



THE FINANCIALIZATION PROCESS AND ITS EFFECTS ON THE MEXICAN PRODUCTIVE SECTOR (1990-2016)

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ABSTRACT

The process of economic financialization is defined as a stage of the capitalist system in which the profits obtained through financial channels acquire a growing importance, regarding to those related to production and distribution. The effects of this process are not limited to the financial sector, they also impact the productive one, at a macro and micro-economic level. In this sense, the Mexican Financial System (SFM) has gone through reforms arising from the adoption of a neoliberal growth model; according to which that financial liberalization contributes to the strengthening of both the financial and productive sector, creating a positive relationship among them.

With the objective of evaluating, if this has materialized in the case of the Mexican economy, in this work is carried out; on one hand, a descriptive statistical analysis on the evolution of the financing granted to the productive sector; and on the other hand, an econometric analysis through a panel data model, relating to the plant investment; to identify the effects of such process, in the levels of productive reinvestment. That is, through the analysis of the two main links between the sectors involved, the implied risks of the process of financialization are showed, for a developing economy as the Mexican.

Keywords: *Financialization, bank credit, productive investment, and financial liberalization.*

INTRODUCTION

The development of the financial sector has mostly obeyed to a series of reforms carried out under the logic of the Orthodox theory, which argues for the existence of a positive relationship between the financial and the productive sector, so that the development of one, necessarily implies the development of the other one. In this sense, it is considered that the financial repression not only impedes the development of the first one, but limits the positive effects on the second one; therefore, the financial liberalization turns out to be a measurement not only advisable; but necessary for the promotion long term growth. And it is that in this way, the free flow of capitals is promoted; what theoretically brings about a reduction in the cost of financing the productive sector, and moreover, improves the allocation of resources among the different branches of the economy, favoring the more profitable investment projects; strengthening the macroeconomic stability of the country in question.

However, in the case of the Mexican economy, growth expectations are far from being fulfilled, the different recessionary periods which has gone through during the last decades are the proof, despite the considerable development of the financial sector, what raise a number of questions about the true nature of the relationship between such sector and the productive one. And precisely, the financial sector development, facing the scarce productive sector growth, is one of the main aspects of what various authors have called: process of economic financialization ([Epstein, 2005](#); [Foster, 2007](#); and [Palley, 2008](#)).

Such process has been approached from different theoretical and methodological perspectives; for some authors it refers to the increasing importance that from the eighties, have gained the interests, markets and financial agents in the functioning of the different national economies ([Epstein, 2005](#)). For others, it refers to the fact that the benefits obtained through financial channels, have acquired greater relevance against those obtained traditionally ([Duménil and Lévy, 2004](#); [Krippner, 2005](#); [Orhangazi, 2008](#)). In any case, different analyses on the subject, refer to a melting pot of elements summarized in the oversizing that has managed the financial sphere, with regard to the productive one; as well as in the various risks that it implies ([Martinez, 2007](#)).

It should be pointed out, that most of the works on the topic are focused on developed countries, mainly in the United States and some others in Europe; meanwhile for the case of underdeveloped economies, the number of investigations is low; in part because these economies have less developed financial systems, however, the growing trend that these present, provides relevance to the analysis of the process in question. Plus, in the case of underdeveloped economies, given its characteristics, the potential risks of the process in question, are bigger.

So, this work seeks to identify the main effects of the abrupt development of the SFM, on the Mexican productive apparatus; for that, the analysis has focused on two of the most important links between both sectors; credit to the productive sector and the productive investment; that is to say; on the one hand, the changes are analyzed in the composition of the credit granted to

the national productive sector by commercial banking, and on the other hand, it analyzes the dynamics of productive investment, for that it builds and estimates an econometric model for a group of companies with stock market activity.

In this sense, although the financialization encompasses various aspects of the country's economy; this study focuses on the relationship between the development of the financial and the productive sector; whereas it is possible to show that contrary to what the Orthodox theory holds, such relationship has not produced the expected results for the Mexican productive sector; a solid argument will be provided about the existence of the process under analysis, in the case of the Mexican economy.

THE FINANCIALIZATION PROCESS

According to [Epstein \(2005\)](#), the term refers to the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies. For [Aglietta and Breton \(2001\)](#), it refers to the fact that the stock market has been constituted as the dominant force of the "new financial system", that in turn defines the regime of growth. [Stockhammer \(2004\)](#), [Crotty \(2003\)](#), [Ryoo and Skott \(2008\)](#), highlighted the macroeconomic effects of financialization and have used the term to describe the changes between the relations of the financial market and the economy as a whole. On their part, [Arrighi \(1999\)](#) and [Lapavitsas \(2007\)](#) identifies the origin of the term in the process of capitalist accumulation, and endow it with a negative sense, since they consider it is a process closely related to the crisis of capitalism over-accumulation. For the latter, the term refers to a series of "harmful aspects", implicit in the recent transformation of the financial system.

In fact, [Arrighi \(1999\)](#) and [Aglietta \(2000\)](#) describe the financialization as a new pattern of accumulation, in which priority is given to the financial sector, that consequently, has acquired a growing economic and political power, by altering its relationship with other economic sectors. And it is precisely such situation that according to [Ponsard \(2002\)](#), it has led to a series of changes in business management; summed up in the fact of having adopted the financial logic as a guideline. Thus, the process of financialization should be understood as the abrupt development of the financial sphere, regarding the productive one, being responsible for a series of changes, not only in finance field, but also in the units whose main activity is not financial in nature, that is to say, it is a process that alters the relationship between the two sectors involved.

It is possible to identify three main features of this process: the first one, refers to the conception and its origin; there is some agreement on the fact of considering it as result of the new era of macroeconomic changes, initiated during the first oil crisis in 1973, which marked the end of the long postwar boom; the real accumulation has had a precarious increase, opposed to the financial sector that has grown steadily in terms of employment, utilities, and size of the institutions and markets; that is largely due to that processes of deregulation, technological and institutional change, innovation and expansion. The above is reflected in a greater presence of activities related to the financial sector in the economic dynamics of the countries, not only developed, but also in the underdeveloped.

The second, refers to the increase of financial assets acquisition by non-financial companies. Which according to [Epstein \(2005\)](#), it obeys to the search for new channels to obtain higher profits, in increasingly shorter periods of time. The logic, according to [Eatwell and Taylor \(2000\)](#), has permeated in the activity of the banks that have altered its function of promoting the productive investment; that has modified the traditional channels of financing and profit procurement of the non-financial corporations.

And the third characteristic, makes reference to the fact that after the remarkable development of the financial sector after the adoption of the neoliberal model of growth; authors like [Sweezy \(1994\)](#), [Foster \(2007\)](#) and [Stockhammer \(2009\)](#), consider that a "substitution effect" of the productive investment has begun to set up, by the financial nature; brewing an inverse relationship between the financial sector and the productive one

The potential effects of this process are varied, both macro and microeconomic levels; twisting the financial system main function; that is to say, to channel the savings to real investment; up to the configuration of a new business logic, that prioritizes the benefits share to shareholders, on the productive reinvestment, compromising the stability of the companies.

In this sense, different authors ([Xu, 2000](#); Orhangazy, 2008; and [Lapavitsas, 2007](#)) consider the credit and investment, as the main links between the two sectors involved, so their relationship analysis takes place around these two economic variables.

FINANCING GRANTED BY THE BANKING SECTOR

Various aspects link the financial and productive sector; for example; It was expected that the competition inside the banking sector would promote a reduction in the cost of credit granted to the productive sector, therefore, the companies would have a better and greater access to this type of financing.

In this sense, table 1 shows that the funding provided by external sources, went from representing 16% of the total, in 1994, to 27.51% in 2016; whereas the one granted internally went from 84% to 72.49%, during the same period. Moreover, it is possible to observe that during the above mentioned period, the financing granted by commercial banking went to represent the 63.88% of the total, to 37.43%; for its part the development bank, that in 1994 represented the 5.43% of the total financing; for 2016, their participation was 4.29%.

Table 1. Financing Structure of the non-financial Private Sector

	Financing Total	External Financing (%)	Internal Financing (%)	Commercial Banking Financing	Development Bank Financing
1994	100	16.00	84.00	63.88	5.43
1995	100	20.76	79.24	60.63	5.43
1996	100	20.82	79.18	60.37	5.23
1997	100	22.80	77.20	59.09	4.52
1998	100	27.96	72.04	52.35	3.47
1999	100	29.44	70.56	48.47	3.56
2000	100	30.98	69.02	41.71	3.85
2001	100	30.68	69.32	36.94	4.39
2002	100	30.05	69.95	34.08	4.57
2003	100	28.68	71.32	32.17	4.09
2004	100	25.30	74.70	34.41	2.27
2005	100	23.55	76.45	37.43	2.13
2006	100	22.90	77.10	41.81	1.91
2007	100	21.09	78.91	44.58	1.54
2008	100	23.02	76.98	40.85	1.86
2009	100	20.81	79.19	40.94	2.30
2010	100	20.51	79.49	41.34	2.66
2011	100	22.85	77.15	40.94	2.98
2012	100	22.24	77.76	41.43	3.28
2013	100	24.62	75.38	40.52	3.68
2014	100	27.35	72.65	38.94	4.11
2015	100	27.84	72.16	38.43	4.46
2016*	100	27.51	72.49	37.43	4.29

Source: Elaborated based on data from BIE-INEGI (2016).

*2016 First quarter.

In addition, the composition of the credit granted by commercial banking, has also been altered, becoming priority the consumer and housing loans, while the credit to companies has decreased considerably, as shown in table 2. The credit intended for consumption went from the 7.56% of the total credit granted in 1994 to 20.95% in 2016, reaching its maximum in 2007 (28.14%). While the intended for manufacturing and services, presented a constant decrease throughout the study period; in the case of the manufacturing sector, this represented in 1994, the 17.79%; percentage that by 2016, was 9.74% (see table 2).

It should be pointed out that regarding the total credit to companies, the granted by commercial banking represents in general terms, the third source of financing in level of importance, against the growing trend of the granted by non-banking sources. However, the situation is different in the case of credit granted for consumption, which represents the most important source of financing; While in the housing field, it presents a clear trend to the rise (Banxico, 2016).

One of the main causes of the contraction in credit granted by commercial banking to the productive sector, is related to high rates of interest charged; according to the short-term evaluation of the credit market, the 47.3% of the companies in 2016, considered this aspect as the main constraint to apply for or obtain a bank credit; this perception gets worse in the case of small and medium-sized companies, for which this limitation represented 54.8% of the answers; that is less than the 42.4% that declared the big companies, which also include better financing options, such as the access to credit from foreign sources (Banxico, 2016). Therefore, the credit companies faces a double restriction, on the one hand, the refusal to apply for a credit by companies, and on the other, a limited offer of resources by commercial banking.

It is worth to mention that despite such bank disintermediation; the level of profitability of the banking institutions has not been compromised; in fact, it presents a growing trend over the latest years. That in no way matches the expected results.

Table 2. Credit granted by commercial banking

	Total	Private sector total	Manufacturers	Building	Services sector	Housing	Consumption	Financial sector
1994	100.00	90.92	17.79	7.32	34.62	16.36	7.56	4.28
1995	100.00	90.74	16.96	7.32	31.28	21.40	5.30	3.71
1996	100.00	91.30	17.03	7.42	28.54	25.00	4.01	2.16
1997	100.00	91.80	17.41	7.37	28.47	26.47	3.62	1.66
1998	100.00	89.21	18.86	6.73	25.72	27.18	3.36	1.81
1999	100.00	77.76	16.28	4.49	22.36	24.43	3.53	2.52
2000	100.00	73.77	15.48	3.59	23.43	21.06	4.64	2.89
2001	100.00	70.38	14.64	3.29	21.63	19.04	6.65	3.98
2002	100.00	66.70	13.60	2.89	21.52	16.64	8.62	4.32
2003	100.00	66.71	13.32	3.02	20.52	14.41	12.43	3.76
2004	100.00	73.26	14.09	3.14	22.09	13.87	17.60	4.66
2005	100.00	75.05	10.63	3.23	20.35	15.53	23.38	5.41
2006	100.00	82.69	10.16	3.75	21.34	17.48	28.02	4.42
2007	100.00	84.96	9.91	7.44	21.11	16.60	28.14	4.25
2008	100.00	86.54	10.96	9.10	22.69	16.77	25.13	3.34
2009	100.00	81.38	10.96	9.25	22.00	17.49	19.97	2.91
2010	100.00	81.08	10.95	9.76	21.56	17.89	19.12	2.55
2011	100.00	81.55	10.84	9.60	22.05	16.71	20.50	3.25
2012	100.00	81.24	9.62	10.18	20.97	16.36	22.04	3.54
2013	100.00	81.91	10.00	9.41	22.01	16.17	22.42	3.91
2014	100.00	79.71	9.99	8.76	21.76	15.86	21.48	4.13
2015	100.00	79.74	10.17	8.79	22.17	15.67	20.78	4.40
2016*	100.00	80.13	9.74	8.99	22.40	15.92	20.95	4.20

Source: Elaborated with data from [Banco de México \(2016\)](#).

*First quarter of 2016.

FINANCIALIZATION PROCESS EFFECTS ON THE PRODUCTIVE INVESTMENT

On the other hand, it was expected that the development of the financial markets, represent a new space for obtaining profit by companies, which thus could carry out more ambitious investment projects; to be said, productive investment would be benefited. In this way, the process under analysis not only has changed the financial logic, but also the companies; to the extent that they are authors that indicate the configuration of a new business logic, called, "corporate governance"; whose main characteristic is the increasing importance that has acquired the financial sphere in the interests of the companies; that have gradually begun to reduce their productive reinvestment levels, in order to increase their participation in activities related to the financial sector ([Aglietta, 2000](#) and [Epstein, 2005](#)).

In this regard, it should be noted that during the past decades, various efforts have been conducted to identify the nature of the relationship between the two sectors involved; and unlike what the paradigm [McKinnon-Shaw](#) argues, authors such as [Xu \(2000\)](#) have not identified a positive relationship. However, there is no general agreement on this point. In fact, authors like [Caprio, Honohan and Stiglitz \(2001\)](#) actually suggest that the expected benefits of the processes in financial liberalization, are not fulfilled; and they only finish by increasing the fragility of the financial institutions, the macroeconomic instability and the probability of financial crises; reason why it is possible to affirm that it automatically contributes to the long term economic growth. In this sense, [Williamson and Mahar \(1998\)](#), performed a study of 34 countries that liberalized their financial systems between 1973 and 1996; and they do not find tests that they indicate that either the process of financial liberalization contributed to improve the levels of saving and investment in the countries

According to [Banerbeck and Tarp \(2003\)](#), the promotion of the competition after a process of financial liberalization, is not a guarantee of which this one elevates the efficiency of the institutions; it is probable that the ruthless competition wears away the value of the bank franchises and generates a banking unstable atmosphere. In other words, the positive effects of the financial development on the economic growth are not guaranteed under a deregulated environment. In this sense, [Lazonick and O'Sullivan \(2000\)](#), demonstrate that the steep provoked financial development from 1980, is responsible for the change in the logic for the obtaining of profits, in the most of the American non financial companies. Establishing, that until the 70s, the profits they looked for in the retention and reinvestment of the resources in the productive scope, whereas in the later years the financial channels have been privileged, restricting the production levels.

In a similar way Orhangazy (2008), presents econometric evidence, with which it affirms that the increase of the profits and the payments related to the financial sector of the non financial companies, have had a negative effect on the investment level, and therefore, in the accumulation. The mentioned above sustaining to an microeconomic level, since the author considers his model with information at a company level.

Econometric methodology

As it was mentioned previously, one of the greater effects of the process under analysis has been the change of logic in dynamics and operation of the non-financial companies; modifying its levels of productive reinvestment; whose increase, according to [Kregel \(2009\)](#), it constitutes an indispensable requirement for the underdeveloped countries obtain periods of sustained growth, through the fortification of its industrial structure. On the other hand, [Keynes \(1936\)](#) consider that the levels of production and occupation, depend directly on the magnitude of the investment.

With the objective to demonstrate that the financial sector development, does not necessarily imply one of equal magnitude for the productive sector, and therefore, it represents a series of risks for this last one; in this case at level of companies; it is that a econometric model is considered, whose variable to explain is the productive reinvestment; whereas the explanatory variables are: the availability of internal funds; the the sales behavior; the indebtedness level that maintains the company; and the financial income that this obtains. This last one, represents the factor of greater interest for the investigation, since it constitutes an indicator of the sense in the relation between the productive and financial activities of the company.

It should be noted, that the model has an microeconomic logic, that is to say, at a company level; reason why some variables, like the exchange rate or the interest rate (an a incentive for the investment), were not considered; with the objective of not changing such logic. In this sense, [Stockhammer \(2004\)](#), considers that the variables in which the company has no incidence, turn out little relevant to show the change in their logic of operation.

The data base construction represented one of the greater obstacles to raffle, given the statistical information shortage related to the subject. In fact, there is no formal follow-up on the accounting of small and medium enterprises (SMEs); the limited information available refers to the big ones; which makes it impossible to form a representative statistical sample of the entire Mexican business sector. However, the database "[Economatica](#)" which provides accounting information for all companies listed on the Mexican Stock Market, were consulted; and if it is true, the base only considers big companies; so the sample formed is not representative of the entire business sector; if it is for the objective of the proposed model; since they are the only ones with access to the stock market. Aspect that is necessary to be able to quantify their profits from the financial sector; and thus, to show the nature of the relationship between the financial sector and productive investment; at the company level.

Initially, the intention was to include all the companies listed, nevertheless, some did not display the total of its countable entries. Reason why it was decided to solely consider the ones that counted with the necessary information for the estimation of the model. In addition, the fact to include only companies whose main activity outside the productive character was decided, that is to say, the ones dedicated to financial services were discarded, because the main objective of the model, is to recognize the potential risk that the development of the financial activities can represent for the productive sector. In this way, a sample of twenty companies was set; with data for period 1996-2015, quarterly and ordered according to its level of importance in the index of prices and quotations.

Once the described data base was elaborated, a construction of a set of analytical variables was carried out, the ones considered were the pertinent for the proposed model; this was as a mechanism of prevention before the fact that some variables were non significant at the moment of the estimation; that is to say, it was chosen to consider more than an analytical option for each one of the elements proposed in the model. It is pointed out that prior to the model estimation, tests like unit root and causality were performed in the sense of Granger, to the different analytical variables. And in this case, all the variables turned out to be stationary, under the unitary root tests that the econometric package offers (Eviews). In addition to the already mentioned, the statistical analysis results of the series, were consistent with the behavior expected of the variables.

Estimation and results of the model

Later, the variables to be included in the final model were identified; for which it was necessary to carry out a systematic process of variables combination. That is to say, different models were estimated, constructed from the analytical variables initially raised; with the objective, not only to identify the most representative and significant variables, but also, to avoid any

error of specification in the model. It should be noted that all the analytical variables were constructed from the statistical information of the "[Economatica](#)" database. In this way, it was possible to define the model that is described next.

$$Inv = FInt + Dem + Ende + YFin$$

Where: *Inv* = Productive investment, *FInt* = Internal funds available, *Dem* = Demand level (sales), *Ende* = Indebtedness, *YFin* = Financial income

Given to the characteristics of the data and the objectives pursued, the methodology used for the estimation of the model, is the generalized least squares data panel and the cross-section weights SUR (Seemingly Unrelated Regressions), that makes possible the incorporation of the specific characteristics of each company, as well as the correction of cross-sectional heteroscedasticity and the contemporary correlation. This, after considering the model under the different options that the software offers, for example, cross-section weights and SUR period. The variables that finally were including in the model, are described next:

- CINVP is the dependent variable that works like indicator of the productive investment, or in other words, that that is destined to a plant.
- UTIPLAN, is an explanatory variable that considers the utilities with respect to the plant.
- CVTAS (-1) is an explanatory variable that represents the growth of the sales with a delay, under the idea that the sales in the past, determine the expectations that the company generates on the future demand.
- PROVCTOS, is one of the analytical variables proposed to represent the financing of the company. In this case one is the one coming from the providers in proportion to the total costs.
- CYFIN (-1), is the last of the explanatory variables; included to consider the growth of the financial income, in this case with a delay.

It is worth highlighting, that different tests corresponding to the model were performed; and this one, did not display any problem that endangers the validity of its results. Next, the most relevant results are described for the estimated model.

Table 3. Investment Model (Results)

Dependent Variable: CINVP
 Method: Panel EGLS (Cross-section SUR)
 Sample (adjusted): 1996Q2 2015Q3
 Periods included: 78
 Cross-sections included: 20
 Total panel (unbalanced) observations: 1541
 Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UTIPLAN	0.134510	0.014781	9.100355	0.0000
CVTAS(-1)	0.247336	0.008513	5.548001	0.0000
PROVCTOS	0.009217	0.001573	5.860830	0.0000
CYFIN(-1)	-0.191085	0.360087	-1.193788	0.0327

Weighted Statistics			
R-squared	0.788532	Mean dependent var	0.030318
Adjusted R-squared	0.770561	S.D. dependent var	1.039792
S.E. of regression	0.997748	Sum squared resid	1530.085
Durbin-Watson stat	1.934371		

Unweighted Statistics			
R-squared	0.034838	Mean dependent var	0.003953
Sum squared resid	2.987067	Durbin-Watson stat	1.995537

Source: Elaborated with Econometric Views 6.0



The first of the explanatory variables, displays a behavior according to the conventional theory, that is to say, is extremely logical the fact that the utilities keep a positive relation with the degree of productive investment, since all the companies that do not generate utilities, not only will jeopardize its productive reinvestment, but also its permanence in the market, nobody with economic interests would participate in the market if it does not mean the entry of earnings. And although this relation is relatively obvious, does not lack value for the model, since it represents an indicator of the correct interaction between the variables that conform it.

Regarding the relation that the growth presents in the delayed sales in a period, and the one of the investment in plant, it is also comprehensible, since the last sales always constitute an important indicator for the companies, at the moment of determining its future demand; what explains the positive sign of the coefficient. Similarly, the relation of the dependent variable with the financing granted by providers is positive, nevertheless, the coefficient observed is low; what could be explained by the characteristics of the companies that conform the sample

In the end, the relation of the growth of the financial income and the investment in plant, turns out to be of a negative sense, which evidently contrasts with the conventional theory that it maintains to the existence of a positive relation between the growth of the financial activities and the productive ones. It is certain that the estimated model is susceptible of improvements, however, this result is very meaningful; since it corroborates the essence of this work, on the potential risk that represents the process of financialization for the domestic productive sector.

The previous validates some of the most important features of the process under analysis, for example, the increase of the participation in financial activities by the non financial companies; that constitutes one of the main channels by which according to [Stockhammer, \(2009\)](#), a gradual transference of resources has been carried out, from the productive sector, towards the financial; that implies a reduction of the long term productive investment. And it is that the obtained results of the considered model, allow to infer that the resources, previously destined to the increase of the productive capacity, gradually are flowing towards activities of financial nature, that explains that the growth in the companies's financial income that compose the sample, is not linked in a positive way with the investment. What in turn, suggests that the link between the financial income and the real behavior of the company, has been weakened in the last years; in addition, it becomes feasible that these income are destined again towards financial activities; that in no way is beneficial as far as growth and economic development refers.

The fact that the productive investment is not favored by the development of the financial activities, it represents a serious risk for the country, in terms of growth and economic development; it is enough to remember that for [Prebisch \(1962\)](#), this investment is the only detonating able to be beginning an industrialization process, that for the underdeveloped countries, it represents the main way to obtain benefits from the technical progress; and with it, progressively elevate the population standard of living. In this sense, [Reinet \(2004\)](#), indicates that no country with successful development has been able to avoid the “forced step” of internal industrialization via productive investment, that promotes the development of industries with increasing benefits, and maintains the gains of productivity under the form of increasing internal real wages.

CONCLUSION

Throughout this work, the two main links between the financial and the productive sector were approached, that is the essence of the process of economic financialization. On the one hand, the effects of the remarkable development of SFM, on financing to the private sector, were analyzed; mainly from commercial banking. And on the other, a econometric model was considered to know the nature of the relation between the productive investment of a group of big companies and its yields obtained via financial channels. The results obtained, contrast with what the orthodox theory argues to the subject; and it does not seek to refute the postulates of this theory, but to generate awareness of the need to pay more attention to the process of financialization; since in the case of the Mexican economy, financial sector development, it is one of the main short-term trends.

According to [Palley \(2008\)](#), there is a series of activities in which the companies incur; they denote the configuration of the financialization process; for example, a greater indebtedness, a smaller emission shareholder, repurchase of actions, redistribution of utilities and labor flexibility. And although it is certain, this work does not deepen in the Mexican companies's behavior, to the point of being able to verify in its totality, the different mentioned characteristics; yes it manages to indicate a negative potential relation between the financial sector and the productive one; that it constitutes the last objective of the work; and that represents as well, a solid argument to sustain that the case of the Mexican economy, a financialization process has begun to be configured.

Is important to indicate that in no way in this investigation the importance that the relationship between the financial and productive sector have, is mistrusted, for the growth and development of an economy like the Mexican one; however, it is not



considered that all process of financial liberalization or some other reform causes the development of the financial sector, it necessarily will mean positive effects for the economy as a whole. For the relationship to be positive, a series of conditions must be met; therefore, the virtuous link holding [McKinnon \(1973\)](#) and [Shaw \(1973\)](#), should be considered as a specific case of success, not the general rule.

In the case of the Mexican economy, is difficult to determine if the transition of its financial system; from a scheme characterized by repression, towards one of free market; can be considered as a successful process. Because if the parameter used for it, is the development of the financial sector, then, such transition fulfilled the initial expectations; but other aspects are considered, like the fortification of the industrial network or the growth and general development of the economy; then, the verdict is different; mainly because the SFM presents a series of distortions, that impede their correct relation with the productive sector of the country.

The above, forces to strengthen the links between the productive and the financial sector; and for that reason a credit policy must be promoted according to the necessities of the Mexican companies; that promotes the productive financing from the commercial banking, and the bank of development, with which the capacity of the credit canalization to strategic activities according with an industrialization process, so necessary for the country; and with the same objective, a monitoring of the industrial activities will have to be carried out, that allows to increase the efficiency of the long term investm

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