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KUALA LUMPUR, July 10, (Bernama) -- The government will encourage the development of the capital market through the introduction of new instruments to facilitate mobilisation of resources, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said that the government would rationalise and streamline the existing legal and institutional framework with a view to developing an appropriate administrative mechanism to promote the development of the capital market in a coordinated and effective manner.

Tabling the motion on the Sixth Malaysia Plan (6MP) at the Dewan Rakyat, he said that the role of the capital market in increasing savings and in sustaining economic development had become more important.

A major area of emphasis was the development of private debt securities market, financial futures market as well as venture capital financing, he added.

He said that it was unwise to depend heavily on foreign capital inflows in financing the country's resource needs because such inflows could be quite volatile. -- more

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+We must pay more attention in strengthening further the saving rate in the country,+ he said.

With the low Malaysian inflation rate and reasonable interest, he said that it pays to save as savings tended to reduce inflationary pressures.

With respect to the nation's overall resource balance, Datuk Seri Dr Mahathir said that the higher rate of savings combined with the healthy position of the balance of payments would result in a small savings-investment gap of 0.8 per cent of Gross National Product.

+This deficit will be readily financed by expected net inflows of foreign direct investment and therefore should not pose a problem for the economy,+ he said. -- Bernama

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