

## Innovation in Trade Credit Insurance as a Confirmation of Reverse Barras's Innovation Cycle

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### Abstract

*Innovations together with creativity and entrepreneurship creates a set of factors encouraging the economic development. Innovations are rather common in terms of production. However the process is also challenging for the financial services including insurance. On the one hand, sector itself can be innovative, with the latter should support innovative activities of others entities by reducing the degree of risk aversion of these entities. One of the first who examined innovation within financial services was Silber. He has examined monetary innovations, such as new credit instruments and investment contracts, in US capital markets since 1952. He found a positive correlation between such innovations and money market constraints relating particularly to the level and volatility of interest rates. Very interesting research has been done by Barras. He has studied the impact of IT on financial services such as insurance and retail banking since the 1960s. From this he has constructed a theory of services innovation based on a reversal of Schumpeterian product cycle theory. The aim of the paper is to discuss innovation cycles within financial services on the case of trade credit insurance market.*

*The paper consists two main parts. First part focuses on the idea of innovation within financial sectors starting from definition of innovation activity than move to an analysis of innovation within financial markets describes the research conducted by Silber and Barras. In general the author assume that insurance markets are now between the first and second phase of revers Barra's cycle.*

*The second part focuses mainly on description of development of trade credit insurance market from the perspective of innovation cycles provided by Barras. The paper ends with the conclusion that the trade credit insurance development and innovation confirm the statement that nowadays trade credit insurance market is somewhere between second and third phase of the innovation cycle.*

**Keywords:** Trade credit insurance, insurance innovation cycle