Exchange (HNX) will have the main task of organizing and operating the derivatives, bonds, and other securities markets. Meanwhile, Ho Chi Minh Stock Exchange (HOSE) is currently responsible for organizing and operating the stock market and other securities according to regulations.

6. Development of Stock Market in Bangladesh

Bangladesh is ranked fifth in the fastest growing economies and has achieved 6.94% growth in GDP in FY21. In South Asia, Bangladesh is now the second fastest growing economy after India. The economic growth has been achieved due to the joint contribution of both public and private sectors of the country. While the capital market of Bangladesh is set to play a vital role to fuel the country's fast economic growth by ensuring supply of funds to boost up the industrialization process, it yet remains an insignificant contributor.

In Bangladesh, formation of capital through the stock market is comparatively insignificant, as most businesses in the country depend on bank borrowing and financing in equity market. In 2021-22, 57 companies have raised BDT 2,10,369 million through the capital market by issuing debt and equity securities (both private and public offerings). In 2020-21, the total number of companies that raised their equity and debt capital decreased to only 33 with an amount of BDT 94,910 million. Compared to that, loans and advances from scheduled banks accounted for BDT 14,27,890 million since the Commission has waived the private and non-listed public limited companies from the provision of prior approval for raising equity capital.

Outstanding bank credit (excluding foreign bills and inter-bank items) in FY21 rose by BDT 8,88,780 million (8.07 percent) to BDT 1,19,05,170 million against the increase of BDT 9,74,580 million (9.71 percent) to BDT 1,10,16,390 million in FY20. The rise in the bank credit occurred due to the increase of both advances and bills purchased and discounted by banks in FY21. Advances increased by BDT 88,80,80 million (8.24 percent) to BDT 1,16,64,920 million in FY21 compared to the increase of BDT 10,40,700 million (10.69 percent) to BDT 1,07,76,840 million in FY20.

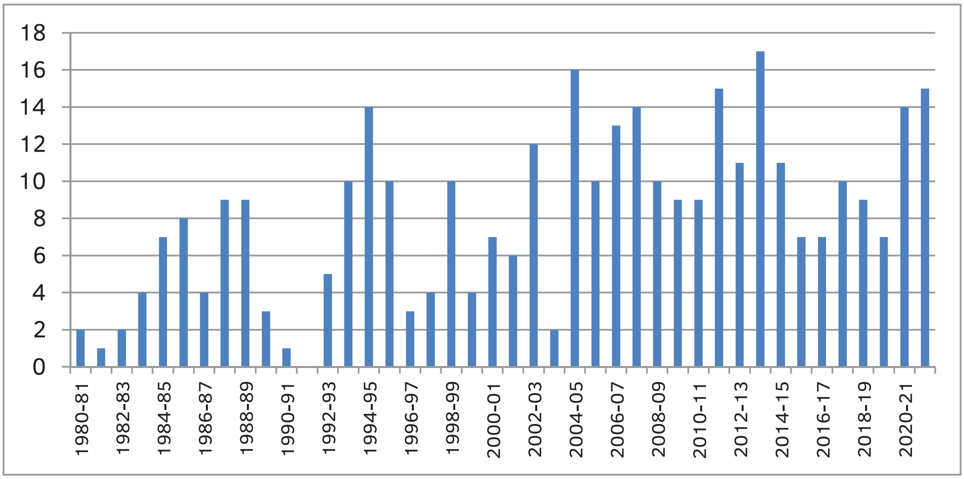
Historically, the secondary market in Bangladesh is relatively more vibrant compared to its regional peers. Although the secondary market slowed down significantly after the 2010 crash, the primary market remains attractive as reflected by the oversubscription of IPOs. Presently, 67 registered merchant bankers are working in the capital market of Bangladesh as issue managers, underwriters, and portfolio managers with the license from the Bangladesh Securities and Exchange Commission (BSEC).

Some of the key reasons behind slow IPO floatation are inappropriate pricing demotivating private owners, cumbersome and time-consuming process, regulatory bottlenecks in quick approvals of IPOs, and a lower capacity due to a smaller demand side to absorb large or frequent issuances. In Bangladesh, a quota of 10 percent shares through IPOs is kept for NRBs, another 10 percent for mutual funds, and 50 percent for general investors excluding NRBs under fixed price method, and 40 percent for GP in case of Book Building Method.

7. Historical Trends of Equity IPO Financing

Figure 3 and 4 show the trend of raising capital through IPOs over the last 41 years. Figure 3 suggests a long-term increasing trend of the total number of IPO issuances per year over the period considered from 1981 to 2022 (June). However, compared to the size and growth of the Bangladesh economy, number of IPOs remains significantly small till date. For most of the years over the 41-years period, number of IPOs remained below 20, with predominantly around 5 till 2004. A slight improvement can be observed after 2004, where the number exceeded or equaled 16 in 2005, 2007, 2008, 2012, 2014 and recently in 2022, which can be termed as the best years in this entire period. As of 2018 (June), the number of IPOs per year again fell below 10, which indicates the sluggish nature of market expansion and investment opportunities in Bangladesh's stock market. The slow expansion could also reflect the reduced interest of companies to get listed in the public market, primarily due to the lower than necessary levels of awareness, education, and promotion. There is also the fear of losing company controls, which discourages many company owners to sell their ownership stocks in the public market. All considered, although the long-term trend of the number of IPOs shows a slightly increasing tendency, the actual numbers per year remain substantially low compared to the growth and size of Bangladesh economy. In recent times, the number and amount of IPOs in Bangladesh capital market thereof have increased significantly due to the inauguration of SME Platform in DSE and CSE in September 2021.

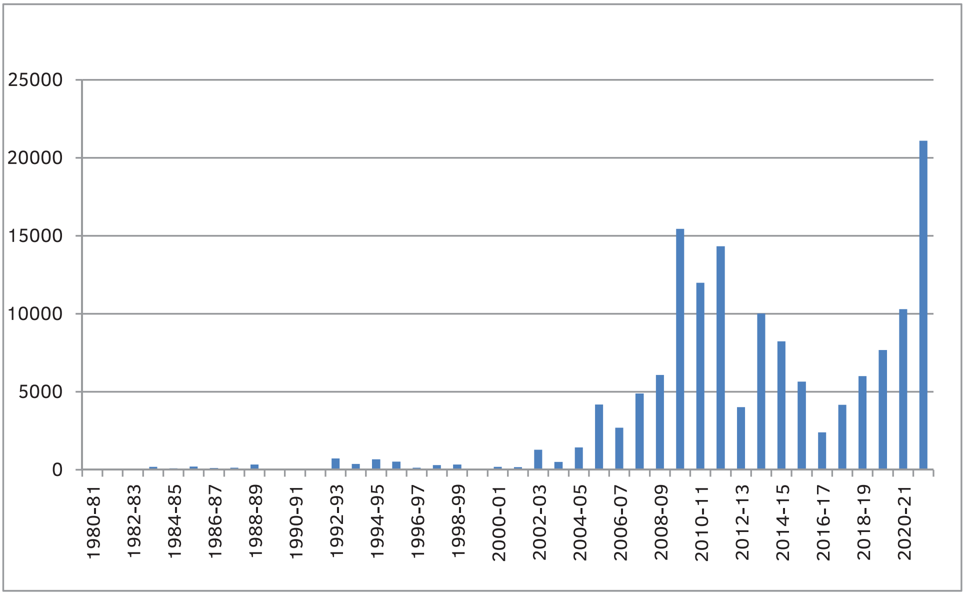
Figure 3: Number of Equity IPOs issued by year from 1981 to 2022



Source: Annual Reports of BSEC & DSE data i.e., Annual reports, and Half Yearly and Quarterly Reviews during 1981-2022

Figure 3 shows that funding size was significantly smaller until the early 1990s, mainly due to the smaller size of the capital market in Bangladesh. During the 1980s, Bangladesh's capital market was at a very early stage, and public awareness and education about investment in stock market was very little. As a result, in the one end, companies needing long-term capital funds were more accustomed to availing bank loan arrangements, and in the other end, investor base interested in stock market investments was significantly smaller. These facts are reflected in the trend of IPO financing over the period from 1981 to 1991. Financing through IPOs began to have some momentum since the early 1990s, during 1993 to 1996 in particular; this momentum however did not last for long, perhaps, due to the stock market crisis that took place in 1997 and its effects in the later years. The market in the following years was largely attributed by loss of market capitalization due to the subsequent loss of confidence, arising from fraudulent activities.

Table 8: Level of Herding Behavior Before and After the Onset of the Stock Market Crash



Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

The big shift of the modern times in IPO financing started from 2003, as people became more aware and educated about the market. To be specific, investors and issuing companies began to realize the significance of the role of stock market in the development of economy and creation of wealth at the individual and firm levels. The most important realization perhaps was that banks are often reluctant to lend large amount of funds to one single borrower, as there is high risk associated, particularly, for longer time periods. In addition, bank loans generate increased level of repayment liability and subsequently, pressure on the financial well-being of the company, which eventually may lead to default, firm closure, and bankruptcy. Companies requiring large funds perhaps became aware of the fact that many of these challenges can be overcome if large financing is raised by selling equity to the public market through IPO. Figure 3 shows that financing through IPO issuances increased substantially over the period from 2003 to 2009, with only about BDT 1,286.17 million in 2003 to about BDT 6,069.54 million in 2009.

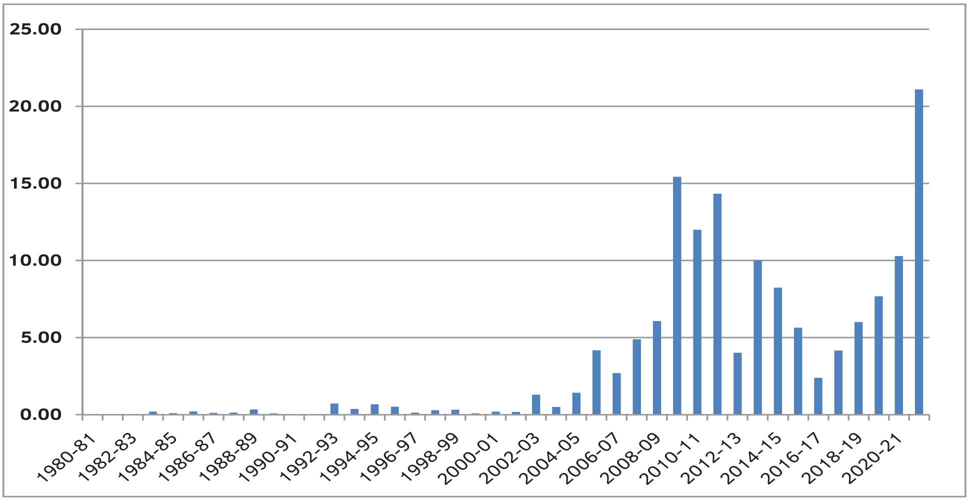
Beginning from 2010 to 2013, financing through IPOs had witnessed an even bigger shift; clearly this period can be termed as the best ever in terms of mobilizing funds through stock market in Bangladesh. This trend was largely driven by the boom experienced in the overall stock market, characterized by large influx of new investors, higher demand for investment in stocks, and a greater number of companies issuing shares to raise capital funds. The year 2010 is seen to perform the best with about BDT 15,435.48 million financed by stock issuances through IPOs by a large number of companies, followed by about BDT 11,982.14 million, and BDT 14,326.7 million in 2011 and 2012 respectively. This performance is perhaps contradictory to the global market trend during that period driven by the 2008-2009 global financial crisis originated from the collapse of the US housing and financial markets. The boom in IPO financing is seen to not last much, as the financing amount appears to decline after 2012. Although there is a noticeably high volume of fund (about BDT 10,019 million) raised in 2014, it kept declining in the following years until 2019. A slight improving trend is evident in 2019 and 2020, however, it does not appear big enough relative to the earlier booming periods.

Considering the overall trend of IPO financing, it can be identified that fund raising through IPOs was significantly smaller at the beginning but gradually enjoyed a large boom over the period from 2003 to 2012, followed by a declining trend in the later years until very recently in 2020 to 2022, when a rising trend was observed. In a single year of 2021-22, the Commission has approved 15 IPOs in Main Board and Qualified Investors Offer (QIO) of approximately BDT 21,099.61 million, which is the highest ever in value since 1981.

7.1. Distribution of IPO Size

Figure 5 shows the average issue size by year over the period from 1981 to 2022 (June). It reflects how much funding each issue has been able to raise, on average, which could reflect the market appetite for both financing and investment. The figure implies that average issue size remains significantly small till 2008, after which there is a continuous increase up to BDT 14 billion in 2012; this increase is consistent with the trend of total yearly IPO funding presented in Figure 3. All considered, the overall trend shows a mostly depressing issue size of less than BDT 5 billion over the 41 years, except some upward turns during 2009-2010. Issue size, on average, fell below BDT 10 billion from 2013 to 2020. During 2020-21, the raising of equity capital through IPO reached a new height of BDT 10 billion, which was very encouraging. In 2021-22, the Commission has approved the applications of a number of public limited companies to raise equity from the capital market through issuance of ordinary shares in the Main Board as well as SME Board, which exceeded the benchmark of BDT 10 billion and reached BDT 21 billion. This sharp and historic increase in the raising of equity capital in a single year has elevated the capital market of Bangladesh to a prestigious position.

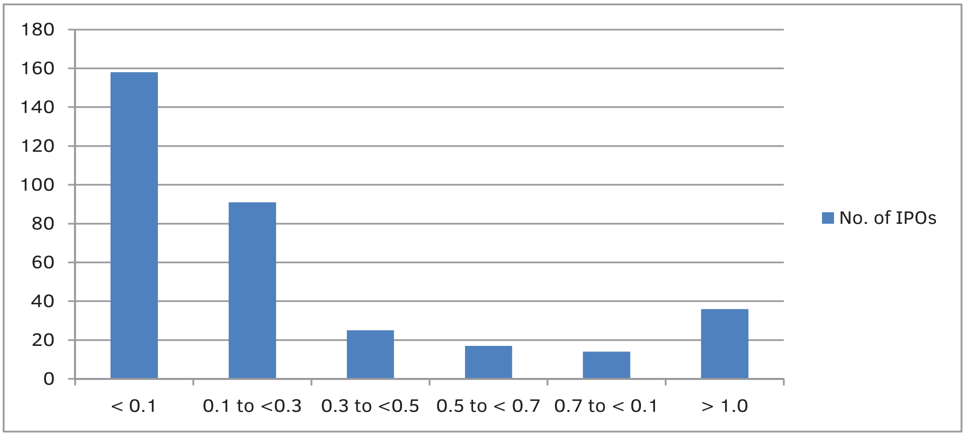
Figure 5: Average Size of IPOs over the period from 1981 to 2022, in BDT bill



Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

Figure 6 shows the number of IPOs issued over the last 41 years, categorized by IPO size class. It is clearly evident that about 45 percent (159 out of 358, including bond and debenture) of the total number of IPOs issued till date is substantially small with an issue size of less than BDT 0.1 billion. About 27 percent of the total (96 IPOs) falls below BDT 0.3 billion but greater than BDT 0.1 billion. According to the recent regulation (2019), the minimum size of IPO issuance is defined as BDT 0.3 billion; as required by law. Figure 6 therefore also indicates that about 71 percent (255 IPOs) of the total 358 IPOs issued till date falls below the defined minimum size requirement. Only about 12 percent (41 IPOs) of the IPOs can be termed as large as their issue size is greater than BDT 1.0 billion. The remaining 18 percent (62 IPOs) falls between the ranges of BDT 0.3 to less than 1.0 billion issue size.

Figure 6: Number of IPOs by Size Groups from 1981 to 2022 (June), in BDT bill



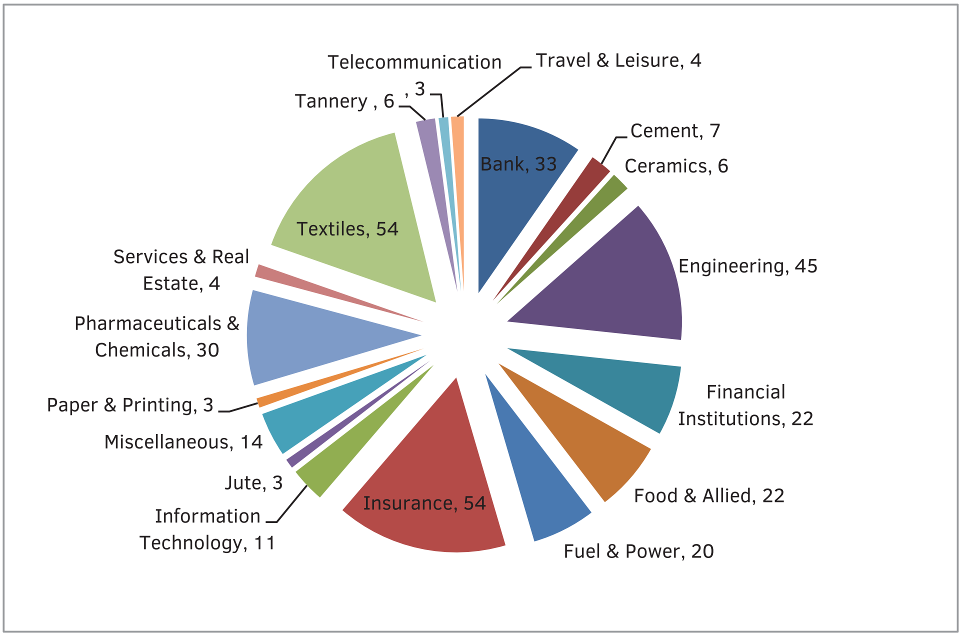
Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

Sectoral Distribution of IPO Financing

Figure 7 presents the total funds mobilized by IPO issuances over the last 41 years by sector category used in the Dhaka Stock Exchange listing. Figure 9 illustrates the percentage share of each sector out of the total funding from 1981 to 2022. The figure clearly shows that over the last 41 years, manufacturing and energy sectors – particularly, Engineering, Fuel & Power, and Textiles - have mobilized the largest amount of funding through IPO issuances. Engineering sector raised over BDT 13.98 billion (10 percent), Fuel & Power utilized about BDT 31.39 billion (24 percent), and Textiles sector mobilized about BDT 22.89 billion (17 percent) from the capital market through IPOs. This trend could reflect the fact that these sectors are generally heavily capital-intensive, and the sectors have leveraged capital market better than the others to meet their large capital needs.

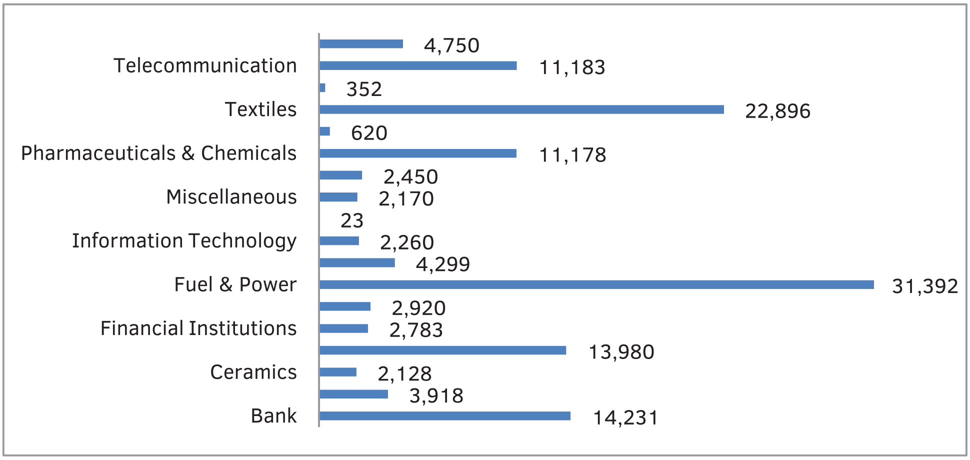
On the other hand, this trend also raises hope since a greater level of investment in manufacturing, energy, and productive sectors like Fuel & Power, Engineering, and Textiles is expected to yield a relatively greater positive impact on the economic performance of the countries, e.g., GDP growth, employment, and exports performance, etc. Furthermore, a greater investment in textiles indicates a good sign since the Ready-made Garment (RMG) industry is one of the largest employers of human capital and earns more than 75 percent of Bangladesh's total exports earnings. Therefore, Bangladesh heavily relies on its RMG industry for its economic performance. Similarly, higher investment in fuel and power could help solve the country-wide energy shortage and support the growing energy need to complement the fast economic growth of the country.

Figure 7: Number of Sectorial IPOs for the period of 1981-2022



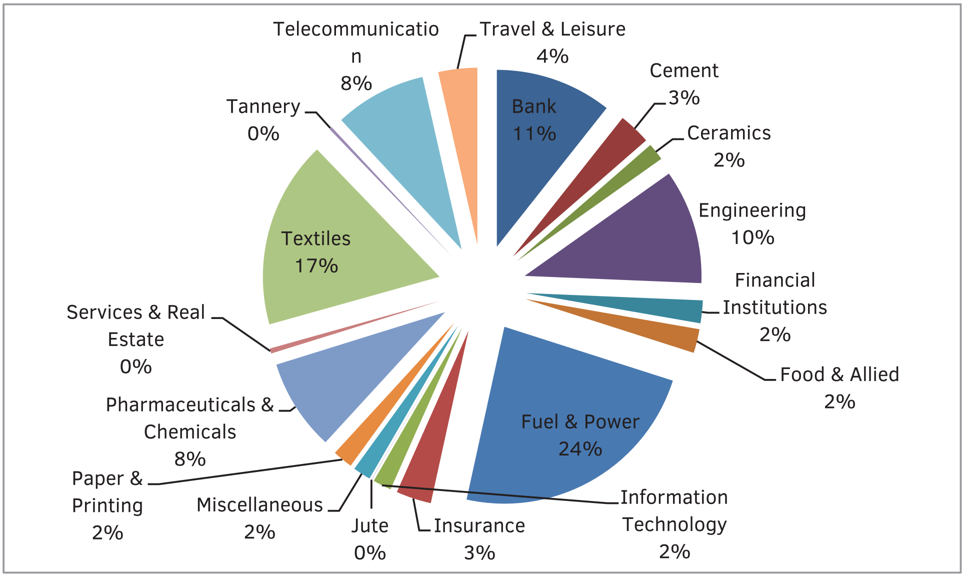
Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

Figure 8: Share of IPO Funding by Sector over the period 1981-2022 (June), in BDT mill



Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

Figure 9: Percentage of Sectorial IPO during 1981-2022



Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

The other highly promising exports-oriented industry in Bangladesh is Pharmaceuticals. Figures 7, 8, and 9 show that Fuel & Power sector is the highest contributor in the IPO funding over the last 41 years amounting to BDT 31,392 million, which is 24% of total IPO funding for the same period. Textiles sector is the second highest sector where BDT 22,896 million has been raised through initial public offerings during the aforesaid period, which is almost 17% of total IPO funding. Pharma-

24% of total IPO funding for the same period. Textiles sector is the second highest sector where BDT 22,896 million has been raised through initial public offerings during the aforesaid period, which is almost 17% of total IPO funding. Pharmaceuticals & Chemicals sector stand at the sixth position, as it has mobilized close to BDT 11,178 million (8.0 percent) from the capital market. This is also a positive sign since Pharmaceuticals is one of the most promising exports sectors in Bangladesh, and it appears to use capital market as an important source of long-term capital financing. This capital mobilization could be helpful to foster exports and the economic performance of the country.

Bangladesh's financial sector is considered as the engine of economic development, as it has grown enormously over the last 20 years. However, capital financing through IPOs by the financial sector remain lower relative to the size and contribution of the sector in the country's economy. Within the financial sector, Banks, Insurance companies, and other Non-bank Financial Institutions (NBFIs) have raised roughly BDT 14,231 million (11% percent), 4,299 million (3.0 percent), and 2,783 million (2.0 percent) respectively over the last 41 years. Among other sectors, Telecommunication and Travel & Leisure have raised about BDT 11,183 million (8.0 percent) and 4,750 million (4.0 percent) respectively.

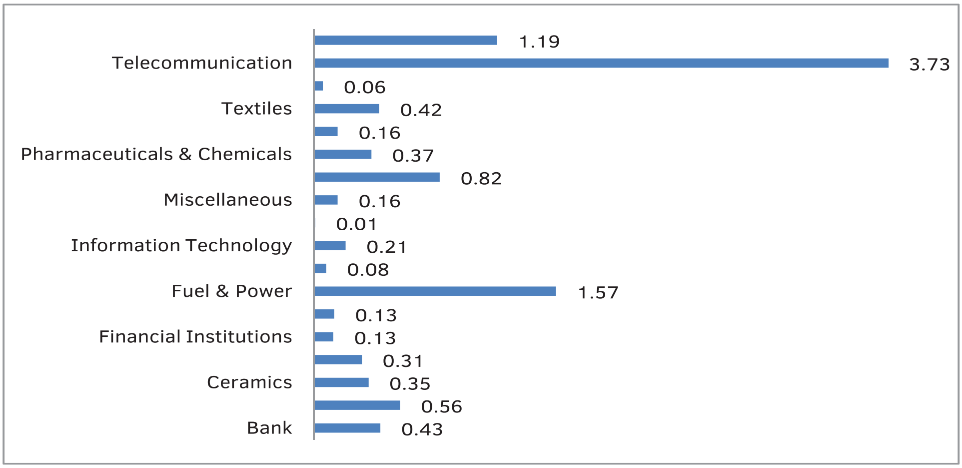
Table 1: Number of IPOs by Sector and Issue Size Class

Sector	Issue size class (in BDT Billion)						
	<0.1	0.1 to <0.3	0.3 to <0.5	0.5 to <0.7	0.7 to <1.0	>1.0	Total
Banks	17	5	1	2	4	4	33
Cement	4	2	0	0	0	1	7
Ceramics	4	0	1	0	0	1	6
Corporate Bond	0	1	0	4	1	3	9
Debenture	6	1	0	0	1	0	8
Engineering	14	20	2	3	0	6	45
Food & Allied	11	6	2	1	1	1	22
Fuel & Power	1	5	2	1	2	9	20
Information & Technology	5	3	0	3	0	0	11
Insurance	41	12	0	0	1	0	54
Jute	3	0	0	0	0	0	3
Miscellaneous	5	7	1	0	1	0	14
Non-Bank FIs	11	9	1	1	0	0	22
Paper & Printing	1	0	1	0	0	1	3
Pharmaceuticals & Chemicals	13	9	4	0	2	2	30
Service & Real Estate	1	2	1	0	0	0	4
Tannery	5	1	0	0	0	0	6
Telecommunication	0	0	0	0	0	3	3
Textiles	17	12	9	4	5	7	54
Travel & Leisure	0	1	0	0	0	3	4
Total	159	96	25	19	18	41	**358**

Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

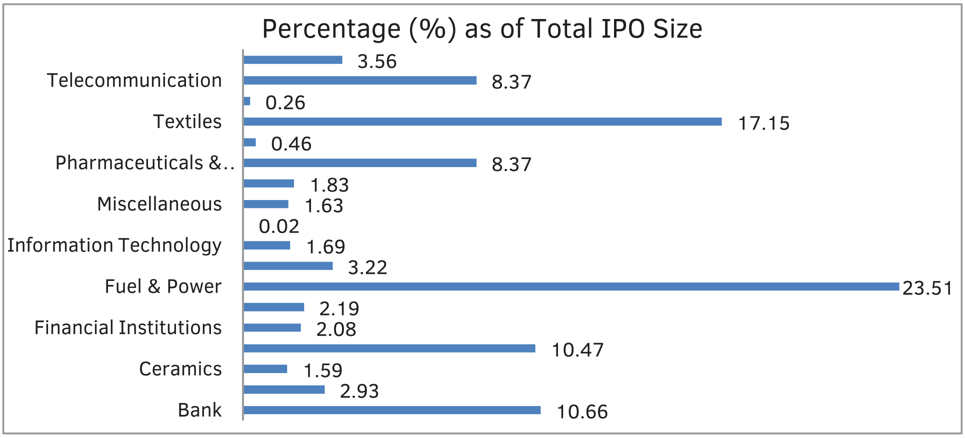
Table 1 shows the number of IPOs for each sector categorized by issue size class. In line with previous sector-wise figures, most IPOs were below BDT 0.1 billion for almost all sectors. Among the smaller sized IPOs with issue size less than BDT 0.1 billion, financial and textiles sectors dominate as Insurance (41), Banks (17), and Textiles (17) have the greatest number of IPOs. Out of the larger issue size classes (greater than BDT 1.0 billion), Fuel & Power (9 companies), Textiles (7 companies) and Engineering (6 companies) lead the league with the highest number of IPOs. The table clearly shows that IPO size does not vary much with the type of sector, as for most sectors, IPO sizes are generally smaller with some distributed over the larger issue size classes. However, this distribution across the various classes may not tell the whole story, unless the average issue size by sector is analyzed.

Figure 10: Average IPO Size by Sector over the period from 1981 to 2022, in BDT bill



Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

Figure 11: Sectoral IPO Size as a Percentage of Total IPO Size by Sector from 1981 to 2022



Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

Figure 10 shows the average IPO issue size by sector. It highlights that the average issue size is largest for the Telecommunication sector (about BDT 3.73 billion), followed by Fuel & Power (BDT 1.57 billion), and Travel & Leisure (BDT 1.19 billion) sectors. Only these three sectors have average issue size above BDT 1.0 billion. Among others, Paper & Printing (BDT 0.82 billion) and Textiles (BDT 0.42 billion) have a relatively larger average issue size.

Figure 11 portrays the sectoral IPO sizes as a percentage of total IPO size by sector. It shows that Fuel & Power sector is the highest contributor in mobilizing the equity capital over the last 41 years which is almost 23.51 % of total IPO size followed by Textiles and Banking sector with 17.15% and 10.66% respectively over the same period.

7.2. IPO Financing by Purpose and Utilization

Table 2 represents the IPO financing scenario categorized by purpose or utilization of IPO funds that have been identified based on the actual purpose specified in the IPO prospectus of respective issuances. It shows that most of the funds raised over the last 41 years were primarily for business expansion, working capital, and debt repayment. Close to BDT 42,622 million has been raised for business expansion while about BDT 24,557 million has been raised for business expansion, working capital, and debt repayment. This trend matches with reality as most companies interested in IPO offerings do so due to their fund crisis or shortage. These arise either because they need significant business expansion, which they cannot meet with internal funds, or they have been struggling to repay their long-term loans and as a result experience financial inflexibility. The other significant purposes include financing capital base expansion and working capital shortages.

Table 2: IPO Financing Scenario categorized by Purpose and Utilization over the period from 1981 to 2022

Particulars	Total IPO Financing (in Million)	Share of Total Funds (As percentage)	Average IPO Size by Utilization Category (in Billion)
Working Capital only	1,419.33	1.06	0.16
Debt Repayment and Working Capital	3,044.98	2.28	0.61
Loan Repayment only	7,753.16	5.81	0.43
Capital base Strength and Acquisition of Assets	330	0.25	0.07
Capital base Strength and Business Expansion	9,882.155	7.4	0.20
Business Expansion, Working Capital, and Loan Repayment	24,557.06	18.39	0.39
Investment in Financing and Investing in Capital Market	10,577.67	7.92	0.44
Constructions of building, acquisition of machineries, and equipment and expansion of business	17,530.25	13.13	0.38
Business Expansion and Working Capital	2,566.56	1.92	0.12
Acquisition of Assets, Plants, Machinery and Equipment and Repayment of Loan	13,250	9.92	0.43
Business Expansion	42,622.9	31.92	0.61

Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

Table 2 shows the share of total funding mobilized by purpose or utilization. As seen here, about 37.73 percent of the mobilized funds were for business expansion and debt repayment, where 31.92 percent of the funds raised were for the purpose of business expansion only while about 18.39 percent were for business expansion, working capital, and loan repayment. About 13.13 percent of the funds were raised for the purpose of construction of building and acquisition of Property, Plant, and Equipment. One important observation has been revealed in Table 2 which is that only a smaller portion of the funds were used for debt repayment alone (about 5.81 percent). This indicates a positive sign as it suggests the mobilization of most funds raised through IPOs have been done for productive purposes.

In line with these observations, average issue size was the largest (BDT 0.61 billion) for business expansion and debt repayment purposes. However, unlike the previous findings, working capital and debt repayment are found to have the second largest average IPO size. On average, BDT 0.44 billion per IPO issuance was raised for the joint purpose of investing in financing and investment in capital market. Furthermore, for the purpose of only debt repayment, average issue size is seen to be the third largest (BDT 0.4 billion). Overall, Table 2 suggests that for the joint purpose of business expansion, debt repayment, and working capital, IPO size was relatively large in the last 20 years, compared to other purposes like capital base expansion.

Table 3: Number of IPOs by Issue Size Class across Purpose or Utilization

Utilization/Purpose	Issue size class (in BDT Billion)						
	<0.1	0.1 to <0.3	0.3 to <0.5	0.5 to <0.7	0.7 to <1.0	>1.0	Total
Business expansion	43	8	2	3	3	11	70
Business expansion & working capital	14	6	0	0	0	1	21
Business expansion, debt repayment & working capital	22	9	7	9	4	12	63
Acquisition of Assets, PPE and Repayment of Loan	18	6	1	0	0	6	31
Investment in Financing, Investment Capital Market	11	9	0	0	0	4	24
Constructions of building, PPE and Expansion of Business	10	21	7	1	2	5	46
Capital base strength & Business expansion	29	12	1	2	4	1	49
Loan repayment only	5	6	2	2	0	3	18
Loan repayment & working capital	1	1	1	0	1	1	5
Working capital only	4	3	2	0	0	0	9
Capital Base Strength & Acquisition of Assets	3	2	0	0	0	0	5
Total	160	83	23	17	14	44	341

Source: Annual Reports of BSEC, Published IPO Prospectus of issuer companies, and DSE data i.e., Annual reports, Half Yearly & Quarterly Reviews during 1981-2022

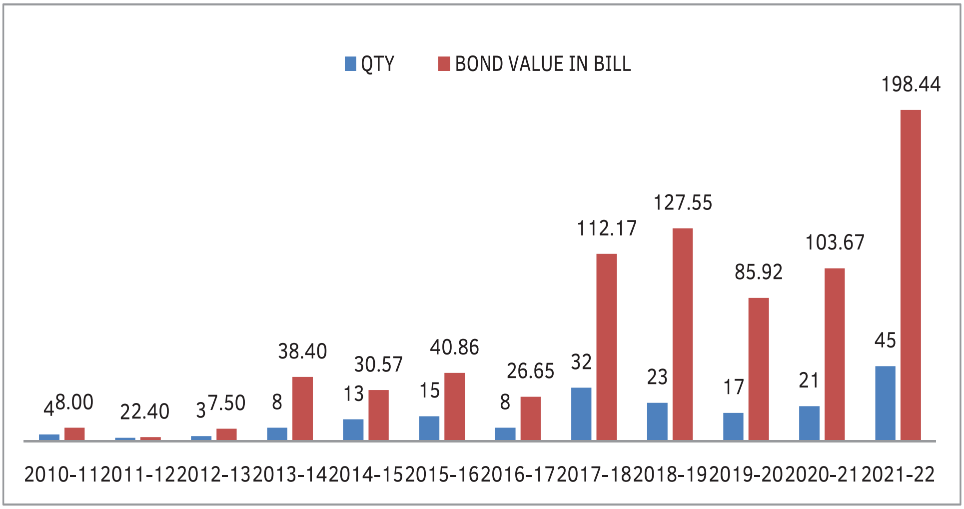
Table 3 displays a detailed picture of the total number of IPOs classified by issue size class across different purpose or utilization. Most IPOs were raised for the joint purpose of business expansion and working capital and those for business expansion alone were smaller in size (less than BDT 0.1 billion). However, IPOs having debt repayment purpose alongside business expansion were relatively larger (BDT 0.1 to less than 0.3 million and greater than BDT 1.0 billion). Similarly, most IPOs with the purpose of capital base expansion independently and jointly with business expansion were smaller in size (less than BDT 0.1 billion).

8. Trends of Financing through Debt IPOs in Bangladesh

To develop an effective and efficient capital market, it is pivotal to have a wider asset class. Bangladesh stock market is highly dominated by equity securities with little presence of public issuances of fixed-income securities such as bond and debentures. Bonds and debentures in Bangladesh market can be offered privately and publicly. In both market segments, an issuer must take prior consent from the BSEC. Most of the corporate bonds issued by the banking and non-banking financial institutions under private offers are to meet up their capital adequacy requirements guided by the central bank and hence, they are not available for public trading. Apart from the above, a few numbers of private and public limited companies issue corporate bond for repayment of high-cost debt, Balancing, Modernization, Rehabilitation and Expansion (BMRE), or expansion of business.

Figure 12 shows a large increase in private issuances of corporate bonds after the period of 2016-17- after a consistent decline in the preceding 03 (three) years. However, the number of issuances is still very low for both listed and non-listed companies, with only 45 – the highest ever – occurring in 2021-22. The trend clearly reflects the substantially underdeveloped debt securities market in Bangladesh.

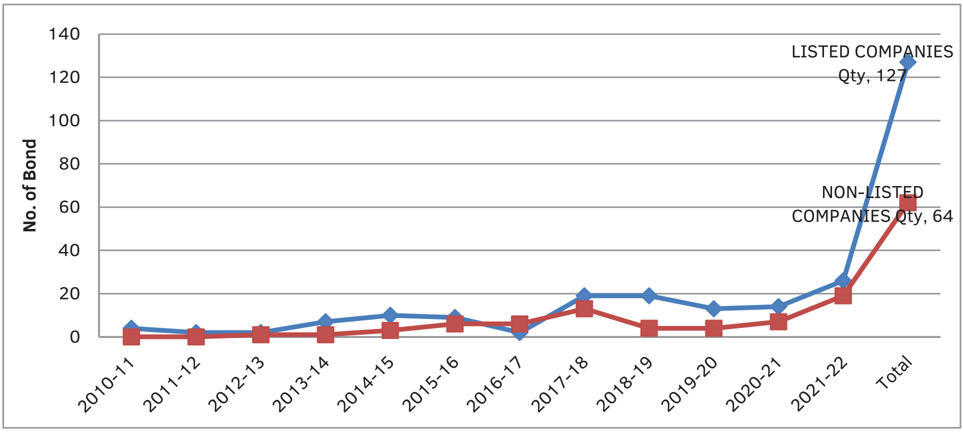
Figure 12 Total Amount of Corporate Bonds Issuance at Private and Public Offer, in BDT bill



Source: Annual Reports of BSEC, Half Yearly & Quarterly reports during 2010-2022

The figure shows debt financing through the issuance of corporate bonds during the last 12 (twelve) years through private and public offerings. During this time, 191 private and public limited companies have raised debt capital of BDT 782.13 billion for different purposes, mainly for working capital, repayment of high-cost debt, strengthening of capital base, etc. In 2021-22, 45 companies in total have raised debt capital of BDT 198.44 billion of which most are Banks and Non-banking Financial Institutions (NBFIs).

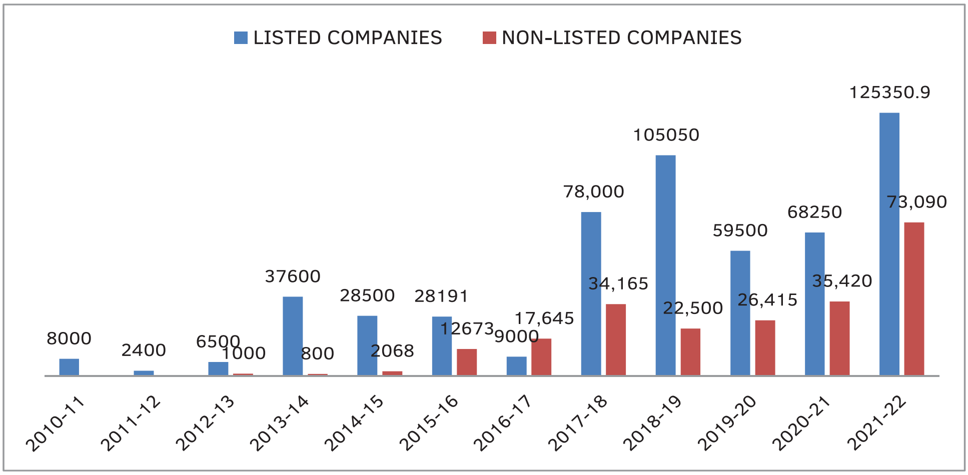
Figure 13: Number of Corporate Bonds Issued at Private Offer during 2010-2022



Source: Annual Reports of BSEC, Half Yearly & Quarterly reports during 2010-2022

Figure 13 depicts that during 2010-22, a number of private and public limited companies have raised debt capital of BDT 782.13 billion of which, 127 listed companies have raised BDT 556.34 billion and the residual of BDT 225.77 billion was raised by non-listed private and public limited companies to meet their capital requirements.

Figure 14: Total Number of Corporate Bonds issued by Listed and Non-listed Companies from 2010-2022



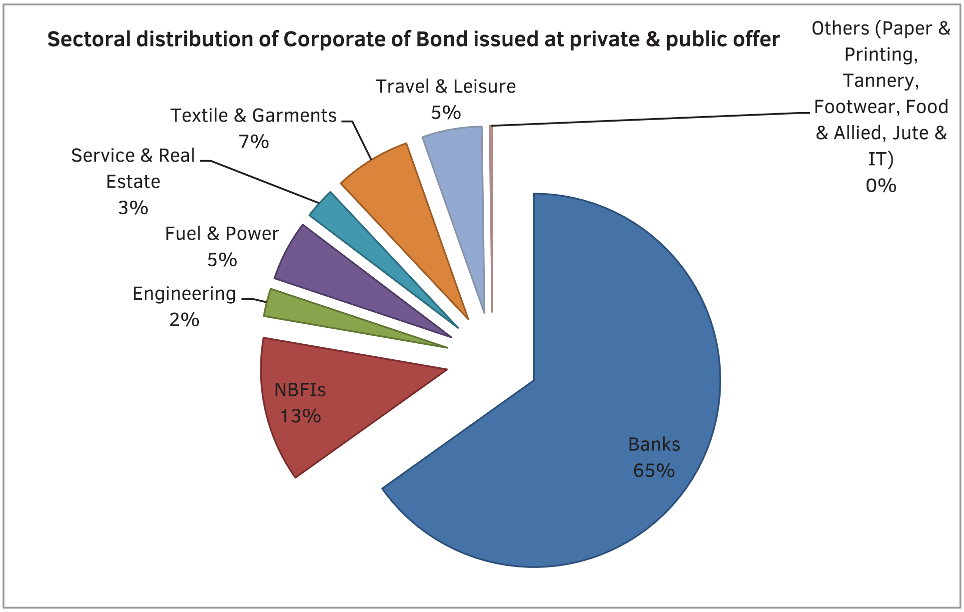
Source: Annual Reports of BSEC, Half Yearly & Quarterly reports during 2010-2022

Over the last 12 (twelve) years, Bangladesh Securities and Exchange Commission has allowed 191 private and public limited companies to raise their required capital through the issuance of different types of debt securities amounting to BDT 7,82,116 million. From the above table and graphical presentation, it appears that among this total amount, Banks and NBFIs are the leading issuers of debt securities of BDT 6,10,050.48 million, which is almost 78% of total fund raised from debt securities during 2010-22, for meeting up their capital requirements, as guided by Bangladesh Bank from time-to-time.

In addition to Banks and NBFIs, Textile & Garments sector and Fuel & Power sector have raised BDT 54,748.12 million and BDT 39,105.80 million respectively which are almost 7% and 5% respectively of total debt fund raised from market through private placement (Figure 14).

While, the overall debt issuances are very low in number, public issuances also remain very insignificant in the stock market. Only 9 (nine) publicly listed debt securities (out of total listed) are available so far in Bangladesh's capital market, as shown in Table 4. The total market capitalization of the listed corporate bond is BDT 38,438.77 million in 2021-22, where their secondary trading is insignificant.

Figure 15: Sectoral Distribution of All Corporate Bonds Financing, in BDT mill



Source: Annual Reports of BSEC, Half Yearly & Quarterly reports during 2010-2022

Table 4: Listed Corporate Bond Issuances

Sl No.	Corporate Bond	Year	Amount BDT in Mill	Proceeds Utilization
1	City Bank Perpetual Bond	2022	400	Strengthen its capital Base as per BB Guidelines;
2	Beximco Green Sukuk Al Istisna´a	2022	22500	Expansion of Business
3	Pubali Bank Perpetual Bond	2022	500	Strengthen its capital Base as per BB Guidelines;
4	Premier Bank Perpetual Bond	2022	200	Strengthen its capital Base as per BB Guidelines;
5	IBBL 2nd Perpetual Mudaraba Bond	2022	500	Strengthen its capital Base as per BB Guidelines;
6	AIBL Mudaraba Perpetual Bond	2022	500	Strengthen its capital Base as per BB Guidelines;
7	SJIBL Mudaraba Perpetual Bond	2021	500	Strengthen its capital Base as per BB Guidelines;
8	Ashugonj Power Supply Company Limited	2020	5000	Expansion of Business
9	Subordinated 25% Convertible Bonds of BRAC Bank Limited*	2010	300	To meet up capital adequacy ratio as per BB requirements;
10	IBBL Mudaraba Perpetual Bond	2007	3000	To meet up capital adequacy ratio as per BB requirements;
11	ACI 20% Convertible Zero Coupon Bonds*	2010	1070	To meet up working capital
	Total		**34470**	

Source: Bangladesh Securities and Exchange Commission database

9. Conclusion

There is a correlation between a country's economic development and capital market development. Actually, the capital market acts as a bridge for financing the industrial development of a country, like Bangladesh, by providing a platform for selling and purchasing shares, debentures, bonds, mutual funds, treasury bills etc. and its turnover significantly contributes to the GDP every year. A general increase in the economic activity of a country may lead to a rise in the number of industries. However, a well-developed system is needed to raise funds for economic growth. And the Stock Exchange, i.e., capital market, plays a pivotal role. Our government also recognizes the need for an efficient stock exchange in the country. Therefore, a solid foundation is needed for the operation of the capital market with a view to trading in securities (long-term nature) for financing the industrial sector and the economy. The capital market is an economic indicator showing the performance of government policies. It plays a crucial role in the economic development of a country. As the supreme regulator of the capital market, Bangladesh Securities and Exchange Commission has been playing a significant role in making the capital market a source of economic development. The devastating COVID-19 pandemic has a multifaceted effect on the capital market. On the one hand, it has forcibly compelled the listed companies to keep their production activities to a halt. On the other hand, the capital market became the only place during lockdown where people kept themselves active by conducting trade. Moreover, the pandemic equipped the capital market with many technological advances and innovations.

Capital market development through initial public offerings (IPOs) holds several practical implications that contribute to economic growth and financial prosperity. Firstly, IPOs enable companies to raise substantial capital by selling shares to the public. This infusion of funds empowers companies to expand operations, invest in research and development, acquire assets, and enhance their overall financial strength. Secondly, IPOs create liquidity for shareholders, allowing founders, venture capitalists, and early investors to monetize their investments and realize gains. Thirdly, the IPO market in Bangladesh enhances liquidity and market depth. By going public, companies offer their shares to the public, allowing shareholders, including founders and early investors, to monetize their investments. This increased liquidity not only benefits these stakeholders but also facilitates trading activities and improves overall market efficiency. Additionally, IPOs in Bangladesh provide an opportunity for retail investors to participate in the growth potential of promising companies. The public offering of shares democratizes investment opportunities, allowing individuals to become shareholders in the companies they believe in. This broader investor participation strengthens the investor base, increases market participation, and contributes to the overall development of the capital market.

Furthermore, the development of capital markets through IPOs encourages competition among companies seeking funding. The process incentivizes businesses to improve their corporate governance practices, enhance operational efficiency, and innovate to differentiate themselves in the market. This competition fosters a vibrant entrepreneurial ecosystem, driving innovation, job creation, and economic growth. Lastly, successful IPOs in Bangladesh can have positive ripple effects on the economy. They attract foreign investments, promote economic diversification, and create opportunities for related industries such as legal, accounting, and financial services. The growth and expansion of these ancillary industries further contribute to employment generation and economic development.

In conclusion, the analysis of long-term data from 1981 to 2022 conducted in this paper sheds light on the trends and patterns of initial public offering (IPO) financing in Bangladesh. Despite being considered a fast-growing emerging economy and the new Asian Tiger, Bangladesh heavily relies on bank financing due to the underdeveloped nature of its stock market and the lack of public trust in it. The findings of this study reveal that IPO financing in Bangladesh has been insufficient and has not shown significant growth in recent years.

Although the equity market has expanded over time, it has failed to meet the increasing demands for capital necessary for Bangladesh's rapid economic growth. This can be attributed to the inadequate importance assigned to the equity market at the policy level and the occurrence of two market crashes during the analyzed period. Furthermore, the debt market in Bangladesh exhibits limited visibility and functionality, with only a few instances of public issuance. Overall, the historical patterns indicate that the securities market in Bangladesh has played a minor role in providing capital funds for the country's industrialization and economic growth. To address this issue, a comprehensive approach is required to increase the market size both in terms of supply and demand. Policymakers should consider strengthening the debt and equity securities markets, instilling public confidence in them, and implementing measures to prevent market crashes. By doing so, Bangladesh can enhance its ability to attract capital and support its economic development goals.

The need for fund in Bangladesh is largely met by Indirect financing vehicles e.g., banking companies. Underdeveloped financial market, along with two market crashes, have somehow deterred public trust on the system leaving a weak market framework. Fund size and number of IPOs are much less and have not much picked up in recent years. Historically, IPO sizes have also been mostly smaller and dominated by a handful of sectors. In terms of financing options, financial market does not offer much variation due to the highly underdeveloped bond market and non-existent derivative market. Equity finance is traded mostly in the secondary market and leaves much potentiality for further development. The impact of recent regulatory changes and development in the major exchanges are yet to be observed.

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