

# The main role of the capital market



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Capital market is controlled by financial regulators and their own governance organization. The reason of regulation has been made is to keep investors away from fraud and deception. Financial regulatory bodies are also charged with reducing the losing rate of financial, providing licenses to financial service providers, and implementing applicable laws.

It is also relying on two sub-markets they are the secondary and the primary market. The secondary market deals with the trading of previously-issued securities, and they have to keep a highly liquidity in nature because most of the securities are sold by investors. The primary market job is to handle newly issued securities and they also have to generate new long period capital. A capital market with high liquidity and high transparency is forecast on a secondary market with the equal qualities. Besides, it guides in forming capital. Capital formation is net addition to available stock of capital within the economy. Its also a main source for mobilizing not in actively use money from the economy. It moves the financial resource from people for expanding their spending in the capable earning's field within the economy. In that sense it enables the financial resource to produce a better outcome by investing in a productive way.

B) With increasing energy costs and causing global warming, lot businesses are starting to accept the advantage of developing in green technology. The government finance institution had invested rm1. 5billion into green industry to support the business development in green construction, green technology, and innovation. Green industry has the potential in growth in future and its also creating a new line careers to replace the technology being use by today.

SME bank introduce Mudharabah deposit- taking under the General Investment Account to attract government agency, statutory bodies and government- linked companies to put deposit . This will give an extra platform to industries that wish to put the financial resources through Mudharabah deposit. This will strengthen the Islamic finance.

Automotive company like Mercedes-Benz, Bmw, Proton, Toyota and so on are trying to come out with more brand new vehicle model. The purpose is to boost the sales within the automotive industry. The more the consumer selection, the higher the sales it gets. People are still buying luxurious car no matter how many percentage of tax government impose on a car. Besides, when the sales increase, the value of stock within automotive industry increase, and eventually the automotive market will get more funds.

Development of SME need fund on their business growth. The source of fund will come from providing loan by finance institution. This will boost banking industry by collecting loan's interest through the SME who apply for loans.

Program Enterprise 50 (E50) is design to allow and encourage participation from the entire domestic incorporated SMEs, while providing a space for them to benchmark against both internationally and domestically SME.

Finance institution boosting in the development of shipping and shipbuilding industries. Exporting and importing with china or foreign country can bring beneficial to the region market as china's market is getting bigger. Being part in international trade can boost the domestic consumption and to help to sustain the ongoing global recovery.

Government initiated merger with companies involve in plantation industry. The purpose is the push them to the world's largest listed Plantation Company. Malaysia is the global second largest oil palm exporter. With the merger from government financial institution, the plantation industry will have sufficient funds to develop their potential business to increase the production which will generate profits in long-term.

International funds were attracted to invest into the local market that helps to strengthen the liquidity of local money market. This has formed opportunity for domestic businesses to raise capital on the KLSE, and to accomplish infrastructure development in fields in highways, telecommunications, and power generation to get over the slow down caused by rapidly industrialization.

Khazanah Nasional Berhad is design to assist selected potential industries in Malaysia and generate the investment into profits for local capital market. The fund invest in companies in Malaysia, companies including Pharmaniaga in medical industry, Proton holdings in automobile industry, UEM Group in construction industry, Telekom Malaysia in communications industry, CIMB in banking industry and many other companies of different industries

Manufacturing, services and agricultural industries get special attention from the Malaysia's financial institution because these filed has been the major producer in the country. These industries have potential to generate profits and will rise rapidly in term of production in future and it will bring benefits to Malaysia capital market. Industrial Master Plan is formed to strengthen the manufacturing industry. The industrial plans target to make Malaysia a major

international major trade and boost the country's human capital and economy.

C) Increase of public listed companies, the bond market would enhance the competitive ability of local capital market. Malaysia requires stronger market institutions to compete effectively with other international exchanges.

Capital market intermediation has to be innovative and efficient in order to achieve higher competitive ability.

After Bursa Malaysia get listed on the Main Board of Bursa Malaysia Securities Berhad , the competitive of the local market had strengthened. And the exchange sector has become more customer-driven and market-oriented. Besides, effects after demutualization are in increasing the liquidity and velocity of the markets and enhancing the efficiency of businesses and yield economies of scale in its operations.

Market institutions are responding by establishing and merging alliances. They are increasingly providing consumers flexibility and greater variety, for example through online trading and extended product range. Some international markets now are allowing full foreign ownership to encourage the building of finance professionals and to develop a group of players and events in the markets.

Local capital market intermediaries are able to offer internationally competitive services to their customers. They are able to work efficiently to the result of changing customer wants, increasing integration of financial services and the advance technology.

Many countries are building their financial services sectors by enacting strategic liberalisation policies to attract more foreign institutions and professionals to boost competition, development, liquidity and human capital in their capital markets.

The rapid growth of online trading market are causing the finance service introduce more and newer of innovative ways of creating financial resource in order to keep up with the client base as well as to achieve the potential of market entrants.

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