

# **INTERDEPENDENCES BETWEEN MONEY MARKET, CAPITAL MARKET AND ROMANIAN INSURANCES MARKET**

## **(SUMMARY)**

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The economic theory has a long tradition regarding the study of the principles that guide the functioning of each market and the interactions between markets.

The choice of the study theme regarding the interdependencies between the components of the financial market in Romania was determined by the changes in the global money market, capital market and insurance market as a result of the increase of integration and globalization processes. Restoring financial market and involve their constituents in the process of development and modernization of Romanian economy is a major economic problem that requires multiple investigations. This is the study target of the current paper which follows the above mentioned line of research.

The financial market is the object of research for more economic sciences: microeconomics and macroeconomics, functional, specific and branch economics.

From the point of view of an Economist, the financial market research covers a broad horizon of analysis that refers to items such as: knowledge of the functional interdependence of financial market system respectively between its subsystems (money market, capital market and insurance market), also between the components of each subsystem. The analysis is performed both from single entity to entire part, but also from the whole to the single. Financial activities are integrated into the overall functioning of the national economy by tracking the correlation between financial economics (symbolic, nominal) and the real economy, and also between the national economy (real and symbolic), on the one hand, and all other areas of social life (political, legal, institutional, cultural, spiritual, moral, etc.), on the other hand. The detection of factors engaged in the correlations involved in financial markets, the economic and social effects of these interdependencies are intended to better understand and contribute to improving the theoretical generalizations mechanisms operating at a macroeconomic level.

**The main objective pursued by this study is highlighting the current features of the interdependence between the components of the Romanian financial market.**

**Specific objectives that fulfilled the main objective of the research aimed to:**

- capture, organize and formulate the conceptual and methodological considerations on contemporary research regarding the financial market;
- evaluation of the beginning and development of the banking system and also the analysis of the current state of the money market in Romania;
- revealing the assumptions, institutions, structures, instruments and developments in the Romanian capital market;
- research on the restructuring and modernization of the insurance market in Romania and their contribution to economic evolution;

- analysis of functional interactions between components of the Romanian financial market, the degree of integration of these components and globalization;
- shaping the strands of the Romanian financial market development.

In order to achieve the basic objective and specific objectives, the current study has been structured and organized in five chapters, the first chapter, by excellence, is a theoretical and methodological one, Chapters II, III and IV are for applied practical and empirical research, the fifth chapter is mixed and includes both theoretical generalizations, and the specific study of the interdependence of the components of the financial market in Romania

The first chapter - **conceptual and methodological framework of financial market research** – gives a general view of the contemporary concepts about financial market and organization, financial market structures (or static research on financial markets) and financial market as a system of functional interacting markets (or dynamic financial market research)

The chapter is based on the idea that in any market economy there is and function a financial market more or less developed, organized on the grounds of different concepts and practices concerning its scope. Financial market narrowly and broadly, the operating principles of financial market, the actors and financial market structures, the institutions and the systemic nature of the functional interactions of the financial market are the main conceptual and methodological elements behind the general theory of financial market elements that are captured in this chapter.

The second chapter - **the formation, evolution and current state of the banking system and money market in Romania** - is a review of the results of the Romanian banking system reform and development, formation and market dynamics of monetary, banking and banks, including foreign exchange market. Romanian banking system restructuring, bank's privatization, , business type relationships between the components of banking system and between the commercial banks and economic-social agents, the appearance and development of interbank foreign exchange market and individuals are topics that occupy an important place in this chapter.

The third chapter deals with **capital markets in Romania**. The home institution of the capital market - stock exchange - which appeared in 1882, closed from 1914 to 1918, disbanded in June 1948 and reactivated in 1995, other institutions in Romania's capital market, capital market developments, financial instruments and the main operations conducted on the capital markets are the structural elements of this chapter.

In the fourth chapter there were analyzed **the insurances and insurance market in Romania**, as a component part that increasingly integrates in the financial system of our country. Recent developments in insurances business, the current forms of insurance, insurance and reinsurance intermediaries, the results of the insurance market, insurance and legal institutional framework, the assimilation of modern trends on the Romanian market from the world insurance market and the need to create an enlarged and modern Insurance market, to support the economic growth in Romania are some of the financial market issues addressed in this chapter.

The fifth chapter, entitled **Functional Interactions between the components of the financial market in Romania** is a chapter of summary and macroeconomic analysis of the financial market dynamics. The support of the functional interdependence of the components of the Romanian financial market, presented in this chapter, is based on two simultaneous and correlative processes: the integration of components at the national financial market and financial market globalization, in which Romania is an actor. The content of the chapter is not

limited to reporting the assumptions and factors favoring interactions within the financial market, but also investigate the arrangements and instruments to ensure an effective interrelationship between the components of the Romanian financial market stemming from the practical directions for the development and modernization of this action markets. There are also presented the theoretical and methodological significances of the integration and globalization of the components of the Romanian financial market; the significance of the interplay between the real economy and financial economics, as two integrated components of the economic system, and between the economic and other spheres of social life. In this way, important lessons can be drawn that should be taken into account in developing and implementing strategies and programs to modernize the Romanian financial market as a whole and every interdependent component of it.

In all countries with modern market economy, the financial market is a component of the market system which has a major influence on the state and functioning of other markets (labour, goods and services market, information market). A more integrated financial market increases the opportunities for sharing and risk diversification and increases market cash. At the same time, however, the level of market integration increases the risk of transmission of turbulence and cross-border financial crisis.

The current paper concludes with a final set of conclusions which reinforces the idea of the complexity of connections between the components of the financial market and established between the financial market and the development of national economy. In the conclusions, there were also presented some of the shortcomings of the components of financial market relations, between them and the real economy, such as:

- Restructuring the banking system aimed both to rehabilitate the ailing banks which found the financial resources necessary for recovery and the disposal of problem banks in the system, in both cases restructuring costs are significant. Romanian banking system has reached a certain financial stability amid a high concentration of banking and absolute predominance of foreign capital in support of globalization and the exchange rate involves not only advantages but also some disadvantages. In these circumstances, we believe that credit institutions in Romania must develop new products and services, customize the links with their viable partners and attract them on a long-term relation, to promote IT banking and financial services, to channeling resources to reduce borrowing the State and speculation on the interbank market, focusing on financing the real economy.
- Stock Market in Romania, although as an institution it resembles the similar market in developed countries, does not adequately meet the role of financing the national economy, as shown by the small amounts taken by the Romanian companies by public issue of shares, by the fact that the most listed companies have not used primary capital market, because their major shareholders have secured their financial resources diminishing their interest for the capital market and also by the fact that the process of launching public offerings of shares is long and difficult. Local private capital in most cases is a minority in the capital stock of large companies in Romania and major foreign capital is not so much connected and interested in the Romanian capital market.

- We tested the correlation between insurance and economic growth in Romania on a period of 12 years (1998-2009) resulting in our country that there is a causal relationship between these two components of development. Also, the insurance market complies with European Union Directives and contributes to economic growth not only through itself, but also through its complementary with the banking sector and capital market. However, the insurance market in our country can not be considered an extended and modern market, the development and modernization process of this market being in progress.

Knowledge of indoor and outdoor interdependence of financial contemporary market shows, in our opinion, a great practical importance.

Firstly, the issuers of strategies and programs to modernize and develop the financial market in our country on the basis of diagnostic tests need to know exactly the level and status of all the interdependencies involved in the Romanian financial market in order to develop feasible projects not wishes and aspirations, which are ideal, but impossible to be put in practice.

Secondly, modernization and development of Romania market depends not only on the quality and results in the components of this market, but also on the quality and results that are obtained in the real economy, whereas the real economy and financial economics (symbolic) are inseparable, form two complementary parts of the national economy, inconclusive results in the development and modernization of real economy can not mirror and transform into financial market exceptional results.

Thirdly, the modernization of the financial market can be achieved more easily if at the process participate effectively not just the economic environment of the society, but also political factors, law, legal, culture in general and economic culture in particular, morality of the decision-makers and builders of modernization process, the favorable impact of the international economy on national economy, etc.

Fourthly, developing and modernizing the national economy requires the development and implementation of regional policies and strategies, including financial matters. Horizontal coordination of strategies and development policies ensures the synchronization of modernization processes, namely the interdependence of these processes embodied in the effects and increased efficiency.