

DEVELOPMENT OF BOND MARKET IN BANGLADESH: ISSUES, STATUS AND POLICIES

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Abstract

Bond market acts as buffer of equity market. This market in Bangladesh has been found very inefficient with respect to number of issues, volume of trade, number of participant, long-term yield curve, interest rate policy etc. In view of this, the present study has been undertaken aiming at identifying the problems that impedes the growth and development of Bond Market in Bangladesh. Researchers have collected both primary and secondary data and analysed the same by employing descriptive measure as well as multivariate technique-Varimax Rotated Factor Analysis. The study has found that the size of debt market of Bangladesh is very low as compared to other SAARC Countries; has huge growth potentiality; and identified important impediments to the growth and development of Bond Market in Bangladesh such as risk and return factor, liquidity and government policy factor, issue management factor, investment policy factor, macro-economic and regulatory factor, and market & issue related factor. The study has suggested some important policy measures such as regulatory change, establishment of long-term yield curve, offering fiscal benefits, encouraging companies raising funds through corporate bond issues, keeping treasury rate low etc. for the development of Bond Market in Bangladesh.

Keywords: Bond Market, Growth, Development, Yield Curve, Regulation, and Efficiency.

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