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Successful implementation effect of insurance services in money and capital financial markets

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ABSTRACT

One of the most important sectors of the economy of each country is capital market. Economic growth can lead to the development and prosperity of the capital market. On the other hand to achieve the desired economic development, without existence of effective financial institutions and appropriate equipment of financial resources, it is impossible. In this regard, efficient financial systems through seeking information about investment opportunities, integrate and mobilize savings, monitoring investments and exert corporate governance can facilitate the exchange of goods and services, distribution and risk management, reducing transaction costs and data analysis may lead to better allocation of resources and ultimately economic growth. Insurance companies and generally insurance industry in each country is the most important and active financial institutions operating in the financial market especially capital markets in addition to securing economic activity could have basic role in mobility of financial markets and providing funds to invest in the economic activity through the provision of insurance services. In this study, successful financial services of insurance and investment funds in insurance companies such as Dana, Alborz, and Asia have been studied in Tehran. According to the hypothesis, there is a significant correlation between successful implementation of insurance services and money and capital financial markets. There is a significant correlation between different types of insurance services (institution-building, instrument making, and general insurance policies) and money and capital financial markets.

Keywords: insurance services, money and capital financial markets

INTRODUCTION

Insurance has existed to repair the consequences and harmful effects of risk and compensation to individuals. Insurance companies by virtue of the nature of their activity are one of the savings channels and major financial institutions. Financial markets are divided into two groups such as money and capital market. In money market, securities with short-term date (less than one year) to short-term financing and in capital markets, securities with long term date (usually more than one year) to finance medium and long term assets are traded. Capital market can be divided into two groups: primary market and the secondary market: the first one is the place to exchange newly published securities and the second one is the place for the exchange of the securities already issued. Financial markets are classified from different perspectives. In terms of financial assets, financial markets are divided to debt market (bonds) and equity market. Based on financial assets expire date, financial markets in the short-term market or the money market and the capital market with a greater than one year date or date free are classified. The financial markets can be classified as cash markets (markets where financial assets are traded immediately) and Contract based markets in which based on contracts, the holders of such securities (futures contract) optionally or forcefully (Contract Options) purchase an asset at a future time. The efficient financial systems, reduce foreign financing barriers and by facilitating the availability of producing and industrial units to foreign investment provide investment development infrastructure and further economic growth. The factors determining the level of financial development in countries we can refer historical factors such as legal, political, cultural, moral and geographical factors and political factors including macroeconomic and political environment, institutional infrastructures, legal and information, rules and regulation, competition and performance, financial liberalization and facilitating access to financial services. Financial system of a country consists of various financial instruments and products. Accordingly, the financial development is a multifaceted concept that in addition to the development of the banking sector includes other dimensions such as non-bank financial sector development, monetary sector and policy development, banking regulation and supervision, openness of financial sector and institutional environment. In this study the successful implementation of insurance services in the money and capital financial markets has been evaluated.

1- Application for insurance services:

Insurance is for compensation to repair the consequences and risks effects to individuals. The economic importance of commercial insurance is damage compensation, savings attraction and capital formation and investments, foreign income and prevention of damage and increase the level of employment. Insurance is an act whereby one party (the insurer) gathers persons (policyholders or insured) who are at risk or are at certain risks to pay a fee to compensate for the possible loss of cross- modal (equity premium) in return for a fee (premium) and take responsible of risks according to statistical set of principles and rules. Insurance agency in its modern meaning, concept and mechanism is to ensure and commitment of the financial consequences of risk compensation under insurance issue. That is, insurance companies collect persons at risk and organizing cooperation and their participation based on statistical criteria, compensate funding capabilities that is able to respond to the potential damage (Robert Kuttner, 2000). Important reason for the survival of a company in the market is the consumer. Insurance companies' success depends on their power in providing consumers' needs in the target market. E-commerce insurance will not only increase performance transparency and improve sale services but also provides other features for customers including: Continuous service (24 hours) - comprehensive information about comparing prices and products - transparency and speed in the field of damage assessment - quick response and reduction of national barriers, in many cases customers will be able to compare and evaluate performance of insurance companies in areas such as damage payment, insurance right, service quality and then buys insurance right (Bender, ET.AL, 2000).

Insurance companies by virtue of their nature of activity is one of the savings' channels including major financial institutions in addition to securing the economic activities through the provision of insurance services can be very important and decisive role in the mobility of financial markets and economic activity funds available for investment (Cummins JD & Weiss, MA 2009). International experience suggests that the insurance industry as part of the financial industry must interact correctly with complex capital market. This relationship within globalization era is represented in two forms: one the hand hand, insurance business needs strong capital markets, and on the other hand capital markets is based on active participation of insurance funds in the market; hence, to accelerate the reform, development of these two parts and promotion of interaction between these two is a prerequisite for proper development of the financial system in the country. Today the insurance industry is a major economic institution. Insurance on the one hand is the financial institution that plays an essential role in strengthening the economy and on the other hand provides development of production and service activities with safety and security.

Insurance market in addition to the transfer of risk, creates tendency to risk acceptance economic activities, to its contribution helps economic welfare of the community (Culp, CL 2002), providing marketable equity investments, will lead savings to capital markets which would boost the economy. Insurance companies have different ways of transferring risk that helps economic growth. The transfer and integration of risk, insurance companies help the financial stability of that businesses and families. Companies can change more heavy losses and uncertainty with premium costs and even swap it at the price of their products. Persons can similarly expand their random financial damage over time and among others. Insurance and insurance companies that offer this facility need to keep risk capital to absorb the accepted risks.(Avram et al, 2010).

2- Insurance Companies Types of services:

Insurance companies provide in money market on three major levels:

Institutionalization:

Insurance companies to establish financial institutions are now using their financial resources.

Instrument making:

• Issuing liability insurance policy and monetary sources credit before depositors to guarantee institutions receiving funds resources versus depositors

• Insurance products purchased with loans from institutions owed money by the end of installments against natural disasters;

• Life insurance of debtors to pay financial obligations owed to the wearer facility when death or disability;

• Issuing credit insurance policy to collateral property replaced by the collateral obligations with financial institutions when receiving facility;

Public insurance policy:

• Property insurance of institutions and funds inside fund and funds on the way in order to compensate for damages to property or due to theft, securities and Coins in financial institutions or the risks of fire, explosion, lightning and theft of funds during displacement

• personal insurance, personal insurance of companies' employees to offset losses incurred as a result of death, disability and staff medical insurance supplemental (Robert, Millset, shailesh & Bhandari, 2003)؛

• Liability insurance of financial institutions and their employees in order to compensate for damages caused by staff negligence and instrument recklessness of institution office.

3- Money and capital financial markets:

Dividing the whole system of country's financial system into two parts of real and economy, the financial sector can be defined as a subset of the economic system that the funds, credits, capital within the rules and regulations specified by the manufacturers and owners of money and capital flows to the applicants. Financial markets are markets in which financial assets are traded (Coricelli, F. and Roland, I, 2008). Financial assets are assets such as stocks and bonds that their value is dependent on the products and services offered by the issuer. Difference between financial assets and real assets are in their physical nature such as cars, real estate and furniture. One way is to invest in financial assets. The advantage of buying financial assets to real assets from the economic point of view is that first, real property is consuming product not savings and investments means. Second, the purchase of real assets and keeping them unused in hopes of being more expensive in the future means keeping country resources unused and additional value is not created unless it is used. Like a person buys a car or a house and rent it. Several types of financial assets include deposits investment in banks, pension plans which are offered by pension funds, types of insurance policies by insurance companies and the securities traded on the stock market by buying and selling agents. In economics a financial market refers to a mechanism that allows purchase and sale of stocks, commodities or exchanges any product to provide participants with low cost. Financial markets have grown significantly over the past few centuries and are continually evolving and increasing liquidity in the world. The task of market is gathering buyers and sellers interested in participation of the market. In fact, all financial markets are after seeking invest and communicating between capital seekers (borrowers) and capital holders (lenders).

Functions of financial markets:

1- Attract and mobilize savings and optimal allocation of resources (funds transfer between economic units):

Funds transfer between economic entities is the basic role of the financial sector of the economy. Economic units generally include savings units and investment unit. The role of financial markets is to close the two groups together and provide a solution to transfer funds from savings surplus units to deficit units or resource deficit savings. It is obvious that the impact of this funds transfer is to provide productive investment. So it is considered that in case of absence or weakness of financial markets, there will not be feasibility of large-scale productive investments (Kenourgios D. and Samitas A., 2007).

2- Funds and asset pricing: Funds and asset prices are determined in financial markets. Thus, financial markets by determining pricing of capital and funds can help firms make decisions in investment and financial planning. So that the market price of capital by firms can be compared with the expected return from that thus, firms allocate their own capital to investments that yield higher or equal to their cost of capital. Using the cost of capital that is determined in the financial markets, comparison and preference possibility of short-term and long-term investments is provided. But the process of price discovery in financial markets is done properly and equally when competitive market conditions prevail. In these circumstances the demand and supply of funds and capital determine prices and setting prices by market is the best guide for funds suppliers that is depositors, investors, funds demanders or savings places. In this way, the decision making will be easy for both groups and capital resources will be allocated greatly (Ritab S. Al-Khouri, 2007).

3- Dissemination and information analysis: financial markets collect data are and reflects through publicity price. Even those who have not passed costly process of evaluating businesses and executives and stock market conditions can observe stock prices which reflect the information that others have gathered. Dissemination and analysis of information by financial markets makes society spend little resources to obtain information. The financial information on investment opportunities can lead to better allocation of resources (Suleiman Abu-Bader, and Aamer S. Abu-Qarn, 2007).

4-Facilitate transactions: financial systems that reduce transaction costs, can lead to more specialized activities, technological innovation and economic growth. As Adam Smith (1779) also asserts, lower transaction costs makes things more specialized. Existence of mediating such as money makes the trade cost is greatly reduced and the exchange becomes easier and smoother. Intermediary institutions reduce costs, better labor division and ultimately higher efficiency and increase (Creane, S. et al, 2006).

5-Risk distribution and risk management: financial markets in addition to allocate monetary capital, the economic risks are distributed. The risks to economic activity and investment through the creation and distribution of the securities are to be distributed and separated. In other words, financial markets (money and funds market) distribute in the large scale risk individuals who are engaged in large and risky economic activities of savings that are willing to accept the risk of a uncertain return.

Financial markets in addition to the separation of employment and investment risks, enable people to diversify their investments. Diversify portfolio will lead to a risk reduction. The total risk is reduced due to the loss of some investments be offset by the benefits resulting from other investments. Financial markets also reduce liquidity risk. Liquidity is the ease of converting assets into power purchase price upon agreement. Transaction costs and information asymmetry reduce liquidity and increases risk. Financial markets facilitate the dissemination and analysis of information that transactions can help reduce the risk of liquidity.

Classification of financial markets:
Financial markets can be classified based on different criteria:
1. Classified by type of asset
2. Supply of securities classified by stage
3. Classification based on date of financial liabilities.

Classification based on date of financial liabilities include: a) money market and b) the capital market.

A) Money market: By definition, money market is for trading money market and other financial assets of close substitutes for money that are dating less than one year. Money market can be also named as the market for short-term financial instruments with characteristics of low risk of non-payment, liquidity and high value. This market is focused on using tools that enable people and businesses to speed up their cash to raise the desired level.

B) Capital Markets: Financial markets based on classification is an approach to asset date and capital market is trading markets for financial instruments with dates greater than one year and assets without any date are defined. This segment of the financial market has important role in collecting savings resources and supplying investment needs of production units. Capital market is far greater than the money market and variety of instruments is different. The main function of financial markets is including money markets, capital and insurance in the national economy, mobilizing savings resources and channeling into productive economic activities, in addition funds and asset price setting, dissemination and analysis of information and economic risk distribution are as well as most functions of these markets.

Financial sector of the economy is made up of two money and capital market. Money market primarily meets the needs of short-term funds through the banking system and capital markets meet the needs of medium and long-term financial entities through non-bank financial institutions. However, the role of capital market in mobilizing and allocating financial resources are far more important than money market (Levine and Demirguc-Kunt, 2008).

4- Research background:
Research suggests that financial markets play an important role to play in economic growth. Efficient financial system moves capital from savers to borrowers and lead resources towards productive and profitable investment projects. The more capital productivity the more growth rate of the economy (King, et.al, 1993).

Stiglitz (1994) argues that financial markets are brain of economic systems and the main focus of the decision and if the market faces failure, the whole economic system will be damaged (Stiglitz, 1994).
Braily (1984) in a research in relation to the existence of an optimal capital structure investigated the affecting factors of financial structure and examined Significant effects of the type of industry and business risk on corporate financial structure. The results of this study which was conducted on 80 companies indicate that the industry type could effectively affect corporate debt (Brealy, et.al, 1984). Anderson (1990) also investigated the relationship between companies' financial structure and technology and came to the conclusion that capital firms have higher debt ratios than enterprise users (Anderson, Gordon, 1990).

Ghali (Ghali, 2008) and Levine (2008) in a study concluded that there is a long-run relationship between financial development and economic growth (Levine, R and Demirguc-Kunt, A., 2008). James (James, 2008) in a study for the Malaysian economyshowed that financial development through increased private saving and investment has made high economic growth. Ritab (Ritab, 2007) in a study for the Middle East and North Africa showed that the banking sector is to increase. Economic growth causes the growth of the banking sector. Suleiman and Aamer (Suleiman and Aamer, 2007) in Egyptian economy study concluded that financial development through increasing resources for investment and capital efficiency is for economic growth in the country. Kenourgios and Samitas (2007) in the study of Polish economy concluded that the credit facilities granted to the private sector is the main force of economic growth. Based on these studies and other studies concluded that any country that has a more efficient financial system can also be expected to have higher growth rates (Kenourgios D. and Samitas A., 2007) .

MATERIALS AND METHODS

1- Statistical Society:
Statistical society of this survey is all branches and agencies of insurance companies such as Dana and Alborz and Asia insurance in Tehran and due to the multitude of individuals, statistical society of this research is categorized in unlimited group.

2- Examples of research and calculation methods:
In this study to select customers' available consecutive sampling was used. In this way researcher chooses his examples due to his access to individual or statistical society elements. Researcher refers to any of the statistical population that was available to see randomly. According to population size (unlimited) clients are insurance companies and it is not possible to estimate that such access is not possible; questionnaire distributed among clients and referral available at the time of distribution and to branches and agencies of insurance companies such as Dana, Alborz and Asia in Tehran that had been admitted and randomly distributed and collected. Using the following formula and sample at 95% and the amount of allowable error 0.05, 385 population has been set.

$$n = \frac{Z^2_{\frac{\alpha}{2}} \times \sigma^2}{\varepsilon^2}$$

3- research hypotheses:
The main hypothesis: There is a significant correlation between money and capital of financial markets and successful implementation of insurance services.

Sub- hypotheses:
- There is a significant correlation between money and capital of financial markets and the general insurance policy of insurance services.
- There is a significant correlation between money and capital of financial markets and the instrument making of insurance services.
- There is a significant correlation between money and capital of financial markets and the institutionalization of insurance services.

6- Conceptual model of the research:

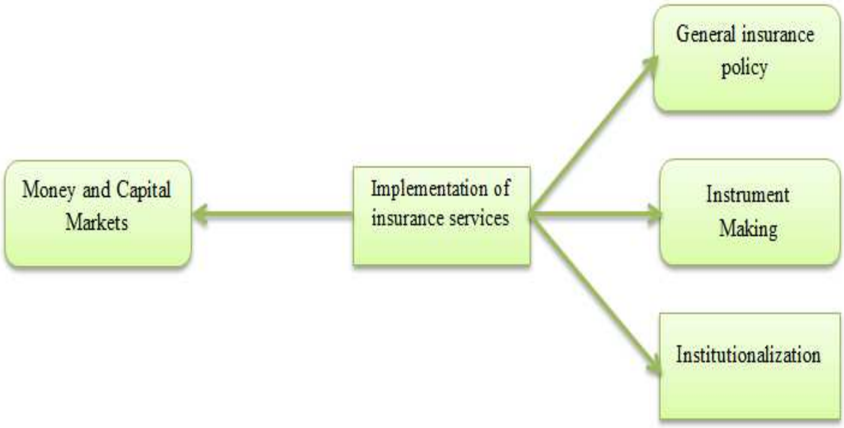

Figure 1: Conceptual model of research

7- Findings:
1 - Hypotheses test:
The main hypothesis: There is a significant correlation between money and capital of financial markets and successful implementation of insurance services.

H0: There is no direct relationship between successful implementation of insurance services and money and capital financial markets.

H1: There is a direct relationship between successful implementation of insurance services and money and capital financial markets.

Table 1: Correlation between the successful implementation of insurance services and financial markets of money and investment

Variable	Test	Money and Capital Markets
Successful implementation of insurance services	The correlation coefficient	0.816
	sig	0.002
	N	385
	Average	- 0.6204
	Standard deviation	0.4574
	T	- 13.387

Based on the above data, test results show that the significance level (sig) of test is less than 5%. Therefore H0 is rejected. In other words, we can say with 95% confidence level that the successful implementation of insurance services has an impact on financial markets of money and capital. Paired correlation coefficient equals to 0.816. Due to the successful performance of the sig can be argued that there is a direct and significant relationship between money and capital financial markets and insurance services.

The first sub-hypothesis: There is a significant relationship between and money and capital financial markets and public insurance services
H0: There is no direct relationship between public insurance services and money and capital financial markets.
H1: There is a direct relationship between public insurance services and money and capital financial markets.

Table 2: Correlation between general insurance policy services and financial markets of money and capital

ableVari	Test	Money and Capital Markets
Public insurance policy insurance services	The correlation coefficient	0.702
	sig	0.002
	N	385
	Average	- 0.6104
	Standard deviation	0.4474
	T	- 12.387

Based on the above data, test results show that the significance level (sig) of test is less than 5%. Therefore H0 is rejected. In other words, we can say with 95% confidence level that the general insurance policy services has an impact on financial markets of money and capital. Paired correlation coefficient equals to 0.702. Due to the successful performance of the sig can be argued that there is a direct and significant relationship between money and capital financial markets and general insurance policy services ($p<0.05$).

The second sub-hypothesis: There is a significant relationship between and money and capital financial markets and instrument making of insurance services.
H0: There is no direct relationship between instrument making of insurance services and money and capital financial markets.

H1: There is a direct relationship between instrument making of insurance services and money and capital financial markets.

Table 3: Correlation between instrument making services and financial markets of money and capital

Variable	Test	Money and Capital Markets
Instrument making insurance services	The correlation coefficient	0.685
	sig	0.002
	N	385
	Average	- 0.6004
	Standard deviation	0.4374
	T	- 11.387

Based on the above data, test results show that the significance level (sig) of test is less than 5%. Therefore H0 is rejected. In other words, we can say with 95% confidence level that the instrument making of insurance services has an impact on financial markets of money and capital. Paired correlation coefficient equals to 0.685. Due to the successful performance of the sig can be argued that there is a direct and significant relationship between money and capital financial markets and instrument making of insurance services ($p<0.05$).

The third sub-hypothesis: There is a significant relationship between and money and capital financial markets and institutionalizing of insurance services.
H0: There is no direct relationship between institutionalizing of insurance services and money and capital financial markets.

H1: There is a direct relationship between institutionalizing of insurance services and money and capital financial markets.

Table 4: Correlation between institutionalizing of insurance services and financial markets of money and capital

Variable	Test	Money and Capital Markets
Institutionalization of insurance services	The correlation coefficient	0.653
	sig	0.002
	N	385
	Average	- 0.6104
	Standard deviation	0.4442
	T	- 10.387

Based on the above data, test results show that the significance level (sig) of test is less than 5%. Therefore H0 is rejected. In other words, we can say with 95% confidence level that institutionalizing of insurance services has an impact on financial markets of money and capital. Paired correlation coefficient equals to 0.653. Due to the successful performance of the sig can be argued that there is a direct and significant relationship between money and capital financial markets and institutionalizing of insurance services ($p<0.05$).

CONCLUSION

Reviewing recent developments indicate that the service has spread widely and developing trend in future years will be expanded rapidly and insurance companies share is realized in the existing competitive market by trying new service offering, offering new insurance coverage, improving the organizational structure and the application of scientific methods in order to improve customer satisfaction in the workplace. Money market is a market for trading money funds and other financial assets of close substitutes for money that have dates of less than one year. Money market can be counted as the market for short-term financial instruments with characteristics of low risk non-payment, liquidity and high value range. This market is focused on using tools that enable individuals and businesses to raise cash quickly to your desired level. The main reason for the need of economic entities on the market of money is lack of money and the cost of concurrency. Although it is possible for independent economic entities that receive cash for their values in programmed spending maintain monetary resources. But this implies a cost in the form of interest rates and businesses with the goal of minimizing the cost and trying to do the least possible resources to maintain the daily transactions. For this purpose they will use combined financial resources, cash and money market instruments with characteristics of high liquidity and relatively low cost and risk. Money market is not an organized market. In other words, no specific geographical location for the money market are not considered and generally banks, non-banking credit institutions and other financial instruments trading market where money is made are constituent of money market. In this study, successful performance effect in the insurance services in financial markets of money and capital in insurance companies such as Dana, Alborz and Asia have been studied in Tehran. According to the hypothesis, there is a significant correlation between financial markets of money and capital and successful performance effect in the insurance services. There is a significant correlation between money and capital markets and different types of insurance services (institutionalizing, instrument making and general insurance policies).

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