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Keywords
Bond Market; Issuer; Investor;
Policymaker and Capital Market

JEL :
G12, G15, G18, G32

Manuscript number
JFMG-202103-00001

Received: 2 March, 2021

Accepted: 4 January, 2022

Published online: 10 March, 2022

Published in Print : 30 November 2022

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Prospects and Challenges of Bond in Bangladesh Capital Market: A Comparison with Asian Capital Markets

Abstract

The bond market always plays a complementary role in allocating funds from surplus sectors to different deficit sectors. In Bangladesh, an efficient bond market can play a vital role in supplementing the banking system to meet the requirements of the corporate sector for long-term capital investment and asset creation while providing a steady source of finance in the event of equity market volatility. The study has explored the prospects and challenges of the bond market in Bangladesh using secondary data from abundant sources. The study has addressed that the amount of tradable government bonds is negligible, secondary trading of government bonds is infrequent, and there has been scarcely any public issue of corporate bonds. It is observed that the bond market remains mostly underdeveloped to finance the large infrastructural projects in Bangladesh. The study has also compared the bond market of Bangladesh with twelve Asian nations and revealed that Bangladeshi bond market appears to be very insignificant in terms of the size and the corporate bond to Gross Domestic Product (GDP) ratio relative to those of countries. There are a plethora of impediments to the expansion of the bond market in Bangladesh, which have been attributed to major structural issues such as low investor base, absence of benchmark yield curve, lack of investor awareness and high issuance cost. For the smooth operation of a deep and liquid bond market in Bangladesh, a comprehensive regulatory framework, bond investment-friendly administrative infrastructure, and augmented investor incentives are recommended. It is a message of optimism that the regulatory authority has already taken initiatives to introduce several bonds with various features to make the capital market more vibrant.

Cite as: Provaty, S. S. and Anwar, L. (2022). Prospects and Challenges of Bond in Bangladesh Capital Market: A Comparison with Asian Capital Markets. *Journal of Financial Markets and Governance*, 1(2), 1-16. <https://doi.org/10.54728/2208231661242297>

1. Introduction

The financial sector of a country plays a significant role in the overall economy. Economic growth in any country largely depends on a sound, stable, and effective financial system (Jahur & Quadir, 2010). An efficient capital market is indispensable to sustainable economic development as it empowers capital mobilization and maximizes investment opportunities (Mu, 2007). To develop a vibrant capital market,

it is crucial to have a wide array of investment opportunities that ultimately attract many potential small investors.

In the post-financial crisis of Asia, the importance of domestic bond markets has increased significantly in East Asian countries to strengthen the financial sectors and to reduce vulnerability to potential financial crises (Fabella & Madhur, 2003). An efficient and broad-based bond market is essential for developing a vibrant

secondary market of fixed income securities (Jahur & Islam, 2014). Secondary bond market development would enable both bond issuers and investors to expand their investment prospects. In addition to existing financial sources such as taxation, banks, and capital markets, a developed bond market opens an additional window for both the government and private investors to raise money for their long-term investments (Mortaza & Shadat, 2016). Again, bond markets are essential for the transmission of monetary policy measures. A well-functioning bond market is vital in managing public debt and the availability of liquidity in the banking system and conducting monetary policy (Islam, 2019). A resilient bond market fosters financial stability by leading to a more diverse financial system (Akter et al., 2019). Therefore, without the proper functioning of the bond market, the monetary transmission mechanisms of policy initiatives would be circumvented, and the effects on the real economy would be undermined, which would make the monetary policy ineffective. Consequently, strengthened bond market development is the prerequisite for both the diversification and growth of the capital market. So long as a nation lacks this bond market development, economic growth will be hindered. Moreover, it is critical to secure the presence of both long-term and short-term sources of funding in order to preserve economic stability and implement diverse projects (The Business Standard, 2020). As a result, it is apparent that Bangladesh urgently requires a robust bond market to meet its massive funding demands for infrastructural projects and further industrialization. Despite that, the Bangladesh bond market is fragile and unfledged due to problems in the political, macroeconomic, and financial system. Weakness in decision-making, lack of law enforcement in the financial market, and insufficient information can be listed as the reasons behind its weak-formation (Mister, 2012). Like in other countries, the stable and developed bond market is crucial to

ensure the financial market's stability and efficiency in Bangladesh.

Therefore, it is the right time to prioritize a strong, reliable, and standard bond market to ensure diversity in the Bangladesh capital market and avert future economic vulnerability. This paper aims to assess current bond market conditions by comparing them with particular Asian countries and offering insights for strengthening the bond market to ensure capital market dynamism.

2. Literature Review

As a fundamental pillar, a financial market is a channel or economic exchange system that supports and stimulates economic growth while also determining its velocity. As a means of trading currency, assets, securities, and financial instruments, it performs a critical economic function. Because of its history, culture, and legal structure, each capital market has its own distinct characteristics (Akter et al., 2019). However, they are increasingly working on common ground with the same crucial landmarks.

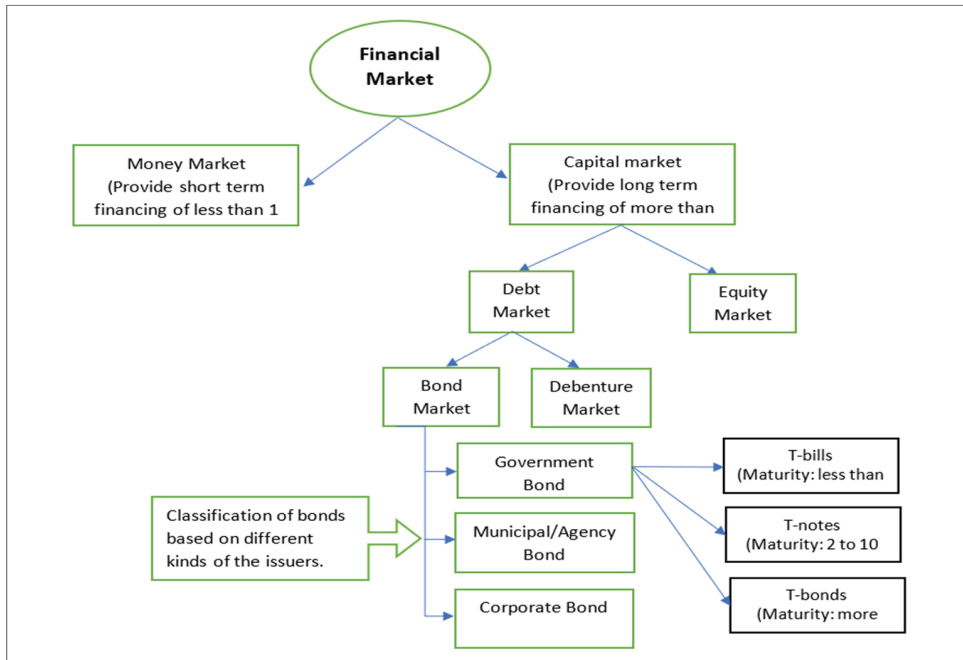
In Bangladesh, international donors such as the World Bank, the Asian Development Bank, and others frequently provide loans, which may promote growth but, on the other hand, increase a country's reliance on others. A country should use this option on a limited basis, but not all of the time. Islam and Jahan (2012) stated that issuing bonds can be a great way to secure funding. It is recommended that it is best to simultaneously use lending to municipalities and local bond issuance rather than choosing a single instrument (Peterson, 2006).

A bond is a fixed-income investment whereby an investor provides loans to a company or government, mostly borrowing the funds for a specified period at a fixed or floating interest rate. Treasury bonds, municipal bonds, and corporate bonds form the bond market. There are two types of markets: organized and

over-the-counter. Bonds come in various shapes and sizes, based on regulations, maturities, coupon rates, options, convertibility, and other indicators. The

three significant types of issuers - government, governmental agencies, and corporations (Akter et al., 2019) - provide a simple way to classify bonds (Figure 1).

Figure 1: Association of bond market with financial market



Source: Authors developed

Bangladesh's government securities market has not yet developed because of the unstructured nature of the market and many constraints from the supply-side as well as the demand-side (Chowdury, 2012). On the other hand, municipal bonds have not yet been introduced in Bangladesh (Islam T., 2019). Additionally, a low base market characterizes the corporate bond market in Bangladesh, and the market is still at the initial stage of development. Jahur & Quadir (2010) concluded in their study that Bangladesh is an emerging economic country where the issuance of corporate bonds is very occasional. However, Akter et al. (2019) suggested that Bangladesh has an incredible prospect for the corporate bond

market as there are no potential alternative sources of expanding and diversifying the capital market.

Hardie and Rethel (2019) disclosed that being the important stakeholders, the government, international investors, and domestic actors are strongly related to developing the bond market. The government is the most influential participant whose duty it is to move capital. The government invests in bonds to control and ensure profitability in the capital market. In addition to this, the price increment of bonds promotes market balance, resulting in positive benefits from promoting market development (Andritzky, 2012). Secondly, international investors,

recently emphasized by China (Livingston et al., 2018), place more value on government bond liquidity. Finally, all the domestic actors, including banks, pension funds, mutual funds, and hedge funds, can largely influence the bond market.

In another study, Bhattacharyay (2013) revealed that the bond market could be advantageous when a country is in financial distress and offers diverse financing at the corporate level. It also aids in financing government deficits, maintaining economic stability, developing infrastructure, and providing capital for long-term growth (Mu et al., 2013). Besides, the bond market increases the country's financial efficiency (Mihaljek et al., 2002), generates long-term financing (Aman et al., 2019) and enhances credit expansion and exchange rate trends (Mu et al., 2013). Moreover, the bond market can encourage foreign capital to reduce investment uncertainty (Burger & Warnock, 2007), develop the country's financial infrastructure (Aman et al., 2020) and convert funds from savers to borrowers to recover from its economic crisis (Bhattacharyay, 2013).

A study conducted by Hossain M. (2012) demonstrated that the country's effective bond market development is strengthened by certain factors, such as stable government, sound fiscal and monetary policy, modern and efficient tax and duty regulations, and a liberalized financial system. The factors to be considered to develop the bond market in a country include a well-functioning market, adequate investment opportunities, diverse intermediaries, market infrastructure, monetary policy, risk management, and market participants (Misir et al., 2010). The regulators of a country should focus on the formulation of proper monetary and fiscal policy guidelines for the issuers and customers to boost the bond market. These policies can

determine the behavior of different bonds in the capital market (Laopodis, 2009). Again, Aman et al. (2020) disclosed that the bond markets in most Asian countries are also weak because of the lack of sound regulation, little investment in long-term funds, and volatile demand.

Aman et al. (2020) also added that a country's healthy bond market development depends on foreign direct investment, exports, the size of the economy, economic development stage, interest rate, government spending, the banking system, current account balance, and stock market development. For bond market development in Bangladesh, several factors and conditions are needed to consider bond market development in Bangladesh, such as regulatory pressure, interest rate, capital structure, macroeconomic situation, and market volatility on bond yields. In this situation, government legislation to protect investors' rights (Burger & Warnock, 2007) and stable inflation (Fidora et al., 2007) should be emphasized to develop a healthy bond market. Moreover, there is a need for regulatory pressure to deliver quality products and useful credit ratings for the bond market (Livingston et al., 2018).

The Asian bond markets vary significantly in size (Gyntelberg et al., 2005). Many Asian countries are still heavily dependent on the banking sector to meet company financing needs (Hwang, 2016). Like in other Asian countries, Bangladesh's financial sector is heavily reliant on commercial banks, particularly the Nationalized Commercial Banks (NCBs). Bangladesh's bond market, according to the World Bank, is the "smallest in South Asia," accounting for barely 12% of the country's gross domestic product (GDP). Compared to other Asian countries, the bond market in Bangladesh is small and has a minimal impact on the economy (Bangladesh Bank, 2008).

3. Objective of the Study

The principal objective of this study is to reveal the way to develop an effective bond market by overcoming barriers with an observation of the current status of the Bangladesh bond market compared to particular Asian countries. To attain the prime objective, a number of specific objectives have been covered:

1. To explore the present bond market status of Bangladesh.
2. To compare the Bangladesh bond market with some selected Asian countries.
3. To investigate the necessity of developing a sustainable bond market in Bangladesh.
4. To identify the constraints that hinder the development of a well-functioning bond market.
5. To recommend some practical strategies to develop a sustainable bond market in Bangladesh.

4. Methodology

This research is descriptive in nature. It explores prevailing literature based on a comprehensive study from numerous sources. Secondary data has been used to conduct this study. To ensure authenticity, data has been collected from different polished sources, including World Bank (WB), Bank for International Settlement Bank (BIS), Bloomberg, Asian Bonds Online, International Capital Market Association (ICMA), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and several news clippings. Selected on the basis of availability and accessibility, the study has also taken into account various research

articles, books, research reports and working papers. For conducting this research smoothly, Bangladesh's bond market has been compared with twelve (12) Asian nations; Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, China, Japan, Hong Kong, the Republic of Korea, India and Myanmar. It is noteworthy that the triangulation method has been used to validate the analysis and findings of the study (Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014).

5. Current Status of Bond Market in Bangladesh

In Bangladesh, the bond market plays a very minimal role. This market is mainly dominated by treasury debt securities. Presently, only a few listed corporate bonds, and a few unlisted ones are trading in the market (Uddin & Sultana, 2013). The domestic corporate bond market plays a crucial role in attaining a constant and durable fund for the private sector (Hawang 2016). Additionally, the development of a robust bond market is another key priority. In 1985, the Industrial Corporation of Bangladesh attempted to establish a corporate bond market. The first corporate debenture was issued in 1987. However, many of these bonds issued through IPOs (Initial Public Offerings) defaulted on their coupon and principal payments.

For the issuance of debt securities through a private offer, an issuer should submit an application under the Bangladesh Securities and Exchange Commission (Private Placement of Debt Securities) Rules, 2012. A total of 110 companies issued corporate bonds and debentures through a private offer from 2012 to 2019, as presented in Table 1.

Table 1: Issuance of Corporate Debt Securities in Bangladesh through Private Offer

FY	Corporate Bond (No of Companies)	Corporate Bond Outstanding (crore BDT)	Corporate Debenture (No. of Companies)	Corporate Debenture Outstanding (crore BDT)	Total Number of Companies	Total Amount Outstanding (crore BDT)
2012-13	5	750	0	0	5	750
2013-14	8	3,840.00	6	70	14	3,910
2014-15	12	2,950.00	2	6.75	14	2,956.75
2015-16	13	4,059.12	2	27.2	15	4,086.32
2016-17	4	2,160.00	3	497.5	7	2,657.5
2017-18	29	10,698.50	3	518	32	11,216.5
2018-19	23	12,755.00	0	0	23	12,755
Total	94	37,212.62	16	1,119.45	110	38,332.07

Source: BSEC, DSE and CSE Reports

On the other hand, for the issuance of debt securities through a public offer, an issuer needs to submit an application under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 in compliance with relevant requirements of

the Securities and Exchange Commission (Private Placement of Debt Securities) Rules, 2012. Issuers issued corporate bonds and debentures through a public offer, which are listed in Table 2.

Table 2: Issuance of Corporate Debt Securities in Bangladesh through Public Offer

Serial No.	Securities	Issue Year	Features	(BDT million)
1	*14% BD Luggage Debenture	1988	20% Convertible	40
2	*17% Beximco Limited Debenture	1989	-	60
3	*17% Beximco Infusion Debenture	1992	-	45
4	*17% Bangladesh Chemical Debenture	1993	20% Convertible	20
5	*17% Beximco Synthetic Debenture	1993	-	375
6	17% Beximco Knitting Debenture	1994	20% Convertible	240
7	17% Beximco Fisheries Debenture	1994	-	120
8	*15% Eastern Housing Debenture	1994	10% Convertible	800
9	14% Beximco Textile Debenture	1995	-	250
10	14% BD Zipper Debenture	1995	20% Convertible	40
11	14% Beximco Denims Debenture	1995	-	300
12	14% BD Luggage Debenture	1996	20% Convertible	150
13	14% BD Aramit Cement Debenture	1998	20% Convertible	110

14	15% BD Welding Electrodes Debentures	1999	-	20
15	IBBL Mudaraba Perpetual Bond	2007	Profit Sharing	3000
16	*ACI zero-coupon Bond	2010	20% Convertible	1355
17	*Sub-bond of BRAC Bank Ltd	2011	20% Convertible	3000
18	APSCL Non-convertible Bond	2020	Fully Redeemable	1000

Note: * Marked corporate bonds debentures are no longer available

Source: BSEC, DSE and CSE Reports

It is apparent from the above table that till the end of September 2020, there are only two corporate bonds and eight debentures currently being traded in our capital market. Except for these two corporate bonds and eight debentures, all have been matured and written off, as well as not active at this moment in the country. In the Bangladesh Bond Market, fixed income securities first came into existence in 1987 with the floatation of debentures by two companies. However, no debentures were issued after 1999. Trading of Government Treasury bonds started in December 2005 at the Dhaka Stock Exchange (DSE). Islami Bank Bangladesh Limited (IBBL) introduced the profit sharing mudaraba perpetual bond in 2007. The size of the issue is BDT 3000 million, of which BDT 1500 million was in a private placement, and the rest was in an IPO. BRAC Bank introduced a 25% subordinated convertible bond in 2011. This bond had a maturity of 84 months from the date of issue. The size of the issue was BDT 3000 million, where the pre-IPO placement was BDT 2700 million, and the rest was done through a public offering. ACI Limited introduced a 20% convertible zero-coupon bond amounting to BDT 1355 million in 2010. In 2020, Ashuganj Power Station Company Limited (APSCL) issued a non-convertible and fully redeemable coupon-bearing bond comprising BDT 1000 million.

6. Comparison with Emerging Asian Capital Markets

For a long time, the bond market has been a steady source of financing for the companies and governments of the world. Each country has a particular framework for the issuance of bonds. The size, access, efficiency, and stability of the bond market across countries may be used to gauge the state of the bond market's development in Bangladesh. Bonds in Asian markets are denominated either in US dollars or in their native currency.

The Asian financial crisis emphasized the significance of the native bond market in mitigating the currency and duration mismatch difficulties in the financial system. Recent decades have witnessed the rapid development of the local currency bond market worldwide, especially in emerging Asia. Till the end of September 2020, the total amount of outstanding bonds in the Association of Southeast Asian Nations (ASEAN) plus the Republic of Korea, China, Hong Kong, and Japan is certainly noteworthy. However, among South Asian countries, India's aggregate amount of outstanding bonds stood at USD 97.39 billion at that point in time (Table 3).

Table 3: Comparison of the size of Bangladesh bond market with Asian countries

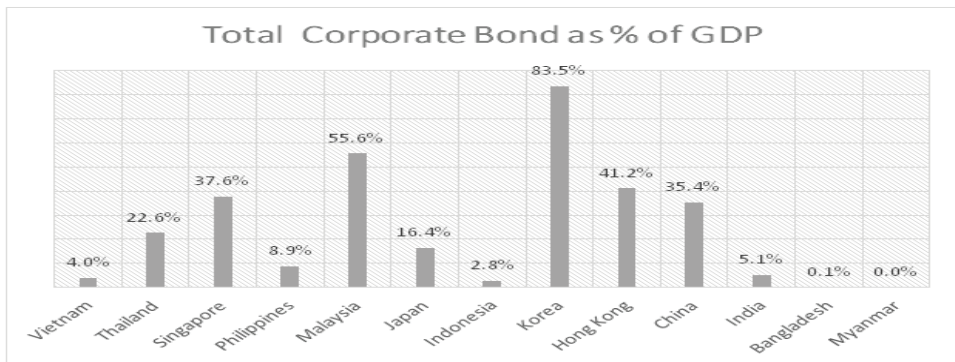
Countries	Govt. Bonds (\$ bn)	Corporate Bonds (\$ bn)	Total Outstanding Bonds (\$ bn)
Vietnam	54.72	10.6	65.32
Thailand	207.45	118.64	326.09
Singapore	104.11	130.2	234.31
Philippines	133.08	33.68	166.76
Malaysia	203.14	176.91	380.05
Japan	10587.16	827.82	11414.98
Indonesia	232.62	29.62	262.24
Republic of Korea	771.09	1310.08	2081.17
Hong Kong	11.55	146.75	158.3
China	9237.45	5217.46	14454.91
India	64.86	32.53	97.39
Bangladesh	17.2	0.3	17.5
Myanmar	0.109	0*	0.109

Note: * There is no corporate bond in Myanmar

Source: Data have been assembled by the researchers based on Asian Bonds Online and Bank for International Settlement (BIS); Data as of September 2020.

From Table 3, it can be seen that the size of the Bangladesh bond market in terms of both government bonds and corporate bonds is very trivial. Total outstanding bonds in Bangladesh account for USD 17.5 billion, compared to other Asian countries like China (USD 14494.91 billion), the Republic of Korea (USD 2081.17 billion) and

Japan (USD 11414.98 billion). Hence, the bond market in Bangladesh is manifestly lagging. Additionally, Bangladesh is relatively undersized compared to the other emerging Asian neighbouring countries such as Vietnam, Thailand, Singapore, Philippines, Malaysia, Hong Kong, Indonesia, and India, which is evident in Table 3.

Figure 2: Total corporate bond outstanding as the percentage of GDP in Asian Countries

Source: Data have been examined by the researchers based on CEIC Data Company Ltd, Asian Bonds Online and Bank for International Settlement (BIS); Data as of September 2020.

It is evident in Figure 2 that among the particular Asian countries, the Republic of Korea is in the peak (83.5%) position in terms of the total corporate bond to GDP ratio, followed by 55.6% in Malaysia and Hong Kong 41.2% respectively. The size of total corporate bonds as a percentage of GDP seems minor in Bangladesh, standing at 0.1% compared to India (5.1%), Vietnam (4%), Thailand (22.6%), Singapore (37.6%), Philippines (8.9%), Japan (16.4%), Indonesia (2.8%), Thailand (20.32%), and China (35.4%). However, there is no corporate bond market in Myanmar.

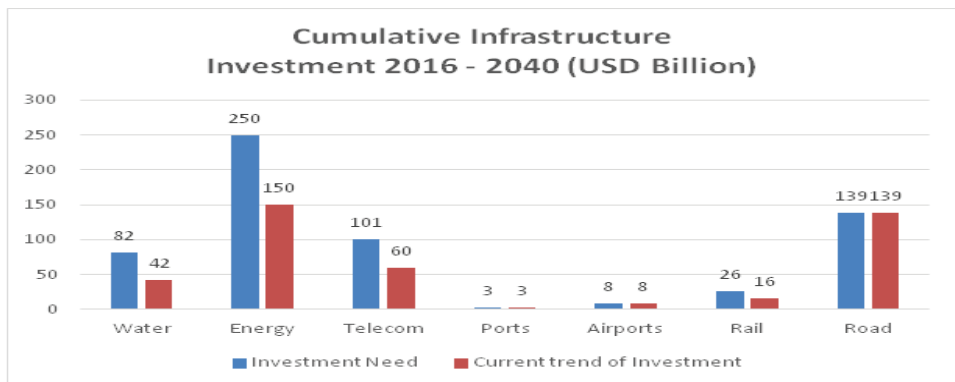
7. Prospects of Bond Market in Bangladesh

Despite the economy reaching nearly USD 378.59 billion in 2020, Bangladesh's bond market remains small and under-developed. Bangladesh's bond market is overwhelmingly dominated by government debt securities, which account for almost 5 percent of GDP in 2020. Since investors, mainly organizations, place their money in treasury bonds and bills, government bonds occupy a significant portion of the outstanding bonds in our country. The corporate debt market is minimal, with only two issues listed on the Dhaka Stock Exchange (DSE), namely the APSC nonconvertible and fully

redeemable coupon-bearing bond and the IBBL mudaraba perpetual bond. As a result, public confidence in these instruments eroded, and the bond market has not flourished yet. Furthermore, corporate bonds are appraised using government bonds as a benchmark.

At present, the government bond outstanding would be worth about USD 17.2 billion, whereas the outstanding corporate bond is only USD 0.3 billion. As Bangladesh desires to be an advanced nation by 2041 with practical accomplishments in infrastructural expansion, a well-developed financial market with an active role of corporate and government bonds has become a dire necessity. Besides, the Global Infrastructure Hub (2017) estimated that a cumulative total of USD 600 billion of investments would be required in the infrastructural sector alone from 2016 to 2040. However, in anticipating the current trends of actual investments to endure, a gap of USD 200 billion in long-term financing with no visible source of funding still needs to be addressed. Developing a well-functioning and sizeable bond market can be expected to fulfil the requirements of both investors and issuers and be a prospective source of long-term financing.

Figure 3: Cumulative Infrastructure Investment 2016-2040



Source: Researchers' Analysis based on Global Infrastructure Report (2017)

It is evident that Bangladesh has already capitalized billions of dollars in mega infrastructure ventures that are anticipated to commence action within a few years as per the existing investment movement (Figure 3). However, rolling out these hard infrastructures on a reliable basis is only possible when the country simultaneously pursues the development of easygoing infrastructures like augmented bond markets. The long-term nature of bond investments with flexible structuring mechanisms and repayment structures is ideal for supporting the investment and cash-flow needs of these long-term projects and capital expansions for a fast-growing economy like ours.

Our country is heavily dependent on bank financing. Banks are already in a weak form with rising non-performing assets and for executing the 6 percent to 9 percent rule. As commercial banking entities are being heavily burdened in combating COVID-19, a bank failure will be the worst scenario in our country. By taking all these rationales into account, an active bond market can play an imperative role in the realm of Bangladesh.

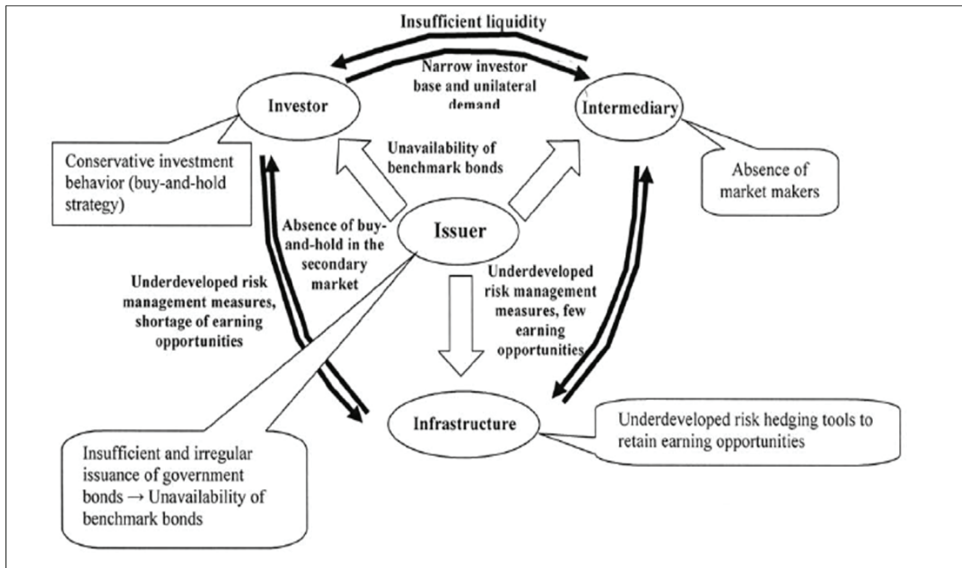
Bonds have some apparent benefits compared to taking bank loans, such as bonds can be issued at a floating rate, zero-coupon bonds can be issued, bonds can be issued with a call option and a put option, and convertible bonds can be issued. Different types of bonds can be issued based on the needs of the issuer, and such flexibility may not always be possible with bank loans. Apart from the government, companies can also issue bonds to meet various needs. Commercial banks of Bangladesh are relatively active in the private market of bonds, mostly to meet their capital adequacy ratio as per Basel III. However, it is a matter of

assurance that many other corporations, excluding banks, have joined in the private bond market in recent years. For reference, the Bangladesh Securities and Exchange Commission (BSEC) has already approved seven new bonds with different features in 2020, which are in the pipeline to be traded soon in the market (Appendix 1).

8. Challenges of Issuing Bonds in Bangladesh

Bangladesh's bond market faces copious challenges, despite the fact that it has a bright future due to expected financial market growth. The availability of long-term instruments is thought to be a prerequisite for the creation of an efficient market structure.

The fragile characteristics of the bond market in Bangladesh can be attributed to significant aspects such as risk and return factors, liquidity and government policy-related factors, issue management factors, and investment policy factors. The Nomura research institute, in 2004, developed a framework (Figure 4) that included the four different perspectives of bond market development, specifically; issuer, investor, intermediary, and infrastructure. It was stated that the harmonious development of the bond market is facilitated by their interconnected association.

Figure 4: 'Vicious Cycle' hampering bond market development

Source: Nomura Research Institute, Paper no 82, 2004

By interviewing three groups of stakeholders (academicians, market regulators, and market participants), several factors have been identified which impede the growth of the bond market in Bangladesh (Appendix 2):

- **Lack of Confidence:** The general investors lack the confidence in the return from bond investment. The previous law had become so outdated that it could no longer inspire people's confidence or attention for bond investment. Compared to the entire population in Bangladesh, only a small proportion of investors are attracted to bonds.
- **Weak regulations and market infrastructure:** A weak regulatory framework and the inefficiency of the capital market may hinder the bond market's growth. Furthermore, the corporate bond market lacks financial specialists and advisors. Again, tax treatment in our country is not conducive to bond market development.

- **Easy accessibility of Bank loan:** Corporations get bank loan easily. That is why they choose to get bank finance over debt securities. To issue a bond, the company has to comply with a number of formalities. Again, syndicated loans are inexpensive and flexible, which provide a basis to make the bond market non-impressive to large corporate issuers.

- **The high transaction cost of bond issuance:** The high transaction cost of the bond issuance procedure is considered a significant impediment. The duration of the transaction is lengthy.

- **Inexperienced investors:** Most of the investors in Bangladesh have no acquaintance with the features of a bond. They take abnormal capital gains into account in the case of trading securities, which is irrational. Major investors in Bangladesh seek capital gains rather than fixed income flows to decide.

- **Lack of tradability:** There are very limited options for bond investment as bonds are tradable at a limited pace and most are not tradable or available to the public.
- **No digitization:** There is no automation in our bond market. Common shareholders can participate in the primary bond market via non-competitive bid using NSE goBID in India, which involves both a web version and a mobile application.

9. Way Forward

By having a dynamic bond market, we can attract the base of universal portfolio investors. Despite the abundant setbacks, the recent issuance of a Taka denominated bond by Pran Group in the international market and a domestically listed bond by Ashuganj Power Limited in 2020 seem promising signs that our private bond has already started to take on a new dimension. If they can maintain this momentum, a vibrant capital market could be anticipated in the near future.

In this regard, policymakers should formulate and implement a milestone structure so that the bond market can easily be expanded. It is also suggested to take proper actions to influence the issuing of corporate bonds in Bangladesh.

Several recommendations have been included from three relevant groups of stakeholders (academicians, market regulators, and market participants) for the expansion of the Bangladesh bond market:

i. To bring back investors' reliance, the BSEC has approved a new regulation named Debt Securities Rules, 2021. The new rule direct firms to introduce different types of bonds, including shariah-based bonds. BSEC has formed the Shariah Boards for Sukuk issuance.

ii. The bond issuance costs can be 1.5% to 2% of the bond issue size, depending on the method of the Private Placement of Debt Securities Rule 2012 and Public Issue Rules 2015. Again, in order to make the bonds available to the public, BSEC has taken initiatives to encourage public transactions rather than private placement.

iii. A benchmark yield curve can be established for our country, which is non-existent currently.

iv. Banks, Non-bank Financial institutions (NBFIs) and merchant banks can enhance their fee-based income by working on bond issuances and covering for the losses they are likely to suffer from the lower interest rate in the loss suffered in the capital market.

v. The BSEC has already approved various types of bonds, including green bonds and sukuk bonds in order to enrich the capital market. The new asset class would help those who have surplus money and have reached their investment limit in the capital market.

vi. Investment in bonds should be allowed with a tax rebate for general investors. However, investment income from a zero-coupon bond is tax-free for both individual and institutional investors, according to the sixth schedule of section 40 of the Income Tax Ordinance 1984.

vii. The existence of a deep and liquid bond market framework will permit financial institutions to organize themselves equipped for risk management. Consequently, the regulatory authorities may require the banks to maintain a higher liquidity ratio, comprising both government and top-rated corporate bonds.

10. Conclusion

The study has explored the current status and prospects of the Bangladesh bond market compared to selected Asian countries. It has also disclosed the significant challenges to developing a bond market. After investigating the secondary data, it is revealed that the Bangladesh bond market appears very trivial regarding its size and the corporate bond to GDP ratio relative to other Asian countries. The cost of issuing a bond, the absence of a benchmark yield curve, lack of general investors' awareness, the absence of a tax benefit, the lack of digitization, and the nonexistence of a deep and liquid bond

market framework are identified as the prime limitations to the flourishing of the bond market in this country. In order to resolve these constraints, market regulators can play a crucial role by establishing a deep and liquid bond market framework, lowering bond issuance costs and time to raise capital from the market, raising incentives for institutional investors, who are usually the major investors in bonds, and also increasing the familiarity of bonds. A future research (primary data based) can be conducted based on this present study to determine investors' perception of bond investment acceptability in Bangladesh.

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Appendix 1

List of seven upcoming bonds approved for the secondary market until December 31, 2020

Trustee	Lead Arranger	Issuing Company	Amount	Unit value		Sold through private placement	Purpose
Green Delta Insurance Company Limited	Standard Chartered Bank	Dutch-Bangla Bank	TK500 crore	Tk1 lac each	Floating bond, redeemable, unsecured, and nonconvertible bond	<ul style="list-style-type: none"> financial institutes insurance companies mutual funds, listed banks corporate firms, including other eligible investors 	To strengthen the "Tire-II Capital Base" of the banks
Prime bank investments Limited	Lanka Bangla Investments limited	Aamra Networks Limited	TK100 crore	Tk.1 crore each	Fully redeemable, unlisted, unsecured, a zero-coupon bond with a discount rate of 8.68%-9.73%	<ul style="list-style-type: none"> financial institutes, insurance companies, mutual funds, listed banks, and corporate firms, including other eligible investors 	To implement a new project, loan repayment and meet the need of working capital.
The City Bank Capital Resources Limited	The City Bank Capital Resources Limited	One Bank Limited	Tk800 crore,	Tk10 lac	Nonconvertible BASEL-III complaints perpetual bond with interest rate of 11%-14%.	<ul style="list-style-type: none"> Government financial institutes, mutual funds, insurance companies, listed banks, cooperative banks, regional rural banks, trust, autonomous Corporations 	To strengthen "Additional Tire-I Capital Base" of the banks
The City Bank Capital Resources Limited	MTB Capital Limited	Mutual Trust Bank Limited	TK400 crore	Tk10 lac	Nonconvertible BASEL-III complaints perpetual bond with interest rate of 11%-14%.	<ul style="list-style-type: none"> Government financial institutes, mutual funds, insurance companies, listed banks, cooperative banks, regional rural banks, trust, autonomous Corporations 	To strengthen "Additional Tire-I Capital Base" of the banks

IDLC Investments Limited	IDLC Finance Limited	Standard Bank Limited	TK500 crore	of Tk.1 crore	Nonconvertible BASEL-III compliant perpetual bond with interest rate of 11%-14%.	<ul style="list-style-type: none"> • different institutional investors • financial institutions • banks • high net worth individuals 	To strengthen "Additional Tire-I Capital Base" of the banks
EC Securities Limited	IDLC Finance Limited	National Credit and Commerce Bank	TK500 crore	of Tk.1 crore	Perpetual bond, fully redeemable, unlisted, unsecured, and coupon-bearing perpetual with an interest rate of 9.5%-12.5%	<ul style="list-style-type: none"> • institutional investors • financial institutions • banks • high net worth individuals 	To strengthen "Additional Tire-I Capital Base" of the banks
Green Delta Insurance Company Limited	Standard Chartered Bank	Standard Chartered Bank	TK850 crore	Tk.10 Lakh each	fully redeemable, unlisted, unsecured, a zero-coupon bond with a discount rate of 4%-5%	<ul style="list-style-type: none"> • different institutional investors • financial institutions • banks and • high net worth individuals 	To meet ongoing financing requirements by generating liquidity

Appendix 2

Questions asked to a market regulator, a market participant, and an academician for implementing the triangulation method of data validity testing

1. What do you think about the bond market in Bangladesh?
2. How can bonds supplement Bangladesh's capital market?
3. Are general investors of the Bangladesh capital market interested in investing in bonds? Why or why not?
4. What are the main obstacles to the issuance of a bond?
5. How can we overcome these obstacles?
6. As a regulator/ participant, how can you actively support the bond market of Bangladesh?