

Study on Contribution Rate of Essential Factor Market of Insurance Development to Economic Growth: Demonstration Analysis based on Chongqing in China

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Abstract

Purpose - The article studies aims to construct the center of economy in the upriver area of Chang Jiang, and has realistic significance probing into the contribution of insurance essential factor market to economic development on the contribution role of essential factor market of insurance in financial industry development to economic growth in Chongqing in both aspects of direct and indirect contribution by the way of demonstration analysis.

Research data and methodology - The data are from Statistic Yearbook in Chongqing in 1997-2008. The conclusion shows that essential factor market of insurance development falls behind of economic growth in direct aspect; BBD, BLD and FIR could pull economic growth, but ID just restrain economic growth in Chongqing.

Results - The estimate coefficient sign of BDD, BLD, FIR are plus but ID is not, it is to say the increase of bank deposit dump could impel economic growth, which is accord with general thought.

Conclusions - At last, the article Having Studied on the contribution role of essential factor market of insurance in financial industry development to economic growth in Chongqing by the way of demonstration analysis.

Keywords : Contribution Rate, BBD, BLD, FIR, Chongqing.

JEL Classifications : C12, D12, G22.

1. Introduction

“314”collectivity deploy was put forward for Chongqing by Secretary-General Jintao HU during the meeting in March 2007, “314”collectivity deploy sum up: Three orientations were defined—to make Chongqing into important increasing pole in the west region, the center of economy in the upriver area of Chang Jiang, and the city municipality that the town and countryside develop integrated directly under the Central Government through making great effort in

construction; A big object was bring forward—to make the object that constructing a healthy society completely in the west region in advance; Four assignments were handed over—to increase the force to promote farming by industry and to drive countryside by city and to boost the construction of socialism new countryside , and to convert the way truly for economy increasing and to expedite the step of adjusting innovation for old industry base, and to make great effort to deal the civilian living problem and to construct a harmony socialism society actively, and to enhance city construction completely and to improve the level of city administration. The three orientations, a big object and four assignments make up an organic whole, which could be called “314” collectivity deploy during new development phase for Chongqing. Two of the orientations is to make Chongqing into important increasing pole in the west region and the center of economy in the upriver area of Chang Jiang. Maybe, there be a question, that is what does it mean by “increasing pole”, to give a figure of speech, if we compare economy of a district to a aircraft carrier, so that what they called “increasing pole” is the “nuclearpowered” to pull the aircraft carrier. The economy must be developed sufficiently if Chongqing would like to become the aircraft carrier to pull the economy in the upriver area of Chang Jiang. What is called “let finance develop before economy”, Chongqing must check out the time and position and look it up with far-sight to avoid the phenomenon that finance restrict economy occurring in Chongqing. So it is necessary to advance finance and to perfect region finance market.

But recently, influenced by financial crisis, Wall Street ever been the most eye-catching finance center is dismal now, loan organizations delegated by New Century Financial Corporation, investment banks delegated by Merrill Lynch, finance supermarkets delegated by American Chit Group, and United Bank of Switzerland ever been famous for management to global wealth all become the direct wind-eye of the “finance hurricane”, what’s more, the investment bank Lehman Brother who has 158 years history walk to its vanishing point during this financial crisis, following which, correlative insurance agents cannot but announce bankruptcy one after another for they are not able to repay mint indemnity. So the problem of insurance agents’ deficient solvency has attracted more attention increasingly.

For going deeply into the reasons of the bankruptcy of insurance agents, they are not only caused by the financial crisis, but also lie in the policy of insurance industry, the management strategy of insurance agent, and what is the supervision keystone of insurance supervision organization and many other aspects insufficiency and misplay. There have been some degrees of misplay in the aspects of

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stability, transparency and so on of insurance market operation during the long-term development of insurance industry. So it is certainly for actually quantity of compensation departing from quantity of compensation by anticipation. Now that Chongqing aims to construct the center of economy in the upriver area of Chang Jiang, well then how to develop financial essential factor market of insurance in finance industry is propitious to economical development, so it means a lot and has realistic significance probing into the contribution of insurance essential factor market to economic development.

2. Literature Review & Research Method(s)

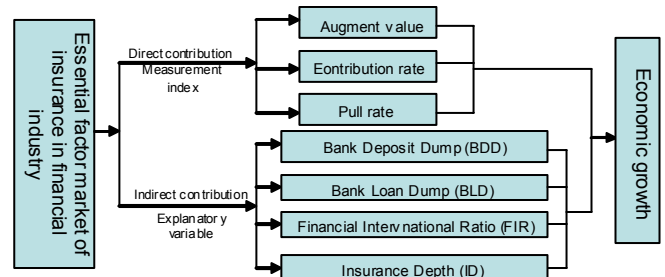
2.1. Literature Review

Studied on the relationship between insurance development in finance industry and economic development are enormous, Caifang Jiang (2009) discussed the necessity and urgency of harmonious development between insurance and economic society base on the analysis to business insurance environment; Haiji Huang (2009) referred to how to make finance industry develop good and fast and brought forward eight aspects tactic problems, including correctly deal with the relationship between finance industry development and economy society, and the relationship between finance industry development and insurance supervision, nail down insurance industry itself orientation and the issue of development target and how to change the way of developing, deepen the problems of insurance industry innovation, insurance risk prevention, talent strategy, honesty and faithfulness construction; Work Committee Task Team in Tianjin (2008) made some investigations and researches on how to make insurance fund supports economic development, and then put forward countermeasures and suggestions; Xin Chen (2009) made some comments upon the function of insurance industry development in both domino effects of economics and society. Shengwen Huang and someone (2009) take example for the city of Hechi, and did some discussion on economic development in less developed region and the issue of insurance resource disposition, and both of whose relationship is to be optimized, and then bring forward some available avenues; Gong Cheng (2009) sum up international experience and selectivity for borrowing, referring to the tend of bank insurance development globalization and management like to supermarket distinct day by day in developed country, especially for new symbiosis have been set up between bank and insurance agent; Ying Hu (2008) put forward efficient supplement is the internal motivate of insurance industry development, and efficiency is the basement of insurance efficient supplement, and risk control is the quarantine of the capability of efficient supplement, and three of whose finely interaction is the key for insurance industry healthy development. Nowadays, many analysis on economics have approved there is marked positive correlatively between financial deepen and economic growth. Interior, it is not less for demonstration analysis on the relationship between region financial development and economic growth, Ruyong Tan (2009) studied on the relativity between Chinese finance development and economic in-

crease; Li Zhou and Ziming Wang (2002) made a demonstration analysis on the relationship between Chinese different regions finance development and economic growth Bing Zhang and Junwei Hu (2003) made a demonstration analysis on the relationship between region finance development and economic increase and so on, but the studies on the contribution role of essential factor market of insurance in financial industry development to economic growth is relatively less. So the study on the relationship between essential factor market of insurance development and economic growth is to be penetrated into. The article makes a demonstration analysis with the data character of factor market of insurance in financial industry in Chongqing, and analyses how is it for factor market of insurance development and economic growth to react on each other, and which factors impel economic growth, while again which factors restrain economic growth, which have reference value for policy institution.

2.2. Research Method(s)

The article analyses the contribution role of essential factor market of insurance development to economic growth from two aspects, namely direct and indirect contribution analysis.



<Figure 1> The Theory frame of the Article Analyses the Action of Essential Factor Market of Insurance in Financial Industry to Economic Growth in Chongqing

For direct contribution analysis, the article selects three measurement indicators for direct contribution analysis, that is, augment value, contribution rate, and pull rate, and mainly adopts service statistic standard, and studies from the angle of industry augment value, because before the study of contribution degree of one industry department for economic growth, we must make clear how many products does the industry department create for the country economy (augment value). Seen from the production angle, GDP equal to the sum of every industry department augment value, as one part of the third industry, insurance industry in financial industry creates augment value, which makes up one part of GDP and directly act on economic growth. The article select two augment values of insurance industry, namely TI(total insurance) stands for all augment value of insurance and FI(financial insurance) stands for augment value of insurance in financial industry.

The contribution rate of essential factor market of insurance in financial industry development to economic growth stands for the ratio of augment values of financial insurance account for every hundred augment value of GDP. Namely:

$$\text{the contribution rate} = \frac{\text{augment value of insurance in financial industry(FI)}}{\text{new augment value of GDP}} \times 100\%$$

The pull rate to economic growth from insurance in financial industry shows the ratio of increase in GDP pulled by insurance in financial industry increase one percent. Then:

the pull rate = the contribution rate of insurance in financial industry × the ratio of increase in GDP calculated at comparable prices.

Stick out a mile, the higher is the ratio of augment value to GDP, the greater is the contribution function to gross product in the region; The higher is the contribution rate to economic growth from one industry or essential factor market, the more prominently good development of the essential factor market would pull economic growth in the region and the more corresponding policy for promoting the development of essential factor market of insurance should be established; The bigger is the pull rate to economic growth from insurance in financial industry, the more greatly the development of insurance in financial industry could pull economic growth, at the same time, it is necessary to develop and perfect the essential factor market of insurance.

Referring to direct contribution analysis, the article makes a quantitative analysis and analyses the indirect contribution from essential factor market of insurance development to economic growth through setting up a multivariate linear regression model. For gross product is the indicator that most clearly reflect the integrated economic development ability in a country or a region, so the article selects GDP in Chongqing as the scale of economic growth and chooses BDD, DLD, FIR, IDBDD, Bank Deposit Dump; BLD, Bank Loan Dump FIR, Financial Interrelations Ratio; ID¹⁾, Insurance Depth. as explanatory variables.

Hypothesis: regression coefficients are different at different time, but the intercept is all the same, it is to say, α is a fixed value, $\beta_i (i=1,2,3,4)$ are different. Then a multivariate linear regression model could be set up:

$$GDP_t = \alpha + \beta_1(BDD)_t + \beta_2(BLD)_t + \beta_3(FIR)_t + \beta_4(ID)_t + \mu_1 \dots$$

Thereinto, β shows that the contribution plane from independent variables BDD, BLD, FIR, ID to dependent variable or explained variable GDP, α is an intercept, μ_1 is a random error term or disturbance term. The article adopts ordinary least squares (OLS) to estimate equation parameters.

The sample data in this article all are from *Statistic Yearbook in Chongqing in 2008*, the space of the sample is from 1996 to 2007, the selected sample data are all time-serial data, and measure and checkout are completed with *Eviews5.0*.

3. Findings

3.1. Direct Contribution

The paper selects three measurement indicators for direct contribution analysis, that is, augment value, contribution rate, and pull rate, and probes into how essential factor market of insurance directly influences and contributes to GDP from different angles.

3.1.1. Direct Contribution Analysis Based on Augment Value as a Measurement Indicator

In this part, the author tries to probes into the direct influences and contributions to economic growth from essential factor market of insurance by working over the augment values and relation of GDP, total insurance, and financial insurance in Chongqing (as table 1). TI and FI stand for total insurance and financial insurance separately.

<Table 1> Development Survey of GDP, TI and FI in Chongqing

(unit: 100 million yuan, %)

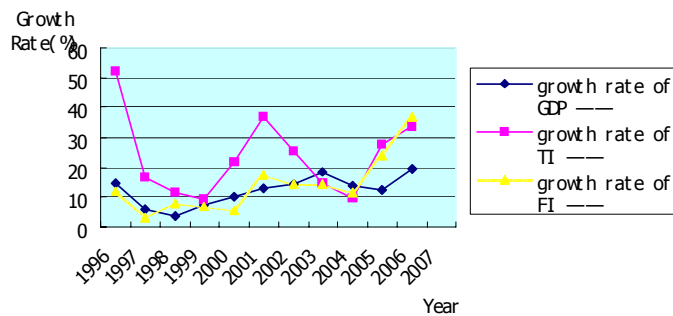
Year	GDP	Growth rate of GDP	TI	Growth rate of TI	FI	Growth rate of FI	FI/GDP	FI/ TI
1996	1187.47	—	12.82	—	8.05	—	0.68	62.79
1997	1360.24	14.55	19.52	52.26	9.03	12.17	0.66	46.26
1998	1440.56	5.90	22.77	16.65	9.31	3.10	0.65	40.89
1999	1491.99	3.57	25.39	11.51	10.04	7.84	0.67	39.54
2000	1603.16	7.45	27.71	9.14	10.72	6.77	0.67	38.69
2001	1765.68	10.14	33.72	21.69	11.32	5.60	0.64	33.57
2002	1990.01	12.71	46.17	36.92	13.31	17.58	0.67	28.83
2003	2272.82	14.21	57.93	25.47	15.24	14.50	0.67	26.31
2004	2692.81	18.49	66.51	14.81	17.45	14.50	0.65	26.24
2005	3070.49	14.03	73.10	9.91	19.46	11.52	0.63	26.62
2006	3452.14	12.43	93.24	27.55	24.17	24.20	0.70	25.92
2007	4122.51	19.42	124.68	33.72	33.10	36.95	0.80	26.55

Note: The data are from *Statistic Yearbook in Chongqing in 2008*, the data of Growth rate of GDP are calculated at comparable prices, preceding year = 100, the rest all are calculated at the prices in those years.

Seen from table 1, the total insurance and financial insurance in Chongqing have been both growing continue since 1996, and total insurance has been up to 12.468 billion yuan in the year 2007 since 1.282 billion in 1996, while financial insurance have just increased from 0.805 billion in 1996 to 3.310 billion in 2007. But the growth speed was not stable, except for the growth rate of insurance in financial industry during 1998-2001 is lower than 10%, the rest of which in other years are all higher than 10%. The increase tendency is very good, especially, the growth rate of FI in 2007 actually reached 33.1%, which could corresponded with the year in which Chongqing had been straight governed by government complete 10 years. The growth rate of FI was unanimous with that of GDP, but most years of which all fell behind the growth rate of TI, which result in that the ratio of the augment value of financial insurance in Chongqing to GDP is general stable, but the ratio of that to TI is declining as a whole. In other words, the ratio of that to GDP gen-

1) BDD,Bank Deposit Dump; BLD, Bank Loan Dump FIR, Financial Interrelations Ratio; ID, Insurance Depth.

erally maintains 0.67% about, while which to TI had descended from 62.79% in 1996 to 26.55% in 2007, as picture 2. On the one hand, it shows that financial insurance in Chongqing was restrained to a certain extent in recent years and was not consistent with total insurance, on the other hand, Chongqing still has the developing potential of financial insurance. Seeing from the ratio of financial insurance in Chongqing to GDP, we get that the ratio is higher and higher in recent years and has up to 0.8% in 2007, which indicates that promoting the development of financial insurance would be beneficial to the growth of GDP as well as advance the economy of Chongqing.



<Figure2> Compare of The Growth Rate of GDP, TI and FI in Chongqing (1996-2007)

3.1.2. Direct Contribution

Based on data in table 1, what are calculated according to the formulas for contribution rate and pull rate are as below: (as table 2)

<Table 2> The Contribution of TI and FI to Economic growth in Chongqing (unit: %)

Year	Contribution rate of TI	Pull rate of TI	Contribution rate of FI	Pull rate of FI
1996	1.08	—	0.68	—
1997	1.44	0.21	0.66	0.10
1998	1.58	0.09	0.65	0.04
1999	1.70	0.06	0.67	0.02
2000	1.73	0.13	0.67	0.05
2001	1.91	0.19	0.64	0.07
2002	2.32	0.29	0.67	0.09
2003	2.55	0.36	0.67	0.10
2004	2.47	0.46	0.65	0.12
2005	2.38	0.33	0.63	0.09
2006	2.70	0.34	0.70	0.09
2007	3.02	0.59	0.80	0.15

Note: relevant data are calculated with *Eviews 5.0*

Seeing from table 2, we get that the contribution rate and pull rate of FI both lay on a low-level phase in Chongqing, in other words, the contribution rate of FI is below 1% all the time and the pull rate of FI is not higher than 0.2%, But as a whole, both of that were climbing. Because in the past three backbone industries in Chongqing is machine-building industry (like motorcar and motorbike), chemical industry (petroleum and medicament chemical industry) and metallurgy (high quality rolled steel and aluminum). The recession state was related to the fast economic development in

Chongqing and the status quo of industrialization, and four new industries was electron and communication, foodstuff processing, architectural material and daily chemistry. Chongqing didn't attach importance to insurance in financial industry in the past, but the contribution rate and pull rate of FI were separate up to 0.8% and 0.15%, which shows that the effect of FI to economic growth is greater and greater, insurance in financial industry should get more attention and development.

3.2. Indirect Contribution of Insurance in Financial Industry to Economic Growth

The paper selects four indicators of BDD, BLD, FIR and ID to analyze the indirect contribution of insurance in financial industry to economic growth (as table 3). Except for individual savings, bank deposit dump still contains the low interest or absolutely no interest bank accounts saved up by enterprise, which usually is the additional condition for enterprise to lend money from bank. Regulated by bank in our country, the lowest bank deposit dump of enterprise usually account for 2%-5% of the use quantity of loan, which could reflect the management state of insurance departments in financial industry in some way. The scale of bank loan dump should not exceed 75% of bank deposit dump, so that the augment value of bank loan also could reflects the deposit state, and then reflects the complexion of insurance departments in financial industry.

$$\text{Bank deposit dump (BDD)} = \text{foreign currency deposit dump} + \text{renmin currency deposit dump}$$

$$\text{Bank loan dump (BLD)} = \text{foreign currency loan dump} + \text{renmin currency loan dump}$$

Financial interrelations ratio (FIR), the definition is that the ratio of total financial assets value to the whole practicality assets or country wealth value. It is the most generalized index to indicate the scale of financial superstratum structure.

Goldsmith(1969)put forward the indicator for weighing the exist capacity and flux of financial structure and its development level - financial interrelations ratio (FIR), which is "the ratio of the existing financial assets amount to the country wealth at a time point". Goldsmith held that change in financial interrelations ratio could reflect the transformation of financial superstratum structure and economic basic structure in the scale. FIR could be regard as a basic characteristic of financial developments. Because on a certain base of country wealth or country production, the more developed is the financial system, the higher is the financial interrelations ratio, so it is inferred, financial interrelations ratio would increase gradually in the process of economic development, and we could weighing how financial develop with it.

Goldsmith departed financial structure into three types: The first one is a relative lower financial interrelations ratio (about between 1/5 and 1/2), creditor's right voucher far more exceeds stock right voucher and occupies a leading status and the ratio of the financial developments in total financial assets is relative lower, and commercial bank dominate in the financial institution. The second is still a

relative lower financial interrelations ratio, creditor's right voucher still far more exceeds stock right voucher and bank in the financial institution still occupies a leading status. But in this financial structure, government and government financial institution play a important role, at the same time, there emerge in giant overseas investment joint-stock companies. The third one is relative higher financial interrelations ratio about at 1 (namely total financial assets equal to country wealth). However, there is relative higher range in financial interrelations ratio, and creditor's right still occupies more than 2/3 of total financial assets, but the ratio of creditor's right voucher to stock right voucher rises relatively in great extent financial institutions become various, and the status of bank system descends, while that of saving institution, personal and public insurance organisations ascend.

Insurance depth (ID) refers to the ratio of insurance income to gross domestic product, which is an important index of the status of insurance industry in country economy for a country or region.

<Table 3> Indicators of The Indirect Contribution of Insurance to Economic Growth

(unit: 100 million yuan, %)

Year	GDP	BDD	BLD	FIR	ID
1996	1187.47	1732.34	1882.64	4.67	1.08
1997	1360.24	2246.59	2380.14	4.55	1.44
1998	1440.56	2665.56	2802.26	4.63	1.58
1999	1491.99	3219.01	3305.32	4.21	1.70
2000	1603.16	3886.92	3847.69	3.84	1.73
2001	1765.68	4672.04	3841.95	3.68	1.91
2002	1990.01	5724.46	4582.89	3.47	2.32
2003	2272.82	6951.43	5751.48	3.29	2.55
2004	2692.81	8144.70	6555.41	3.05	2.47
2005	3070.49	9512.48	7498.80	3.03	2.38
2006	3452.14	11107.25	8832.12	3.09	2.70
2007	4122.51	13239.04	10328.77	2.97	3.02

Note: The data are calculated with the data from *Statistic Yearbook in Chongqing 2008*

3.3. Quantitative Analysis of the Indirect Contribution of Insurance in Financial Industry to Economic Growth: A Model is Set Up

3.3.1. Regression Model is Set Up

The article makes a quantitative analysis and analyses the indirect contribution from essential factor market of insurance development to economic growth through setting up a multivariate linear regression model. GDP is selected as the explained variable and BDD, DLD, FIR, ID are chose as explanatory variables. Then a multivariate linear regression model could be set up:

$$GDP_t = \alpha + \beta_1(BDD)_t + \beta_2(BLD)_t + \beta_3(FIR)_t + \beta_4(ID)_t + \mu_1 \dots$$

Thereinto, β shows that the contribution plane from independent variables BDD, BLD, FIR, ID to dependent variable or explained variable GDP, α is an intercept, μ_1 is a random error term or disturbance term. The article adopts ordinary least squares (OLS) to estimate equation parameters.

3.3.2. Disposal Indicator

In order to eliminate heteroscedasticity, we transform the model with natural logarithm (LN), namely independent and dependent variables are deled with natural logarithm (LN), then we get the ameliorated form of the model:

$$\ln(GDP)_t = \alpha^* + \beta_1 \ln(BDD)_t + \beta_2 \ln(BLD)_t + \beta_3 \ln(FIR)_t + \beta_4 \ln(ID)_t + \mu_1 \dots \tag{2}$$

3.3.3. The Regression Equation is Estimated

According to model (2), we do regression analysis to the statistic data with *Eviews 5.0*, the results are as follows:

<Table 4> The Result of Regression of Statistic Data

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.893530	2.605979	-1.110343	0.3035
LOG(SER05)	0.838798	0.614750	1.364455	0.2147
LOG(SER06)	0.321427	0.519005	0.619314	0.5553
LOG(SER07)	0.841460	0.715576	1.175919	0.2781
LOG(SER08)	-0.628777	0.310493	-2.025092	0.0825
R-squared	0.981018	Mean dependent var		7.621270
Durbin-Watson stat	0.992793	Prob(F-statistic)		0.000004

Note: $R^2=0.981018$, adjusted R^2 is 0.970172, D-W checkout value is 0.992793.

Then a multivariate linear regression model is set up:

$$\ln(GDP)_t = -2.89 + 0.84 \ln(BDD)_t + 0.32 \ln(BLD)_t + 0.84 \ln(FIR)_t - 0.63 \ln(ID)_t \tag{3}$$

$$t = (-1.1)(1.36)(0.62)(1.18)(-2.03)$$

3.3.4. Analysis to The Regression Model

- (1) The estimate coefficient sigh of BDD is plus, it is to say the increase of bank deposit dump could impel economic growth, which is accord with general thought. The higher bank deposit could supply plenitude capitals, which make sure scale of credit expand continually and make for enterprise to turn over bankroll, then economic growth is promoted. So Chongqing should deepen financial development not only overspread the quantity of Chongqing bank, but also configure financial resource high efficiently to make finance industry develop smoothly.
- (2) The estimate coefficient sigh of BLD is also plus, it means that the increase of bank loan dump could still impel economic growth, it is opposite to the conclusion of FanChen and Lihua Wang (2007), which was obtained with their privy index (commercial bank loan/GDP) for studying the contribution of finance development to economic growth, they argue that bank loan has negative correlation with economic growth, and which results from the operation of currency bureau contradicts with economic cycle. When economy is on the upsurge phase (the rate of economic growth is high), currency bureau would take meas-

ures to control the loan quantity of financial institution in order to reduce bank loan, while when economy is on the downturn phase (the rate of economic growth is low), currency bureau would take measures to loose the monetary policy and encourage bank loan in order to pull economic growth, so the negative correlation between bank loan dump and economic growth comes into being. The article hold that conclusion is inapplicable to Chongqing, for Chongqing belongs to developing industrialised city. Ever since from 1997, Chongqing availed itself of the advantage of direct governed by government, governmental support and the investment from developed region, all industries have made a little progress, there will not appear in over hot economy for the moment. But if bank loan increases, there would be propitious to scale-up of all vacations and drive the economic growth in Chongqing.

But the assets are not be used efficiently, if the proportion of bad debt and spoil debt is high and the assets are used in low efficiency or contra-deployed, so that will weaken the function of credit market to economic growth, what's more, credit market could play a negative role. That is just the reason that the five biggest investment banks all are bankrupt in this financial crisis. Knowing from that, bank loan dump needs feeling its way in Chongqing.

- (3) The estimate coefficient sigh of FIR is also plus, it means the elevation of financial interrelations ratio could still promote economic growth. And the estimate coefficient is 0.84, which shows financial interrelations ratio effects economic growth greatly and finance industry development is necessary. Just as the saying "let finance develop before economy", if Chongqing aims for becoming the center of finance in the upriver area of Chang Jiang, finance industry never be given more attend.
- (4) The estimate coefficient sigh of ID is minus, which shows that the increase of insurance depth could restrain economic growth. The reason for that may be, on the one hand, the contribution of risk decentralization in finance industry to economic growth is less, on the other hand, the higher is the insurance premium, the more manufacture corporation cost, which makes against the corporation to develop.

4. Conclusions and Recommendations

4.1. Conclusions

Having Studied on the contribution role of essential factor market of insurance in financial industry development to economic growth in Chongqing by the way of demonstration analysis, we got that essential factor market of insurance development play a positive role to economic growth, but there still exist some scarcity:

In direct contribution aspect, as a whole, essential factor market of insurance development in Chongqing falls behind of economic growth, and that still lie in a low-level developing phase, but augment value, contribution rate and pull rate of insurance in financial industry all

see upping recent two years, and their effect to economic growth is more and more distinct. Essential factor market of insurance needs more attention.

In indirect contribution aspect, indicators of bank deposit dump (BDD) and financial interrelations ratio (FIR) shows prominent positive domino effect to Chongqing locality. In the future, banking should be expanded, what's more, the efficiency of deploying resource should be paid more attention to for cooperating with the process of finance, but we must prevent the phenomena of interior banking assets become too large. Insurance depth shows no function of keeping away crisis and distracting risk, so risk should not be enlarged too much and insurance position should be limited to make sure manufacture department could manage safely with low cost and then push forward economic development.

At the same time, it is not easy to keep essential factor market of insurance in financial industry develop smoothly, which needs straightforward policy guidance, strict management regulation, intelligent leading team, regular systematic supervision system and exact evaluate system, and then essential factor market of insurance could real make contribution to economic growth in Chongqing.

4.2. Recommendations

Now that bank deposit and loan dump and financial interrelations ratio have positive correlation with economic growth, to promote the economic gain and deepen financial development and control the risk in essential factor market of insurance, what's more, to keep finance develop smoothly, we make some suggestions as follows:

1. Correctly Deal with the Relationship Between Insurance and Economy Growth.
The development of insurance industry should coordinate with the overall situation of economy growth. In order to make insurance to be a real important support power for economy growth, we should strive for insurance developing well and fast and fix the development aim according to the current situation of insurance lag relatively. In the field of insurance business and in the aspect of exploiting new kinds of insurance, we should broad the business sphere continually and release right insurance product to expand insurance augment value and then to pull economy development in Chongqing.
2. Make Clear The Relationship Between Insurance Development and Insurance Supervision.
Though economy development needs insurance development, insurance development doesn't equal the enlargement of the scale of premium, it is to say, insurance depth should not be over deepen. It is believed over strict insurance supervision makes against the development of insurance, so some delegates in Insurance Corporation loosen the supervision to insurance to roll in more clients and to increase outstanding achievements, which breaks the market order. Seen from long term, that worsens the management environ-

ment and goes against insurance healthy long-term development. When strengthening the construction of insurance in market system, the construction of supervision system and risk precautions also need more attention. We should learn a lesson from the bankrupted financial departments in this financial crisis to avoid falling down.

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