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THE IMPORTANCE OF FINANCIAL INTERMEDIARIES IN MEXICO: A CROSS-SECTORAL APPROACH.

Written by Edgardo A. Ayala G.

Synthesis.

The impact of financial intermediaries in Mexico is estimated using the chaining methodology and Mexico's most recent input matrix:

- The back and forth chains of intermediaries are expected to be financial stakes are about 1.4

- This means that an increase in demand for these services or their supply impacts the entire Mexican economy by 1.4 times the original injection

- The sectors of Multi-Target Financial Companies, non-stock credit intermediaries and Credit Unions stand out for their chains

Análisis.

The financial sector is undoubtedly critical in countries' economic performance for a variety of reasons. These include because it is the sector that collects savings from families, businesses, and governments and channels these resources to finance investment or consumption projects. If financial intermediaries perform well, then they will grab considerable resources and select efficient projects on the efficiency curve, i.e., those that maximize the expected return for a given risk.

Contact Info:
E FACTOR NETWORK
info@efactornetwork.com
www.efactornetwork.com
01 800 801 3322

The financial sector impacts the economy, either a supplier of goods or as a founder, to the rest of the industries. This note seeks to size the effect of financial intermediaries in Mexico from a cross-sectoral perspective. We focus on institutions that collect funds and channel them in the form of loans, i.e., we exclude the Central Bank, the Stock Exchange, Exchange Houses, Insurers and other credit institutions that do not channel loans but comply with different functions.

To achieve what was said; We use the matrix product of Mexico for 2013 (MIO2013). The MIO2013 is a matrix built by the INEGI (Institute of Statistics and Geography) that concentrates the transactions that are carried out between the different sectors; On the lines, we have the sales that make a sector, in the columns are the purchases, the intersection of both, for example, the steel line that crosses the column of cars, tells us how many millions of pesos the automotive sector bought in steel in 2013. By dividing purchases between production (e.g., cars), we obtain the matrix of technical coefficients that reveals to us how much to buy from each input to produce a weight of the production of the sector in question (e.g., how much steel by weight produced from weight produced from cars).

Based on MIO2013, we can estimate the so-called backends and forwards of any sector. The backward chaining tells us as soon as the production of the entire economy increases because the demand of the sector in question increases by weight. For example, if the forward chain multiple of Banking is 1.3, that means if you increase demand for banks services by one million pesos, then demand across the economy increases by 1.3 million, or 30% more than the initial impact , this because to provide these additional banking services it is necessary to demand more computer equipment or electrical energy, which in turn have to demand circuits and gas, and these require other supplies. The total impact that occurs is the backward chaining, which can be interpreted as the potential of a sector to drag the entire economy.

Forward chaining estimates the expansion across the economy when a sector expands its added value. For example, If new players enter an industry, then the industry will have higher added value, increasing primary production, labor, and capital factors, and this generates more sales to the rest of the economy, stimulating production in all industry sectors. If we consider the Development Banking fonding as an example, and its forward chain multiple is 1.4. That indicates, if the added founding in Development Banking by one million pesos, this will increase the production of the entire economy by 1.4 million pesos since all sectors benefit from the increased credit of this bank.

Thus, backward chaining is an impact via demand from financial intermediaries, while forward chaining is an impact via the supply of financial intermediation. Table 1 presents the estimates we make for the 12 classes of the Industrial Classification System for North America (SCIAN) used by INEGI as a sector sorter, for this purpose we use MIO 2013 to 822 types of activity.

Table 1
Back and forth of financial intermediaries in Mexico in 2013

	SCIAN class	Linkings Absolute	
		Behind	Forward
522110	Multiple banking	1.327	1.270
522210	Development banking	1.190	1.387
522220	Funds and financial trusts	1.321	1.022
522310	Credit Unions	1.232	2.630
522320	Popular Savings Boxes	1.213	1.000
522390	Other savings and loan institutions	1.442	1.005
522440	Self-financing companies	1.182	1.287
522451	Montepíos	1.522	1.000
522452	Pawn Shops	1.643	1.000
522460	Multi-Object Financial societies	1.387	1.944
522490	Other institutions of credit and non-stock financial intermediation	1.776	1.018
522510	Services related to non-stock credit intermediation	1.663	2.282

Source: Made from MIO 2013, INEGI.

Backward chains vary in the range of 1 to 1.8 while forward chains between 1 and 2.3, however, the simple average of them is equal for both chains, is 1.4. This means that an increase in either demand or the supply of financial intermediation services has an impact of 1.4 times the production of the entire Mexican economy. Over comes the class 522490 of Other financial intermediaries in the backlinking, while the expansion of one million multi-target financial companies, non-stock financial intermediaries and credit unions expand production in all sectors between 1.9 and 2.6 times through a greater supply of credit.

Implications for the Fintech Sector. Unfortunately, we are unable to perform this specific analysis for the Fintech sector. So far, the SCIAN does not distinguish in the classes that financial intermediaries are traditional and which are Fintech. In the 2019 INEGI strategic plan, the production of a document will be discussed on how to adapt the National Accounts System (SCN) to take into account the Fintech sector. I believe, however, that the effort can take several years. However, if the Fintech sector is organized, it can request INEGI to build a satellite account as already available for the tourism sector, that of non-profit organizations and others, this would be a significant initiative.